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The world this week

Politics

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During a visit by Binyamin Netanyahu, **Israel's** prime minister, to the White House Donald Trump suggested that the [2m Palestinians in Gaza](#) should be “permanently” resettled in neighbouring countries and that there should be a full American takeover of the strip. Mr Trump said the enclave could be developed into the “riviera of the Middle East”. Egypt and Jordan retorted that they would not host displaced Palestinians. The UN warned deportations would be tantamount to ethnic cleansing and breach international law. Saudi Arabia rejected the suggestion and reaffirmed its support for a Palestinian state. Mr Netanyahu said the idea was “worth paying attention to”. Israel's far-right welcomed the plan.

Mr Trump issued an order reinstating his “maximum pressure” campaign on **Iran** by enforcing sanctions aiming to reduce its oil exports to zero.

Ahmed al-Sharaa, the newly appointed interim president of **Syria**, laid out his vision for the country. In an [interview with *The Economist*](#) he outlined a timetable for taking Syria in “the direction of” democracy and promised presidential elections, but was non-committal on the question of Islamic law and women's rights. He criticised America's “illegal” military presence in Syria and welcomed talks with Russia about its military bases.

In eastern **Democratic Republic of Congo** a “humanitarian” ceasefire declared by an alliance of rebel groups, including M23, which is backed by Rwanda, appeared to be breaking down. The [capture of Goma](#), the largest city in eastern Congo, has marked an escalation in a conflict that spans decades. At least 900 people have been killed in recent fighting around the city, and possibly as many as 3,000. The rebels said they had no intention of attacking Bukavu, another city along the Rwandan border, and asked South Africa to withdraw its forces from Congo.

The future of the [US Agency for International Development](#) looked to be in doubt after Donald Trump said it was run by “radical lunatics” and Elon Musk suggested he had the president's support to shut it down as part of his crackdown on government waste. Marco Rubio, America's secretary of state, was then appointed as USAID's acting director. Its website was shut and staff were told to work from home.

There's a new sheriff in town

The president of [Panama](#), José Raúl Mulino, announced that he would not renew an investment agreement with China. This came after a visit to Panama by Mr Rubio, who warned its government to take immediate steps over what he said was China's “influence and control” over the Panama Canal. Mr Trump repeated his threat to take command of the waterway, which would violate Panama's sovereignty over it.

Mr Rubio also visited [El Salvador](#), where the president, Nayib Bukele, offered to “outsource” the country's prisons to America. Mr Bukele suggested that Salvadorean gang members in the United States as well as American citizens convicted of crimes could be incarcerated in El

Salvador's penal system for a fee. His crackdown on gang violence at home has led to a dramatic fall in murders.

Mr Trump signed an executive order banning **transgender** women and girls from participating in women's sports in colleges and schools. If educational institutions don't comply they will lose federal funding. The order, which relies on existing equal opportunity laws, aims to "protect all-female athletic opportunities and all-female locker rooms".

The appointments of **Tulsi Gabbard** and **Robert F. Kennedy junior** for the positions of director of national intelligence and health secretary were approved by the Senate committees overseeing those policy areas, after a few wavering Republicans fell into line at the last minute. The whole Senate now votes on whether to confirm them.

The lower house of Congress in the **Philippines** voted to impeach Sara Duterte as vice-president. Ms Duterte has been feuding with the president, Ferdinand "Bongbong" Marcos, ever since their election in 2022 (the president and vice-president are elected separately). She has been accused of misappropriating funds and last year raised the prospect of assassinating Mr Marcos. She denies any wrongdoing. The Senate will not hear her impeachment trial until June.

Australia banned **DeepSeek**'s chatbot app and website from all government devices and computers over national security concerns, though the government insists the ban is not linked to DeepSeek's Chinese origins. Taiwan has also prohibited the use of DeepSeek in government departments.



A gunman shot dead 11 people at an educational facility in the Swedish town of Orebro, the worst mass shooting in **Sweden's** history. The suspect then apparently shot himself. Police said there was no ideological motive for the attack.

The **French** prime minister, François Bayrou, used a constitutional rule to push the government's budget through parliament without a vote. Arguments over the budget led to the downfall of Mr Bayrou's predecessor, Michel Barnier, in December. Mr Bayrou survived two votes of no confidence after the hard right and the Socialists withdrew their support for the motions.

Bart De Wever, a Flemish nationalist, was sworn in as **Belgium's** prime minister, leading a new coalition government headed, for the first time in the country's history, by a party from the hard right. Mr De Wever's N-VA party took the most seats in an election last June. In a speech to parliament he said his government's priorities would include a crackdown on migration and increasing defence spending.

Germany recorded 213,000 asylum applications in 2024, down by 34% from the previous year. And, according to the police, illegal arrivals fell by a similar percentage, to 83,500. The coalition government said this proved

its tougher border measures were working. It faces probable defeat at a general election on February 23rd, at which migration is a big issue.

Norway's governing coalition collapsed in a row over implementing energy directives from the EU. The Labour Party is now governing alone and has appointed Jens Stoltenberg, who was NATO's secretary-general for a decade before stepping down last year, as finance minister. A general election looms in September.

An election was called in **Greenland** for March 11th. The biggest issues will be the island's relations with Denmark and Donald Trump's proposal that America take it over.

Armen Sargsyan, the commander of a pro-Russian paramilitary group in eastern Ukraine, was killed by a bomb in Moscow. Russian media said it was an assassination. The SBU, **Ukraine**'s security service, had recently described how Mr Sargsyan enrolled convicts to fight against Ukraine. In December Ukraine admitted that it had killed General Igor Kirillov, head of Russia's biological and chemical warfare division, with a bomb in Moscow.

Nul points

In an unexpected turn to soft power, Vladimir Putin said a Russian alternative to this year's Eurovision Song Contest would be held in Moscow. Russia was booted out of **Eurovision** when it invaded Ukraine. Mr Putin's revival of the Intervision Song Contest will feature contestants from countries like Belarus, China and Cuba. Unlike the often extravagant gay-friendly performances at Eurovision, it will focus on sober, traditional family values. North Korea could even make an appearance.

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The world this week

Business

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Donald Trump [announced](#) and then [postponed punitive tariffs](#) of 25% on goods from Canada and Mexico. The American president is using the threat of tariffs to press both countries to stop the flow of migrants and fentanyl across the border. He granted a 30-day reprieve following urgent talks with Claudia Sheinbaum, Mexico's president, and Justin Trudeau, Canada's prime minister. Both leaders promised to boost their border security. Both had earlier vowed to retaliate with tariffs of their own on American products. The European Union said it would also retaliate after Mr Trump said he would "definitely" impose tariffs on EU imports over America's trade deficit with the region. Global markets shuddered.

The phoney war

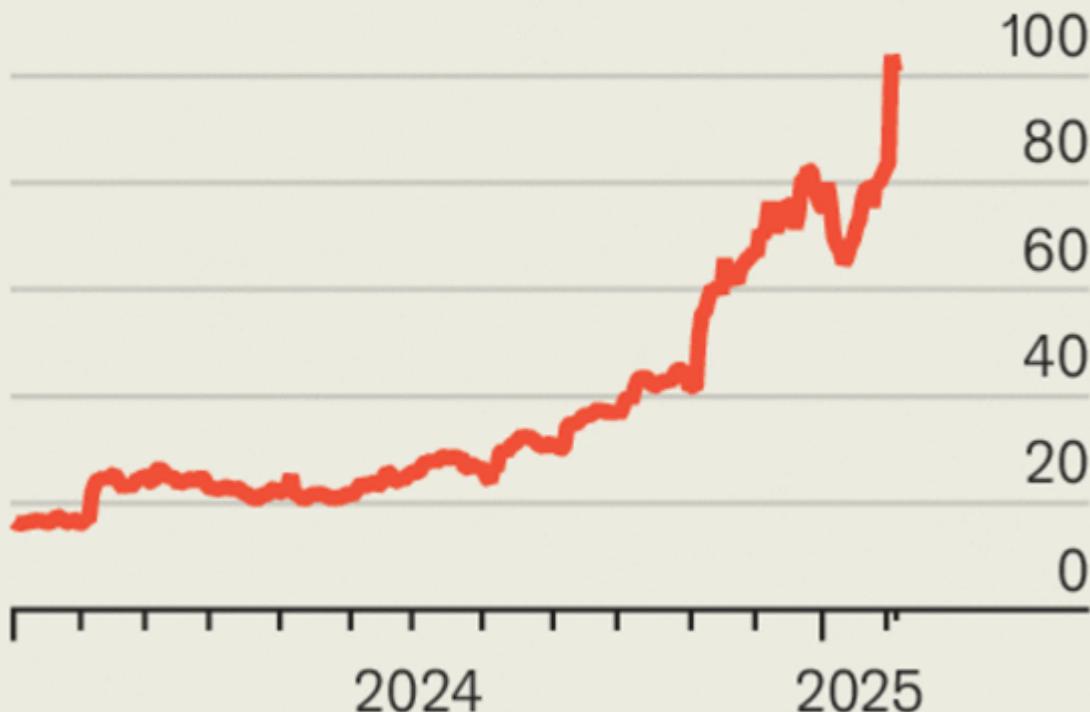
Mr Trump did impose extra tariffs of 10% on **Chinese imports**. [China responded](#) with limited duties on a range of American goods, tighter export controls on critical minerals and an antitrust investigation into Google, which has little presence in China. Its muted response raised hopes that the two sides will negotiate.

The tremors from the political earthquake in Washington spread to the **Consumer Financial Protection Bureau**, a watchdog that the Republicans have wanted to abolish ever since its creation after the global financial crisis of 2007-09. Donald Trump dismissed Rohit Chopra as head of the bureau and Scott Bessent, the treasury secretary, took over as acting director. Mr Bessent immediately put the CFPB's investigations and proceedings on hold.

The chief executive of **Hewlett Packard Enterprise**, Antonio Neri, said his company would fight the Justice Department's attempt to block its \$14bn acquisition of **Juniper Networks**. The department's lawsuit claims the takeover would reduce competition in the market for networking equipment, but Mr Neri said its reasoning is flawed. The deal has already been approved in Britain and the EU.

Palantir

Share price, \$



Source: LSEG Workspace

The share price of **Palantir** surged to a new high, after the data-analytics company produced a bumper set of earnings and described demand for its artificial-intelligence software as “untamed”. The company focuses primarily on the defence industry and has benefited from the election of Mr Trump. Alex Karp, the CEO, described the new government’s cost-cutting drive as a “revolution”, which would benefit Palantir because of its data-crunching expertise.

By contrast, **Alphabet’s** stock sank after its quarterly earnings disappointed investors. Revenue from its cloud business grew by 30%, year on year, but this was less than the 35% in the previous quarter. Alphabet suggested it

didn't have the capacity to meet demand. It also anticipated investing \$75bn on data centres this year, up from \$53bn last year.

What market rout in AI?

OpenAI and SoftBank announced a venture that will develop AI across the Japanese conglomerate's subsidiaries. SoftBank is investing \$3bn a year in the project, named **Cristal Intelligence**. Its aim is to create AI agents for "knowledge work" that will automate mundane tasks, such as generating financial reports and managing customer inquiries. It will also be marketed to other companies in Japan. Masayoshi Son, SoftBank's boss, said he now believes that the ability of AI to match or surpass humans across a range of cognitive tasks will happen much sooner than he had predicted.

The **Bank of England** reduced its benchmark interest rate from 4.75% to 4.5%. Two members of the monetary committee voted for an even larger cut of half a percentage point. The bank said that inflation in Britain remains "somewhat elevated", and economic growth "has been weaker than expected".

The release of "Moana 2" and "Mufasa: The Lion King" helped **Disney's** earnings come roaring back to life in the last three months of 2024. Operating income at the company's entertainment division, which includes films, grew by 95% in the quarter, year on year. Revenue from streaming was up by 9%. "Inside Out 2", "Deadpool & Wolverine" and "Moana 2" were the top three box-office hits worldwide in 2024.

Quarterly revenue and profit at **UBS** came in above market expectations, which the Swiss bank said was a result of strong demand from institutional and private clients following the election of Mr Trump. It warned, however, that its plans for a \$3bn share buy-back could be derailed by possible higher capital requirements in Switzerland.

UPS announced that it was reducing the amount of shipments it handles from Amazon by 50% so that it can focus on more profitable business. The US Postal Service recently adjusted its fees, shaking up the economics of

parcel deliveries. We are “taking control of our destiny”, said Carol Tomé, the chief executive, before UPS’s share price sank by almost 15%.

Spotify reported its first annual profit since launching in 2008. The music and podcast streaming platform now has 675m monthly active users.

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The world this week

The weekly cartoon

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Dig deeper into the subject of this week's cartoon:

[America's scheme for Gaza contains much to regret](#)
[Donald Trump's eye-popping plan to make Gaza American](#)

The editorial cartoon appears weekly in The Economist. You can see last week's [here](#).

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The Economist

This week's cover

How we saw the world

Feb 06, 2025 06:32 PM

THIS WEEK we examine the rapid growth of online scamming, an industry that steals over \$500bn a year from victims all around the world. We introduce “Scam Inc”, our eight-part podcast series, which investigates the crimes involved in online scamming, the criminals who carry them out and the untold suffering they cause. The industry’s rise is the most significant change in transnational organised crime in decades. We explain how it works and what authorities can do to stop it.

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SCAM INC



How the world's most dangerous illegal industry really works

Leader: [The vast, sophisticated and fast-growing global enterprise that is Scam Inc](#)

Briefing: [Online scams may already be as big as scourge as illegal drugs](#)

Podcast series: [Scam Inc](#)

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Leaders

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American business and politics :: A worthwhile idea is straying into cruelty and, possibly, illegality
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International crime

The vast, sophisticated and fast-growing global enterprise that is Scam Inc

Online scamming leaves nobody safe

Feb 06, 2025 06:32 PM



EDGAR MET Rita on LinkedIn. He worked for a Canadian software company, she was from Singapore and was with a large consultancy. They were just friends, but they chatted online all the time. One day Rita offered to teach him how to trade crypto. With her help, he made good money. So he raised his stake. However, after Edgar tried to cash out, it became clear that the crypto-trading site was a fake and that he had lost \$78,000. Rita, it

turned out, was a trafficked Filipina held prisoner in a compound in Myanmar.

In their different ways, Edgar and Rita were both victims of “[pig-butchering](#)”, the most lucrative scam in a global industry that steals over \$500bn a year from victims all around the world. In [“Scam Inc”, our eight-part podcast](#), *The Economist* investigates the crime, the criminals and the untold suffering they cause. “Scam Inc” is about the most significant change in transnational organised crime in decades.

Pig-butchering, or *sha zhu pan*, is Chinese criminal slang. First the scammers build a sty, with fake social-media profiles. Then they pick the pig, by identifying a target; raise the pig, by spending weeks or months building trust; cut the pig, by tempting them to invest; and butcher the pig by squeezing “every last drop of juice” from them, their family and friends.

The industry is growing fast. In Singapore scams have become the most common felony. The UN says that in 2023 the industry employed just under 250,000 people in Cambodia and Myanmar; another estimate puts the number of workers worldwide at 1.5m. In “Scam Inc” we report how a man in Minnesota lost \$9.2m and how a bank in rural Kansas collapsed when its chief executive embezzled \$47m to invest in crypto, under the tutelage of a fake online woman, called Bella. A part-time pastor, he also stole from his church.

Online scamming compares in size and scope to the illegal drug industry. Except that in many ways it is worse. One reason is that everyone becomes a potential target simply by going about their lives. Among the victims we identify are a neuroscience PhD and even relatives of FBI investigators whose job is to shut scams down. Operating manuals give people like Rita step-by-step instructions on how to manipulate their targets by preying on their emotions. It is a mistake to think romance is the only hook. Scammers target all human frailties: fear, loneliness, greed, grief and boredom.

Another reason scamming is worse than drugs is that the industry is often beyond the reach of the law. In the physical world pig-butchers work from compounds that host production lines of scammers and are a cross between a prison camp and an old-fashioned company town, with supermarkets,

brothels and gambling dens—as well as torture chambers for workers who cause trouble. Some of the profits buy protection from politicians and officials. In the Philippines a Chinese national called Alice Guo became the mayor of a small, run-down town and built a scamming complex there with about 30 buildings. Over \$400m passed through her bank accounts in 2019-24. In Cambodia, Laos and Myanmar cybercrime is a mainstay of the economy. Scam states are likely to become even harder to deal with than narco states.

The scammers are just as elusive in the online world. The Chinese criminal syndicates running them are not hierarchical mafias. Instead, they form an underground gig economy. One group may specialise in contacting marks, another in coaching them to invest in crypto and a third in laundering their stolen money. The digital fracking of human frailty is highly scalable.

The last reason the scamming is worse than drugs is that it is so innovative. Crooks use advanced malware to harvest sensitive data from victims' devices. Online marketplaces trade tools and services, including web domains, artificial-intelligence (AI) software and torture instruments. Cryptocurrency enables crooks to move money quickly and anonymously into the real world. Regardless of its merits, the crypto deregulation under way in America will give them fresh opportunities.

AI will turbocharge this innovation. Even today, just 15 seconds of someone's voice is enough to produce a clone that criminals use for impersonation. An employee in the Hong Kong office of Arup, a British engineering firm, was tricked into paying out \$25m by a video call with deepfakes of his colleagues, including the head of finance. By combining voice-changing and face-changing AI with translation services and torrents of stolen data sold on underground markets, scammers will be able to target more victims in more places. Criminals will also be able to use analytics to search through large data sets for wealthy, lonely or troubled people who make promising targets.

Online scams will be even harder to curb than the drugs trade—and, in contrast with drugs, the option of legalisation, regulation and treatment is not available. Education may help. In Singapore warnings pop up on public transport and during online transactions. But policing must also change.

To fight the scammers, the authorities must create networks of their own. Today too many police forces that devote huge resources to combating the drugs trade treat scamming as a nuisance and victims as dupes. Instead they need to work with banks, crypto exchanges, internet-service providers, telecoms companies, social-media platforms and e-commerce firms. Singapore has established a nerve centre where police, banks and e-commerce firms can track and freeze money in an instant as scammers move loot between accounts.

Spare them from the butcher's knife

Countries also need to look across their borders. When criminals move money and people through many jurisdictions, global law-enforcement machinery cannot keep up. Many scam bosses are from mainland China and the Chinese Communist Party arrests hundreds of thousands of alleged scammers each year. No country understands the scale and sophistication of the criminal groups better. At a time when America and China are at loggerheads, scamming is one area where they could—and should—work together for the common good. ■

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American business and politics

The meaning of Donald Trump's war on woke workers

A worthwhile idea is straying into cruelty and, possibly, illegality

Feb 06, 2025 06:32 PM



IT AMOUNTS TO a bonfire of rainbow tape. Donald Trump has declared war on DEI, or diversity, equity and inclusion. He is already reshaping American institutions. Companies are abandoning programmes that they had put in place to increase the racial and gender diversity of their workforces (or at least renaming them to avoid Mr Trump's ire). The whiplash has been most severe inside the federal government. There, Mr Trump's people, in the form of Elon Musk and his DOGEtenants, are uprooting DEI staff, programmes and contracts with unseemly relish. A reasonable idea for reform is straying into self-defeating cruelty and, possibly, outright illegality.

Insofar as [Mr Trump's moves against DEI](#) are designed to make America more meritocratic, they are welcome. Firms owe their shareholders an open competition for jobs. In recent years they have paid lip service to anti-discrimination laws while intervening to diversify their labour force. Such policies were justified by research by McKinsey, a consultancy, tying diversity to profits. But the methodology has been criticised, the causality unproven and other studies have reached different conclusions. Indeed the policies may backfire by casting suspicion on the merits of minorities and women who are promoted. One of the most flagrant interventions—a rule which required companies listed on Nasdaq to have a diverse board, or explain why they did not—was shot down by an appeals court in December. Since the election, firms including Google, McDonald's and Target have scrapped policies designed to engineer the composition of their workers and suppliers.

What is extravagant in business often becomes even more wasteful in government. That is why Mr Trump is right to scrap affirmative-action rules in the bureaucracy. Quite how much money might be saved by dismantling diversity initiatives within government services is unclear, but the Veterans Affairs Department alone has suspended 60 workers. The same is true for rules that govern companies tendering for government contracts. Removing them will lower the cost of doing business with the government and thereby boost competition.

Yet the way Mr Trump is enforcing his mandate is dangerous and cruel. He has asked officials to produce reports that shame the worst DEI offenders, including companies. His vague anti-DEI order for firms seems crafted to take on progressive initiatives in the workplace rather than just reverse discrimination. Anti-bias training, affinity groups and identity months may often be associated with corporate mediocrity. But whether a particular company sees them as useful should be for its shareholders, customers and employees to sort out between themselves. It should not be determined by fiat in the White House.

The president's relationship with the bureaucracy is different. Here Mr Trump has a legitimate role in determining how the administration should work. Yet he is trying to pin everything on DEI. Last week, without any

evidence, he blamed a collision between a passenger jet and a military helicopter on diversity hiring. He was exploiting a tragedy in an apparent bid to prove that his sweeping approach was necessary.

Worse, the attack on DEI looks more like a [purge of any civil servant](#)—whom his DOGEtenants suspect of disloyalty. Some with only minimal connections to past diversity efforts are reportedly being placed on leave. When explaining her boss's desire to shut down USAID, the main American development agency, the White House press secretary rattled off a list of DEI initiatives as justification. However, whatever the benefits of scrapping DEI, the government cannot simply flout the law. Indiscriminate witch hunts and institution-wrecking are probably illegal. Even if he gets his way, they are certain to backfire. ■

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MAGA in Gaza

America's scheme for Gaza contains much to regret

As well as some hard truths

Feb 06, 2025 06:32 PM



DONALD TRUMP'S first two weeks in the Oval Office have featured plenty of jaw-dropping moments. Even so, his proposal of an American "takeover" of Gaza on February 4th was extraordinary. He combined sinister ideas—ethnic cleansing and a lethal indifference towards Palestinians' rights—with unorthodox improvisation over one of the world's most intractable problems. In his first term Mr Trump brokered the Abraham accords between some Arab states and Israel, and in January he helped bring about the temporary ceasefire in Gaza that had eluded the Biden administration for a year. It is possible his latest intervention also

shakes up the Middle East. The danger is it will embolden hardliners and deter America's allies from supporting his efforts to promote stability.

Mr Trump explained [his plan](#): immediately after a meeting in the White House with Binyamin Netanyahu, Israel's prime minister. Diplomats had expected Mr Trump to press a reluctant Mr Netanyahu into advancing to the second stage of the ceasefire in Gaza, in which all hostages would be returned and Israeli forces would stop fighting and exit Gaza. Instead Mr Trump proposed that 2m Gazans be urged or forced to leave the strip for Jordan, Egypt or elsewhere. American troops might have a role, he said.

After the deportations, the president said, the enclave would be rebuilt by America, with outside cash, to become "the riviera of the Middle East", at which point some Palestinians might return. He implied that, in return for prosperity, they should forget their historical dispossession and abandon their dreams of statehood. Mr Trump's broader vision is to extend the Abraham accords to Saudi Arabia, and to use this new American, Israeli and Sunni Arab grouping to contain Iran's regime, which is close to getting a nuclear bomb. Hours before his remarks on Gaza, Mr Trump issued an order reinstating his "maximum pressure" campaign on Iran by enforcing sanctions to squeeze its oil exports to zero.

It doesn't take a Nobel peace prizewinner to spot the problems with Mr Trump's plan. Morally, it is a call for conquest and ethnic cleansing that places no weight on the Palestinians' right to self-determination or self-government. By proposing it, Mr Trump is giving succour to the might-is-right worldview of Russia and China. Practically, it is a non-starter. American voters have no appetite to send more troops to the Middle East. America's record of nation-building there is poor, as Mr Trump has previously noted. The Arab nations being asked to host uprooted Gazans would struggle with the influx. The public backlash over a Palestinian displacement could even endanger their leaders' hold on power. No wonder Mr Trump's officials began to walk back his plan the next day, asserting that he had not promised to use American troops, and that the Palestinian displacement would be temporary.

Yet Mr Trump's diagnosis also contains shards of truth. He is right that Gaza is a "hell hole", shattered by war. And that this will not change so long

as Israelis feel too insecure or emboldened to pursue peace, Hamas has a hold over Gaza, the Palestinian Authority (PA) festers in the West Bank and the world pays lip service to a two-state solution. “You can’t keep doing the same mistake over and over,” Mr Trump said.

He is also right that more taboo-busting thinking is needed to give Gaza’s young people space. For instance, the territory could lease land from Egypt in the neighbouring Sinai or even reclaim land from the sea. Falling back on the old formula of a flawed UN agency perpetuating Gazans’ hopeless refugee status, and pretending to prepare for the return of the PA, is to recreate the conditions that allowed Hamas to thrive and arm itself for war.

There is a narrow path to peace. It would require the transformation or recusal of Hamas’s leadership in Gaza, with an Arab-and-PA-led security force restoring order and Western and Gulf cash. In parallel, talks about two states could unlock the regional alliances and bargains Mr Trump dreams of.

The Middle East desperately needs new thinking, yet by blurting out a proposal that is impractical, unethical and unprepared, Mr Trump has sapped American credibility. He may end up causing turmoil and empowering extremists. Hamas is now arguing that America doesn’t care about Gazans. Israel’s hard right can cling to its dream of expelling the Palestinians from Gaza and building settlements there. And Mr Trump is also estranging the allies he needs to make peace. He may have hoped to use the threat of expelling Gazans to get Saudi Arabia to recognise Israel. More likely, the Saudis will find it impossible to reach a compromise. ■

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The end of the beginning

It's not over: Donald Trump could still blow up global trade

Ideology, complacent markets and a need for revenue may still lead to big tariffs

Feb 06, 2025 06:33 PM



IF DEALMAKING MEANS threatening catastrophe in order to win small gains, then Donald Trump is the master of the art. Having [threatened Canada and Mexico with 25% tariffs](#) which would have imperilled the carmaking that criss-crosses North America's borders, he granted them both a [30-day reprieve](#) on February 3rd. In return, he got a modest boost to their help securing America's frontiers, including from 10,000 extra Mexican troops, plus the reiteration of some old promises.

Was the “[dumbest trade war in history](#):” also the shortest? Investors seem to think so. For months they saw Mr Trump’s threats as negotiating ploys. Then, as tariffs loomed, the S&P 500 index of American stocks fell by 3%. But since the first deal with Mexico they have recovered their poise, and more than half their losses.

Unfortunately, that looks like complacency. It would be a mistake to conclude Mr Trump’s trade aggression is a tactical distraction. More probably, it is only just getting started.

For one thing, a blanket 10% tariff really did go into effect against China—adding more than half as much again to existing average levies on the country. China has set out its retaliation, which will come into force on February 10th. And Mr Trump has vowed to strike more blows, including, perhaps, to fulfil his threats against the European Union and Taiwan.

For another thing, the president genuinely believes that tariffs would be good for the American economy. It is true that in his first term Mr Trump repeatedly backed out of tariff threats; America’s effective average tariff rate rose by just 1.5 percentage points. Ever the showman, he delights his base by throwing America’s weight around and boasting of his victories.

However, he repeatedly sets out his vision for the re-industrialisation of America by force. He wants manufacturers to choose between tariffs and moving production to America—which he promises will be a low-tax, deregulated business paradise. He also castigates countries with which America runs trade deficits, which he calls “subsidies”, as if buying from a foreigner involved a gift rather than a beneficial transaction. And he has extolled the federal budget of the late 19th century, under presidents including William McKinley, when America’s federal government raised much of its revenue from tariffs because there was not yet a federal income tax.

That leads to the biggest reason to fear tariffs, which is that the federal government needs the money. Its deficit in 2024 was 6.9% of GDP. Official forecasts show this remaining above 5%, despite assuming that many of Mr Trump’s tax cuts from his first term will expire as scheduled at the end of 2025.

In reality Republicans want to renew those tax cuts and then some. Mr Trump is odd in his belief that tariffs are desirable on their face. But plenty of Republicans may prefer them to defying him and putting up income taxes. A 10% universal tariff would raise about 1% of GDP in annual revenue—not much less than the cost of renewing Mr Trump's earlier bill. Today's rules prevent a simple majority in Congress from passing budgets that raise deficits more than ten years into the future. So if universal tariffs were in the law, it might enable permanent tax cuts. As a result, although it is impossible to imagine a wholesale return to the 19th-century tax system—not least because America's government is a far bigger share of the economy—a step in that direction is all too plausible.

The blow to the global economy would be profound. Mr Trump is right that America holds the cards in a trade war. It is an enormous, diverse free-trade zone with plentiful natural resources. The big costs of a step towards autarky would be borne by places that depend on America for trade, none more so than its immediate neighbours. However, the Smoot-Hawley levies that helped wreck global trade in the 1930s raised America's tariff rate by only six percentage points, and from a much higher starting-point. Their effects were exacerbated by deflation and the retaliation against America that followed. Thankfully, today's world economy is much healthier, but retaliation is still certain. And if a trade war can rage when there is no global slump, what happens when a recession hits?

Hold your fire

Mr Trump is sensitive to Wall Street's opinion, viewing the stockmarket as a kind of presidential scorecard. If it concludes that he is always bluffing when he threatens self-harming policies, it will fail to move—making him think it is safe to follow through. Expect, therefore, that the president will take the global trading system to the cliff edge repeatedly, each time with a growing risk that he pushes it over. ■

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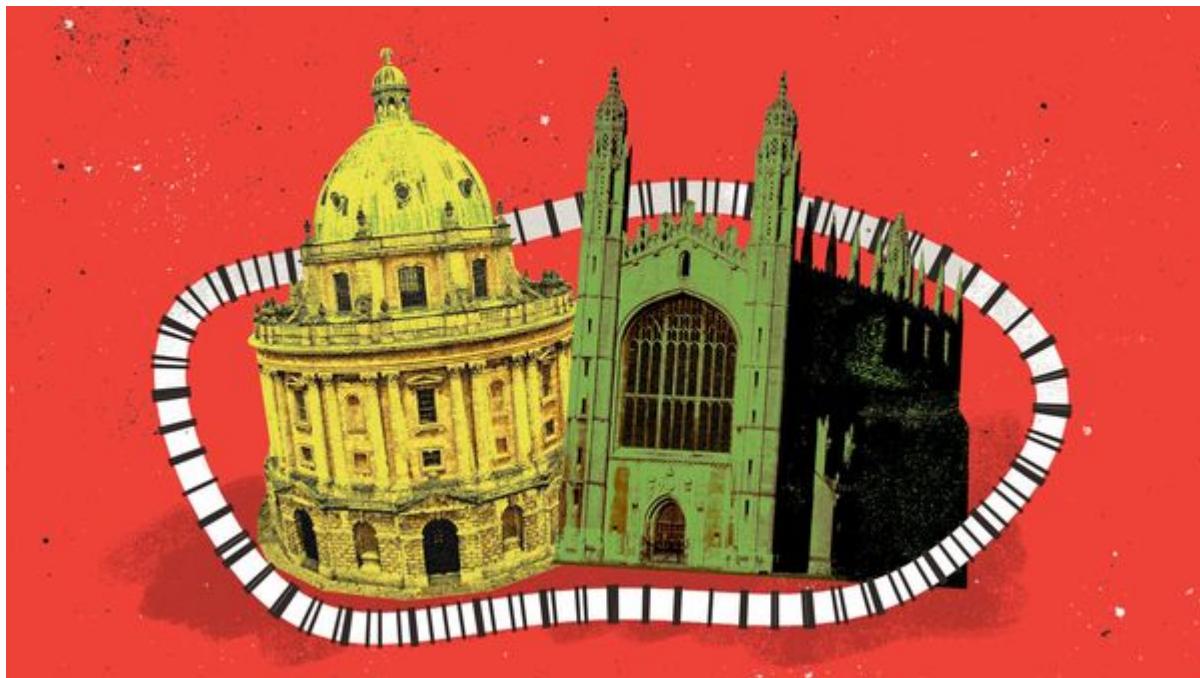
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[Going up](#)

How Labour can unshackle Britain's most innovative region

It will have to confront the charge of elitism

Feb 06, 2025 06:33 PM



THE IDEA that Oxford and Cambridge are bastions of elite privilege runs deep. The two universities were among the first to be established in the Western world, in 1096 and 1209 respectively. Yet as dozens followed across Europe, it took 600 years for a third to come along in England. This was no mistake. By banning their graduates from teaching elsewhere, Oxford and Cambridge secured a monopoly for more than half a millennium—and with it an outsize role in national life.

It is an irony, then, that the academies' contribution to the economy has been shackled by another set of regulations. The two cities are still

recognised the world over as hives of thinking and innovation. But they are far too small, and they do not have access to the workers who would help turn great ideas into flourishing ventures, because for decades they have been [choked by Britain's planning laws](#). It is a problem that generations taught among the steeples and cloisters have persistently failed to grasp.

The chancellor, Rachel Reeves (New College, Oxon), hopes to remedy this by reviving the Ox-Cam Arc, which involves linking the two cities with a railway, and letting them and places in between build lots of houses and laboratories. This comes as part of a rebranding of the Labour government's increasingly urgent search for growth. Sensibly, Ms Reeves has alighted on symbols, such as Oxford, Cambridge and [Heathrow](#) (where the government backs a third runway), that even distracted international investors will notice.

Her idea of allowing Britain's most successful area to grow is hardly a novel one. Still, were it implemented, the effect would be big. By one estimate, the plan could add £14bn (\$18bn) to annual GDP by 2035. That is the sort of prize which Britain, trapped between high debt and low growth, cannot afford to pass up. And it is just the sort of obvious idea the country is fond of squandering. In 2022 Boris Johnson (Balliol, Oxon) ditched an almost identical plan in the face of NIMBYism and the charge that it would not help poorer regions.

Oxford and Cambridge can go toe-to-toe with the most innovative clusters. They file more patents per person than Boston, home to America's biotech industry. Yet places like Boston and the Bay Area are bigger and more productive, creating spillovers. Hence the attraction of an Oxbridge powerhouse. It takes almost two-and-a-half hours to travel 106km (66 miles) from Oxford to Cambridge by train or car. The [new, 90-minute line](#) will complete a triangle with research-rich London, and link Oxford and Cambridge to [Milton Keynes](#), which has strengths of its own. Clusters elsewhere show that strong links encourage risk-taking.

So far Ms Reeves has given a speech and approved some reservoirs. Now she needs action, which must involve redefining green belts to allow more building; Cambridge oozes potential in industries like biotech, but lacks 80,000 square metres of lab space. The chancellor should confirm the £7bn

needed for the rail line and look at how to strengthen pension reforms designed to boost firms' access to capital. She could also cajole the universities to do more, including giving better incentives for spinoffs.

In all this Ms Reeves's great strength—and the reason she has a chance to succeed where Mr Johnson failed—is that her party does not rely on the votes of those most opposed to development. But she is exposed to an older, deeper grievance: many of her colleagues wanted the money to go to an alternative plan for boosting science activity in the poorer north-east.

Ms Reeves could point out that Cambridge is close to some poor places, too. But a stronger argument is that Labour's pledge to improve Britain's public services requires growth. If Labour wants growth and thinks global investors have a part to play, then the Ox-Cam Arc must be part of the answer. ■

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Letters

- **[Letters to the editor](#)**

On airport slots, oligarchies, Africa, rock climbing, dishonest societies, corporate hierarchies ::
A selection of correspondence

On airport slots, oligarchies, Africa, rock climbing, dishonest societies, corporate hierarchies

Letters to the editor

A selection of correspondence

Feb 06, 2025 07:05 PM



Letters are welcome via email to letters@economist.com

Airport slots

Bagehot (January 25th) quoted the International Air Transport Association's statement that airport slot auctions would be a "disaster" without explaining why this would be so. Unlike economic theories of why market-based auctions would be better for slots, we prefer to rely on real-world experience. When slot auctions were tried in China they further entrenched incumbent airlines, only at a greater cost, which had to be passed on to consumers.

Moreover, the analogy between airport slots and radio spectrum is false because Britain's aviation system does not exist in a bubble. Airports must connect internationally, and that requires a common set of rules and standards. In reality, the current slot regulations allow for a free, fair and transparent allocation of scarce capacity. In doing so, they have enabled more access for successful airlines while rightly setting a high performance bar if airlines are to retain their slot privileges.

Willie Walsh
Director-general
International Air Transport Association
Geneva



Defining an oligarchy

It is not true that Russian big businesses, or “oligarchs”, do not compete with each other ([Schumpeter](#), January 25th). Even now they compete in fields such as banking, oil, steelmaking, construction and information technology. In 2004, Schumpeter’s reference point, which is roughly the period when Russia could conceivably be characterised as an oligarchy, competition was fiercer than it is now.

Vladimir Putin's Russia today is not an oligarchy. It is a personalist autocracy in which big businesses are completely subordinated to the strongman at the top. In fact, the way captains of American tech are currently queuing to bribe Donald Trump with policy tweaks and, amazingly, literal cash donations bears an uncanny resemblance to the behaviour of Russian billionaires in the early 2000s. Which makes me think that, indeed, America is not at risk of becoming a big-tech oligarchy, but only because it is choosing a much darker Putinesque path.

Dr Mikhail Tamm
Russian researcher in exile
Tallinn, Estonia



Africa's microbusinesses

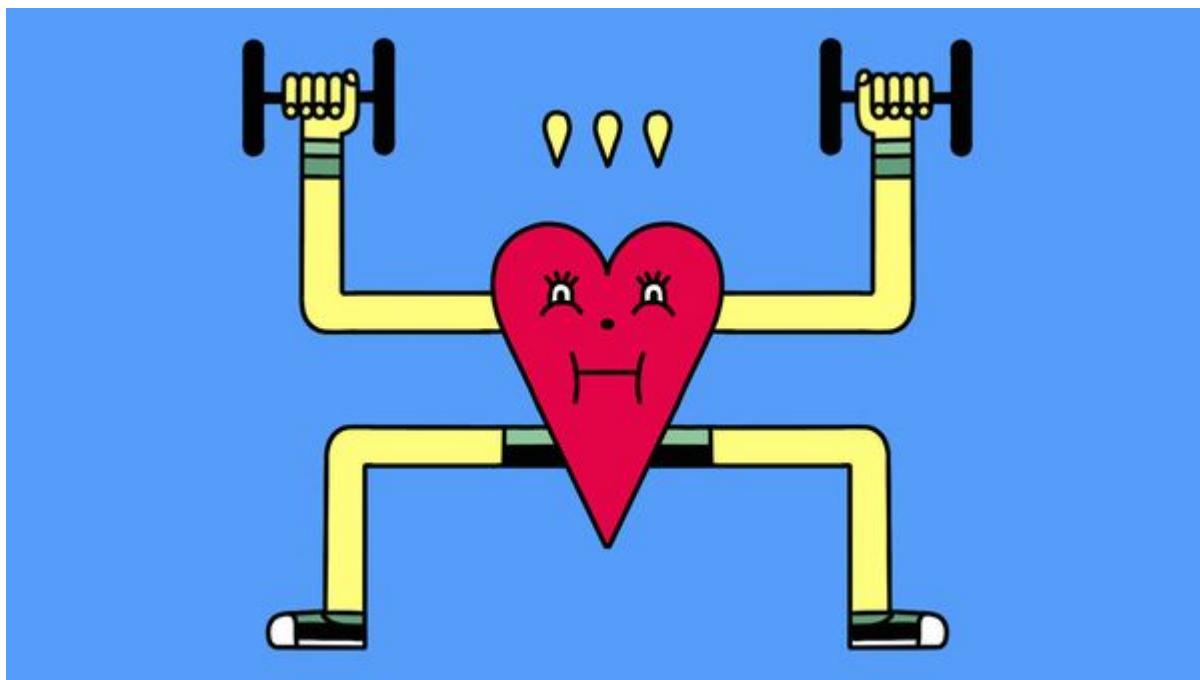
Your [special report](#) in the January 11th issue diagnosed well the challenges of running a business of any size in Africa. There is no doubt that Africa needs more large businesses to increase productivity. But your dismissal of microenterprises does a disservice to the many small, informal enterprises that are currently an important economic engine in much of the continent.

According to America's Small Business Administration, 99.9% of firms in the United States are small and micro businesses, accounting for 46% of private-sector employment and generating 61% of net new jobs between 1995 and 2023. The contributions of small and microenterprises are similar in the European Union.

This is a critically important dynamic. Across Africa, far too many people, especially women, are relegated to subsistence farming, inhibiting their ability to earn a sustainable income and move up the economic ladder. In a low-income country such as Uganda smallholder farmers make up more than half the population. Countries like this need the opportunities offered by both large and small firms to provide jobs and growth. But firms of all sizes are inhibited by the absence of affordable capital, electricity and other infrastructure, as you rightly pointed out.

Although Africa does indeed need more large firms, the problem isn't necessarily too many microenterprises. It is too little opportunity for people, including women, to move from subsistence farming into any sector, including as owners of small businesses, which will continue to be the backbone of African economies.

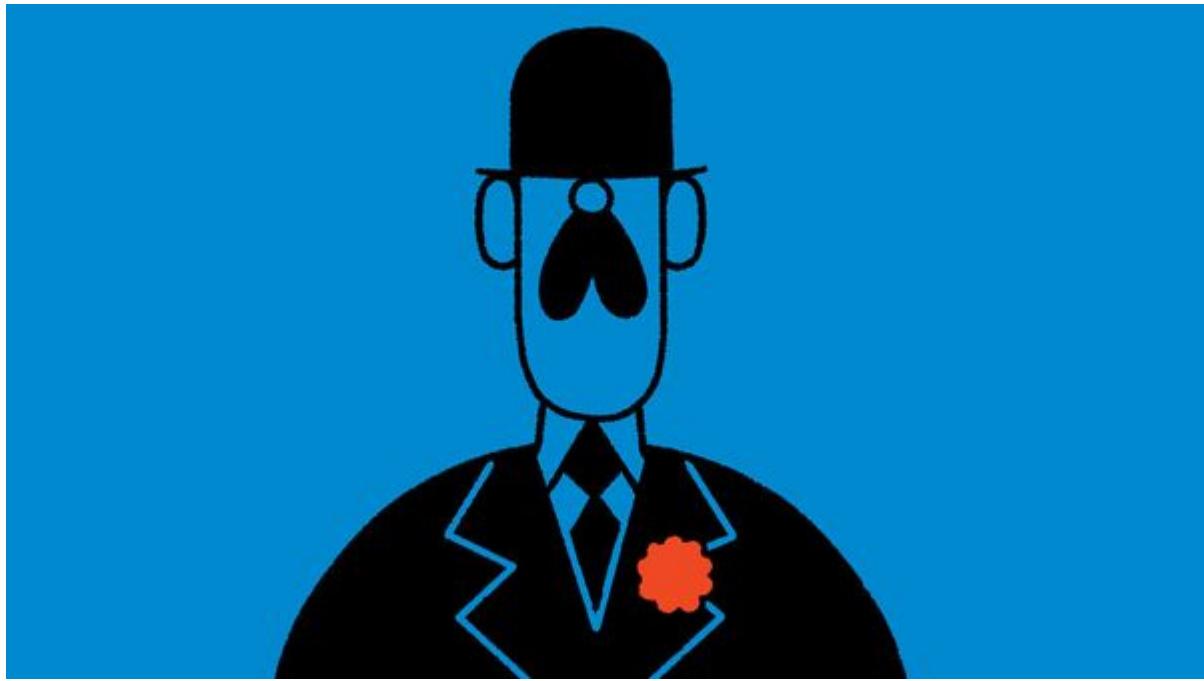
Greta Bull
Director
Women's Economic Empowerment
Gates Foundation
Seattle



Towers of strength

It was great to see your article about the health benefits of strength training as you get older (“[Should you start lifting weights?](#)”, January 18th). But one problem with lifting weights is that it is boring. Rock climbing is a better alternative. Finger, arm, leg, foot and core muscles are all involved. And climbing requires mental focus, strategic thinking and persistence, all of which enhance a person’s cognitive abilities as they age. It is also fun and a social sport, practised worldwide. And with the proliferation of indoor climbing gyms a person doesn’t need to venture into the wilds in search of natural crags. I am 66. Our family was lucky to have discovered this sport 30 years ago and we all hope to continue climbing well into our advanced years.

Terry McColl
North Vancouver, Canada



Why societies are dishonest

[“A nation of polite liars”](#) (January 18th) reported on how Britain is becoming a well-mannered but deceitful society. In the 1990s I helped promote a yearly magazine article about which city in Europe was the most honest. In a very unscientific survey, editors would drop wallets in a given European city and then tally up the number that were returned. Helsinki was a winner one year.

I thought of that simple exercise when I read your article. The moral implications of cheating were not explored at all. Instead, you focused on things like the lack of control over the internet and social media and the government’s behaviour during the pandemic. But what about the loss of institutional importance, such as churches and civic organisations, and the sordid example of some of our elected leaders who prevaricate with abandon. With fewer opportunities for teaching and promoting role models the moral high ground is now just a slippery slope.

Michael Fanning
Charlotte, North Carolina

In the mid-1940s George Orwell asserted that the English were unusually upstanding, you say. I can pinpoint when the fall occurred. In 1966 the World Cup was stolen from a hall that was also being used by Methodists. Fortunately, it was later recovered by a dog named Pickles. At least British pets have remained trustworthy.

Mark Yeomans
Regina, Canada



The corporate ladder

Following the [letters](#) (January 25th) in response to Bartleby's piece on hierarchy in the office, I remember my late husband's experience at Shell. There the aim was to qualify for what was known as "tray and drapes". It meant your coffee was brought to you on a tray and you had curtains at your window. My husband left Shell before he had aspired to such dizzy heights.

Anne Smith
London

Bartleby's original column (January 11th) mentioned the challenges of choosing the right seat in relation to the boss at a meeting as a means of establishing one's place in a hierarchy. Perhaps the Gospels provide some guidance on this. To paraphrase Luke 14:7-11, when you are invited, go and sit down at the lowest place, so that when your host comes, he may say to you, "Friend, move up higher"; then you will be honoured in the presence of all who sit at the table with you. For all who exalt themselves will be humbled, and those who humble themselves will be exalted.

Mike Danagher
Ottawa, Canada

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By Invitation

- **Donald Trump poses a grave threat to others' sovereignty and freedom, says Chrystia Freeland**

Canada in Donald Trump's tariff sights :: The world must stand with Canada, says a leading candidate to become prime minister

Canada in Donald Trump's tariff sights

Donald Trump poses a grave threat to others' sovereignty and freedom, says Chrystia Freeland

The world must stand with Canada, says a leading candidate to become prime minister

Feb 06, 2025 06:32 PM



LAST SATURDAY, February 1st, could well be the day future historians judge as marking the end of the rules-based international order that was built atop the bloody ruins of the second world war and that has brought peace and prosperity to so many for so long.

I do not exaggerate the importance and the peril of the moment. President Donald Trump is threatening to impose tariffs of 25% on Canada on the

flimsiest of pretexts. Moreover (and you have to pinch yourself that this really is happening), he says he will lift the threats if America can annex Canada. These threats represent such a gross violation of international norms that it puts the entire basis of global trade rules and international relations at risk.

While Team Canada's strong response has bought a stay of execution, the threat of these tariffs still hangs over us: uncertainty is a feature not a bug of the new Trump administration. The stakes could scarcely be higher. How America's unforced fight with Canada ends will determine how the world will work in the 21st century. Right now, we risk heading down a dark path indeed.

Let's be clear about why this fight matters, and not just to Canada. By threatening to impose illegal and unjustified tariffs on its partners in the United States-Mexico-Canada Agreement (USMCA)—a gold-standard free-trade deal agreed to by Mr Trump himself during his first term as president—America is saying that trade agreements count for nothing. That is a truly dangerous precedent for the rest of the world. Worse is America's threat to annex us, a peaceful and settled democracy. Canada is an American ally in NATO, and, through NORAD, works side by side with America to ensure that North America's aerospace and maritime realms are safe and secure. Yet by saying it will lift its tariff threats in exchange for annexation, America is saying that military alliances do not matter and that it can ride rough-shod over its friends—or anyone.

A world without mutually binding trade agreements and security alliances among democratic partners is a world with few rules at all. We would be back to the 19th century, where might was right, and where the strong did what they could and the weak suffered what they must. It took us two world wars and the Depression to understand that humanity could do better than that. Today, we are at a greater risk than at any time since 1945 of falling back into a brutal and impoverished world that we thought we had left behind.

As the world faces this awful prospect, the country where the future direction could be decided is my own, Canada. Our capitulation would set a disastrous precedent and make it immeasurably harder for everyone else.

Luckily, as the world has seen, Canada does not give in. In the first 48 hours in which Mr Trump tried to stare us down, we showed that we are strong, smart and united. But, as we navigate the new period of economic uncertainty we now face, we really could use some help.

That's where Americans come in: CEOs and blue-collar workers; mayors, governors, and senators; businesses who sell us their wares, and consumers who rely on what we sell you; our friends, our family and our neighbours. We know you and we like you.

We know you want cheap petrol and groceries, not a tariff war that will make life more expensive. We know you want good jobs, and businesses that thrive. And many of you (Mr Trump included) want a flourishing stockmarket.

So we are counting on you to speak up and tell your president that a win-win deal with Canada is possible. In fact, it already exists: USMCA, which he himself signed.

Lastly, there is the rest of the world. You may be tempted to dismiss our clash as a far away contretemps, best settled among neighbours. That would be a grave mistake and one Mr Trump is hoping you will make. After all, if he can successfully coerce us into submission, it will be that much easier for him to move on to other targets. But the contrary is also true. If Canada can insist that America not tear up current arrangements but instead keeps a win-win relationship going, then the rest of the world will be far safer in future.

So stand with us. Not only is it the right thing to do, it will save you a lot of pain and economic harm later.

We are all at a turning-point in the way this century will work. The rest of the world is incredibly fortunate that Canada is at the centre of it all. We are the True North, strong and free, and we will never give in. Stand with us today and stand on the right side of history. ■

Chrystia Freeland is a Canadian MP, former deputy prime minister and candidate for leader of the Liberal Party of Canada.

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Briefing

- **Online scams may already be as big a scourge as illegal drugs**

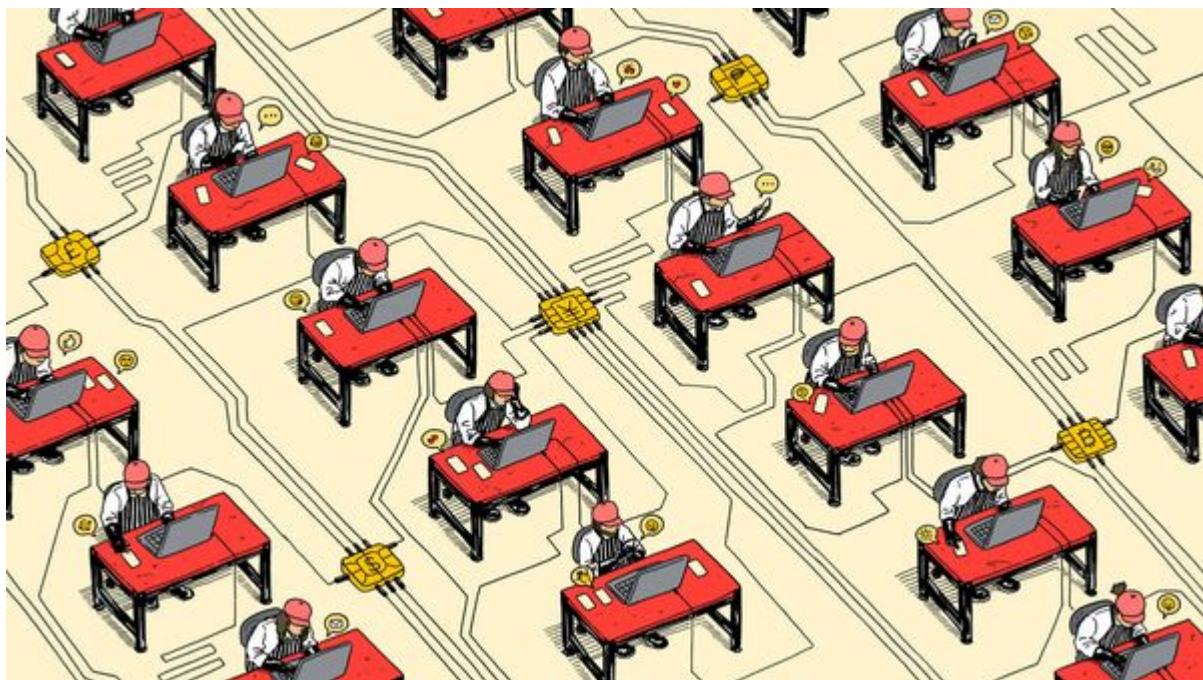
Scam Inc :: And they are growing fast

Scam Inc

Online scams may already be as big a scourge as illegal drugs

And they are growing fast

Feb 06, 2025 06:33 PM | Elkhart, Kansas and Manila



AS THE CEO of a small bank in Kansas, a former chairman of the Kansas Bankers Association and a former officer of the American Bankers Association, Shan Hanes knew all about the risks of online fraud. As a family man and part-time pastor at a local church, he was not the type to do anything reckless. As a shrewd investor, he had no need for get-rich-quick schemes. In fact, he had made a lot of money trading cryptocurrencies. But he was having all sorts of administrative trouble repatriating the money from Asia and needed some extra cash to sort out the paperwork and bring his millions home.

Within about six months, Mr Hanes had transferred to anonymous crypto accounts not only his own savings and the money he had set aside to pay for university for one of his daughters, but also his church's reserve funds and some \$47m belonging to Heartland Tri-State, the bank he ran. The bank's losses were so severe that it became one of only five banks to fail in America in 2023. Yet even after the FBI swooped in and Mr Hanes was charged with embezzlement, he struggled to accept that he had been duped. He is now serving a 24-year prison sentence.

That a bank manager, of all people, could be fooled on a scale sufficient to bring down a bank is a sign of how sophisticated and far-reaching online scams have become. The days of patently false emails from supposed Nigerian princes are long gone. As our [new eight-episode podcast, “Scam Inc”](#), describes, online fraudsters have become rich and powerful enough to corrupt entire governments, turning whole countries into the cyber-scam equivalent of narco-states. Scam operations can be found all over the world, from Myanmar to Mexico. The global proceeds of online fraud are probably more than \$500bn a year, estimates Martin Purbrick, an expert in Chinese organised crime who was a police officer in Hong Kong for 11 years. That puts scamming on a par with the illegal drugs trade as one of the world's biggest illicit industries. And unlike illegal drugs, scams cannot be seized by police or customs. With nothing more than a phone line and internet connection, scammers can turn anyone into a potential victim.

From ear to purse

The specific scam that Mr Hanes fell for is known as “pig-butchering”. Victims are identified on social media or dating apps and then “fattened up” by a scammer who spends weeks or months building trust by posing as a potential friend, business partner or romantic interest. Scammers then use this trust to “slaughter” the pig by suggesting fake investment opportunities and absconding with the money. In Mr Hanes's case, an investment adviser claiming to be in Australia steered him to a fake crypto exchange complete with an elaborate website on which Mr Hanes was able to monitor his entirely fictional balance.

The rise of online scams represents an enormous transfer of wealth from the middle class to a criminal underworld. The FBI reports that losses from investment scams in America increased by 22% in 2023 to more than \$12.5bn. That is far more than the cost of burglary or car theft, and is in all likelihood a severe underestimate, since many victims do not file police reports owing to feelings of shame or denial. The actual amount stolen from Americans each year is probably around \$50bn, estimates Erin West, a former prosecutor who led some of America's first attempts to try pig-butchers. She thinks around one in 100 Americans falls victim to a scam annually. Many are young and tech-savvy; police officers, FBI agents, financial advisers and psychologists have all been taken in.

That hints at the scammers' sophistication. Rita (not hear real name), a Filipina scammer interviewed in "Scam Inc", describes how she and her co-workers were given detailed manuals about how to dupe victims. There was a primer on cryptocurrency and a guide on how to prevent phoney social-media accounts from getting flagged and taken down. There were conversational prompts on books, music, gardening and football, as well as seemingly innocent questions intended to help discern a potential target's wealth. She was ordered to ask about their house, car and where they went to university. Victims should be rich but not good-looking. "This type of man will be very attentive when meeting a woman," the instructions said.

There were also instructions on how to establish intimacy. Pay compliments. Mirror their tone. Greet them every morning. Say good night when they go to sleep. Learn about them. Find out what's lacking in their life: what's the emotional hole you can fill? Cathy Wilson, a mental-health counsellor in Colorado whose clients include scam victims, calls the techniques that criminals use to create relationships "psychological weapons, because they are very effective, just like a knife or a firearm".

Yet some scammers are also victims themselves. The UN estimates that in 2023 at least 220,000 people were being forced to work as scammers in Myanmar and Cambodia. People from over 70 countries have been trafficked to fraud factories in South-East Asia, says Eric Heintz of International Justice Mission, an NGO. Many are multilingual university

graduates from poor countries who have been lured by the promise of a well-paid job in a call centre.

In “Scam Inc”, former scammers describe the harrowing conditions. “If you don’t hit your targets, they electrocute you,” explains Jalil, a Ugandan who was trapped in a scam compound in Myanmar in 2023. Sara (also not her real name), who was trafficked from South Africa to Myanmar, was told to bring in more money or she would be sent “to the second floor...where they send all the ladies to be sex workers”. Rita, who was held in a nearby complex around the same time, said she met an Ethiopian whose kidney had been removed as a punishment for low earnings.

To escape, people get relatives to pay huge ransoms or even trick others into replacing them. Jalil ended up in his compound because a friend who was trapped there promised a well-paid job in data entry and online marketing.

Like pigs in clover

Scam operations thrive in lawless places, such as Myanmar, where many rival militias control small slices of territory, or corrupt ones, like Cambodia, where the authorities can be paid to look the other way. They are protected by high walls topped with barbed wire, surveillance cameras and armed guards. A single fraud park in Myanmar may house thousands of scammers working for several different operations, says Sammy Chen, a former Taiwanese businessman who has worked with governments to rescue enslaved scammers. Each operation rents space, as if operating in an industrial park. There are often also money-laundering operations, currency exchanges, supermarkets and brothels in the same compound, he says. Sometimes the scam bosses sell workers to each other.

War, poverty and lack of opportunity mean that scam compounds in these areas are increasingly able to hire willing employees desperate for work rather than rely on forced labour. Scam bosses prefer this because it’s less trouble, says Mr Chen, especially now that AI makes translation easier and reduces the need to entrap English-speakers. “The underground criminal ecosystem is a perfect marketplace,” says Jackie Burns Koven of [Chainalysis, a blockchain-analysis firm](#): which has traced hundreds of

millions of dollars in crypto wallets controlled by scammers. The criminals are “always willing to pivot to the path of profitability”.

A growing number of scam compounds have been discovered outside South-East Asia, in Africa, eastern Europe, the Middle East and South America. One was even found last year on the Isle of Man, an island off the British mainland. Latin American crime syndicates have diversified into pig-butchering, including Mexico’s infamous Jalisco New Generation.

Scam operations can be of any size. Some are run from hotels: criminals rent a few floors, put up metal gates and hire armed guards while hotel-owners look the other way. Others may be even smaller, run out of tiny offices or apartments. About 500,000 people work directly as scammers, according to the United States Institute of Peace (USIP), an advocacy group. The broader industry may employ 1.5m.

As “Scam Inc” recounts, the main victims of this growing industry used to be Chinese. But China has arrested hundreds of thousands for involvement in scamming and pressed the governments of Cambodia and Myanmar to curb the duping of Chinese citizens. It has also mobilised its propaganda apparatus against fraud, producing lots of films, television shows and songs about the scam industry. In the same summer that “Barbie” and “Oppenheimer” were drawing crowds in the West, an anti-scam film, “No More Bets”, which depicts a Chinese programmer trapped in a fraud compound, was captivating China, making more than \$500m in its first month.

Like so many other Chinese firms, criminal syndicates diversified abroad as business slowed at home, increasingly targeting people elsewhere in Asia and the West. America and Britain have placed sanctions on several suspected scamming bosses from China and South-East Asia. But the structure of the scamming industry makes it hard for police to penetrate and dismantle. “We have this habit in most countries in the West of looking at criminal groups as hierarchical, maybe with a sort of kingpin at the top,” says Mr Purbrick. “I don’t think that works with Chinese and some other Asian criminal networks, simply because they’re networks, rather than structures.”

Criminals might previously have fought for control of gambling tables in Macau or street corners for drug distribution. But in the scam industry, there are no physical constraints to their operations and so nothing to fight over. What a banker might call the “total addressable market” is more or less unlimited. Barriers to entry are low and returns are high.

That allows criminals to co-opt the authorities, especially in poor countries. “There is no law enforcement presence, they’re essentially the law, they’re the government,” says Chris Urben, who spent 25 years at America’s Drug Enforcement Agency. Scamming has become the “mainstay of the economies of Cambodia, Myanmar and Laos”, notes Jason Tower of USIP. He reckons Cambodia’s online-scam industry makes over \$12.5bn a year, equivalent to about half the country’s formal GDP. That means the broader economy in these places—construction, hospitality and so on—is also dependent on scams. “The level of co-option of state actors in countries like Cambodia exceeds what we saw in narco-states of the 1990s in Latin America,” agrees Jacob Sims, an expert on organised crime in South-East Asia.

Even the Philippines, a relatively stable American ally and popular tourist destination, is teetering on the edge of state capture. A year ago allegations emerged that Alice Guo, the mayor of the small town of Bamban since 2022, was involved in a scam compound that was bigger than the town itself. It turned out that she was not Filipina at all, but Chinese. She had acquired the documents that had allowed her to stand for election fraudulently.

The authorities seized property, luxury cars and a helicopter worth 6bn pesos (\$100m) from Ms Guo and her associates. Between 2019 and 2024 around 24.5bn pesos moved through her accounts, according to Winston Casio of the Philippines’ commission against organised crime.



It was a scheme that took lots of time, money and planning to pull off. As Sherwin Gatchalian, a Filipino senator campaigning against scam compounds, explains in “Scam Inc”, “They have studied the Philippines very well. They know how to navigate through our political system.” He has had to employ bodyguards since he started speaking out. Even as the Senate was holding hearings about Ms Guo in July, she managed to flee the country “because she co-opted a good number of corrupt government officials”, says Mr Casio, who lives in his office so criminals will not know how to find his family. Ms Guo was later tracked down in Indonesia and extradited to the Philippines, where she faces charges of money-laundering, human trafficking and corruption.

Mr Gatchalian worries that other Philippine scam bosses are going into politics like Ms Guo. The industry is a threat to national security, he warns. Once scam bosses have enough clout within the political system, it will be nearly impossible to enact policies to undermine their operations. “What we’re doing is just knocking at barely the tip of the iceberg,” says Mr Casio, speaking from a former scam compound that the Philippine government, in an attempt to save money, has repurposed to house its anti-scam operations. “We haven’t made a dent in this problem.”

Following the bacon home

One way of fighting organised crime is to follow the money. Our reporting for “Scam Inc” revealed that Mr Hanes, the bank CEO, was one of several Americans to lose millions through scam websites with names resembling that of a legitimate crypto-trading service, Coinrule. A man in Minnesota lost \$9.2m on a scam site called CoinRule-Web3.shop, for instance. A Californian lost \$2.2m on CoinRule-Web3.net, the same site that duped Mr Hanes.

The criminal network targeting Mr Hanes in effect outsourced its money-laundering via a platform called Huione Guarantee, according to Adam Hart of Chainalysis, who traced Mr Hanes’s crypto for *The Economist*. Huione Guarantee is a Chinese-language online marketplace established in 2021, ostensibly for trading property and cars. It handles billions of dollars a year in business and is owned by a Cambodian conglomerate called Huione Group. An investigation by Elliptic, a blockchain-analytics firm, said it had found links between Huione Group and Cambodia’s ruling family. Alongside more conventional products, the market offers goods and services that could have legitimate uses but are of special interest to scammers: web domains for new websites, AI face-changing software for video calls and torture tools like electric batons. After these details became public, Huione Guarantee changed its name in October to Haowang Guarantee. The renamed firm denies facilitating crime.

After scam proceeds are laundered, they become harder to trace. But recent incidents suggest they are all around us. In 2023 Singapore initiated a huge money-laundering crackdown. Police seized more than \$2bn in property, gold bars, cash and other assets. Ten people from Fujian province in China but with passports from multiple countries were arrested. They are accused of profiting from illegal gambling. Casinos are often fronts for online gambling or cyber-fraud, according to the UN Office on Drugs and Crime (UNODC). Two of those arrested, Zhang Ruijin and Lin Baoying, were business partners of Ms Guo. Others had links to Dubai, Hong Kong and Thailand.

Scam money flows beyond Asia, too. Prosecutors have charged Chinese scammers with laundering money in American banks. Su Haijin, one of the men arrested in the Singaporean money-laundering case, was found to be a

part-owner of two buildings worth nearly \$56m in London, according to an investigation by the Organised Crime and Corruption Reporting Project and Radio Free Asia. Some Asian online gambling brands that have advertised at English Premier League matches are also used by scammers to launder their money, says Philippe Auclair, a journalist with *Josimar*, who has investigated links between scam compounds in South-East Asia and businesses in Britain.

The same criminals who are targeting Americans like Mr Hanes in pig-butchering scams are diversifying into other kinds of cybercrime including hacking, ransomware attacks and identity theft, says John Wojcik of UNODC. “What we’re observing is that these syndicates are becoming more sophisticated cyber-threat actors.” These groups use information-stealing malware to infect a device and harvest its data including its messages and browsing history. They often sell the resulting information online via a monthly subscription service to scammers and other cybercriminals. The criminal syndicates running pig-butchering scams are “increasingly recruiting people with data-analytic skills, programmers who can sift through massive amounts of data”, Mr Wojcik adds. That will enable them to execute even more targeted, invasive and effective scams—or simply use malware to drain your bank account. In all likelihood, the collapse of Heartland Tri-State Bank is not a high-water mark, but a beginning. ■

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The Twitter playbook

Elon Musk is shredding America's government as he did Twitter

Some of his operatives are barely out of their teens

Feb 06, 2025 06:33 PM | CHICAGO AND WASHINGTON, DC



JUST PAST midnight on February 3rd Elon Musk appeared on X to explain what he is doing to the federal government. He had to speak over the patter of his four-year-old son, also called X. The bureaucracy, Mr Musk argued, constitutes an illegitimate “fourth branch of government”. He then came to the [US Agency for International Development \(USAID\)](#), which he denounced as little more than a device to funnel taxpayers’ money to Marxists and criminals. He had, he claimed, the full support of Donald Trump and is “shutting it down”, notwithstanding that the agency’s existence is mandated by Congress. Later he posted that he had spent the weekend “feeding USAID into the woodchipper”.

Even as Mr Musk was speaking, workers at USAID's headquarters in Washington were being told not to come in the next day. Later on February 3rd Marco Rubio, the secretary of state, announced he had been made acting head of the agency while it faces "[reorganisation](#)". But there is already little of the agency left for him to head. By February 4th the USAID website had been replaced with a single statement, announcing that by the end of the week, all of its permanent workers would be placed on administrative leave. Overseas staff will return to America within a month.

The takedown of USAID is the most dramatic example of what seems to be Mr Musk's plan for the [whole of government](#). It is drawn from his playbook as a corporate boss. Just over two years ago Mr Musk took over Twitter in a messy \$44bn deal. Within a few months, much of which he spent at the company's headquarters in San Francisco, he had reduced the company's headcount by around four-fifths. A third of the staff accepted buyouts; many of the rest were fired. They included senior executives who were sacked instantly to stop their stock options vesting. Every decision, such as those about which Twitter accounts to ban, was put directly into Mr Musk's hands.

Now he is trying to do the same thing with over 2m federal employees, in an attempt to cut \$1trn—more than half of all discretionary spending—out of the federal budget. It is, says Donald Kettl, of the School of Public Policy at the University of Maryland, like nothing that has ever happened before. "On a scale of one to ten, this is about 145. It's so far off the charts," he says. Richard Nixon was the most recent American president to govern as if the laws of the land did not apply to him, but "this is far beyond anything that Nixon even attempted".

The first hints of Mr Musk's seriousness came on January 28th, when most federal employees were sent an email by the Office of Personnel Management (OPM), the closest thing the government has to a human-resources department. The message offered "deferred resignation". It had the subject line "fork in the road", the same as in the email sent to Twitter employees when Mr Musk took over there. Lots of federal employees have been sent several more emails affirming the offer since. One went out to air-

traffic controllers less than a day after a plane crash in Washington, DC, which has raised questions about short-staffing at Reagan airport.

DOGE is technically embedded in the US Digital Service, an organisation created by Barack Obama to spread the use of new technology across government. But DOGE is an entirely new thing. Its employees seem to be junior workers pulled in very recently from Mr Musk's many private firms. *Wired*, a magazine, has identified six engineers now working with DOGE. The one who sent the email shutting down USAID, Gavin Kliger, graduated from high school in 2017. The youngest of the six, Edward Coristine, is 19; his relevant work experience consists of a few months interning at Neuralink, Mr Musk's brain-implant firm. On his now-deleted LinkedIn profile, he took the moniker "bigballs".

These engineers—and it is unclear how many more there may be—now are able to enter just about any government building they like. They have apparently installed sofa beds in the office of the OPM. Under an executive order that Mr Trump signed on his first day in office, they are promised "full and prompt access to all unclassified agency records, software systems, and IT systems". The fact that they are handling classified data implies some DOGE workers have also been issued with the "interim Top Secret" clearances created by another of Mr Trump's executive orders.

Government employees report that staffers from DOGE are turning up at their offices, demanding data and running "code reviews". Civil servants tell *The Economist* what the DOGE people are most keen on is access to personnel records. In some agencies they are also conducting interviews. According to one civil servant the questions include, "Which of your colleagues are most expendable?"

Delete, delete

Here, too, Mr Musk seems to be applying lessons from his takeover of Twitter, where a small group of trusted acolytes combed through records like the company's Slack channels and email accounts to decide whom to fire. Defenders of the old order were quickly removed. Yet the federal government is a much larger beast than Twitter, which at its peak had just

7,500 workers. And Mr Musk has been touching some extremely sensitive parts of it. On January 31st it emerged that David Lebryk, a senior career Treasury official, is retiring after clashing with officials from DOGE. They may have obtained access to the government payments system, which pays the government's bills and makes almost 90% of its bank transfers.

Mr Musk has suggested in a tweet that he has direct control, claiming that his team are “rapidly shutting down” government payments to contractors. Jonathan Blum, a political appointee at the Treasury, denied this in a letter to Congress, saying DOGE’s access is “read only”. But insiders doubt this, and despite two court rulings compelling the government to make payments, a growing number of non-profits contracted to provide federal services report not being paid.

Is any of this legal? Agencies established by Congress cannot simply be shut down by fiat, and Mr Rubio’s appointment is not much of a figleaf. DOGE workers can enter buildings, but laws about the handling of government data remain in force. Few legal experts think that the offer of “deferred resignation” is lawful. Nick Bednar, of the University of Minnesota’s law school, notes that various laws exist to stop the government from offering no-work jobs. Workers who accept the offer—which had a deadline of February 6th—“could very much be left high and dry”, he says.

Lawsuits are being filed, and protest is growing. A few Democrats have threatened to shut down Mr Trump’s appointments in the Senate over the USAID shutdown. On February 3rd, at the aid agency’s headquarters, Kristina Drye, a USAID speechwriter, says that she “signed a contract to serve the American people” and, despite getting the email, decided to go into the office anyway. A security guard escorted her as she retrieved some books, as well as a pair of beloved high heels. She says she does not expect to ever go back in. What Mr Musk is doing is “sheer, blatant disregard” for important work, she says. But DOGE is already moving into new agencies. Nobody is stopping him. ■

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Hard reboot

Florida comes to Washington, DC

Using the Sunshine State's politics as a guide to the Trump administration

Feb 06, 2025 09:39 PM | TALLAHASSEE



Florida woman

THE START of Donald Trump's second term has been dizzying. But to Republicans in Tallahassee, a southern capital city draped in Spanish moss, it all looks familiar. The administration is full of Florida politicos. Most prominent are Mr Trump's chief of staff, [Susie Wiles](#) (he calls her "the most powerful woman in the world"), the secretary of state (Marco Rubio), the attorney-general ([Pam Bondi](#)) and the national security adviser ([Mike Waltz](#)). Floridians will lead the Centres for Disease Control and Prevention and the Office of the Surgeon General. With them come deputies and staffers. Back in 2017 Ballard Partners, Florida's biggest lobbying firm, set up shop in Washington. This time the Southern Group, the second-largest, is too.

There is a long tradition of presidents poaching people from their home state to run the government. Jimmy Carter brought Georgians, Ronald Reagan brought Californians and Bill Clinton brought Arkansans. But that trio began their political careers in the states whose talent they brought to Washington. Mr Trump, by contrast, is a New Yorker who only settled in the [Sunshine State](#) in 2019. What, then, draws the president to Floridians?

Ask Republicans and Democrats alike and they will tell you that Florida is the “reboot” state. Exiles from Latin American autocracies move to Miami in search of more freedoms and northerners drive down I-95 to reinvent themselves by the beach. It’s a place where the American dream flourishes and where disgraced doctors become chiropractors. Since the turn of the century only one of the state’s four governors—Jeb Bush, Charlie Crist, Rick Scott and Ron DeSantis—has been native. And although Mr DeSantis was “geographically raised in Tampa Bay”, he writes in his biography that “culturally” he was influenced more by his grandparents’ Midwestern steel town. Being an outsider who chose Florida is precisely what makes Mr Trump at home there.

Most of the president’s picks got their start around Mr Bush, who was once kingmaker in Florida politics. But it was the Tea Party movement of the late 2000s that shaped the state’s political culture. It brought Ms Bondi and Mr Rubio into politics. Many lawyers and real-estate agents who then got involved did so not for ideological reasons, but to further their careers outside of politics, says Peter Schorsch, a political commentator. That gave Tallahassee a transactional flavour, where money and politics go hand in hand. “The mentality is make the deal and get on to the next project,” Mr Schorsch explains. The Florida political brand is all about “being aspirational, bucking conventions and hustling for outcomes”, says Paul Bradshaw, the boss of the Southern Group.

Ms Wiles, also a northern transplant, is as much a creature of Florida politics as anyone else. “She is no ideologue,” says John Delaney, a former mayor of Jacksonville for whom she was chief of staff in the late 1990s. He describes her as a “traditional Episcopalian country-club Republican” who is left of centre on gay rights, race issues and the environment. But more

than anything she is pragmatic and “loyal to what the boss wants to get done”.

When Mr Trump left office in 2021 Florida kept his legacy alive, says Roger Severino of the Heritage Foundation, a think-tank. During the pandemic Mr DeSantis opened businesses, did battle with wokeness and rebranded Florida as “the free state”. A partisan shift followed, as northerners migrated south for better weather and countercultural politics. In 2020 Democrats had 97,000 more registered voters in Florida. A year later Republicans had flipped the advantage and today they have nearly 1.2m more. In November they won a [majority of non-Cuban Hispanics](#) for the first time. The speed of the realignment gave Democrats “no time to build a resistance”, says Evan Power of Florida’s Republican Party. The legislature has now passed nearly every policy on its wish list: universal school choice, an abortion ban, tax cuts and permitless carry of guns.

With only four years to govern, Mr Trump has tapped Floridians to strike while the iron is hot. Fast and aggressive action demoralised Democrats down south and Republicans hope to do the same in Washington. Mr Power thinks that the nominees will return to their Tea Party roots and debloat government: Ms Bondi will curtail prosecutions and Mr Rubio will do less to “project American power everywhere”. With eye-popping cuts to the federal government, the administration is already trying to make America more like Florida, which has the smallest state workforce per resident. But Washington is not Tallahassee. There is more scrutiny and more checks and balances. Nor are their tactics making them new friends, Mr Power acknowledges: “The Florida fighter ethos is not always popular.” ■

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Confirmation bias

RFK junior and Tulsi Gabbard, set to sail through a cowed Senate

But Congress will bargain harder on taxes and spending

Feb 06, 2025 06:33 PM | WASHINGTON, DC



TWO OF Donald Trump's most controversial cabinet choices appear to be heading for confirmation after winning critical Senate committee votes on February 4th. It was a political triumph for Mr Trump, whose lieutenants managed to cajole sceptical Republican senators into approving two [unorthodox nominees](#) who would not previously have been allowed near such high office. Yet this may prove to be the high point of the president's influence over the legislative branch.

After much lobbying of wobbly senators, Robert F. Kennedy junior, Mr Trump's pick as secretary of health and human services, and Tulsi Gabbard,

his nominee as director of national intelligence, cleared their initial hurdles without much drama, albeit on strict party-line votes. Both nominees will almost certainly win approval in the full Senate, where Republicans hold a three-seat majority. Pete Hegseth, a combat veteran and [Fox News host](#), had earlier won approval as defence secretary. Kash Patel, nominated for FBI director, is likely to be approved as well. This is a remarkable turn of events, given the shock and outcry that followed Mr Trump's announcements of these nominees last year.

Mr Kennedy fumbled his confirmation hearing; Ms Gabbard did better but faced tough questions about her past support of Edward Snowden. Gentle persuasion, coupled with public threats to go after Republican dissenters when they sought re-election, seems to have got them through. J.D. Vance, the vice-president, coaxed former colleagues such as Todd Young, an Indiana senator and Gabbard sceptic, who announced a yes vote after lengthy conversations with the veep. Bill Cassidy, a Louisiana senator and Kennedy doubter, thanked Mr Vance “for his honest counsel” when announcing that he would vote to send Mr Kennedy forward.

Behind Mr Vance’s discreet soft touch was a menacing public threat: “Any Republican Senator who votes against @TulsiGabbard deserves a primary,” declared Donald Trump junior, who rallies MAGA world to various causes. “No more Deep State bullshit!!!!” That warning carried more weight given that Elon Musk, the world’s richest man, has made plain his willingness to fund primary challengers to senators seen as undermining Mr Trump.

Mr Trump was, by his standards, relatively quiet throughout. But he also let it be known that he might make recess appointments, which allow a president to bypass Senate confirmation and temporarily fill a position when Congress is not in session. Republican leaders in the Senate would prefer to avoid that for high-level nominees, though they are more open to using it for lesser positions. A wavering senator might have reasonably concluded that paying a price for a no vote on Ms Gabbard or Mr Kennedy made no sense if Mr Trump might appoint the nominee anyway.

The outcome leaves the Senate looking spineless. Indeed, only one cabinet nominee—Matt Gaetz, Mr Trump’s initial choice for attorney-general—has had to withdraw in the face of Republican opposition. But this does not

mean that Mr Trump can expect smooth sailing for his forthcoming domestic legislative agenda. Strong-arming individual senators on nominations, where presidents usually receive some deference, was well-suited for a MAGA pressure campaign. It could focus on just a handful of senators and Mr Trump's preferences were clear.

Passing complex tax-and-spending legislation will be much harder. The House of Representatives is raucous and unpredictable. Members have already shown a willingness to buck Mr Trump on fiscal matters: In December 38 Republicans voted against a Trump-endorsed budget deal. Republican senators will also assert themselves more forcefully on tax reform than on cabinet nominees.

Mr Trump is on his way to having his administration run by his people, unconventional though some of them may be. Approving a budget to run the government will be another challenge entirely. Funding runs out on March 14th. ■

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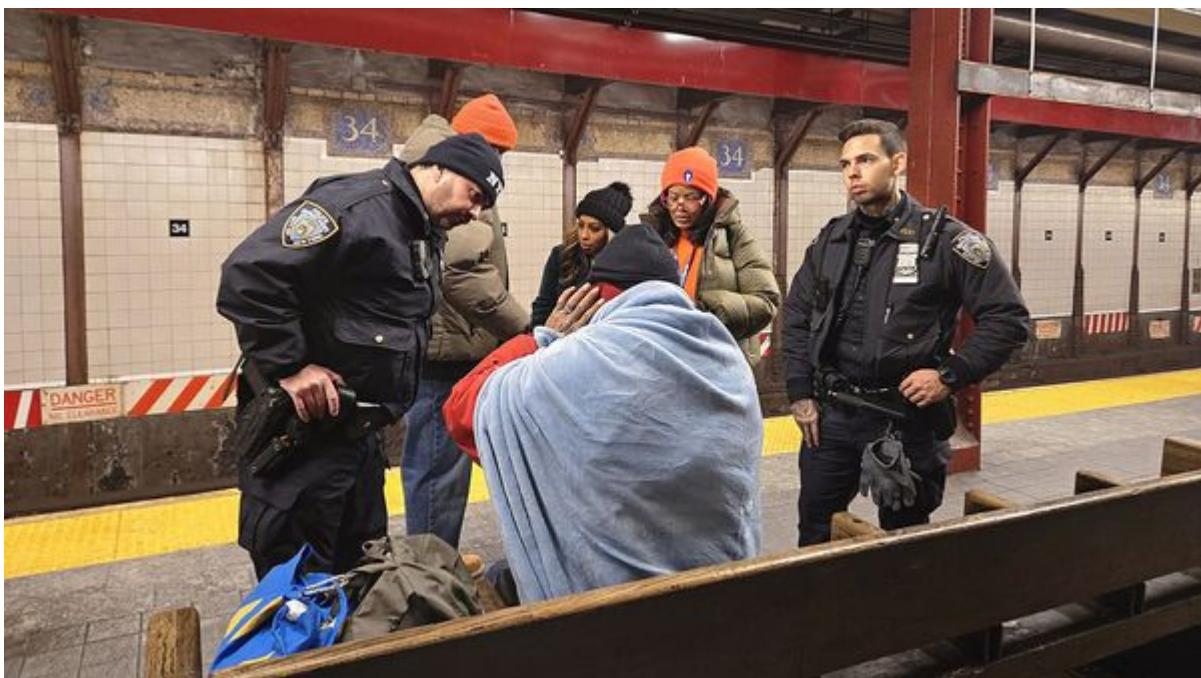
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Crisis management

New York City commits to involuntary commitment

Compulsory treatment of the severely mentally ill was once taboo. No longer

Feb 06, 2025 09:45 PM | NEW YORK



New York's finest

WALK DOWN the passage connecting the subway on 34th Street-Herald Square to a commuter line bound for New Jersey and you will almost certainly see people sleeping rough. The tunnel is a warm spot on a bitter January night. A team of police officers and psychiatric clinicians approach the sleepers to check how they are doing, and if they agree, transport them to a shelter. The clinician may also determine if they need more pointed help, whether they want it or not.

This is part of the city's overnight homeless-outreach programme, Partnership Assistance for Transit Homelessness (PATH). They offer a bed, often giving the person a choice of borough and type of shelter. If a team determines someone might be in severe mental distress, and may be a danger to themselves or to others, their consent is not needed.

Involuntary commitment laws in New York state go back decades, but the idea fell out of favour after the closing of asylums. Over the past few years politicians in New York who were opposed have embraced it. Since 2022 Eric Adams, the city's mayor, has instructed police and first responders to hospitalise people with severe mental illness who are incapable of looking after themselves. Kathy Hochul, the governor, has announced plans to "add more teeth" to the state laws on [involuntary treatment](#) and is promising more money. This builds on what is already happening in New York City.

Here a culture change is under way, says Brian Stettin, the mayor's adviser on severe mental illness. "It's just not going to be acceptable anymore to walk by people who are in a psychiatric crisis and are in desperate need of medical care." It takes a lot to rattle New Yorkers. But seeing someone on the subway who is in distress, is not wearing shoes and may also be shouting profanities at passengers will do it. Straphangers have been shaken by attacks on the subway: at the end of January a homeless man shoved a woman into the path of a moving train; on New Year's Eve security cameras recorded a man in Manhattan being shoved onto the tracks just as a train entered the station. Subway riders used to stand near the platform edge to quickly hop onto the train. Now they have taken to hugging the walls until the train arrives. Although [subway crime](#) has fallen and Mr Adams has deployed police to ride the rails overnight, the perception is different.

Mr Stettin says there are relatively few people who require involuntary care: the health department maintains three lists of 50 people who have been identified as the most challenging cases (he knows most by name). Police and clinicians also haul off other people if they are deemed a danger to themselves or others. Still, the number of people with severe mental illness ought to be manageable, and the programme can already point to successes.

About 150 people were taken off the subway last year under initiatives like PATH. Some now live in permanent supportive housing, others are in hospital, sometimes for as long as seven months. “At this point, it’s much more about proof of concept than huge numbers,” says Mr Stettin. Not everyone in severe distress meets the commitment criteria: some are in drug-induced psychosis. They will be diverted to other programmes. The officers *The Economist* accompanied as they worked with clinicians were kind to those in mental distress. Indeed, a few sought the police officers, not the nurse, for help.

New York is not alone in expanding involuntary treatment. California overhauled its system in 2022, creating a new civil-court system aimed at directing the mentally ill and homeless to treatment and housing. In a forthcoming paper Alex Barnard, a sociologist at New York University, found that the number of bills related to involuntary treatment introduced per year doubled between the 2011-12 legislative session and 2021-22. Criteria for commitment vary by state and it is difficult without evidence to determine which states have had better outcomes. Just changing the rules is not enough: San Francisco is now using laws that make involuntary commitment easier, but there are a lot of ill people living on the streets.

Helping the mentally ill while enhancing public safety is hard. “If your goal is to just have people not shouting on the subway, that’s different from if your goal is to deal with the unhoused,” says Mr Barnard. “But if your goal is a humanitarian impulse for a very small subset of people, then this approach makes more sense.” ■

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A rocky start

The clean-up after the LA fires is already revealing tensions

When a city burns, how does recovery even begin?

Feb 06, 2025 06:32 PM | Altadena



Before helping others

A HAZMAT TEAM, on their hands and knees, sifts through piles of ash slowly, methodically. They poke and prod mounds of debris with a shovel. They were tasked by the Environmental Protection Agency (EPA) to examine what is left of Altadena, a neighbourhood destroyed by the fires that razed parts of Los Angeles County last month. The crew wears jumpsuits and gas masks while they look for pesticides, paint cans and propane tanks—anything toxic or prone to explode. They avoid walking near chimneys, which are often the only things left standing on incinerated

lots. They could topple over at any minute. To the north, the charred mountains loom.

The fires, which killed at least 29 people, are at last fully contained. Before rebuilding, there is the question of what to do with the wreckage left behind. The scale of the task is daunting: more than 16,000 buildings were destroyed across an area larger than San Francisco. Clean-up has just begun, and it could be months before any new construction starts. But the recovery is already revealing tensions between Angelenos and their government, and is sparking questions about how much the fires will or won't change [America's second-largest city](#).

First comes debris removal. The Trump administration decreed that the EPA needs to finish removing hazardous waste in 30 days, an unprecedented pace for fires of this size. Time isn't the only challenge. Some houses are hard to get to, especially in the canyons of Pacific Palisades, a neighbourhood that burned. Only one big road serves the area: the [Pacific Coast Highway](#). Lorries hauling debris, police cars and power utilities have to work around LA's infamous traffic.

Tara Fitzgerald, who is overseeing the EPA's clean-up, says that because the fires burned through urban areas, it was tricky to find a large place to gather all that hazardous waste before shipping it to landfills, scrap yards or recycling centres around the country. People who live near those waste-collection sites aren't too happy about their new neighbours. Then there is the waste itself. Some of the biggest hazards among the debris are lithium-ion batteries used in electric vehicles (EVs). The EPA first found large numbers of burned EVs in Lahaina, a Hawaiian town that was [reduced to ashes](#) in 2023. They were shipped off Maui and then trucked to a battery recycler near Reno, Nevada. Some of LA's waste might end up in the same spot. When a battery heats up and expands, explains Harry Allen, the EPA's on-scene co-ordinator, "there's a jet fire like a little roman candle." He shows your correspondent a video of one of his teams gingerly towing the skeleton of a Tesla.

Next comes the rest of the debris: the husks of washing machines, the chimneys standing sentry over the remains, and heaps of ash and rubble. The Army Corps of Engineers initially told Angelenos that clean-up would

take 18 months. Residents revolted, and they were joined by an unlikely ally: President Donald Trump.

The fire next time

In an awkward discussion with local leaders during his first week in office, he lambasted LA's mayor, Karen Bass, for moving too slowly. Although many Angelenos welcomed his visit (and his impatience), Mr Trump's overall response to the fires has been chaotic. The same executive order that expedited waste removal also directed federal agencies to "maximise water delivery" from reservoirs in the Central Valley, which, rather than helping LA, nearly resulted in the flooding of farmland during the state's wet season.

While some things about the LA fires resemble what happened in Lahaina, the better comparison is to [the Camp Fire](#), which wiped out the northern California town of Paradise in 2018. "Wind conditions, no rain, no ability to get aircraft up to fight the fire. It was a carbon copy of what happened to us," says Steve Crowder, the mayor of Paradise. He has been fielding calls from LA asking for advice. Mr Crowder understands better than most the need for speed, but warns that rebuilding Paradise may take 20 years. Officials there reckon they went from erecting fewer than ten homes a year to more than 500. Five years after the fire, the town has recovered only about 40% of its population.

LA County, home to nearly 10m people, has far more resources than Paradise. Still, the need for workers and speedy permits (not something California does well) will be enormous. The county wants to create a fast process for those who want to rebuild exactly what they lost and a slower lane for everyone else. Local officials also plan to ask the state to allow them to ignore recently-passed laws to increase housing density, arguing that they will just slow down rebuilding. YIMBYs say these moves would prioritise rebuilding single-family homes in fire-prone areas. "There's political pressure to be seen as doing something," says Chris Elmendorf of the University of California, Davis. Fire victims deserve haste and help. "But I don't see the legislature just saying, 'OK, you don't have to comply with any state housing law.'"

In the past, cities have used disasters to remake themselves. After [Chicago burned in 1871](#), buildings got taller and less flammable. Insurers demanded stricter fire codes. Housing in San Francisco was built more densely after the earthquake of 1906 and the resulting fires. More than a century later, California's government is fragmented and sclerotic, making sweeping change hard. A lack of imagination won't help.■

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Lexington

Donald Trump is turning payback into policy

And setting new, dangerous precedents for the American presidency

Feb 06, 2025 09:54 PM



DURING A DEBATE last summer, when Donald Trump was asked what he meant by saying that as president he would have every right to “go after” his political opponents, he replied, “My retribution is going to be success.” His first few weeks back in the job have confirmed what many of his supporters and critics assumed he had in mind: that in office he would define “success” to include retribution. Mr Trump is not just returning to the ways of American presidents before the Watergate scandal, which led to reforms meant to insulate the Justice Department and FBI from presidential pressure. Those earlier presidents tended to be furtive in their use of

government to punish adversaries: Richard Nixon's "enemies list" was a secret.

Mr Trump is up to something new. He not only wants to [punish critics and officials](#), down to the lowliest bureaucrats, who do not embrace him and his priorities. He wants all America to know he is doing it. Revenge, for him, is best served publicly. His new aides are pulling down official portraits of former aides who crossed him, firing prosecutors and FBI agents who investigated him and demanding the names of thousands more agents involved in the inquiry into the attack on the Capitol on January 6th 2021. As the president said recently, "I have certain hatreds of people."

Mr Trump's most shocking punishment has been to strip government protection from former officials facing death threats from Iran for supporting his own first-term policy. One of them, [John Bolton](#), who served as Mr Trump's national security adviser, says he has resorted to "private measures" for protection, having been informed just before the inauguration that the Iranian threat is as active as ever against him and others. "That's Trump," Mr Bolton says, by way of explanation. "It's all transactional and seen through the prism: how does this benefit Donald Trump?"

When Mr Trump was asked by a reporter if he would take any responsibility if something happened to Mr Bolton and others denied security, he responded, "I think that, certainly, I would not take responsibility." But Mr Bolton says "The blood would be on his hands," and the president would almost certainly have to take military action against Iran. For Mr Bolton this would be a somewhat pyrrhic outcome, since he supported such action during Mr Trump's first term. In "The Room Where it Happened", his memoir of working in the Trump White House, he calls Mr Trump's last-minute decision to cancel a planned reprisal strike on Iran "the most irrational thing I ever witnessed any president do".

Mr Bolton's book is searing even by the molten standards of the Trump tell-all genre. He describes Mr Trump as unfit for the office, easily manipulated by the [flattery of foreign leaders](#), and childishly unfocused, sidetracking national-security meetings with looping digressions about wanting to give citizenship to white South African farmers or to replace electronic aircraft-carrier systems for lifting planes with steam-powered ones. "In no arena of

American affairs has the Trump aberration been more destructive than in national security,” Mr Bolton writes. One can see why Mr Trump might be annoyed.

As Mr Bolton notes, this is less true of another former official whose government protection Mr Trump withdrew, Mike Pompeo, once Mr Trump’s secretary of state. Mr Pompeo weighed running against Mr Trump, but then fell back in line and gave a speech praising his foreign-policy record at the Republican convention last summer. That now makes him an even more cautionary tale for those who might risk irking Mr Trump: his move against Mr Pompeo sends a clearer signal, as Mr Bolton puts it, “that there’s no limit to how vindictive Trump can be”.

This is why, in the “my-retribution-is-going-to-be-success” tradition, assurances by Mr Trump’s appointees about the limits to vengeance should be taken with a grain of salt. [Pam Bondi](#), Mr Trump’s attorney-general, told senators during her confirmation hearings that she would “ensure that all laws are followed” and would not “target people simply because of their political affiliation”. If she pursues officials who prosecuted Mr Trump, neither statement could be called a lie if she thinks they may have broken the law, as she has suggested in the past. [Kash Patel](#), Mr Trump’s pick for director of the FBI, pledged during his hearings that “no one that did not break the law will be investigated”—a standard that implies he can determine guilt in advance, and one that also supplies him with plenty of running room if he suspects wrongdoing. And he sure does: “Democrats in power are not held accountable for their crimes,” he complains in “Government Gangsters”, his own memoir.

Gotta serve somebody in particular

The flipside to punishing critics, however irrelevant they have become, is rewarding loyalists, however dodgy. Hence Mr Trump’s pardons even for those [January 6th rioters](#) who attacked police officers. The Justice Department has also abandoned the prosecution of a former Republican congressman (Mr Trump called it partisan). By fighting so hard for nominees like [Tulsi Gabbard and Robert F. Kennedy junior](#), Mr Trump is

demonstrating how far he will go to reward even manifestly flawed allies, provided their support for him is unqualified.

Mr Bolton believes Mr Trump's denial of security for former officials will chill policymaking. More broadly, Mr Trump is creating precedents and even incentives for future presidents to conduct wide-ranging reprisals of their own and to flush the bureaucracy of suspected non-believers. Maybe, over time, this will enhance political accountability and lead to better service from the bureaucracy for the citizens. It is more likely to turn taking a government job at any level into a sucker's bet. For now, if Mr Trump has his way, it will make serving in government mean serving him. ■

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Round one

How Mexico and Canada handled Trump's tariff threat

Officials in both countries are scrambling to find more offerings to appease America's protean president

Feb 06, 2025 06:33 PM | Mexico City and Ottawa



CLAUDIA SHEINBAUM, Mexico's president, beamed as she announced on February 3rd that Donald Trump had agreed to [delay imposing tariffs](#) of 25% on exports from her country. The levy had been due to go into effect at midnight. "He asked how long I wanted; I said, 'forever,'" she recounted, to laughter. She settled for a month. Hours later Justin Trudeau, Canada's prime minister, announced a similar reprieve. (An additional tariff on China of 10%, on top of those already in place, went ahead.) A North American economic crisis has been narrowly avoided, for now.

Ms Sheinbaum (pictured) won praise at home and abroad for her handling of her mercurial American counterpart. Throughout the confrontation her demeanour was respectful but firm. When Mr Trump ordered tariffs on February 1st, she told her team to prepare countermeasures, but did not publicise the details.

Mr Trudeau took a more defiant stance. Faced with a 25% tariff on all goods but oil, which would be subject to 10%, Mr Trudeau announced retaliatory tariffs on C\$155bn (\$106bn) of imports from America. His negotiation for a stay took two calls, during which he was reportedly told that Canada could avoid tariffs by becoming the 51st member of the United States.

Mexico and Canada both agreed to increase security at their borders with the United States to address Mr Trump's concerns about fentanyl trafficking and immigration. Ms Sheinbaum pledged to deploy 10,000 National Guard troops to Mexico's northern border, adding to the 10,000 already stationed there. Mexican officials will work with their American counterparts on trade and security, as they already do on migration. Mr Trudeau reheated a border-security package worth C\$1.3bn that was announced in December, and promised to appoint a "fentanyl czar".

The moves were pragmatic. Some 80% of Mexico's exports go to the United States. A 25% tariff could shrink its economy by 2-4% in 2025. Canada, which sends 77% of its exported goods south, would be only slightly less affected. But the tariff pause had as much to do with Mr Trump's whim as with any real capitulation by Mexico and Canada. American businesses, in particular the auto industry, which would have been hard hit, lobbied aggressively.

Ms Sheinbaum had for months signalled willingness to deepen bilateral security co-operation. Mexican authorities have seized 20m doses of fentanyl since her term began in October. She claims to have convinced Mr Trump to consider cracking down on American guns flowing south, and to learn from Mexico's public-awareness campaign about the dangers of consuming fentanyl. (Mr Trump omitted these points from his account of their "very friendly" conversation.) Mr Trudeau, for his part, had already deployed additional police, drones and dogs to the border.

Ms Sheinbaum says she is confident that she can produce further results to keep Mr Trump's mood placid. The authorities is likely to step up fentanyl raids and migrant crackdowns, and accept non-Mexican deportees. But substantive results on such complex issues will take more than a month, says Fernanda Caso, a political analyst. In the meantime the Trump team will probably be examining Mexico's willingness to co-operate in practice, and the amount of money assigned to Ms Sheinbaum's commitments.

Canada faces a tricky path, too. Neither fentanyl trafficking nor irregular migration is a major issue, despite what Mr Trump says. Nonetheless Canada's government says its new fentanyl czar will work with American officials in "combating fentanyl", that it will improve co-ordination with the United States, and invest another C\$200m in anti-drug efforts. Canada is to follow the United States' lead in classifying Mexican drug gangs as terrorist organisations. Mr Trudeau steps down as prime minister on March 9th, having announced his [resignation](#): last month.

Both countries are dispatching officials to Washington to push back against Mr Trump's economic grievances—starting with trade deficits. If imports of Canadian oil are excluded, for instance, the United States runs a trade surplus with its northern neighbour. Yet Mr Trump's core beliefs are harder to counter. He thinks tariffs will generate revenue and force firms to make more products in the United States. His claim on February 1st that Mexico's government has an "intolerable alliance" with drug gangs that operate in the country—which Ms Sheinbaum has called "slander"—may yet resurface. Even if Ms Sheinbaum wants to confront the collusion which often exists at local-government level, doing so will be hard.

Neither Mexican nor Canadian officials are resting easy. Both think it likely that Mr Trump will at some point follow through and impose tariffs, at least on a subset of imports. They are certain that he will use tariffs as leverage during a forthcoming renegotiation of the United States-Mexico-Canada free-trade agreement (USMCA). Mr Trump signed the USMCA in 2020, but he always maintained that he wanted it scrapped. Now he wants to renegotiate it ahead of the scheduled review in 2026. The uncertainty alone will stifle investment.

Now is a “very good moment” to strengthen the region’s trade and economic security, says Luis Rosendo, Mexico’s undersecretary for foreign trade. Officials and businesspeople across North America may draw a different conclusion. Mr Trump’s propensity to bully allies and gamble with economic stability makes the United States an unreliable partner. Even as they seek to stave off American tariffs, they will also be looking for ways to reduce their dependence on their powerful, volatile neighbour. ■

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A chink of light

The Trump tariff saga offers Canada's Liberals a lifeline

Suddenly, Canadians have someone to hate even more than Justin Trudeau

Feb 06, 2025 06:32 PM | Ottawa



WHEN JUSTIN TRUDEAU announced his resignation as prime minister on January 6th, his Liberal Party was as unpopular as it has ever been. A historic drubbing at the hands of Pierre Poilievre's Conservatives in the [next general election](#) looked certain. One month later the Liberals are showing signs of life, thanks in part to a politician Canadians dislike even more than Mr Trudeau: Donald Trump.

The American president's erratic efforts to levy [tariffs on Canadian exports](#) have triggered a surge of patriotism in Canada. Holidays in the United States have been cancelled and the American national anthem booed before

hockey games. Shops have emptied their shelves of American booze, replacing it with placards that read “Buy Canadian Instead”.

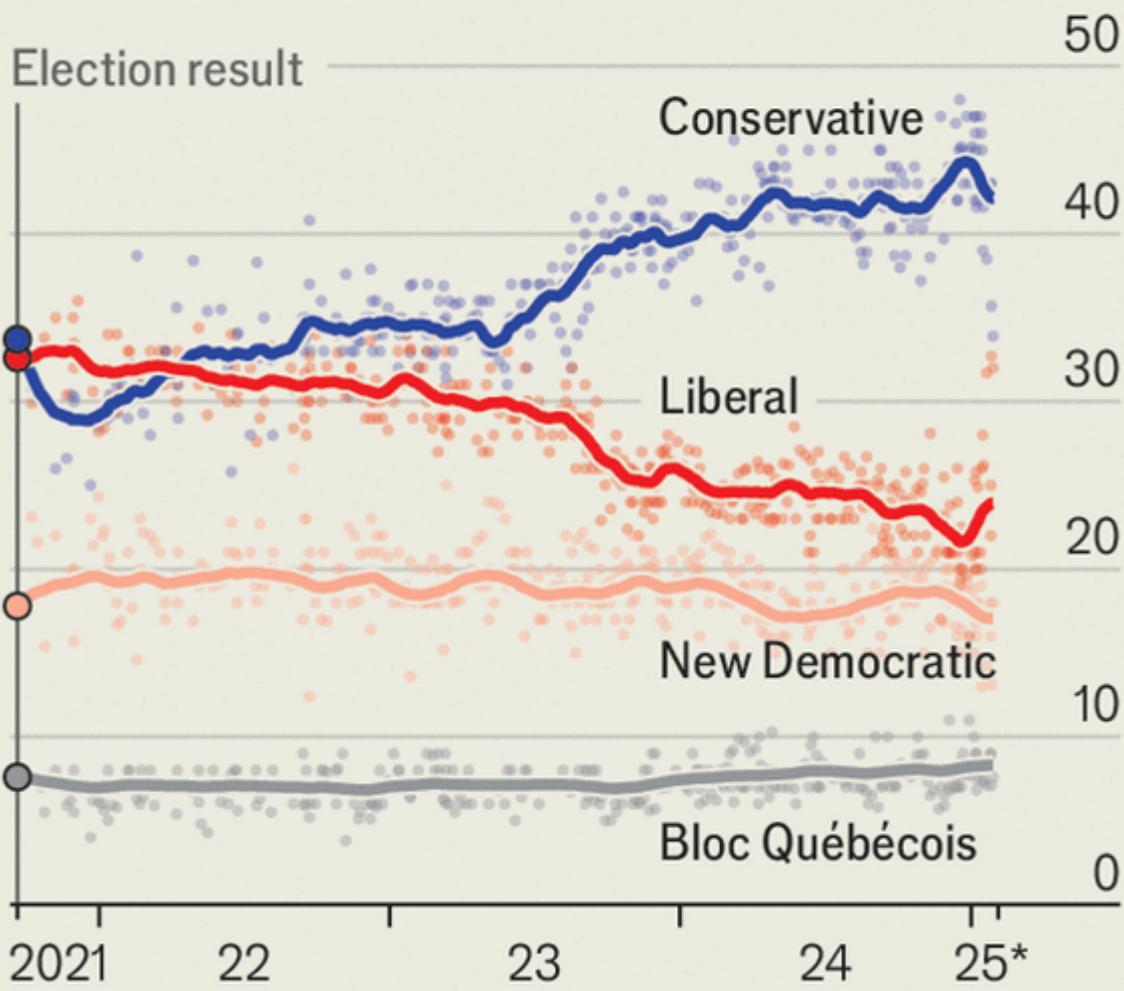
Mr Trump’s offer to hold off on tariffs if Canadians agreed to their country becoming the 51st state only focused minds further. Some 90% are not interested in being absorbed. Many got angry. “The mood of the country has changed from one of confusion, to one of betrayal to one of resolve,” Mark Carney, the front-runner for the Liberal leadership, told CNN on February 3rd.

An election that was set to turn on the fulcrum of fatigue and frustration with Mr Trudeau, his unpopular carbon tax and his languid response to a housing crisis will now almost certainly be decided by voters assessing which candidate can [stare down an American president](#) who merely postponed the threat of tariffs for 30 days on February 4th. Mr Poilievre, who had mastered the sport of Liberal-bashing, has had to change tactics. This sudden coalescence of anti-Trump unity, coupled with Mr Trudeau’s imminent departure, has some Liberal supporters daring to dream that they might pull off one of the greatest comebacks in Canadian political history.

So you're saying there's a chance

Canada, voting intention in general election, %

Selected parties



For now, reverie is the appropriate mode for such thinking. Surveys still suggest that Mr Poilievre and his Conservative Party would win a majority in an election that could be held as soon as this spring. But the threat of an extinction-level reckoning for the Liberals has abated. Polls show the party picking up modest support (see chart). Mr Trudeau's exit seems to have suddenly expanded the pool of potential Liberal voters. "That shook loose

people who wouldn't vote for Liberals because of Trudeau," said Éric Grenier, a polling analyst. Mr Grenier's aggregate of polls compiled for the Canadian Broadcasting Corporation (CBC) has Liberal support climbing to 23.4%, shrinking the Conservatives' lead from 24 points to 20.

If the direction of Mr Poilievre's rhetorical fire is any guide, the Liberal most likely to benefit from all of this is Mr Carney. (The other leading Liberal candidate, Chrystia Freeland, is suffering from her decade-long political connection with Mr Trudeau.) The Conservative leader now spends much of his time attacking the former governor of the Bank of England, who will become prime minister if he wins the race to lead the Liberals. That race will be decided in a party vote on March 9th.

[Read Chrystia Freeland's guest essay on the threat Donald Trump poses to Canada and global trade.](#)

Allan Gregg, who was the pollster for the Conservative Party in 1993, when an election removed it from power and reduced its representation in Parliament from 156 seats to two, says that Mr Carney offers the Liberals a chance to avoid a similar fate. Politicians and politics may be polarised, but some 40% of voters are not, Mr Gregg believes.

He thinks Canadians are looking for a practical centrist to the right of Mr Trudeau who can confront the threat Mr Trump poses to a country that sends 77% of all goods it exports to the United States. Mr Carney, who led central banks in Britain during Brexit and in Canada during the financial crisis of 2008, looks like that sort of person. "What they want is Dad," says Mr Gregg. "A guy who is definitive and authoritative." That kind of leader could run Mr Poilievre and the Conservatives close. His research shows that voters are not strongly attached to any party.

How likely is a Liberal comeback? Modelling by the CBC gives the party just a 1% chance of winning the next general election. Mr Poilievre, who has disappeared from the headlines during the tariff crisis, has quickly started to emphasise how he would confront Mr Trump. Says Mr Gregg: "The best campaign slogan ever written is still 'time for a change'." ■

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A record of violence

Ecuador chooses a leader amid murder, blackouts and stagnation

The front-runner, Daniel Noboa, is a billionaire heir with links to Donald Trump's circle

Feb 06, 2025 09:47 PM | Quito



To the dark side and back

RUNNING ECUADOR seems an unenviable job. In recent years it has become the most violent state in mainland Latin America. Droughts have caused blackouts. Economic growth is anaemic. Even so, 16 presidential candidates are vying for Ecuadorians' vote when they go to the polls on February 9th. (They will also select all 151 members of their legislature.)

Only two have any chance of winning. One is the current president, Daniel Noboa, the 37-year-old scion of a banana empire. He has been in power

since he won a snap election in October 2023. His main challenger is Luisa González, a 47-year-old leftist lawyer who also ran in 2023. If neither candidate wins a majority—or more than 40% of votes with a ten-point lead—a run-off will be held in April.



Polls indicate that Mr Noboa will win, perhaps even in the first round. Yet surprises could still happen: at least a quarter of voters are undecided and many do not even know when the election is. At stake is the future of a country which is worryingly close to falling into the grip of drug gangs, and which has become a major source of migrants to the United States.

In his short time in office, Mr Noboa has faced more daunting challenges than most leaders do in a full term. Weeks after he assumed power, gangs orchestrated a show of force, killing prison guards, setting fire to buses and taking television presenters hostage live on air. Mr Noboa declared an “internal armed conflict”, sending the army onto the streets and into prisons. Thousands of people were arrested.

Results looked promising at first: murders per 100,000 people fell from around 46 in 2023 to around 39 last year. Yet killings started ticking up again in the middle of 2024, and in January they reached their highest monthly level on record.

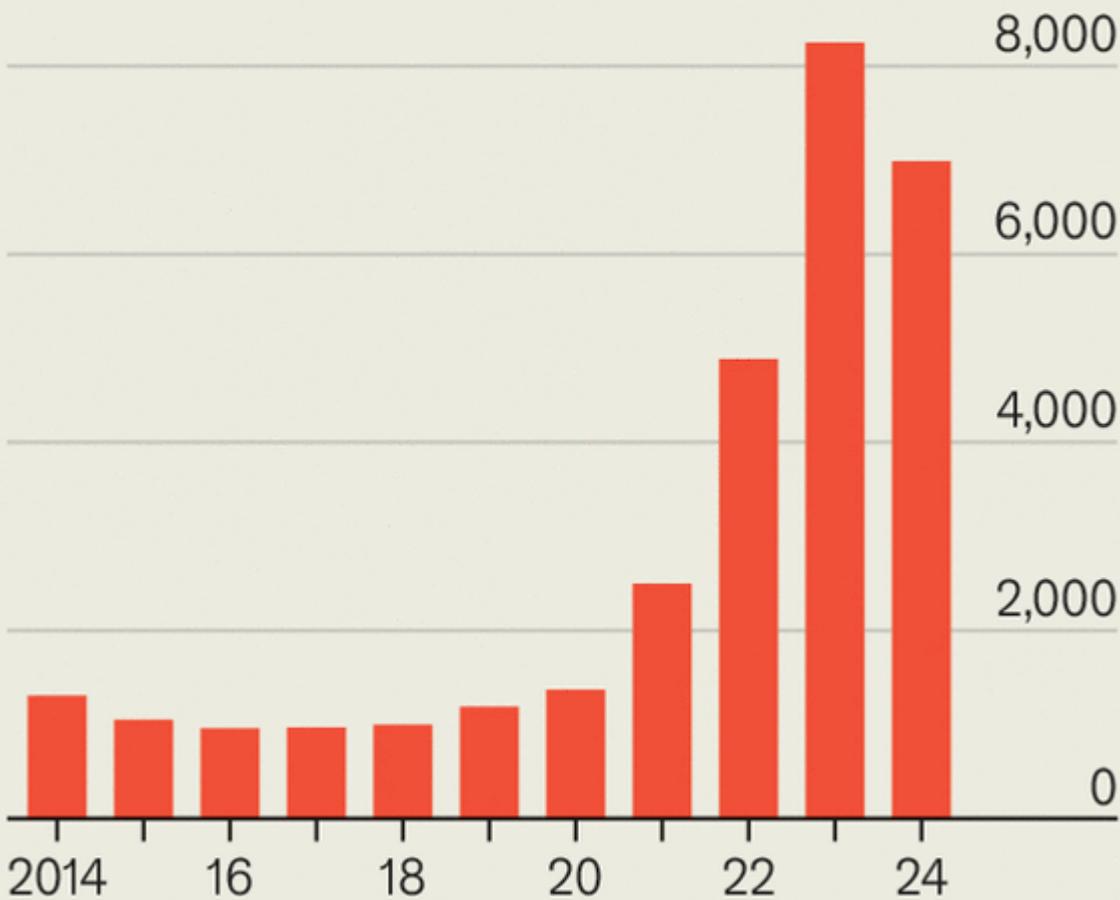
The cost of the use of force

The abuse of state power is becoming more common, and more gruesome. In December four children aged 11 to 15 went missing on their way home from a football game. The army initially denied involvement, but surveillance footage obtained and broadcast by local TV stations showed soldiers forcing two of the children into a truck. The children’s burned bodies were later found near an air-force base. Sixteen soldiers are being investigated. “This government lacks respect for the people, the security forces do whatever they want,” says Maria (not her real name), at a rally in Quito, the capital.

An environmental crisis has compounded problems. Severe drought last year curbed the output of Ecuador’s hydroelectric dams, leading to blackouts that lasted up to 14 hours. The government has had some economic success. Mr Noboa has raised VAT from 12% to 15% and reduced costly fuel subsidies while avoiding the usual protests that accompany such reforms. He also signed a deal with the IMF that will give the country access to \$4bn in loans over four years. On February 4th the government agreed the terms of a free-trade deal with Canada.

Persistently deadly

Ecuador, intentional homicides



Source: Ecuador Ministry of the Interior

Many of Mr Noboa's rivals have suffered. In 2023 one of his main challengers was Jan Topić, a tough-on-crime businessman and former foreign legionnaire. In November an electoral court disqualified Mr Topić from running in this election on the grounds that he is a shareholder in companies with government contracts. The same electoral court has disqualified several major political groups from fielding legislative candidates, allegedly for administrative and procedural violations. Teneo, a consultancy in London, warns of "authoritarian creep".

Mr Noboa has surrounded himself with relatives and buddies. A lawyer who has worked for a company owned by his wife is a minister. Several other cabinet roles are held by friends. His mother is a leading candidate for the legislature. Though nepotism is not unusual in Latin America, Teneo's Nicholas Watson warns that it could eventually cause "image problems".

For now though, his image is perhaps Mr Noboa's greatest strength. He and his wife, a fitness influencer, are social-media virtuosos. His TikTok and Instagram accounts, which boast millions of followers, are littered with posts of him wearing dark sunglasses and bulletproof vests, working out in sleeveless tops and dancing with voters. "He sells his and his wife's lifestyle, they are aspirational figures," says Sebastián Hurtado, a political analyst in Quito.

If re-elected Mr Noboa will have powerful allies. He was one of just a few foreign leaders invited to Donald Trump's inauguration. He probably has his links to Robert F. Kennedy junior, Mr Trump's nominee for US secretary of health, to thank for that. Mr Kennedy is a friend of Mr Noboa's father, and has said that Mr Noboa was "raised in my house". He is reportedly the godfather of Mr Noboa's youngest brother.

Depending on Donald

Yet if Ecuador does not solve its security issues, the relationship with Mr Trump could sour. As violence has soared, so has migration. Between 2012 and 2018 an average of 3,600 Ecuadorians were detained annually at the southern border of the United States. In 2024 some 122,000 were caught making the crossing. Ecuador also signed a free-trade agreement with China in 2023. Chinese-made cars dominate Quito's streets. All this could rile Mr Trump.

For now Mr Noboa has the support of the markets, a connection to the hemisphere's most powerful president and tolerance from Ecuadorians who have stomached difficult reforms. Four more years in power could help him consolidate his gains—or "create time for the government to discredit itself", warns Mr Hurtado. ■

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Subcontinental drift

Why India isn't winning the contest with China

A series of setbacks suggest that new policies are needed

Feb 06, 2025 06:32 PM | COLOMBO



THE PILOT'S tower at Colombo port, in Sri Lanka's capital, provides a telling snapshot of India's [struggle with China](#) in South Asia. To the east lie the berths where Indian and Chinese warships often dock, a port official explains. Southwards sits the Chinese-operated container terminal that was an early part of China's Belt and Road plan. Next door, to the west, is where India's Adani Group is building another terminal which, in 2023, won \$553m of American government funding.

When that deal was unveiled, it was hailed as a showcase of co-operation to counter Chinese influence, which had been spreading in the region through

trade, arms sales and infrastructure projects. India was pushing back in other ways too, granting neighbours relief from covid-19 and from debt problems linked to Chinese loans. “India is no longer losing—and may even be winning—its strategic competition with China,” wrote the Rand Corporation, a think-tank, in 2023.

Yet as Narendra Modi, India’s prime minister, prepares to visit Washington this month, his regional scorecard looks patchy at best. In the last 18 months, India-friendly leaders have been ousted in the Maldives, Nepal, [Bangladesh](#) and Sri Lanka. Bangladesh, especially, is tilting towards China. And several regional Adani projects are mired in controversy following those upheavals and American bribery allegations against its chairman, Gautam Adani (who denies wrongdoing). On December 11th, the firm said it would no longer use America’s loan for the Colombo port.

The to-and-fro is partly because regional leaders are playing Asia’s giants against each other. But it also stems from poor diplomacy. That raises tough questions for India, whose geographical and cultural links give it a natural edge. Moreover, Mr Modi adopted a “neighbourhood first” policy in 2014. Within India’s security and diplomatic elite, some fear a lack of vision and cohesion is thwarting potential gains in a period of relative Chinese weakness.

It is a worry, too, for America and other governments banking on India to help constrain China. Many Western officials fear that India’s regional diplomacy often backfires or conflicts with their own. Some say it mirrors China’s behaviour by backing despots, promoting opaque business deals and stirring chauvinistic nationalism at home. Donald Trump’s return to the White House adds new challenges, too.

Take Bangladesh, the biggest regional “swing state”. (Pakistan has long been in China’s camp.) India was a staunch supporter of Sheikh Hasina, Bangladesh’s prime minister from 2009 to 2024, and turned a blind eye to her increasingly autocratic rule. Indian officials even lobbied America to tone down criticism of her record, warning that Bangladesh could be overwhelmed by Islamist extremists.

For a while, India's approach worked. Trade, infrastructure and security ties flourished. Bangladesh expanded links with China, but deferred to India on security. Then, in August 2024, India's gamble backfired. Sheikh Hasina was deposed by student-led protests and fled to India. Anti-Indian sentiment is now widespread in Bangladesh; many Indians are outraged by reports of attacks on Bangladesh's Hindus.

China, meanwhile, is exploiting any strategic openings despite scaling back its Belt and Road infrastructure push, and despite resolving a four-year border standoff with India in October. China has already pledged \$2bn in financial aid for Bangladesh and is discussing \$5bn more, says Touhid Hossain, Bangladesh's interim foreign minister. Visiting Beijing in January, he requested more and China extended the term of some loans. Both sides also committed to infrastructure projects and discussed a Chinese proposal to develop Mongla port (Bangladesh's second-biggest). India bid for that under Sheikh Hasina as part of efforts to match the network of Chinese-controlled Indian Ocean ports.

This was not just an Indian intelligence failure: it exposed an outdated approach to the region. For decades, India has largely backed whoever is in power so long as they furthered its security interests. Mr Modi built on that but relied more on economic muscle, using generous aid (including \$4bn for Sri Lanka after its debt default in 2022) but also stiffer penalties such as an unofficial blockade of Nepal in 2015.

Indian officials say the approach is working. They cite their outreach to Sri Lanka's new president, whose first foreign trip was to India, despite his party's historic links to China. They also persuaded the Maldives' new leader to reverse the "anti-India" stance of his election campaign. As for Bangladesh, they do little to quell unfounded Indian media chatter that America engineered Sheikh Hasina's downfall.

In recent weeks, however, senior Indian diplomatic and security figures have called for a rethink. They say India has been too heavy-handed and, like China, failed to nurture links to opposition parties and civil society or promote a common sense of values and identity. Some connect those to Mr Modi's hostility to political opponents and non-governmental organisations;

his Hindu nationalism often backfires too (especially in Muslim-majority Bangladesh).

“The world has changed very fast,” says Shivshankar Menon, a former foreign secretary. “But we’re still doing what worked earlier and expecting the same result.” India, he says, should concentrate on economic integration and stop seeking reciprocity from weaker neighbours. Others want greater focus on the region’s young people, getting more to study in India. Shyam Saran, another former foreign secretary, says India needs more diplomats dealing with the region and more involvement by local governments in border areas.

Indian diplomats have been nimbler with Sri Lanka. But its president, Anura Kumara Dissanayake, is still hedging. Visiting China in January, he agreed to fast-track a \$3.7bn Chinese plan for an oil refinery alongside a Chinese-owned port in southern Sri Lanka that India considers a potential military threat. He has lifted a moratorium on visits by foreign research ships that was imposed after India protested about such visits by Chinese vessels.

He also adopted China’s preferred wording, referring to Tibet as “Xizang” (its Mandarin name) and backing “all” China’s efforts to achieve unification with Taiwan. Nepal’s prime minister, K.P. Sharma Oli, used similar wording when he visited China in December and agreed to deepen economic ties. Ranjit Rae, a former Indian ambassador to Nepal, faults India for neither building cross-party ties nor inviting Mr Oli to visit after his appointment in July.

Another worry for India is its reliance on Adani (whose chairman is close to Mr Modi) in competing for infrastructure projects. In 2017 Adani signed a 25-year deal to supply electricity to Bangladesh. In Sri Lanka, it won the Colombo port contract and a wind-power deal, both without open tenders. In Nepal, it has lobbied to build one airport and operate three. Bangladesh now wants to renegotiate the power deal, alleging it involves inflated prices (Adani has said the company has upheld all its contractual obligations). Sri Lanka is reviewing the wind deal on similar grounds.

Underlying all these problems is a more fundamental one. Mr Modi promotes India as an emerging world power and a champion of the global south. Yet officials across the region say it is still unclear what India stands for in its own backyard. Until it defines that, sceptical neighbours will continue to hedge their bets. And China will reap the rewards.■

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Big cats, big lessons

India's attempt to save the tiger has been a remarkable success

The predator is now thriving in many parts of the country, even alongside humans

Feb 06, 2025 06:33 PM | Singapore



Burning bright

IN INDIA IMAGES of tigers are everywhere. The apex predator is seen accompanying Hindu gods and its face adorns political banners. Yet for most of the country's history, spotting the actual animal had become ever harder. Poaching, deforestation and other human activity caused tiger populations to collapse from 40,000 at the beginning of the 20th century to fewer than 1,500 in 2006.

But now a recovery is afoot. Since 2006 the number of tigers in India has more than doubled, to 3,682. According to a new study published in the journal *Science*, the country is now home to 75% of the world's tigers, despite having just 18% of the global tiger habitat. The big cats prowl 138,200 square kilometres (53,000 square miles) of land across the country, an area roughly the size of Greece.

To explain this trend, the researchers delved deeper into wildlife-survey data, gathered every four years since 2006 at a granular level (in grids of 100 square kilometres). This allowed them to examine how various habitat and economic indicators, such as land-use characteristics, livestock population and night-lights data, are tied to the prevalence of tigers within those grids. They find that tigers thrive in protected reserves, where prey is plentiful and human interference minimal. These reserves, which have grown in number and size, have far-reaching effects by helping other threatened species, such as elephants and leopards.

More surprisingly, the study shows that, though protected habitats are important, tigers can survive even in the presence of humans. Nearly half of India's tigers live in what the researchers call "human multiple-use habitats", which are home to 60m people. The study suggests that Indian officials have helped ensure peaceful coexistence by compensating farmers for lost livestock and channelling tourism revenues into local economies. Such measures are crucial. Tigers are more likely to disappear in places where there is armed conflict or poverty persists (because incentives for poaching are stronger).

Above all, the researchers argue that tigers are making a comeback because of the government's dedication to helping its national animal. Not only do targeted laws exist to protect it, but governments across party lines have acted on them. The tiger's cultural cachet has helped, but the researchers also credit Indian officials' "meticulous governance" which, they write, holds lessons for conservationists in other countries, especially poor ones. But even Indian policymakers tackling thorny issues in other domains could take note. ■

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A belated reckoning

Japan could finally face its own #MeToo crisis

A series of scandals has rocked the country

Feb 06, 2025 06:32 PM | Tokyo



The embattled Fuji Television

UNLIKE ITS neighbour South Korea, Japan has not had a vociferous #MeToo movement. Is that now changing? Last year a newspaper reported that Nakai Masahiro, a boy-band star turned television presenter, had sexually assaulted a female newsreader. Mr Nakai, who reached an out-of-court settlement with the unnamed victim of ¥90m (\$590,000), resigned from all his shows. Even so, outrage mounted. Fuji Television, the victim's employer, became a target of ire. Over 70 sponsors yanked their commercials, forcing two executives to step down.

The fiasco follows a string of revelations rocking Japan’s showbusiness. In 2023 Johnny & Associates, renowned for churning out boy-bands, admitted its late founder had sexually abused hundreds of teenage boys over decades. Last year, Matsumoto Hitoshi, a popular comedian, vanished from TV screens following sexual-abuse allegations (which he denies).

It is not just pop culture that is facing a reckoning. Last year a female prosecutor in Osaka, in west of Japan, accused a former chief prosecutor of rape. (At first he admitted to it, but now says he is innocent.) A petition demanding his punishment has gathered over 60,000 signatures.

Japan’s #MeToo movement has been “building up slowly”, says Miura Mari of Sophia University in Tokyo. In 2017 Ito Shiori, a freelance journalist, accused a reporter and the biographer of then-prime minister Abe Shinzo, of rape. Her criminal case was dismissed, but she won damages in a civil lawsuit. “Black Box Diaries”, her film chronicling the episode, became the first Japanese documentary to be nominated for an Oscar last month (though there is no release date for it in Japan). Her case proved controversial and sparked nationwide conversations. According to surveys, only 5-10% of people report assaults to the police in Japan, compared with 23% in America. Demonstrations also started in 2019 after four rape acquittals were handed down by the courts in quick succession.

A few changes have occurred. In 2023 parliament raised the age of consent from 13 to 16. Lawmakers also expanded the definition of rape to encompass “non-consensual” sex, rather than requiring that physical force was involved.

But many of the problems in the TV industry run deep, including its culture of trivialising women on screen. Female news presenters are called *joshi-ana* (or “girl announcers”), a label that prizes their youth and looks. Many of them are plucked from college beauty pageants. They are treated as “commodities”, says Tanaka Toko at the University of Tokyo. And at a gruelling ten-hour press conference last month, Fuji Television’s executives offered few signs of major reform. One employee suggested sending “a man or an older woman” to dining parties instead of “offering a young woman”. Sponsors have yet to return, while public outrage remains high. “We wouldn’t have seen the kind of response we see today a few years back,”

notes Ms Miura. Tolerance for terrible behaviour may be eroding among the population at large, but change at the top still takes time. ■

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Durand under duress

Pakistan is furious with the Afghan Taliban

Violence on the border is the worst it has been for a decade

Feb 06, 2025 06:32 PM | Islamabad



IT IS A humbling admission for an old ally. “They don’t listen to us,” General Asim Munir, Pakistan’s army chief, complained about the Afghan Taliban last month. In General Munir’s reckoning Pakistan is not asking for much. All the country needs from its “brotherly neighbour” is to stop the “spread of terrorism in Pakistan from across the border”. A helping hand, as it were, from the Afghan Taliban.

Instead, the powerful unelected generals who run Pakistan have mostly received a middle finger. In December, 16 Pakistani soldiers were killed by the Tehreek-e-Taliban Pakistan (TTP), the Pakistani wing of the Taliban, in

a border attack. Pakistan's armed forces responded by bombing TTP hideouts in Afghanistan. That prompted the Taliban to defend the TTP as "guests" and vow revenge. That month the Taliban attacked Pakistani troops on the border.

Pakistan's anger at its vexatious ally is well founded. Violence is up: in 2024 there were 521 terrorist attacks in Pakistan, a 70% increase on the year before, according to the Pakistan Institute for Peace Studies, an Islamabad-based think-tank. This resulted in nearly 2,000 casualties. Militant violence, which had been in decline in Pakistan since 2014, has increased every year since the Taliban came to power in Afghanistan, following America's withdrawal of troops from the country in 2021.

Much of the violence last year, with over 300 attacks, can be attributed to the TTP. Pakistani officials estimate 10,000 of its fighters now roam along the border between the two countries. The TTP has narrowed its focus and its goals: it mostly attacks military targets, and is demanding a reversal of the merger in 2018 between Khyber Pakhtunkhwa, a province of Pakistan, and British-era tribal areas.

"Pakistan miscalculated in assuming the Taliban would be a reliable and pliable ally once in power," says Andrew Wilder at the United States Institute of Peace, a think-tank. Pakistan's lopsided relations among the Afghan Taliban factions have added to the problem. Pakistan's army is close to the Haqqani network, with its strongholds in eastern Afghanistan. By contrast, the TTP pledges allegiance to the Taliban's leader, Haibatullah Akhundzada. Relations between him and Pakistan's generals are far cooler.

Wizened Afghan hands have known the Taliban to be stubborn allies since inception. In the 1990s they gave sanctuary to Pakistani sectarian militants who tormented the country's Shias. They refused to hand over the leaders Pakistan demanded. But Pakistan's dysfunctional politics also complicates the relationship between the two countries. The province of Khyber Pakhtunkhwa, where there were 295 militant attacks last year, is governed by the Pakistan Tehreek-e-Insaf, the party founded by Imran Khan, the jailed former prime minister. Its chief minister insists on negotiating unilaterally with the Taliban, incensing the federal government. The army,

which opposes such talks, wants Mr Khan's provincial government to beef up its police resources to fight the TTP.

The government is trying other negotiating tactics. Since September 2023 some 815,000 Afghans have been evicted from Pakistan. (The United Nations estimates another 3m, fleeing Afghanistan's long wars, remain.) Trade between the two countries has nosedived. Even so, the Afghan Taliban are unmoved. They know Pakistan's arm-twisting has its limits.

Last month the Taliban hosted the Iranian foreign minister in Kabul, a first since 2017. Trade was on the agenda. Earlier in January India's foreign secretary met the Taliban's foreign minister in Dubai, to Pakistan's annoyance. "We ask them to start acting and behaving like a state [and to] understand [their] obligations," a senior Pakistani security official complains. "But nothing changes." So much for that ally. ■

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Banyan

Donald Trump and Japan's Ishiba Shigeru make for an odd couple

But shared interests can help keep America and Japan close

Feb 06, 2025 06:32 PM



IN HIGH SCHOOL, Ishiba Shigeru joined the golf club. But he abandoned the sport after entering politics. The elitist hobby did not suit his image as a man of the people from rural Tottori, in Japan's west (never mind that, like many Japanese politicians, he descends from a political dynasty). His loyal grassroots following ultimately helped him to become his country's prime minister. Alas, a good short game would have been an asset in one of his most important tasks as Japan's leader: managing the relationship with America's mercurial president, Donald Trump, whom he will meet at the White House for the first time on February 7th.

Abe Shinzo, one of Mr Ishiba's predecessors, used golf to help charm Mr Trump during his first term. Just over a week after the presidential elections in 2016, Abe rushed to Trump Tower with a gold-plated golf club as a gift. Following their first meeting at the White House the next spring, the two flew to Mar-a-Lago and hit the links. During Trump 1.0, Abe emerged as the Trump-whisperer par excellence; his example is now studied in capitals across the world.

Mr Ishiba will find it hard to replicate Abe's connection with Mr Trump, and not just because he no longer golfs. "It will be like a second marriage after the love of your life dies," says one person familiar with the Abe-Trump bromance. Moreover, given Mr Ishiba's long-standing animus towards Abe, it may be a bit like being forced into an arranged marriage with your soulmate's arch-enemy. No wonder Mr Trump rebuffed Mr Ishiba's requests to meet ahead of his inauguration, while welcoming Abe's widow, Akie, for dinner at Mar-a-Lago.

The power dynamics between Mr Ishiba and Mr Trump will also differ. When Mr Trump first came to office, on the global stage "Abe was the veteran and Trump was the new one," says a lawmaker from Japan's ruling Liberal Democratic Party. "Now it's the reverse." Abe also had a strong grip on power at home, which helped earn Mr Trump's respect; Mr Ishiba leads a precarious minority government that may not last past this summer.

When asked about the potential chemistry, Japanese officials purse their lips and cross their fingers. Colleagues describe Mr Ishiba as modest, respectful, shy. But to Americans he can seem nerdy. "A strange duck," says one former American official. "Awkward and weird," echoes another. The prime minister's enduring passions—model trains, anime and a 1970s girl pop band called "Candies"—may read to Mr Trump and his macho courtiers as hopelessly uncool. Where Abe was a charmer, Mr Ishiba is "more of a thinker, a philosopher", says one Japanese official.

During Mr Ishiba's visit he may not bring anything gold-plated, but he will come bearing policy gifts, such as plans to buy more LNG from America. He will recap what Japan has done to boost its defences since Mr Trump's previous term, including raising security spending to 2% of GDP by 2027. He will surely note that Japan has the largest stock of foreign direct

investment in America and that Japanese firms are directly responsible for around 1m American jobs. He will remind Mr Trump that Japan now accounts for less than 10% of America's trade deficit, down from a peak of 65% in the early 1990s; he may point out that America currently runs far larger trade deficits with China, Mexico, Germany and even Vietnam.

There will be plenty of tense topics as well. Mr Trump's tariffs may not yet be directed at Japan, but it will suffer nonetheless. Share prices of Japanese carmakers, which have large production bases in Canada and Mexico, have fallen in recent days. Mr Ishiba criticised Joe Biden for blocking Nippon Steel's acquisition of US Steel—a decision that Mr Trump promised to uphold. Mr Trump may feel Japan's defence-spending pledge is inadequate, and push for 3% of GDP. Japan's recent openness to restarting dialogues with China may rankle hawks around Mr Trump. If America abandons Ukraine, Japan will be dismayed.

Yet Japanese officials are nonetheless relatively sanguine about their relationship with America under Trump 2.0. "I like Japan," Mr Trump said when Mr Ishiba's visit was announced. Individuals with ties to Japan occupy high places in the new administration. Shared interests can keep the two countries close, even if their leaders are not. In America's stand-off with China, Japan is the single most crucial ally. "America and Japan need to be friends in today's environment," says another Japanese official. "Even Trump understands that." ■

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Tai, spy

China is infiltrating Taiwan's armed forces

And Taiwan is struggling to deal with the growing number of spies

Feb 06, 2025 06:32 PM | Taipei



One by one

IN 2021 A retired Taiwanese general named Kao An-kuo made a video of himself dressed in camouflage, calling on Taiwan's armed forces to overthrow the island's government. The ruling Democratic Progressive Party (DPP) was full of "ethnic traitors" who were selling Taiwan out to America, he said, and obstructing the Chinese nation's great rejuvenation. At that time it drew little attention. Mr Kao was the ageing leader of a fringe pro-unification group with scarce support in Taiwanese society. But in January Mr Kao, who is now 80, was indicted for military espionage. Prosecutors allege that he and five others created an armed group to work

with China's armed forces towards an invasion of Taiwan. They were accused of using drones to track military drills, reporting training results to China and trying to recruit more collaborators.

Mr Kao is the highest-ranking veteran of Taiwan's armed forces to have been accused of spying for China, but he is not the first. In January another group of veterans was indicted for allegedly sending photos and maps of America's de facto embassy in Taipei and of Taiwanese military bases to Chinese agents. Last year Taiwan's courts prosecuted 64 people for spying for China. Two-thirds were current or retired military personnel. Prosecutions have jumped fourfold in the past four years, according to Taiwan's National Security Bureau. Yet China's infiltration is still evolving in both scope and tactics.

There have been 1,706 instances of Chinese intelligence trying to recruit Taiwanese officers and soldiers online between January 2022 and June 2024, says one government report, creating an “unprecedented challenge” for Taiwan's armed forces. China is targeting rank-and-file soldiers as well as high-level officers, reaching them through channels such as online gaming platforms and underground lenders. Chinese goals are shifting, too, from stealing tactically useful intelligence to using co-opted soldiers for psychological warfare. Some have allegedly filmed “surrender videos” in which they pose in Taiwanese uniform with a Chinese flag and promise not to fight, or sign oaths of loyalty to the Chinese motherland if war broke out.

How is China convincing Taiwan's soldiers and officers to collaborate? In the past it targeted retired officers first. These older veterans tended to come from a generation that may have fled the mainland, identified as Chinese nationalists and opposed Taiwan's independence. Many also disliked the DPP for cutting veterans' pensions in 2018. Resentful Taiwanese veterans were susceptible to Chinese agents, says Chang Yen-ting, a retired air-force general. They would befriend them on family visits or business trips, taking them out to meals, inviting them to play golf, “peeling them like an onion, layer by layer”, until they felt that the mainlanders were their true allies and the DPP their enemy.

Turning the tide

China is now targeting younger personnel, says one of the special prosecutors who handles national-security cases in Taiwan. Many of the younger targets are in debt, he says. They start out searching for ways to make money online. Some of them get into gambling. Others look for loans through informal lenders, often linked with criminal gangs that are associated with Taiwan's temple networks.

China works through middlemen affiliated with those groups, who will offer base payments of up to NT\$200,000 (\$6,000) for "rubbish intelligence" he says, such as a photo of toilets in a training base or a video saying they don't want war. Naive soldiers think it's easy money. "Hundreds of thousands just for a twenty-second video, it's incredible," says the prosecutor. But once the first payment has been made, the middlemen will ask targets to provide more advanced information.

None of these videos have been released. But, says the prosecutor, China may be collecting them for use in future, when it wants to break the Taiwanese public's will to resist. "They can be used to tell ordinary Taiwanese people, 'Look, even your army is not loyal to your country,'" says Nie Ruiyi, a lawyer who has worked on many military-espionage cases.

That psychology is also one of China's recruitment methods. Agents will reveal to Taiwanese targets that they already know all about that soldier's deployment orders. They scare the target, then tell him that war is coming soon, and they can keep their family safe if they collaborate, says Mr Nie. Some of these methods are working. The prosecutor says he dealt with a recent case where a Taiwanese lieutenant agreed to collaborate in return for Thai passports, obtained through Chinese investment on behalf of his family. "That lieutenant told me, if war happens, he will remain here to fulfil his duty. But he wants to get his wife and children out right away."

Taiwan is trying to stop China's military infiltration. Most of the prosecuted cases have been uncovered through internal reporting, showing that anti-spy education is working, says the defence ministry. Its courts have also been meting out heavier sentences as a deterrent. China is maximising the propaganda value of these cases by using them to fan Taiwan's domestic divisions. Asked about Mr Kao's case this month, Chen Binhua, a

spokesman for China's Taiwan Affairs Office, said the DPP was using an "evil" national-security law to suppress opponents. ■

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Fentanyl and free trade

Donald Trump's new trade war with China is also an opioid war

The president claims that drugs are poisoning geopolitics

Feb 06, 2025 06:32 PM



MORE THAN six years after Donald Trump, then in his first term as America's president, mounted a trade war against China, the guns are firing again. On February 4th Mr Trump imposed an additional 10% [tariff on imports](#) from China, which responded with a slew of its own on various American products. Canada and Mexico, which had also been threatened with tariffs, gained at least a temporary reprieve. But even if China eventually gets a similar concession, the drugs that Mr Trump cites as the reason for his latest actions—synthetic opioids—will continue to devastate American lives and poison the Sino-American relationship. The battle over them will be bitter and protracted.

“The influx of these drugs to our Nation threatens the fabric of our society,” said Mr Trump’s announcement of the levy on Chinese goods. He accused China of “actively sustaining and expanding the business of poisoning our citizens”. China hit back: “Fentanyl is an issue for the US,” it said, warning that the levies could undermine co-operation on drug control.

Mr Trump’s claims about the opioid trade are hyperbolic, and his remedy counterproductive, but there is little doubt that the synthetic-drugs business is a problem and that China could do more. In the year to August 2024 nearly 90,000 Americans died from drug overdoses. [The majority had taken fentanyl](#). Chinese firms are the main suppliers of chemicals that are “cooked” into fentanyl by cartels in Mexico and smuggled into America. (Almost none comes through Canada.)

Mr Trump has attempted to put some of the blame on Mr Biden, whom he accuses of failing to chivvy China’s leader, Xi Jinping, into fulfilling a promise (which Mr Trump says the Chinese president made during Mr Trump’s first term) to execute people who send fentanyl to America. “That would have stopped it,” he told reporters on January 23rd. But even if China made such a pledge, death sentences are unlikely to have helped. In 2019 China banned unauthorised manufacture of all fentanyl-type opioids. A Chinese court imposed a suspended death sentence on a man for trafficking fentanyl to America. But the crackdown led to Chinese firms exporting the chemical components, or “precursors”, of fentanyl instead. These often have legal uses as well.

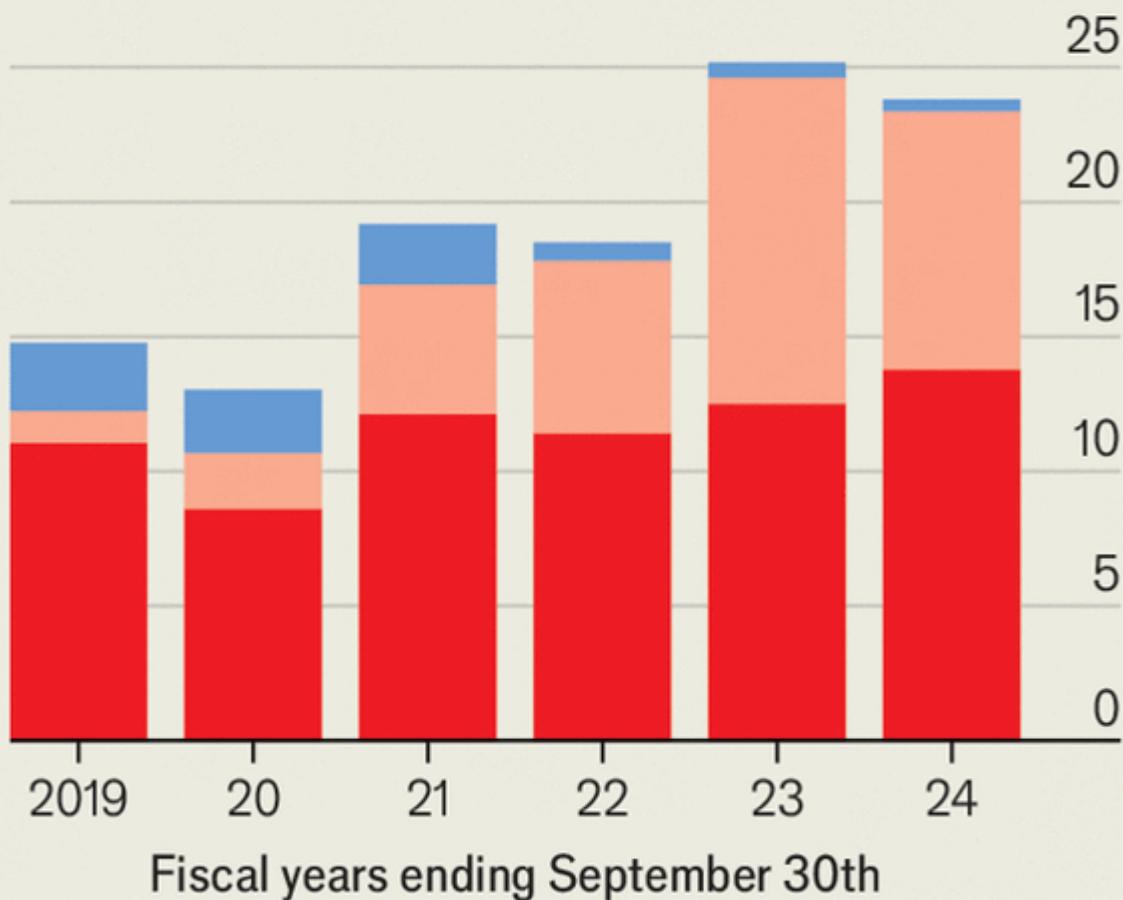
The problem is partly political. China expected rewards for taking America’s concerns more seriously. It was outraged when the Trump administration imposed sanctions on the Ministry of Public Security’s forensic-science institute in 2020 because of its alleged links with the repression of Uyghurs in Xinjiang. China scaled back its co-operation with America in fighting drug crime. In 2022 it severed such collaboration in response to a [visit to Taiwan](#) by Nancy Pelosi, the then speaker of the House of Representatives. Co-operation resumed only after Mr Biden agreed to lift the sanctions in November 2023 during a summit in San Francisco with Mr Xi.

In January 2024 a new bilateral forum on counter-narcotics work met for the first time in Beijing. China took further steps to tighten its controls on opioid-related business. In September it imposed restrictions on three more fentanyl ingredients. It shut down 14 websites and more than 1,000 online shops that were offering precursors for sale. “As soon as something’s internationally agreed, they’ll control it. So I’ll give them credit for that,” says a senior official familiar with China’s efforts.

Foreign poison

United States, selected drug seizures
at the south-western border, tonnes

■ Cocaine ■ Fentanyl ■ Heroin



Source: US Customs and Border Protection

But websites offering precursors still abound. If the sellers' country of origin is not explicit, their contact details involving WeChat, a Chinese messaging platform, and Chinese mobile-phone numbers, make the China connection clear. "Safety Delivery to Mexico, USA", says a dealer on a chemical trading platform in Shanghai, purporting to be from a firm in Anhui province. The webpage advertises 1-boc-4-AP, one of the precursors

that China took action against in 2024. It may be a scam. But in July 2024 Reuters, a news agency, said its reporters in America had secured deliveries of precursors and a pill press from online sellers in China. They cost a total of about \$3,600 and could have made tablets worth about \$3m, according to Reuters.

Such sales could be disrupted by another measure announced by Mr Trump along with his latest tariffs: the scrapping of so-called “*de minimis*” exemptions from duties for small packages sent from China. *De minimis* products usually entered the country with very little inspection, making it easy for [fentanyl-related shipments](#) to evade detection.

Biden-era officials say that in 2023 Mr Xi appeared to get a better grasp of how neuralgic the [fentanyl crisis](#) had become in American politics, and seemed more willing to help. “China has worked more productively with the US during the last 15 months on the precursor issue,” says a former official involved in those efforts.

But in April last year a bipartisan committee of America’s House of Representatives released a report on China’s connections with fentanyl. It alleged that China’s security apparatus consistently cracks down against drug traffickers “only in cases that impact its domestic population”. It said China was using fentanyl as a “valuable rhetorical and propaganda tool” to highlight Western decadence. In July a senior American official said the Biden administration had no information to support the committee’s finding that China was actually subsidising precursor exports. But, the official said, “I think there’s a need for an ongoing conversation about that.”

Mr Trump’s tariffs will not encourage China to talk. But Vanda Felbab-Brown of the Brookings Institution in Washington believes America may have leverage. China is keen to be removed from an annual American list of major drug-producing and transit countries, to which it was added in 2023. Ms Felbab-Brown believes it could be willing to take further steps to stop the opioid-related trade if America agrees to remove that label. “China is very focused on its reputation,” she adds.

Even with China’s best efforts, the problem will not disappear quickly. The country has a vast and nimble chemical industry that, along with India’s,

dominates global supplies of pharmaceutical raw materials. Its manufacturers can quickly produce other suitable chemicals if the government restricts sales of a fentanyl component. Their legitimate uses, in addition to their fentanyl-making ones, would make any government hesitate to stop their production completely. China's local governments have an interest in protecting businesses that prop up sagging economic growth. And a tougher crackdown in China could push more of the business elsewhere, such as to India. In geopolitics, the poison will long persist. ■

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Shutdown

Cuts in American aid are crippling groups promoting rights in China

Some aid money has been very well spent

Feb 06, 2025 06:33 PM



CHINA LABOUR WATCH (CLW), an NGO based in New York City, has investigated labour abuses in Chinese supply chains for 20 years. It is small, with a staff of seven and a budget of \$800,000 a year. Now it is on the verge of collapse. Some 90% of its funds come from the American government. Since Donald Trump ordered a freeze on foreign aid in January, CLW has had to halt most of its work. Li Qiang, its founder, says staff will have to be laid off. It is all “very painful”, he says, and “completely unexpected”.

CLW is one of many China-focused groups facing closure. The State Department has said it is freezing aid for 90 days to review programmes for

waste, wokeness and support of American national interests. Those depending most on American funds are run on a shoestring budget by exiled activists who struggle to find other support, says Maya Wang of Human Rights Watch, a group not affected by the cuts. Private donors avoid critics of China in order to protect business interests. Governments are wary of Chinese dissidents. Activists cannot even rely on crowdfunding, says Ms Wang, because of surveillance.

These organisations often have the best language skills and contacts within China. Journalists rely on them for first-hand accounts and data. CLW has built a network of contacts with workers inside factories across China and in Chinese projects in the global south. Uyghur and Tibetan researchers use personal connections to report on re-education camps and detentions.

The Economist spoke with members of groups that monitor protests, support local journalists and report on the Chinese state's repression. Most were afraid to speak on the record because they did not want to be punished for criticising the Trump administration. Some said they were applying for waivers to the freeze, hoping that China hawks in the administration would continue their support. Others were conflicted about taking funds from a government that no longer seemed aligned with their values.

For decades the Communist Party has accused Western governments of fomenting instability in China through civil society. "Everyone in this space is constantly doing risk assessments to figure out if we're going to get shut down from the Chinese side," says one member of a Washington-based group. It is "deeply ironic", she says, that they may soon collapse because of American policy. America's government is "essentially doing the job of the Chinese government for it", says Ms Wang.■

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From MAGA to Gaza

Donald Trump's eye-popping plan to make Gaza American

Is his call to evict Palestinians from the “hell hole” an imperial fantasy or a negotiating ploy?

Feb 06, 2025 06:32 PM | JERUSALEM AND WASHINGTON, DC



GAZANS HAVE lived through 15 months of war between Hamas and Israel. They have been repeatedly displaced. Tens of thousands have been killed. But they could not have predicted President Donald Trump's [astonishing plan](#) to end their misery: the eviction of all Palestinians and a full American takeover to turn Gaza into the "riviera of the Middle East".

Arab governments were alarmed, worried such a move would cause instability. Britain, France and Germany condemned the proposal, and reaffirmed their support for a "two-state solution", ie, the creation of a

Palestinian state next to Israel. The UN warned deportations would be tantamount to ethnic cleansing, and would breach international law. In America some Republicans hailed the president's plan as a stroke of genius; others looked askance. A far-right Israeli minister rejoiced, quoting a Biblical psalm: "The Lord hath done great things for us; whereof we are glad."

[Read all our coverage of the war in the Middle East](#)

Mr Trump hurled his bolt after a meeting at the White House with Binyamin Netanyahu, Israel's prime minister. The president said America would "do a job" with the Gaza Strip. "We'll own it and be responsible for dismantling all of the dangerous unexploded bombs and other weapons on the site." America, he added, would take "a long-term ownership position". Asked about sending American troops, Mr Trump replied, "If it's necessary, we'll do that."

The president said he was entirely serious: "Everybody I've spoken to loves the idea of the United States owning that piece of land, developing and creating thousands of jobs with something that will be magnificent." Palestinians, he said, could not live in the "a demolition site" of Gaza. Better for other countries to "open their hearts", take them in and resettle them in new communities. Once rebuilt, people "from all over the world" would live in Gaza, including some Palestinians.

Mr Netanyahu seemed in equal parts delighted and nonplussed. He did not entertain the proposal in any detail, but praised Mr Trump and noted vaguely: "It's worth paying attention to this...it's something that could change history."

To some Americans the plan looked like more imperial fancy—akin to Mr Trump's provocative talk of buying Greenland—except more dangerous. Some worried that he had forgotten America's bloody misadventures in Afghanistan and Iraq, which he has long decried. Others wondered whether, as with his threats of tariffs, Mr Trump set out an outlandish position to gain negotiating leverage.

Amid the tumult, the White House soon reversed course. The press secretary said any removal of Palestinians would be temporary, and the president did not plan to deploy troops or spend taxpayer dollars in Gaza. Michael Waltz, the national security adviser, said the plan served to push “the entire region to come with their own solutions.” Leaks suggested Mr Trump had talked about his idea for weeks, but officials had made no plans for it.

Most proposals for peace between the Israelis and Palestinians, including one from Mr Trump during his first term, have involved the formal partition of the land into a Palestinian state and a Jewish one. These have often provoked more violence. “You can’t keep doing the same mistake over and over again,” Mr Trump complained. “Gaza is a hell hole right now.”

Yet the idea of a Western colonial enterprise in Palestine has not been considered since Britain gave up the mandate for the territory in 1948 after years of violence. America refused to take up mandates in the Middle East after the fall of the Ottoman empire in the first world war.

Mr Trump appears to have plucked disparate ideas from the cauldron of the Middle East: the removal of [Hamas](#) from Gaza demanded by Mr Netanyahu; the eviction of Palestinians sought by his far-right allies; old dreams of turning Gaza into another Dubai; the hope of Arab petrodollars for its reconstruction; and calls for America to lead a peacekeeping force. To all this Mr Trump has also added the real-estate mogul’s zeal for redevelopment.

Mr Netanyahu’s team had expected Mr Trump to urge Israel to start the talks for the second phase of its truce with Hamas, involving a permanent cessation of hostilities and a full withdrawal of Israeli forces. The third phase would involve the rebuilding of Gaza. All this would prepare the way for Saudi Arabia to normalise relations with Israel, in exchange for progress towards a Palestinian state, thereby forging a grand coalition of America, Israel and pro-Western Arab regimes. Mr Trump’s idea that America would carve out Gaza for itself was beyond the Israelis’ imagination.

Mr Netanyahu knows well the difficulties (and illegality) of such a plan. Gazans would not volunteer for another *nakba*, or “catastrophe”, the name

Palestinians give to their displacement during the birth of Israel in 1948. Arab leaders, though privately indifferent to the plight of Palestinians, cannot be seen to connive in pushing them out of their homeland. And no Arab country wants to take in many more disgruntled Palestinians. Egypt and Jordan have refused. Mr Trump shrugged. “They say they’re not going to accept. I say they will.”

Mr Netanyahu seems willing to play along, both to strengthen bonds with Mr Trump and to exploit his plan for domestic advantage. The prime minister’s far-right allies are threatening to bring down his government if he presses ahead with a full ceasefire. Mr Netanyahu has tried to buy himself more time by continuing to insist on total victory in Gaza. But that opens a potentially damaging gap with Mr Trump, who expressed confidence that the ceasefire deal will be implemented fully. The president’s Gaza plan may throw the prime minister a lifeline. The far-right will probably not bring down the government and jeopardise its dream of resettling Gaza.

That threat explains Saudi Arabia’s prompt riposte, which said it would “not establish diplomatic relations with Israel” without the creation of a Palestinian state. And yet might the Saudis accept a deal that forestalls Mr Trump’s plan and saves Palestinians from mass expulsion? Saudi officials insist they will not.

Arab leaders are wary of antagonising the president. But if Mr Trump is serious about his latest proposal, a forceful condemnation may follow. Mr Trump has built his success on the idea of “Make America Great Again”. His devotees probably did not sign up for “Make Gaza American”. ■

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From rebel to ruler

Warlord, jihadi or nation-builder?

An interview with Syria's president, Ahmed al-Sharaa

Feb 06, 2025 06:32 PM | DAMASCUS



From rebel to ruler

IN HIS FIRST interview since assuming the Syrian presidency on January 29th, Ahmed al-Sharaa sat down with *The Economist* and laid out his vision for rebuilding Syria's smashed and bankrupt state. Forty-eight hours into his tenure, the former al-Qaeda leader in Syria outlined a timetable for taking Syria in “the direction of” democracy and promised elections. Many outsiders hoped that his rise would mark Syria’s strategic shift out of the clutches of Iran and Russia and into the Western fold. In fact, he spoke harshly about America’s “illegal” military presence in Syria, welcomed talks with Russia about its military bases and warned Israel that its advance into Syria since the fall of the Assad regime “will cause a lot of trouble in the future”.

There was little sign of the inclusivity that he mentioned so enthusiastically. He was surrounded by a small band of advisers mostly drawn from his Idlib emirate. Otherwise the cavernous palace, six times the size of the White House, was empty.

[Read the transcript of our interview with Ahmed al-Sharaa](#)

Mr Sharaa has a way of appearing to be all things to all men. When he announced his presidency two nights earlier, he wore military fatigues as he stood before rebel chiefs. The next evening he spoke to Syrians as a civilian in a black suit and green tie. For *The Economist*, he chose a hipster look: a cream jacket over a black shirt buttoned to the neck and slim trousers. He might have been heading for a Friday night out on the town. He mentioned his attire three times, perhaps because he knows that observers will read a lot into it.

His messages seem tailored for each audience. But the constant changes make a man who set up suicide-bombings for Islamic State and led al-Qaeda in Syria hard to measure. He is an interim president, but his vision is long-term. Many of his undertakings, like a constitution and elections, were pushed “three or four years” into the future. For now he is intent on consolidating the power he has grabbed.

First is the question of capacity. He wants to re-establish central authority over Syria’s fractured state and, Kurds aside, claims to have secured the agreement of “all” Syria’s militias to join a new Syrian army. All militias, including his own, Hayat Tahrir al-Sham (HTS), he says, have been dissolved. “Anyone who keeps a weapon outside the control of the state” would be subject to unspecified “measures”. He ruled out a federal arrangement to deal with Kurdish opposition. But the projection of a strongman was belied by the absence of palace staff. There was no one on hand to serve coffee. His foreign minister and fellow former jihadist, Asaad al-Shaibani, sat at his side directing proceedings.



On the ground his 30,000-man force is stretched just as thin. As he notes, “a vast area is still out of the control of the Syrian state”. None of the rebel commanders assembled for his stage-managed inauguration clapped. “We also sacrificed for a decade,” says a rebel commander, who fumes that Mr Sharaa took charge of what had been a collective effort to overthrow the Assads. Rival militias control most of the country’s borders. Many of their chiefs are reluctant to surrender their weapons, fiefs or command. The Kurds, who control Syria’s prime oilfields, farmland and the dam that provides much of its electricity in the east, refuse to recognise his rule.

Mr Sharaa is also struggling to curb the jihadists who hitherto formed his base. To date, a bloodbath has been averted. But the information ministry has restricted access for foreign journalists in areas where revenge killings against Alawites are spiking. Mr Sharaa dismisses talk of a resurgent Islamic State (IS). But he admits that his forces have foiled “many attempted attacks” since he took power. IS cells are believed to be returning, soaking up growing dissent.

He has promises to keep

Second is the question of whether he actually intends to fulfil his promises —or at least try. In our interview, Mr Sharaa used the word “democracy” publicly for the first time since taking power. “If democracy means that the people decide who will rule them and who represents them in the parliament,” he said, somewhat half-heartedly, “then yes, Syria is going in this direction.” He insisted he would replace his cabinet of loyalists from Idlib in a month with a “broader and diverse government with participation from all segments of society”. He said that ministers and members of a new parliament would be chosen according to “competency, not ethnicity or religion”, raising the prospect that for the first time he might appoint some non-Sunnis. He would also hold “free and fair” elections and complete the drafting of a constitution together with the UN after “at least three to four years”. For the first time, he promised presidential elections.

But Mr Sharaa is juggling many constituencies, including his jihadist base and a largely conservative Sunni Arab majority. If he deprives them of the spoils of war and the Islamic state he promised when he was running Idlib, he risks a backlash. He has set a room in the presidential palace aside for prayer and removed the ashtrays from the coffee tables, in keeping with his puritanical strain of Islam. (He has also grown his moustache, which is at odds with it.)

In our interview he palmed off the issue of *sharia*, Islamic law, onto one of his appointed bodies. If the interim government approves *sharia*, he said, “my role is to enforce it; and if they do not approve it, my role is to enforce their decision, as well”. The formation of political parties was another matter for the constitutional committee. He was also non-committal on whether women would have equal rights and access to power. There would be a “wide labour market” for them, he said.

That is unlikely to satisfy Syria’s religious minorities, particularly the Alawites, who held sway under the Assads. When he speaks of democracy, many fear he means Sunni Arab majoritarian rule. (“In our region there are various definitions of democracy,” he says.) Presidential elections could look like the plebiscites of other Arab security regimes. And he is intent on gutting what remains of the battered but still functioning state he inherited.

He has disbanded the Baath party, security apparatuses and much of the civil service.

Mr Sharaa's biggest challenge is the economy. Power flickers for an hour a day. The scale of reconstruction is unfathomable. The country has a massive liquidity crisis and lacks the cash to pay salaries even at pitiful rates. "Without economic development we will return to a state of chaos," he warns.

Recovery can come only with help from abroad. On January 30th he welcomed Qatar's emir, the first head of state to visit since Mr Assad's ousting. On February 2nd he made his first trip abroad as president, to Saudi Arabia, where he was born. He singled out both as potential investors in "big...projects". But he also needs America, whose sanctions, he said, pose "the gravest risk" to his plans. He praised Donald Trump for "seeking peace in the region" and spoke of restoring diplomatic relations "in the coming days". He has also tried to improve Syria's regional standing by vowing to halt the export of captagon, an amphetamine mass-produced in Syria under the Assads, and to bring foreign fighters under the government's control. He said he had "pledged" to Turkey that Syria would not be a base for the PKK, the Kurdish Workers' Party which backs the Kurdish administration in the north-east.

But Mr Sharaa carries the millstone of his designation and that of his movement as terrorists. "My status is the president of Syria, not HTS," he protests. But many in the region are outraged at his appointment of HTS cadres to top positions and of foreign jihadists to army posts. There are signs that the frustration could be denting his initial courtship with the West. He contrasted Russia's readiness to negotiate a deal on its military bases with America's reluctance and called the presence of American forces in Syria "illegal".

He also said Israel "needed to retreat" from land it had occupied beyond the armistice lines of 1974 after Mr Assad's fall. Israel's displacement of Palestinians was "a big crime". He said "actually we want peace with all parties" but noted that as long as Israel occupied the Golan, a mountain plateau it conquered in 1967, any deal would be premature. And it would require "wide public opinion".

For now, under Mr Sharaa, Syria is the calmest it has been since the Arab spring in 2011. The country is breathing more freely after half a century of totalitarian rule. But its new president has a long way to go to prove that he is inclusive, that his jihadist worldview is behind him and that he is Syria's best hope of a fresh start. ■

Editor's note: This article has been amended to clarify Ahmed al-Sharaa's statement on the enforcement of sharia.

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Of Mecca and Mammon

Why Islamists in the Arab world speak the language of free markets

The Middle East's most religious politicians are often its most capitalist as well

Feb 06, 2025 06:32 PM | DUBAI



Preaching to the choir

A POLITICIAN PROMISED to open his poor country for foreign investment and wean it off aid, while Tony Blair nodded sagely. Standard fare for Davos—except that two months earlier the politician, Asaad al-Shaibani (pictured), was a member of a jihadist group blacklisted by the UN. It was hard to imagine he would end up as Syria's foreign minister, extolling the virtues of the free market on a mountain in Switzerland.

Yet in one sense, his journey was not unusual. Across the Arab world, Islamists are often more devout capitalists than their nationalist rivals. When the Muslim Brotherhood came to power in Egypt it wooed private capital for everything from energy to education. Ennahda, Tunisia's main Islamist party, took more flak for trying to privatise state firms than for trying to Islamise society.

Some of this is tactical. The Islamists who assumed control in recent years did so after popular revolutions. They needed to distinguish themselves from their predecessors. Syria under the Assad regime combined a Soviet-style command economy with crony capitalism. Only sensible, then, that its new rulers would promise something different. The success of Turkey's business-friendly Justice and Development Party, which took power in 2002, has been a model.

When lawmakers need a religious justification for their policies, clerics are happy to provide it. Dar al-Ifta, a state-run religious authority in Egypt, argues that a planned economy is contrary to Islam because it restricts personal freedom. The ideal Islamic economy, it explains, is a “free market devoid of monopoly, deception” and other ills, in language that sounds more Adam Smith than al-Shafi'i.

Many scholars argue that nothing in Islam is hostile to business. After all, the Prophet Muhammad was a successful trader. A tax known as *zakat*, obligatory on believers, serves to redistribute wealth—but there is nothing wrong with accumulating it in the first place. Khairat al-Shater, the most powerful member of the Brotherhood after the Egyptian revolution, was a millionaire who ran chains of groceries and furniture stores.

Even if religion supports free markets, though, it does not explain how to organise them. The Brotherhood and Ennahda both failed to implement serious reforms. In finance as in faith, knowing scripture is easy; following it is hard.■

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The long au revoir

France's bitter retreat from west Africa

The danger is a security void now opens up

Feb 06, 2025 06:32 PM | BAMAKO AND PARIS



Allez vite!

FOR NEARLY a decade the French embassy in Bamako, the capital of Mali, was the political nerve centre of a counter-terrorism operation that spanned five countries. The sprawling fortress still resembles a military base. But its guard towers and walls topped with razor wire are as much a relic of a bygone era as the French-built colonial avenues that surround it.

Following the ignominious end in 2022 of [Barkhane](#), the multi-country anti-terrorism operation it launched at Mali's request in 2013, France has given up most of its military footprint across west Africa with astonishing speed.

By the end of the year, the only remaining French base in Africa will be in Djibouti. Driven by pressure from the military dictatorships that have taken power across the Sahel and by anti-French sentiment in nearby countries, the abrupt exit marks a sea change in France's relationship with its former colonies. It also raises the question of what will fill the void left by the French presence.

Unlike other former colonial powers, France kept permanent military bases in Africa long after the continent's countries won their independence. At times it acted as a regional gendarme, propping up leaders and beating back jihadists. No more. Military juntas have forced French troops out of Mali, Niger and Burkina Faso (see map). Chad took over the French base there in January. In December Ivory Coast and France agreed on the withdrawal of French forces. Senegal has declared that French soldiers will leave in 2025.

France wanted a more orderly exit. In a speech in Paris on January 6th, President Emmanuel Macron lamented "ingratitude" in the Sahel for France's efforts to fight jihadists there. Mr Macron's comments, widely criticised in the region, marked an awkward twist to his promise, upon taking office in 2017, of a more equal partnership with France's former colonies.

Yet the more important question is what the French withdrawal will mean for security across the region, which is being menaced by jihadism, separatism and military rule. For a period, it seemed as if Mr Macron's revamped version of Barkhane was [making tactical gains](#) against jihadist groups, and helping to improve the appalling insecurity for civilians in some parts of the Sahel. After Mali's new junta, which seized power in 2020, hired mercenaries from [Russia's Wagner Group](#), relations took a turn for the worse. In 2022 the French quit Mali and shut down Barkhane, and the regional domino effect began.

Military leaders in the Sahel, who have increasingly turned to Russian-backed mercenaries to help fight separatists and jihadists, have cheered the French departure as the end of a neo-colonial hangover. Last year Mali, Burkina Faso and Niger formed the Alliance of Sahel States (AES), a putative group to rival the Economic Community of West African States (ECOWAS), the main regional bloc. Critics in the region claim that for

years France and ECOWAS undermined their counter-terrorism campaign. “Previously, everything was controlled by France,” alleges Drissa Meminta, an influential Malian pundit. “Now we can join forces to fight terrorism.”

In practice that has meant that AES countries have jettisoned efforts to negotiate with rebels of all stripes in favour of full-bore militarism. Yet this approach has fared little better than the French operation. In Mali the army, backed by Russia’s Wagner Group and Turkish Bayraktar drones, made important territorial gains in the north. In 2023 it seized Kidal, the symbolically significant stronghold of Tuareg separatists that French troops blocked Malian forces from entering a decade before.

But it has failed to stop the entrenchment of Islamic State in the north, or to stem worsening violence elsewhere in the country. Urban areas considered secure have recently seen attacks. In September Jama’at Nusrat al-Islam wal Muslimin (JNIM), a jihadist group linked to al-Qaeda, attacked a police academy and an airport in Bamako, the first major terrorist incident in the Malian capital for nearly a decade. “They say things are better since they captured Kidal,” complains a local businesswoman. “But why hasn’t that stopped terrorists from bombing the city?”

Elsewhere in the region, things are hardly better. A month after the attack in Bamako JNIM claimed responsibility for an attack on a military checkpoint on the outskirts of Niamey, Niger’s capital. In Burkina Faso, the national army now controls barely a third of the country’s territory.

Unlike the French troops and UN peacekeepers, local armies and the mercenaries that support them care little for protecting civilians. In the first six months of 2024, 3,064 civilians were deliberately targeted and killed in the Sahel, up from 2,520 in the last half of the previous year, according to ACLED, a conflict monitor. In 2022 the Malian army and Wagner forces killed over 500 civilians, mostly women and children, in a single operation, according to UN investigators. “Before, people were afraid of the terrorists,” says Fatouma Harber, a Malian journalist. “Now they are afraid of the Malian army and Wagner.”

Yet there appears to be broad support across the Sahel for the departure of French troops. However much worse things may have got since they left in

2022, many Malians point out that security had been deteriorating since their arrival a decade earlier. “With all the means they had at their disposal, what did they achieve?” asks a local investor. The disillusionment has made it easy for the region’s juntas to use France as a scapegoat, accusing the former coloniser of isolating the AES diplomatically while conspiring with militants to destabilise it. However much anti-French sentiment in the Sahel was fanned by Russian cyber-propaganda and influence operations, which French officials say they have documented exhaustively, France proved ill-equipped to counter its potency. Even in the traditional redoubts of *Françafrique*, Senegal and Ivory Coast, such feelings have been on the rise.

Nor would a return be on the cards. By the end of the year France will close all its permanent bases on the continent, besides Djibouti, according to military sources. A rotating average of some 100 soldiers will be stationed at any time on what will become an Ivorian base in Abidjan and a co-run Gabonese base in Libreville, chiefly for training purposes. They will report to a new Africa command based in Paris.

The new arrangement marks the “demilitarisation” and “normalisation” of France’s tie to Africa, says a presidential adviser. The hope is that 2025 will mark the end of an anachronistic high-visibility footprint that exposed France to accusations of neo-colonialism, without precluding modernised defence aid. Full training exercises or operations involving the dispatch of planes or soldiers from France may be carried out, only if requested by African partners, under the Paris command.

Where does that leave the Sahel? Regional observers say there are signs the juntas are realising that they cannot defeat insurgents by brute force alone. Niger’s junta recently sent envoys to jihadist leaders. Regional negotiations devoid of external influence could produce deals that reduce the violence. More likely, for now, the toxic new alliance of military rulers and Russian mercenaries will continue to cause misery for beleaguered civilians. ■

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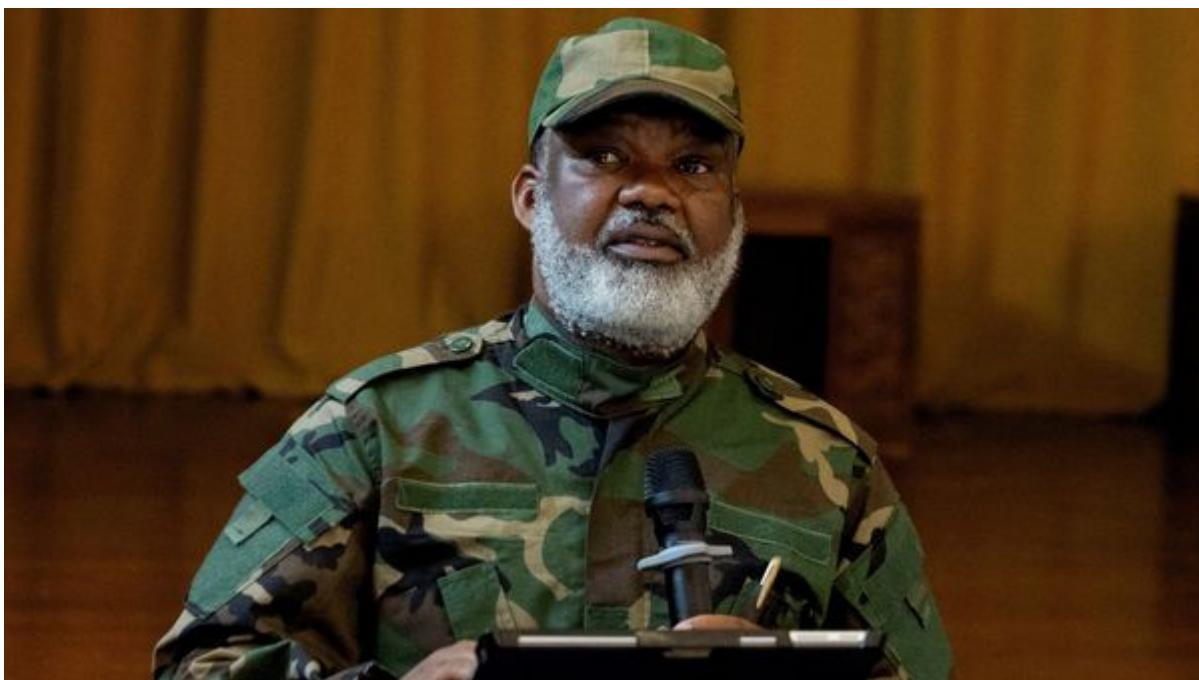
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An interview with a Congolese rebel

A leader of Congo's rebels vows to fight on

It is not clear that a recent truce in Congo will hold

Feb 06, 2025 06:33 PM | GOMA



CORNEILLE NANGAA sits in an armchair in a five-star-hotel in Goma, the largest city in eastern Democratic Republic of Congo and stretches out his hand. “Thank you for embracing the terrorists,” he jokes, to laughter from his entourage.

Mr Nangaa (pictured) is the head of the Alliance Fleuve Congo (AFC), the political arm of M23, an armed group led by Congolese Tutsis and backed by next-door Rwanda. Last week M23 rebels and Rwandan troops captured Goma after a rapid offensive that featured drones and heavy artillery that shattered Congolese defences. The UN says at least 900 people were killed,

though some estimates put the death toll closer to 3,000. The escalation in fighting risks sparking a regional war. The four other African armies that came to Congo's aid also failed to repel the invaders.

But Mr Nangaa, who has become the public figurehead of M23, strikes a relaxed tone. "We want to wage a clean war," he insists, explaining that M23 pushed into Goma after years of laying siege to it because of attacks from Congolese forces and their allies around the city.

The group has made dramatic advances in Congo's North Kivu province since re-emerging as a force in late 2021. It has repeatedly denied receiving support from Rwanda. And the government in Kigali equivocates about its support for the rebels. But no one seriously doubts its role.

Rwanda may have as many as 4,000 troops inside Congo, helping M23, according to a UN panel of experts. Since the fall of Goma, the UN has become more blunt, accusing Rwanda of deploying soldiers to help capture the city of over two million people. On February 3rd Rwanda's president, Paul Kagame, told a reporter, implausibly, that he did not know whether his soldiers were in Congo.

Mr Nangaa claims that M23's fight is a local one. "Our vocation is the absence of the state," he explains. "We are Congolese and we have problems and demands that are Congolese." These include, he says, ending the corrupt rule of Congo's president, Felix Tshisekedi, his repression of the political opposition, and above all, the exclusion of some ethnic communities, especially the Tutsis. Mr Nangaa (who is not a Tutsi) has vowed to go as far as Congo's capital, Kinshasa, in pursuit of these aims: "The cause is such that our young people may advance until the last drop of blood."

On the ground in eastern Congo, the conflict might yet expand. There are fears the rebels will march further into neighbouring South Kivu province and capture or besiege the city of Bukavu. Mr Nangaa would not comment, but said that if military attacks keep originating from Bukavu's airport, M23 would "silence the guns there". Burundian forces in the province also pose a threat, he said.

On February 3rd, the rebels declared a unilateral ceasefire, but it seems to have rapidly broken down. M23 has long pushed for direct talks with the Congolese government, but the government in Kinshasa has always rejected the prospect. Now, in an ominous sign, Mr Nangaa casts doubt on the very possibility of negotiations. “There are lots of preconditions,” he said, without naming any. “How can you place your trust in a crook like Tshisekedi?”

Sharp, and surprisingly jolly for an internationally sanctioned rebel threatening regional chaos, Mr Nangaa offers to exchange phone numbers. “Everyone’s afraid to call me,” he says, to more laughter. ■

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Only halfway there

Germany's election campaign is creating a security risk

Voters are not being prepared for the difficult decisions ahead

Feb 06, 2025 06:32 PM | BERLIN



IN FEBRUARY 2022, three days after Vladimir Putin invaded Ukraine, Olaf Scholz, Germany's chancellor, declared a generational [change in foreign and security policy](#). In his *Zeitenwende*, or “turning-point”, address to the Bundestag Mr Scholz announced a raft of changes to Germany’s diplomatic, security and energy posture, ranging from a long-term promise to meet the NATO defence-spending target of 2% of GDP to bolstering energy resilience. “The world afterwards”, he said, “will no longer be the same as the world before.”

Germany's election on February 23rd, which will probably mark an end to Mr Scholz's tenure, is a good moment to assess the durability of his *Zeitenwende*. Three years on, much about Germany's world is indeed no longer the same. Every mainstream party has committed to the 2% target; some, feeling the breath of Donald Trump on their necks, want more. Although Germany's flat economy and tight fiscal rules mean money is hard to come by, officials know that Germany's NATO commitments will in time oblige them to spend closer to 3% of GDP.

[German election tracker: who's leading the polls?](#)

Meanwhile, politicians who argued that forging energy ties with Russia helped not only German industry but also the cause of peace have been sidelined, as the country has pivoted to other sources of gas. Germany is Europe's biggest supplier of military and other aid to Ukraine, even if Mr Scholz has sometimes dragged his feet. And the defence minister, Boris Pistorius, has become Germany's most popular politician despite issuing stark warnings that the country must be *kriegstüchtig*, or "war-capable", by the end of the decade. None of this was imaginable before 2022.

Yet implicit in Mr Scholz's speech was a promise that not only would Germany stand behind Ukraine, but that it would begin to shed the timidity that had long characterised its foreign-policy stance in place of a more hard-headed approach that accepts trade-offs. And here, says Stefan Meister at the German Council on Foreign Relations, the glass looks half empty.

"The moment the Russians withdrew from Kyiv and the fighting was restricted to the east of Ukraine, everything went back to peacetime mode," says Carlo Masala, a professor at the Bundeswehr University in Munich. Specific decisions on spending, sanctions and energy have not yielded a broader rethinking of Germany's role in the world. "Simply saying that Ukraine should not lose and Russia should not win is not a strategy," he argues.

Some military figures similarly worry that in the absence of a crisis it will be harder for Germany to fulfil the pledges, implicit or otherwise, of the *Zeitenwende*. These include some form of conscription to boost the armed forces' flagging numbers: an attempt last year by Mr Pistorius, already

watered down, was scrapped after the collapse of Mr Scholz's government in November. And the work of reforming the Bundeswehr and the defence ministry itself, argues Nico Lange, a former official in the ministry, remains incomplete at best.

A fading sense of urgency also hinders the case for accelerating Germany's defence spending. A €100bn (\$104bn) fund established to meet the 2% goal will run out during the next parliament, leaving an annual gap worth €30bn-35bn, or around 6% of today's federal budget. Everyone accepts, some more vocally than others, that part of this will have to be funded by fresh borrowing, either via another off-books fund or a tweak to Germany's constitutional debt brake. But that will require tough negotiations between coalition partners after the election, and then a potentially tricky two-thirds majority in parliament.

Serious thinking is taking place on all these issues, and more, including the question of Germany's exposure to China and how to adapt the country's export model to the world's protectionist turn. But none is being seriously debated in the election campaign. "We badly need a new foreign policy, and no one is campaigning on it," says Mr Lange. "This is a grave mistake; I would even consider it a security risk."

The most immediate challenge may be contributing to the EU's response to the tariffs Mr Trump says are coming. Discussion on this has been almost entirely absent during the campaign, a striking omission given that Germany has the club's largest trade surplus with America. Tariffs of the magnitude Mr Trump threatens could pummel an economy that has already been in recession for two years.

Later could come an American demand that Europeans, with Germany near the top of the list, help police a settlement in Ukraine, should one be secured. Officially the line is that Germany is waiting for Mr Trump to move. Unofficially the question is causing sleepless nights in Berlin. Officials and MPs across the spectrum remain convinced that Germany will continue or intensify its support for Ukraine, including training its troops and backing its EU bid. But sending German soldiers into harm's way is another matter. Doing so without a robust commitment of support from Mr Trump would invite Mr Putin to test the transatlantic alliance. "What would

we do if Russia killed four of our soldiers?” asks an official. “Without an answer, we can’t make an offer.” If support for Ukraine is set against keeping NATO intact, Germany will unhesitatingly choose the latter.

Many officials express bafflement or even fury with Emmanuel Macron, France’s president, for what they see as recklessness in floating the idea of establishing a “tripwire” force in Ukraine comprising thousands of European troops. There is also concern that Mr Trump may seek to strike a deal with Mr Putin over the heads of Europeans. But these worries are no substitute for a serious security debate during the election campaign.

“Rather than wait, it would be smart if the Germans, along with the French, British, Poles and others, produced a proposal for the Americans on how to manage a ceasefire, along with a request for specific enablers like air and missile defence,” says Claudia Major at the German Institute for International and Security Affairs.

That task may fall to [Friedrich Merz](#), head of the conservative Christian Democratic bloc, who polls suggest will oust Mr Scholz. His choice of coalition partner will also matter: most foreign-policy analysts would prefer the Greens over Mr Scholz’s Social Democrats. On January 23rd Mr Merz outlined his approach in a sweeping speech that included a warning to German firms planning investments in China, “a state not governed by the rule of law”, not to seek bail-outs if things go sour.

Declaring Mr Scholz’s *Zeitenwende* incomplete, Mr Merz proposed a series of reforms to remedy the lack of “strategic culture” in German foreign policy, including the creation of an American-style national security council in the chancellery. Views differ on whether that would work in Germany’s political system. But as one official puts it, “culture eats structure for breakfast”—meaning that if Germany really wants to get something done, it will not be hamstrung by bureaucratic arrangements.

The question is whether Germany does want to get things done. The “fundamental decisions” that will confront the next government, says Mr Masala, make this year’s election comparable to that of 1949, conducted in the ashes of military defeat, and 1990, the first in reunified Germany. But this time a sense of urgency is almost entirely missing from the election

campaign. In that respect, at least, the world afterwards looks rather similar to that before. ■

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The transparent battlefield

The added dangers of fighting in Ukraine when everything is visible

There is no more fog of war

Feb 06, 2025 06:33 PM | KYIV



We see you

FOR CENTURIES the “fog of war”, the inability to see through the confusion of combat, has been a given. No longer. The front lines in the war between Russia and Ukraine are now saturated with surveillance drones livestreaming video footage in real time. Everyone can see pretty much everything. Armies are having to work out how to fight on what is being called the transparent battlefield.

The surveillance is layered. Orbiting satellites scan the Earth from space. Tactical drones have ranges of 200km or more. Smaller surveillance drones

relay sightings to the operators of first-person view drones (FPVs), which carry a small munition to attack soldiers on the ground. Add a thermal-imaging camera and soldiers can also be spotted at night.

[Read more of our recent coverage of the Ukraine war](#)

“Darwin”, an FPV operator in Ukraine’s 92nd Brigade, says the changes that the drones have wrought are colossal. Three years ago, at the beginning of the full-scale invasion, a drone team could operate in open fields. Now they hide in the woods and don’t leave their positions during the day. “Before, operations could be carefully planned,” he says. “Now every mission is a lottery, you can be lucky or unlucky.”

Reconnaissance and foot patrols from forward positions have virtually ceased and it is increasingly perilous to evacuate the wounded or retrieve the dead. Infantry avoid gathering in large groups. Open ground is a killing zone, speed the only protection. Soldiers use quadbikes and motorcycles to outrun the reaction time of an FPV operator. And though it is impossible to move, it is also dangerous to stay in one place. Fortified trench systems are obvious targets. Armoured vehicles have been virtually neutralised. “When a tank appears it’s like dropping a plate of food in front of a table of hungry drone operators,” says Darwin.

To disrupt the omnipresent drones, Russians and Ukrainians are engaged in an [electronic-warfare arms race](#). Operating in a village or a town means cellphone signals can be disguised in the welter of civilian connections. In the field, soldiers limit their use of phones to avoid creating an obvious cluster. Radios are adjusted to send weaker signals that can be picked up only over short distances. Soldiers cover themselves with “multi-spectral” camouflage nets to block heat signatures: invisibility cloaks against thermal cameras.

Bad weather and night afford some protection. Wind and rain hamper drone flight, cloud and fog reduce visibility. It’s harder to orient a drone in the dark, says Darwin. Thermal cameras can see soldiers at night, but not at any great distance.

Long-standing tactics have been upended. “One of the most obvious”, says Glib Voloskyi, an analyst for Come Back Alive, one of the largest volunteer organisations raising money to donate equipment to the Ukrainian armed forces, “is that it’s hard to achieve surprise.” It is also almost impossible to achieve local force superiority: to gather and concentrate troops for an attack. The lethality of fire is greater because targets are easily identified, and artillery adjustments can be made quickly. The transparent battlefield gives the defender the advantage. “Offensive operations,” says Mr Voloskyi, “are a really nasty business.”

Infantry now operate in small groups, which are harder to spot. The Russians have been able to make advances in recent months by sending handfuls of soldiers forward to gain a foothold. Most are picked off by the drones; this incremental nibbling, says Mr Voloskyi, is working in part because the Russian tolerance for casualties is high and refuseniks are shot.

AI is being used to analyse surveillance data and cross-reference it with signals intelligence and open-source information, like Russian soldiers’ social-media posts, which can reveal their positions. But object-recognition software is in the early stages. Mr Voloskyi says AI can generate false signals, muddling the picture, “and this might actually decrease transparency”. There is a difference, he points out, between seeing something and understanding what you are looking at. Last summer the Russians saw the Ukrainian build-up of troops in the Sumy area, but never imagined they would attack across the border into the Kursk region. “That’s the problem with transparency,” says Mr Voloskyi. “You can see actions, but you don’t necessarily correctly interpret them.” ■

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Protest and repression

Can Georgia's shadowy despot survive?

Cracks are appearing in Bidzina Ivanishvili's power structure

Feb 06, 2025 06:33 PM | Tbilisi



ON NOVEMBER 28TH, the day the Georgian government announced it was suspending talks on [joining the EU](#), the Royal District Theatre in Tbilisi performed “Phaedra in Flames”, a contemporary take on a Greek myth that deals with power, politics and emancipation. That night, the actors took no curtain call. Still in their wigs and make-up, they led the audience out onto Freedom Square, where tens of thousands had again gathered to protest against the reclusive oligarch Bidzina Ivanishvili and his cronies, who have captured the Georgian state.

The drama has been sustained for more than two months now. Its energy comes in waves, and takes new forms, such as marches, strikes and flashmobs, but is not going away. Every night people block the square and Tbilisi's main artery, Rustaveli Avenue. On February 3rd there was an extra-big protest. The police responded with their trademark violence, beating demonstrators and detaining several activists and two opposition leaders.

The immediate demands of the protesters are new elections and the release of all political prisoners, including Mzia Amaglobeli, a prominent journalist who has been on hunger strike since January 12th. But what is really at stake is Georgia's future. Is it to be a modern European country or, should Mr Ivanishvili have his way, a backwater under Russia's domination?

A post-Soviet oligarch, Mr Ivanishvili had a \$6bn fortune—equal to over a third of the country's annual GDP—when he founded the Georgian Dream party in 2012. It won an election that year, and has held power ever since. Mr Ivanishvili holds no elected office, but runs the country from behind the scenes. For a decade he paid lip-service to Western institutions, especially the EU and NATO, while treating Georgia as a personal fief, installing his associates in key government positions.

Although Mr Ivanishvili's government did “precisely nothing”, according to Giorgi Kadagidze, a former head of the central bank, the economy trudged along. Georgia drifted, the West lost interest and Mr Ivanishvili entertained himself by replanting 100-year-old trees in his residence and building a private zoo.

Russia's invasion of Ukraine in 2022 changed all of that. Georgians, also victims of Russian occupation, rallied behind the Ukrainians. The EU urged Georgia to apply for candidate status, along with Ukraine and Moldova, and at the same time the European Parliament recommended that Mr Ivanishvili should be penalised with sanctions for his oligarchic influence. That did not happen, but the oligarch saw the move as blackmail. George Bachiashvili, his former asset manager, says the prospect of sanctions has caused his old boss's bankers to become cautious to the point of being unco-operative.

Mr Ivanishvili grew yet more alarmed when in December 2023 the EU granted Georgia candidate status, with the important proviso that he should not have total control over the judiciary and other levers of power. The vast majority of Georgians saw this as an opportunity; he saw it as a conspiracy. “The way he thinks, everything must be under his control: people, trees, animals,” says Mr Bachishvili, who now faces a prison sentence after falling out with his old boss.

Unable simply to turn his back on EU membership, which the great majority of Georgians aspire to, Mr Ivanishvili started to sabotage accession. The Imedi media channel, a mouthpiece for Georgian Dream, demonised the West as a “global war party” that has been dragging Georgia into armed conflict, and portrayed Georgia’s liberal donors as a bunch of pro-LGBT conspirators who were plotting a revolution and threatening the country’s identity.

The party then enacted a Russian-style “foreign agents” law that targets Western funding of Georgian civil society, as well as a law blocking LGBT rights, including gay marriage. On November 28th it announced the suspension of negotiations with the EU. Georgia’s cities erupted and the government responded with a level of violence and repression which the country has not seen since Soviet times.

Mr Ivanishvili is now faced with a choice: resolve the crisis through new elections or resort to yet heavier repression. Several factors may make him think twice about the iron fist. One is the economy. Georgia’s economy is private, liberal and highly dependent on foreign investment; its banks and companies are plugged into the Western financial system. Foreign direct investment dropped by 40% last year and the capital inflow from international institutions fell by almost half, says Nika Gilauri, a former prime minister. The central bank has spent nearly 20% of its reserves propping up the currency.

Even more than a financial crisis, the business families around Mr Ivanishvili fear sanctions, which the West has threatened but hardly imposed. And as Mr Kadagidze explains, they fear being stigmatised by their own children, most of whom sympathise with the protesters. “In

Georgian culture, you want to be a hero to your children, it is a big deal,” he says.

Nervousness is palpable in Tbilisi. Take Irakly Rukhadze, an American citizen who owns Imedi. While his channel continues to pump out anti-Western and homophobic tripe, he insists that he is fully pro-Western and is sending signals to the American government about the need for negotiations. “My goal is to save my business, my family,” he says. Behind the scenes, business figures from both sides are talking.

Giorgy Gakharia, Georgia’s prime minister from 2019 to 2021, says the “power pyramid” that Mr Ivanishvili has built there is supported by about only 50 families. Most of their assets and children are in the West. “All these people, law-enforcement bosses, business, media, church, they are so connected with each other.” If some of them start defecting, the pyramid will crumble. On January 14th Mr Gakharia, who now leads an opposition party, was beaten up by thugs. “This is a message personally from Ivanishvili,” he said in his Tbilisi home, his face covered in bruises.

Luckily for Mr Ivanishvili, Georgia’s opposition is too disparate and distrusted by the protesters to present a consolidating figure or party that would attract defectors. And he is hoping that the activists will tire and leave for Europe. He also calculates that Europe is too weak and America too distracted to deal with Georgia. The message that Georgian Dream is putting out to the EU flag-waving crowd is that the West will betray them. But the drama could still end with a very different twist. ■

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Per Erdogan ad astra

Turkey is building a spaceport in Somalia

Believe it or not, the president is planning a moonshot

Feb 06, 2025 06:32 PM | Istanbul



Where next?

ALPER GEZERAVCI's first message from space was a patriotic one. "The future is in the skies," he said from a Falcon 9 rocket on its 14-day mission in January 2024. The line is one of many attributed to Kemal Ataturk, Turkey's founder, and Mr Gezeravci, Turkey's first astronaut, is the poster boy for the space ambitions of Recep Tayyip Erdogan, the current leader. The Turkish Space Agency was founded in 2018, and in 2021 the president announced a ten-year plan for space, including home-made satellites and a moon landing. Mr Gezeravci campaigned alongside Mr Erdogan's AK Party after returning to Earth.

State spending on space research and development has risen from \$4.7m in 2013 to a still-tiny \$140m in 2025, but it is increasing. In December the government began work on a spaceport in Somalia, a project that has been projected to cost \$350m. Space is a matter of national prestige for Mr Erdogan, but it is also an important auxiliary to the booming Turkish defence industry. The government has confirmed that it also wants to use its spaceport as a place to test missiles; from Somalia they can safely be fired east. Last month Mr Erdogan announced that Turkey is developing a missile with a 2,000km range, more than twice that of its current Tayfun.

Turkey's domestic satellites are already integrated with its drones, which can be controlled anywhere in the world from the Turksat 5B, launched in 2021. Selcuk Bayraktar, chairman of Turkey's biggest drone manufacturer Baykar (and Mr Erdogan's son-in-law), founded a sister company, Fergani Space, in 2022 to develop space technology. Last month it launched its FGN-100-D1 positioning and communication satellite, one of a hundred it plans to put in orbit over the next five years to build a global-positioning system that can be used by the armed forces. Space is an arena where Turkey may annoy its Western allies: it has applied to join the International Lunar Research Station, a Chinese-Russian rival to America's Artemis programme.

Mr Erdogan has poured cash into the defence industry, even considering a tax on credit cards and car and property sales to support the sector. But his budget deficit may put a dampener on his plans; and the defence sector is not immune to the country's brain drain, with many engineers leaving to work abroad for much better pay. Mr Erdogan may be looking to the stars, but Turkey's talented youth are more likely to be looking at their pay cheques.■

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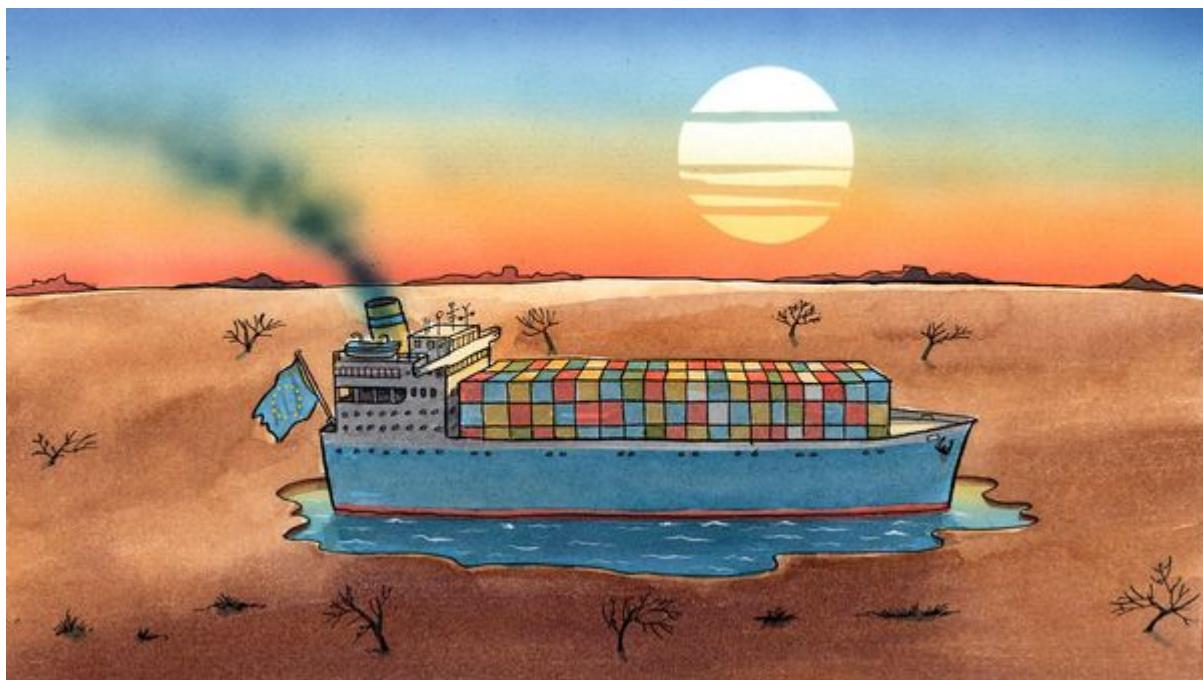
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Charlemagne

Can Europe afford to be the world's last free-trader?

The EU tries to navigate a global trade spat

Feb 06, 2025 06:32 PM



THE EUROPEAN UNION seems an unorthodox champion of free trade. Beyond a few purveyors of handbags and slimming drugs, few of its big companies compete successfully with rivals from America and China, the world's two biggest economies. Negotiating a trade agreement with the EU means that countries halfway across the world have to sulkily accept that champagne can come only from the northern region of France or feta cheese from Greece. Back in Europe, the merest hint of a free-trade deal causes farmers from across the continent to descend on Brussels and pummel Eurocrats with eggs and manure.

Despite all this, the EU is what passes for a free-trade enthusiast these days—if only by default. America, which built the global free-trading system alongside Europe in the decades after the second world war, is now run by a president who adores tariffs almost as much as he does gaudy skyscrapers. China is no better. Though it got rich in part through its exporting prowess, it continues to lard favoured companies with subsidies, against the spirit of free-trade rules; this week it imposed retaliatory tariffs on American goods. Plenty of smaller economies, from Costa Rica to Japan, remain committed to the strictures of the World Trade Organisation. But of the world's three major economic blocs, the EU is the only one that could plausibly hide behind trade barricades—leaving its firms serving a market of over 400m mostly rich consumers—but has so far decided not to. Being in this major-open-economy club of one sets nerves jangling among some politicians. Is the EU naive to follow global rules others ditched long ago? Can Europe afford to remain the world's last free-trader?

The short answer is that it may have no choice. Donald Trump's bluster on trade is concerning for Europe precisely because international commerce matters to it so much. For despite an enduring bout of economic anaemia, the EU is an importing and exporting powerhouse. Its 27 countries sell more goods to foreigners than anyone bar China, and are behind only America when it comes to buying them in. Despite its smaller economy, the EU out-trades America in absolute terms. It sends and receives goods from outside the bloc worth 29% of GDP, compared with 19% for America. The surplus of trade beyond the club's borders is vital for the European economy, not least given that its own consumers (and many governments) are hard-up. “Europe has been relying on exports more than other regions,” points out Brad Setser of the Council on Foreign Relations, an American think-tank.

Two prospects haunt the EU. The first is an inescapable trade tiff with Mr Trump, who calls the EU an “atrocious” on trade and has promised to impose his beloved tariffs, as he did in his first term. Assuming the threat is enacted, this would throttle Europe's exports to its biggest market just as its economy is in the doldrums. The second fear is how China will react to finding itself on the sharp end of American protectionism. With its own biggest foreign market increasingly restricted, China might divert goods to

the still-open EU so as to keep its factories humming. Though consumers would benefit from cheap wares, European firms making cars, dishwashers and the like there would suffer. Politicians are unlikely to tolerate this; a surge in Chinese electric vehicles (EVs) heading to the EU last year prompted the bloc to impose tariffs of around 35%, purportedly to offset the advantage Chinese firms get from state subsidies.

Such fretting over slumping exports and surging imports comes on top of a growing scepticism in some EU quarters of the benefits of free trade. These days it is not only European farmers who complain about imports. “Trade used to be about economics; now it is also about geopolitics,” says Jacob Kirkegaard at Bruegel, a think-tank in Brussels. Globe-spanning supply chains were once seen as clever business. Now politicians worry more about economic security, and becoming hooked on stuff produced by potential foes (Russian gas comes to mind). France, long sceptical of overly-open trade, has pushed the idea of “strategic autonomy”, meaning reducing reliance on foreigners. Germany used to be keen on trade with China when that meant shipping lots of cars there; less so now that Chinese rivals build world-beating EVs. The EU has also gummed up international trade by insisting its partners must espouse Euro-regulatory norms as a condition of trade: countries exporting steel made with planet-warming coal, for example, will soon have to pay into a “carbon border adjustment mechanism”.

Trading places

Luckily for free-traders, France’s influence in Europe has atrophied as its politics has descended into chaos. And there are still lots of fans of open commerce in Europe, notably among its smaller countries, from Denmark to the Czech Republic and Ireland. Their firms have long thrived by looking beyond puny domestic markets: there are only so many potential Danish customers for Ozempic, a fat-busting drug invented there. Bringing down trade barriers is enshrined in the EU’s founding treaties, points out Cecilia Malmstrom, a former trade commissioner for the bloc.

With no choice but to keep trading, what are Europe’s options? One solution is to find a balance between China and America. EU officials have

suggested the bloc should help America contain the “challenge” of Chinese exports, or conversely seek ways of expanding its trade with China (final outcome: to be confirmed). Meanwhile the bloc has signed or initiated a slew of bilateral trade arrangements with smaller partners in recent months, including Mexico, Malaysia and Mercosur, a bloc that includes Brazil and Argentina. More such deals are in the works, to farmers’ irritation. But if the two giants of the global economy step back from free trade, Europe will need new partners. ■

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Build the Arc

Oxford and Cambridge are too small

Linking up the cities, and letting them grow, could power Britain's economy

Feb 06, 2025 06:33 PM



TWO WEEKS ago few people had heard of Tempsford, a sleepy village of 600 people in rural Bedfordshire. But it is located handily at the intersection of the east-coast mainline, which runs between London and Edinburgh, and a proposed Oxford-to-Cambridge railway. That made it an ideal spot for a new town and railway station, suggested a blog by Kane Emerson and Samuel Hughes, a pair of researchers, in July. On January 29th the chancellor, Rachel Reeves, announced that—hey presto!—Tempsford would be built.

It was just one example of the speed with which the chancellor has suddenly been backfilling Labour's growth agenda. In a speech laden with bulky projects, Ms Reeves also revealed that she had bounced her cabinet colleagues into approving a third runway at Heathrow and would back redevelopment around Old Trafford, the stadium of a Manchester football team. Most significant, however, was the idea of turning a swathe of south-central England into "Europe's Silicon Valley".

The plan, dubbed the Oxford-Cambridge Arc (see map), is not a new one. But it is a good one, because it correctly identifies what Britain does well—and what holds the country back. Although Ms Reeves has come to it late, she has a better chance of implementing it than anyone before her.



East-West Rail

- Western section (under construction)
- Central section (proposed)
- Other railways ■ Green belt

Sources: Department for Transport; East West Railway Company

Oxford and Cambridge have some big strengths. The two university cities outstrip most other innovation clusters on scientific publications and patent applications. They have a high share of bright, young graduates, many of

whom want to build the companies of the future. They are home to buzzy biotech and artificial-intelligence startups.

Yet they punch below their weight because they have not been allowed to grow. “The region is astonishing per capita but small in scale,” says Rachel Wolf of Public First, a think-tank. Oxford is the bigger of the two; its population is still only 160,000, and just 35,000 more than it was in 1980. Homes cost 14 times the average salary, making it hard for firms to hire. Lab space is another big constraint in both cities. Some new developments have eased the pressure, but new sites are scarce.

To see this self-defeatism at work, consider Oxford’s Ellison Institute of Technology, set to be one of the largest startup incubators in Britain when it opens in 2027. Backed by £130m (\$160m) from Oracle’s co-founder, Larry Ellison, it will have 30,000 square metres of lab space, along with clinics and supercomputers. But planning and environmental restrictions have made it “just a complete nightmare”, says Sir John Bell, an Oxford immunologist leading the project. “We had the Environment Agency chasing frogs up and down.”

It is hard to imagine Mr Ellison dealing with such problems in America. More widely, says Sir John, there is a “content and complacent” attitude in the cities with their rich histories. Locals ask: “Do we really need a new rail line?”

Compare that with Boston, San Diego or the Bay Area. Innovation clusters in those cities are much bigger and more productive. They benefit from bringing together lots of workers who can swap ideas. Although housing is not always cheap, people have places to live and businesses space to grow. A large ecosystem encourages risk-taking; if a company fails, people quickly find another. The GDP of the Boston metropolitan area is almost ten times that of Oxford and Cambridge combined.

Ms Reeves hopes to emulate these successes. Silicon Valley and Tempsford may seem worlds apart, but the idea is not fanciful. On top of the strengths of Oxford and Cambridge, [Milton Keynes](#), which would be on the rail line, is a growing hub for tech and defence firms. All three cities are also connected to London, still a global centre for financial services. Modelling

by Public First suggests that Oxford, Cambridge and Milton Keynes could contribute an extra £14bn (\$18bn) a year to GDP by 2035 if the cities could count on more skilled workers and higher R&D spending.

The chancellor has focused on two big problems that have thwarted progress. One is transport. Oxford and Cambridge are only 66 miles (106km) apart, but it takes two-and-a-half hours to make the journey by train, via London, or a similar amount on patchy local roads. A plan for a dual carriageway was scrapped in 2021. Ms Reeves says she will support east-west rail, including the station at Tempsford; the first trains are due to be running by 2035. Around £7bn for the project, which involves both upgrades and new track, is expected in the spending review this summer. That will upset some Labour MPs, who will no doubt argue that the money should have gone farther north instead, to places like [Leeds](#).

The other problem is housing. Ms Reeves has floated a sketchy “zoning scheme”, which would create a presumption in favour of housebuilding alongside railways. Designed well, that could lead to a surge of construction. Michael Gove, the Conservative minister who was steering the Arc until the election, argues that densifying Oxford and Cambridge is also critical. They have been throttled by green belts for decades, while NIMBYs have blocked infrastructure. Ms Reeves has approved new reservoirs serving both cities. To seriously increase building within the city limits, she will need to work with development corporations, says Mr Gove.

There are other challenges. The Oxbridge cluster will need skilled workers, which could come into tension with the government’s plan to reduce immigration. A lack of access to growth capital remains a constraint. Many in startup circles think the government should go further in cajoling pension funds to invest in equities. Ms Reeves does not yet have all the answers. But Labour is well-placed to build the Arc because it is far less beholden to the voters who oppose homes and infrastructure. “The politics are just much easier,” says Ms Wolf, who was previously a Tory adviser. “Labour should have no problem with letting the diggers loose in the shires.” ■

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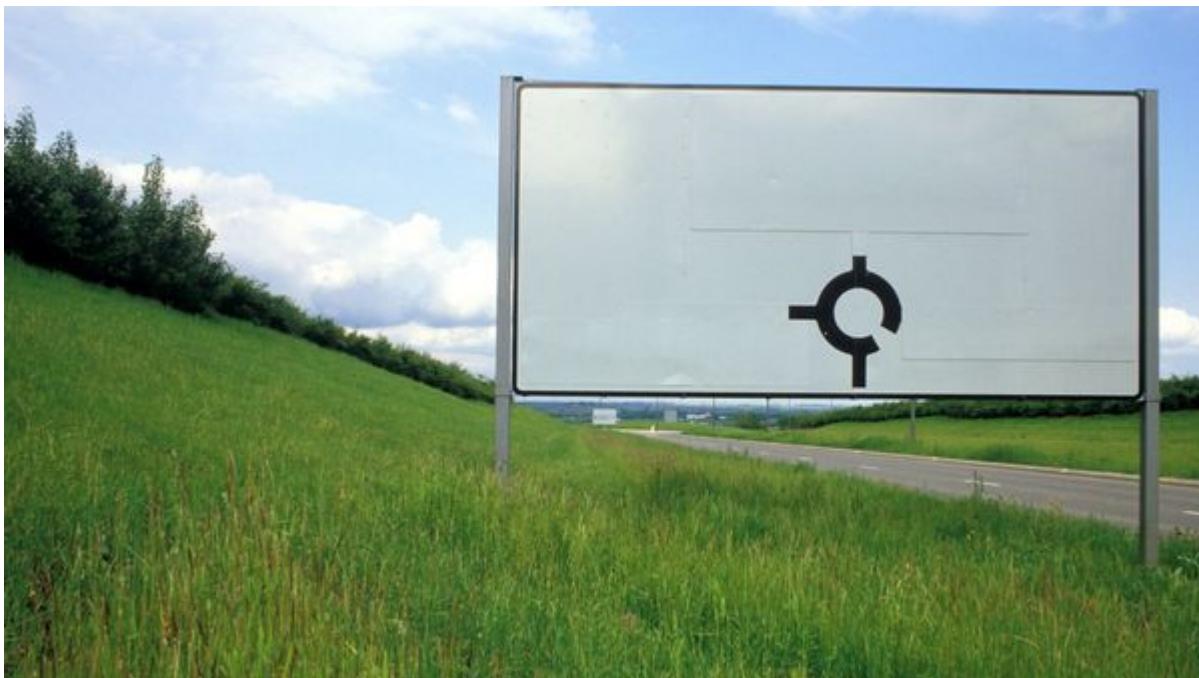
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Expanding cities

Milton Keynes shows the rest of Britain how to grow

NIMBYs don't have the upper hand everywhere

Feb 06, 2025 06:33 PM | MILTON KEYNES



A SCHOOL THAT has never seen children is a strange place. The carpets and walls are unnaturally clean; the building is eerily quiet. Elverby Primary School feels especially odd. It sits in a field north-east of Milton Keynes, amid mud and half-built roads. But the children will come, because some 5,000 homes are planned for the site. “And that’s only a fraction of what we can build, or want to,” says Peter Marland, leader of the Labour-run city council.

The Oxford-Cambridge Arc links three cities which, if they were guests at a wedding, would not be seated together. Cambridge and Oxford are small,

ancient university cities (though Oxford has an industrial fringe). They are girdled by green belts and miserable to drive around. Milton Keynes is brash, modern and car-oriented. Although founded only in 1967, it already contains some 300,000 people, almost as many as Cambridge and Oxford put together. It shows the rest of the Arc, and the rest of Britain, how to build.

Milton Keynes's most important and unusual feature is its grid of major roads connected by roundabouts, around which local people drive at alarming speed. Between the roads, behind trees, are neighbourhoods of roughly one square kilometre where everything moves more slowly. In other cities, people mobilise to protect beloved buildings. In Milton Keynes they defend the grid. Last September the council suggested adding traffic lights to a grid road. "Are you joking," one respondent wrote. The council retreated.

Grids allow cities to expand quickly and neatly, as Barcelona and New York demonstrated in the 19th century. Milton Keynes's grid has probably helped suppress local objections to the city's expansion. It helps, too, that the city tends to build large suburbs with proper infrastructure, like Elverby Primary School, rather than allowing a few dozen homes here and there in the standard British fashion. And it helps that people are used to change. Chris Curtis, the MP for Milton Keynes North, suggests that the city is pro-growth because it has always grown.

Its ambition is to reach a population of 410,000 by 2050, which would make it bigger than Cardiff or Newcastle today. It seems likely to hit or comfortably exceed that target. The centre of Milton Keynes contains vast moats of surface parking and some decrepit office buildings, some of which will soon give way to blocks of flats. More important, on the outskirts of the city, the grid is reasserting itself.

Some of the developments that were built on the fringes of Milton Keynes this century are not plugged into the road grid. Instead of houses being set back from major roads behind banks of trees, they press up against them, as in a conventional modern suburb. Because the homes are so close, speed limits are low. Drive east out of central Milton Keynes along Chaffron Way, and a fast parkway turns into a slow residential road. Soon a driver is

confronted by a 20mph zone, a crossroads, a T-junction and—horrors!—traffic lights.

The city authorities now regret that era. The new development, known as MK East, will be connected to the grid and will extend it. Not far from Elverby Primary School, earth-moving machines are constructing a road and a roundabout—the first time for many years that one has been added to the grid, claims Mr Marland. The new school is impressive; a nearby clinic and community centre is too. But he seems more delighted by the roundabout than by anything else. ■

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Plan it and the builders will come

Worries about Britain's construction crunch are overdone

Stop worrying and learn to love the labour market

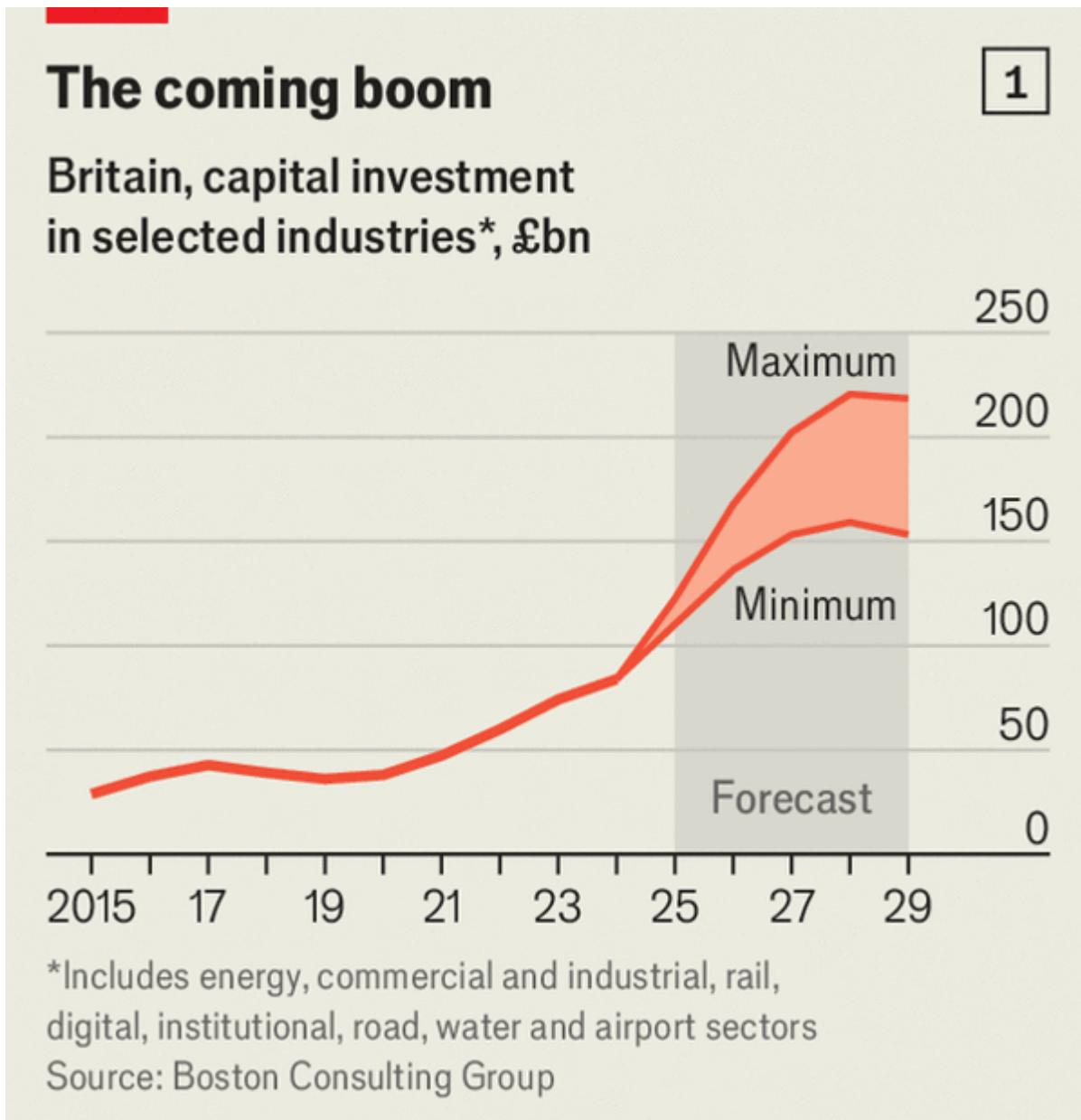
Feb 06, 2025 06:32 PM



SIR KEIR STARMER has promised to run a government for the builders, not the blockers. Certainly, the prime minister and his colleagues have given the builders a lot to do. Alongside commitments at the election to build 1.5m homes and decarbonise the electricity grid within five years, the government has also revived several megaprojects, including a [new rail line connecting Oxford to Cambridge](#) and a third runway at Heathrow.

All that adds up. Capital investment in energy, transport, data centres and the like will more than double over the next five years, according to Boston Consulting Group (BCG, see chart 1). House building will also need to rise

by 50% to hit the targets. Can Sir Keir find the builders? Worrywarts in the construction industry fret that he will struggle. Sceptics say the government should take things more slowly.



That would be a mistake. The history of past building booms shows that, when demand is strong enough, work gets done. Construction in Britain surged during the housing bubble of the 2000s, pulling over half a million workers into the industry. Many left after the financial crash of 2007-09, and have stayed out. After the second world war, Britain's physical landscape was remade on a vast scale. Further back, in the 17th century

nearly the entire City of London was rebuilt within a decade of the Great Fire, and to a much higher standard. Labour markets can quite effectively shuffle workers round when a sector has more capacity and can offer higher wages.



That does require politicians to be flexible. London was rebuilt so quickly in the 1660s and 1670s only because occupational licensing rules were loosened and restrictions relaxed on imports like Scandinavian timber. (“The Norwegians warmed themselves comfortably by the fire of London,” went a saying at the time.) Access to European workers sped up

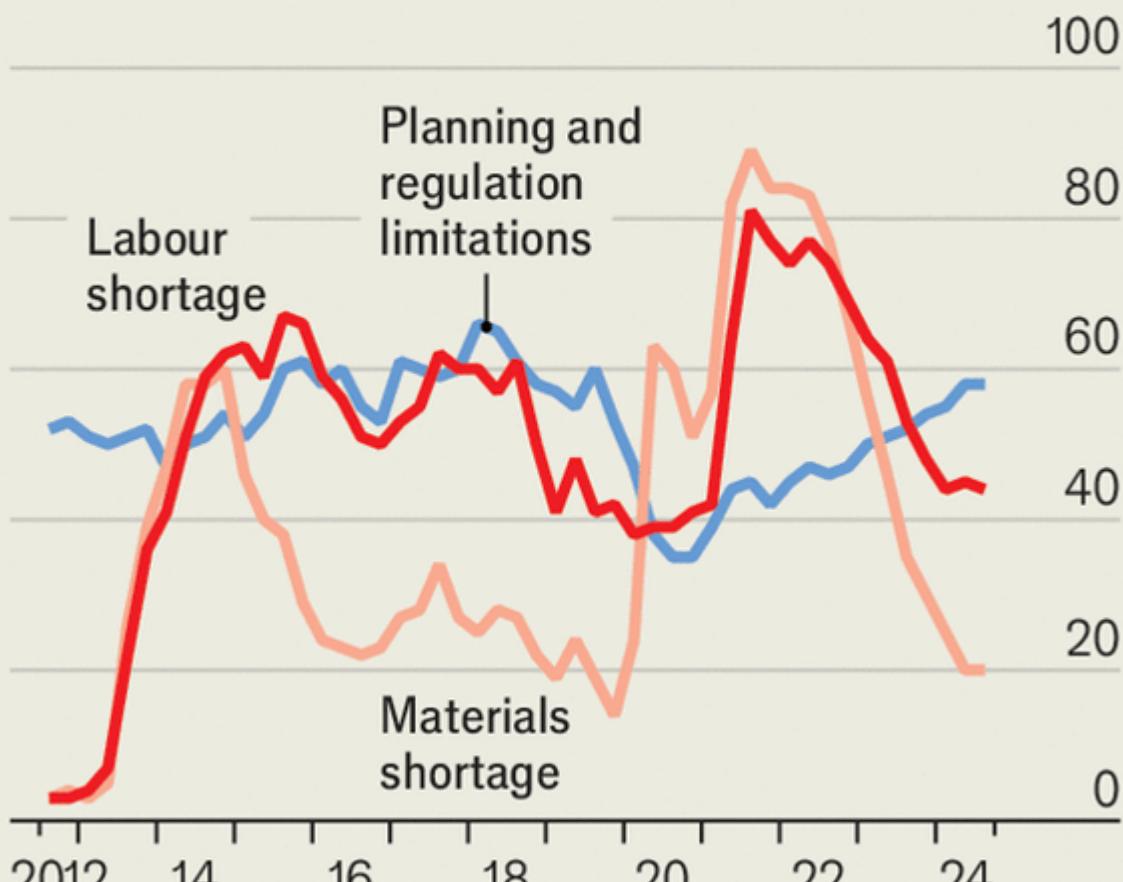
construction a great deal in the 2000s; Irish workers were important in the post-war years.

What about today? The starting-point is hardly ideal. The share of workers in construction is at a record low (see chart 2). Industry surveys still say that planning restrictions are the biggest block to building, but labour and materials shortages figure, too (see chart 3). One London-area contractor laments that young people would rather work from home than on a building site, and that lots of Polish workers have left Britain for Spain, with warmer weather and more jobs. Green rules are also increasing the complexity of construction work.

Poor foundations

3

Britain, construction industry constraints*, %



Source: Haver Analytics

*Net balance of chartered surveyors

None of that should surprise, given how little Britain has built over the past few decades. It will take a strong pipeline of projects and—at least for a time—higher wages to pull more people into the industry. The road will be bumpy. Plenty of skilled trades take years to learn. Heavily regulated sectors, like water or energy, may struggle to pass along price increases, notes Raoul Ruparel of BCG. That risks handicapping them in the fight for workers. Britain’s post-Brexit migration rules are hard to navigate for self-employed construction workers. Letting its immigration-reducing zeal impede building would be a self-inflicted wound for the government.

“It’s a mighty task,” says Ian Fletcher of the British Property Federation, a trade group. But the reward is enticing, too. One reason why building projects in Britain so often balloon in cost and overrun deadlines is that there is no consistent flow of them, helping teams build experience. Productivity in the industry has languished for decades; labour-saving advances like Japanese modular construction techniques have not taken root. If Britain is lucky, Labour’s big push could be demanding enough to change all that.■

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Causing concern

Britain's plan to shake up school inspections pleases no one

Labour replaces a simple but controversial system with a complex, clunky one

Feb 06, 2025 06:32 PM



Hard to get the balance right

WHEN IT TOOK office Labour promised to “reset” relations with England’s unhappy teachers. Last autumn it earned a huge cheer from the profession when it announced that Ofsted, the school inspectorate, would stop handing institutions blunt overall grades (such as “Requires improvement”, and “Inadequate”). Yet the fuzzy feelings evaporated on February 3rd, when the government and Ofsted released fuller details of their plans to change how schools are monitored. Furious unions say the new regime looks even worse than what has come before.

Resentment towards inspectors began soaring two years ago following the death of Ruth Perry, a head teacher who killed herself after Ofsted gave her primary school a failing grade. A coroner concluded that inspection had at times been “rude and intimidating”, and that the experience had probably contributed to Ms Perry’s death. Soon after, Ofsted published tweaks aimed at making its visits a bit less stressful for school leaders. But last year Labour ordered it to cook up deeper reforms.

The proposals put out to consultation this month confirm that schools will no longer get overarching “headline” ratings. Instead, Ofsted is to begin issuing colour-coded “report cards” measuring how well schools perform in a minimum of eight different subdomains, such as “Developing teaching”, “Behaviour and attitudes” and “Inclusion”. For each category, schools are to be handed a grade on a five-point scale.

Though Ofsted will no longer brand any school as overall “Inadequate”, it will still inform the government of institutions it thinks are failing. The worst of these will get the same medicine as at present: takeover by a “multi-academy trust” with experience of turning schools around. But some poor performers will instead receive help from new squads of government troubleshooters (called “RISE” teams). Those boffins will also counsel “stuck” schools: institutions that repeatedly chalk up weak results, without ever doing quite badly enough to trigger automatic interventions.

Bridget Phillipson, the education secretary, believes all this is going to give parents and schools better information than at present. She implied in a speech that a move to more granular “report cards” will make it easier for even very good schools to identify ways they might improve. The hope is that the new RISE teams will cut the time it takes to get failing institutions back on track. The government says its plans will double the number of schools which, after inspections, receive some kind of mandatory help to improve.

Critics on all sides are unconvinced. Supporters of the old regime insist none of this needed fixing in the first place. Years of blunt inspections have helped English schools rise up international league tables, they reckon. Ditching headline grades for mealier-mouthed summaries is a disservice to children; asking inspectors to report on a wider range of metrics risks

making their judgments less reliable. The much vaunted RISE teams are embryonic, their effectiveness unknown.

Yet the loudest yowls have come from teachers' unions, which wanted much more radical reforms. They are happy to see the back of headline judgments. But they are furious that inspectors will instead begin handing schools more grades in more categories than ever before. The Association of School and College Leaders insists the new system will "subject a beleaguered profession to yet more misery". The National Education Union says the "botched and rushed" rethink will lead only to "continued disaster".

The new regime will not be in place until at least November, by which time school inspections will have been operating under interim rules for more than a year. Should resistance to the government's plans force a pause or a rethink, the system could end up stuck in limbo for even longer than that. Meanwhile, the furore is drawing energy and focus away from problems—including rampant absenteeism and a swiftly collapsing special-needs system—that almost everyone agrees are extremely pressing. Labour may end up wishing that it had left inspections well alone. ■

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Equal pay

British “equal value” lawsuits have become an absurd denial of markets

The gavel takes on the invisible hand

Feb 06, 2025 06:32 PM



THE DECISION came, as awkward news tends to, late on a Friday. The employment court had been asked to rule not so much on matters of law as on matters of the market: what is value, and who works equal amounts of it? Tens of thousands of workers (most of them female) in stores were suing Asda, a supermarket, for being paid less than their colleagues (most of them male) in warehouses, on the basis that their work was of “equal value”.

After a decade of legal wrangling, on January 31st the judges sided with the shop workers (with the exceptions of personal shoppers and edible-grocery staff). It is the largest private-sector suit of its kind so far, involving at least 60,000 staff. And it could become the costliest: if Asda fails to prove that it had good reason (a “material factor”) for the pay disparity, in a process that could take another two years, the final compensation to the plaintiffs could be worth £1.2bn (\$1.5bn), and boost Asda’s wage costs by an annual £400m, or 15%.

The court left no aisle unscrutinised. Judges weighed up the relative pitfalls of dealing with muttering customers or impatient lorry drivers. Ms Ashton regularly mopped up spills. Mr Opelt had to learn how to operate a hand-held scanner. Both Ms Hutcheson and Mr Ballard used a forklift for some of their work. Rival experts were hired. Precise timings were calculated (Mr Devenney spent 3% of his time tidying). Points for knowledge, communication and “emotional demands” were awarded. Detailed job descriptions submitted for the judges’ consideration spanned over three times the length of the complete works of Shakespeare.

The aim of all this is equality. Advocates of “equal value” suits argue that predominantly female jobs are systematically paid less than similarly useful “male” ones, and that needs rectifying. This was not originally a British notion of equality. Barbara Castle, a Labour minister who brought about the Equal Pay Act in Britain in 1970, had thought “equal value” too abstract a concept to be included in her law. But the European Union insisted, and an amendment came in 1983: British workers were then entitled to claim equal pay if they could prove they performed work of equal value to their opposite-sex colleagues. Few tried to do so. Such cases were time-consuming and therefore costly.

Then came a change in the economics, says Stefan Cross, a leading equal-pay lawyer. The European Court of Justice ruled in 1999 that winning litigants could claim back pay for six years instead of two. In Britain regulations for “no win no fee” lawyers had been relaxed. The combination made group “equal value” suits financially viable, even lucrative, for firms. And so their numbers soared. Reports by the Advisory, Conciliation and

Arbitration Service, a public-arbitration body, counted over 50,000 new equal-pay cases in 2007-08, compared with just 3,000 in 2003-04.

The new wave hit councils and the health service first. A suit comparing cleaners with binmen in effect bankrupted Birmingham City Council. Supermarkets came next. Leigh Day, the law firm representing Asda's staff, is also representing shop workers bringing claims against Tesco, the Co-op, Morrisons and Sainsbury's. A clothes chain, Next, is already on the hook to pay compensation, possibly more than £30m. The cases are costly even for those not directly involved in them. Organisations pay millions to consultants to draw up "job evaluation schemes" in an effort to protect themselves from litigation.

The cases do not hinge on proving any actual sexism. The ruling against Next noted that "there was no conscious or subconscious gender influence in the way Next set pay rates". Nor are women precluded from working in warehouses (Next's was 47% female). The court will not even consider whether Asda had a good reason for the pay disparity until the coming stage of the case.

What started on the continent is likely to return there. The EU's Pay Transparency Directive seeks to make the cases easier to bring in Europe too, says Jennifer Granado, a Brussels-based lawyer. The gavel-wielding hand is on the move, at the (considerable) expense of the invisible hand. ■

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Rhetoric and reality

Speeches in Britain's Parliament are getting shorter—and worse

The problem lies not merely with speaking but with listening

Feb 06, 2025 06:32 PM | Westminster



A way with words

THE PROBLEM is the Post-its. Many criticisms have been made of prime minister's questions (PMQs). It has been called "boorish", "childish" and "rude". Sir Tony Blair thought it "unforgiving"; David Cameron called it "Punch and Judy politics". It can be cruel: it was at PMQs that Boris Johnson called Sir Keir Starmer "a pointless human bollard" and "Captain Crasheroony Snoozefest". It can cause shock—and awe. "I count my blessings", George H.W. Bush said, that "I don't have to go into that pit."

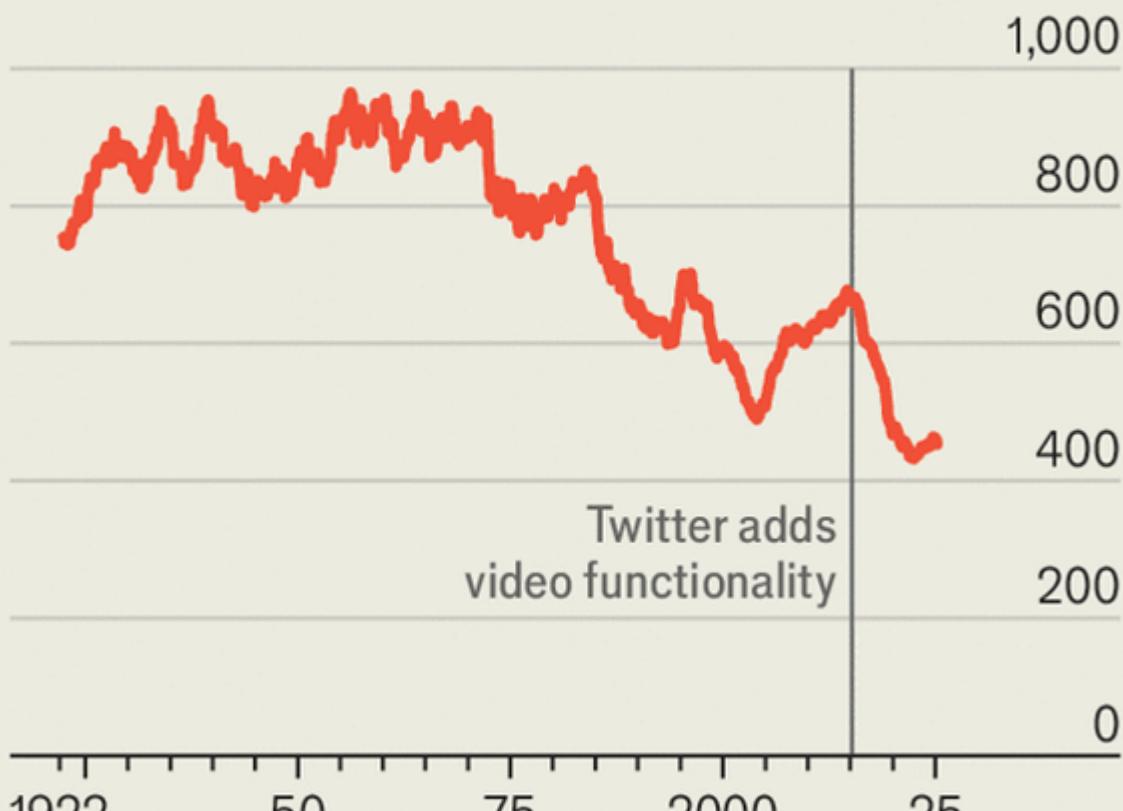
But PMQs is changing. “Captain Crasheroony” does not bring insults to PMQs. Instead he brings a nice, smart A4 file, neatly flagged with Post-its. Then he opens it and says things like: “Clean energy is at the heart of this mission-driven government.” He is not boorish, childish or rude. Or interesting. He is unlikely to strike fear into foreign presidents. He does have a splendid collection of stationery.

And that too is a problem. Listen closely in the corridors of power and you will hear the usual worries: that Britain’s finest hour is over; that the cradle-to-grave NHS is in its grave; that even the white heat of AI technology won’t save us. But you will hear another worry too: that politicians can no longer even articulate our inadequacy. That phrases such as “finest hour” (Winston Churchill) and “white heat of technology” (Harold Wilson) and even “corridors of power” (C.P. Snow) are no longer being coined. That, as one MP put it, “the day of oratory is passing.”

Given that that MP was a young Churchill it is possible that the death of rhetoric has been exaggerated. Memory is a poor judge of oratory, since memorable phrases are just that: memorable. The sieve of history will therefore tend to catch the best and lose the rest. But something does seem to be changing, quantitatively as well as qualitatively. Study a century of parliamentary speeches (excluding interjections of under 100 words) and a pattern emerges.

Speaks volumes

Britain, House of Commons speeches,
average number of words



Sources: MySociety; *The Economist*

In 1938 the average speech was almost 1,000 words long. In 1965 James Callaghan delivered a budget speech that was almost 19,000 words: less a speech than a novella. Until 1970 the average was still almost 900. Then they start to shrink—dramatically so after 2015, when video functionality appeared on Twitter (now X). Last year the average was 460: less a novella than a few tweets (see chart).

This matters. Britain is in trouble. Its GDP has barely risen in five years. It needs to grow. Yet speak to people in business and few have a sense of how the government hopes to make this happen. Political speeches are, says

Michael Gove, a former Conservative minister, more than mere messaging. “Think in ink” was, he says, a phrase he lived by when in government. Write a speech down and “it has to be logical.” People sniff at slogans but words are not witchcraft. They are simply thoughts on the page. Sir Keir needs to offer his, clearly to the country. A stationary country requires more than stationery from its PM.

This matters historically too. British politics has been shaped by combative debate. Leaders at PMQs stand, it is said, two swords’ length apart. Their week is defined by that joust: PMQs lasts for only half an hour in total but Margaret Thatcher spent almost eight hours preparing for it. Debate defines who becomes a politician: a list of former presidents of the Oxford Union is a “Who’s Who” of British politics—William Hague, Mr Gove, Mr Johnson.

Arguably Britain has overemphasised argument. Open the first edition, published in 1844, of “Erskine May”, the parliamentary handbook, and between advice on whether one can hiss in the House of Commons (one cannot) or insult the monarch in it (definitely not), you will find 87 mentions of the word “debate” but only five of the word “constituents”. This is Parliament less as a democratic tool than a debating club with a country inconveniently attached to it.

Debate shaped its elite institutions. For centuries, students at Eton, Oxford and Cambridge stood at despatch boxes to debate the issues of the day. The titles of these offer an index of each era’s anxieties: in Oxford, students considered such topics as pacifism (“This House will in no circumstances fight for its King and its Country”), the rise of socialism (“this House deplores” it) and delicate questions of feminism (“Woman: Angel or Idiot?”).

Talking less, tweeting more

Such debates might seem absurd. They are also excellent preparation for Westminster. Points are not awarded for factual knowledge or deducted for ignorance. Victory comes, as in politics, with a vote. Thus the “person with the funniest jokes wins”, says Simon Kuper in “Chums”, a book on Oxford politicians. This trains you “very well for survival and success in the House

of Commons”. Though not necessarily, as Mr Johnson’s eloquent but chequered career shows, for how to run a country well.

To understand the state of English oratory, creep into Parliament’s press gallery. This offers the usual blend of decadence and decay. It has a doorman in bowtie and tails, magnificent leather seats and frayed carpets. Sit here and you are close enough to hear the PM turn the pages with those Post-its. But do not look at him; turn and look at the press gallery behind. Except at PMQs, it will be almost entirely empty.

The real problem with Parliament is not just that people cannot speak. It is that nobody is listening. “Parliament”, says Ben Griffin, a senior lecturer in history at Cambridge University, “is becoming peripheral”. It is notable that Britain’s fastest-growing political party has just five MPs. Parliament’s benches are less a place to go to pose questions than to pose for clips on X. This House seems to believe old-fashioned debating is a waste of time. ■

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Bagehot

Must Leeds always lose?

Too prosperous to pity. Too poor to thrive

Feb 06, 2025 06:32 PM



ATTENDEES HEADING to Leeds Dock for the “Real Estate Investment and Infrastructure Forum” in May are in for a treat. Infrastructure-lovers arriving in the northern city by train should go down into the bowels of the station, ignoring the whiff of damp from its position on arches above the River Aire. Cut through the quayside new-builds towards a crumbling stone jetty. A tram was supposed to link the dock to the station. It was never built. Leeds remains the biggest city in Europe without a mass-transit system. Instead, the *Twee*, a bright-yellow second-hand taxi boat from Amsterdam, has to do.

What Leeds wants, Leeds does not get. Whenever a major infrastructure decision has been made, England’s third-biggest city has invariably been on

the wrong end of it. The Leeds limb of HS2, the [blighted high-speed rail network](#), was the first to be cut. Northern Powerhouse Rail, a plan to improve links between Leeds and Manchester, was curtailed. After the city approved an expansion to Leeds Bradford Airport in 2021, the then Conservative government blocked it. The *Twee* is a bright-yellow reminder of the city's tramlessness; it runs every 15 minutes at £3 (\$3.75) each way.

If ever there was a moment for Leeds to enjoy a shift in fortunes it is now. [Sir Keir Starmer](#), the prime minister, attended university there. Even better, the member for Leeds West and Pudsey is the chancellor, [Rachel Reeves](#). Yet Labour has announced a slew of measures to improve growth in Britain's thriving south-east. Heathrow is to benefit from a new runway, while a rail route connecting Oxford and Cambridge is to be dotted with new towns. Leeds lost out again. Why?

It is not NIMBYism. At the moment, Leeds is a city of architectural renderings plastered on the side of building sites. Its population grew by 8.1% between 2011 and 2021, the highest rate of any big city bar Bristol. It built 4,441 houses in 2023-24. If every local authority matched it on a per-person basis, Labour would meet its stretching target to build 1.5m homes by 2029. Most do not.

Instead, Leeds has become the laboratory for a dominant strand of thinking in Britain's Treasury: that infrastructure does not much matter. In this world the relative failure of England's main cities is the result of a lack of skills, rather than a lack of capital investment. Leeds is an unwilling lab rat. Standing near a ring road where a gleaming high-speed-rail terminus should be is the Asda Centre for Merchandising Excellence. There is no finer place to learn the best way to sell a sausage; there is no worse place to try to catch a train.

The result is economic purgatory, with the city unable to either truly thrive or wither. Take Temple Works, a bizarre warehouse that combines Egyptian-style hieroglyphs and experimental Victorian engineering. It is the heart of a redevelopment to the south of the main station in Leeds and was to be the site of the British Library's northern branch. At the last budget, Ms Reeves chopped its funding of £10m. The building is Grade I-listed, meaning it must be cherished. The British state enforces the obligations of a

rich country with the means of an increasingly poor one. If the area is to grow, it will have to do so around a rotting hulk.

When investment is greeted with technocratic scepticism, only politics can loosen the purse-strings. It is a game Leeds has played badly. Greater Manchester has long managed to pull together. It is a coherent whole, politically and economically. By contrast, “West Yorkshire”, the newish combined authority of which Leeds is the most important part, is an awkward compromise. “We just thought people in Yorkshire hated everyone else,” said David Cameron, a former prime minister, during one row in the region. “We didn’t realise they hated each other so much.” It is still the neatest summary of intra-Yorkshire politics.

A paranoid style shapes the city’s politics. The current government insists it is committed to a tram in Leeds, just as the government was committed to a tram under the Conservatives in 1993 and under Labour in the 2000s. There will be shovels in the ground by 2028, insist local politicians. Those in the city will believe it when they see it; local investors are unwilling to place money on it either. Yet more economic stasis is the result.

Some fall from paranoia into conspiracy and the idea that politicians and civil servants in the south-east actively want the region to fail. The reality is more depressing: government is institutionally incapable of caring about a middling city, doing fine but not well. Leeds was never a post-industrial wasteland. It did not require the fiscal CPR applied to Liverpool or Teesside. An official from the Treasury visiting for the day will see cranes in the sky and the city centre’s curious mix of Greggs, a baker, and stores selling Gucci and assume all is peachy.

Yet the government looks past places like Leeds when it comes to growth. Ms Reeves and the Treasury focus on the south because it pays Britain’s bills. Only two regions are net contributors to Britain’s coffers: London and the south-east. Leeds is caught in a trap: too prosperous to pity, but still too poor to pay its own way.

Can’t spell Leeds without an L

If Britain has a growth problem, it is not just that it has hobbled high-potential stars such as Oxford and Cambridge in the south, but also in part because cities like Leeds underperform. And if Leeds has a problem it is because a place like Leeds Dock is almost empty. Local businesses rule out moving there because it is poorly connected. No amount of signs declaring it “LEEDS CREATIVE DISTRICT” in a tasteful sans-serif font changes that. On a fine recent winter’s afternoon the place is dead. The only noise comes from the builders ripping down flammable cladding from the surrounding buildings and the *Twee* blasting its horn as it rounds a bend on the Aire. ■

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International

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Trade trouble :: China is weaponising its supply chains, but risks blowback if it goes too far

- **Allies will not appease Donald Trump for ever**

The Telegram :: If Trump convinces partners that the post-1945 order really is dead, things will get ugly

Trade trouble

Xi Jinping swings his “assassin’s mace” of economic warfare

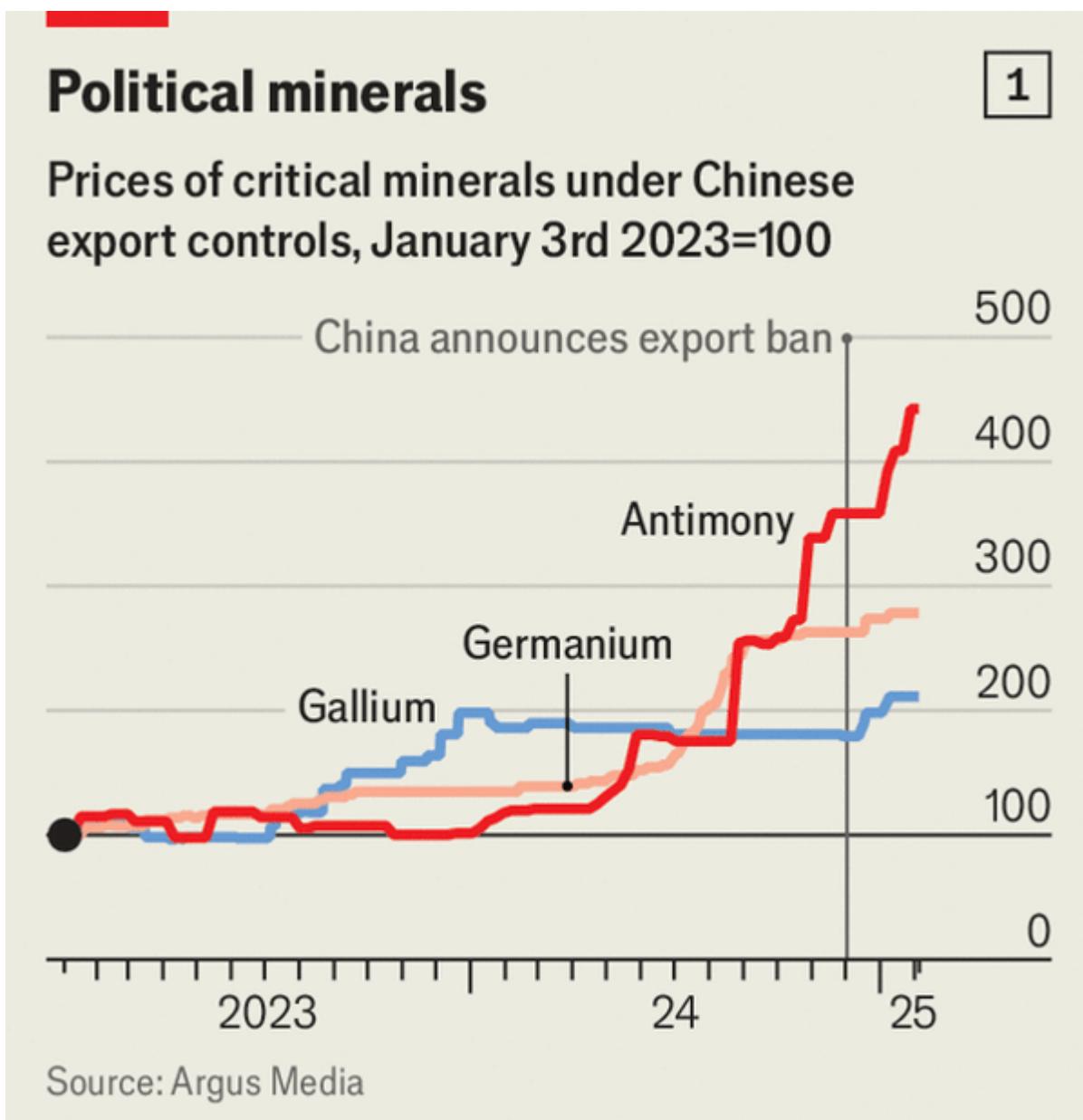
China is weaponising its supply chains, but risks blowback if it goes too far

Feb 06, 2025 06:33 PM



THE INK had barely dried on Donald Trump’s order to impose a 10% tariff on imports from China before its leader, Xi Jinping, was reaching for his “assassin’s mace” to strike back. On [February 4th](#), in addition to new tariffs, the Chinese government listed several rare metals as controlled exports, giving Mr Xi the power to ban shipments to America at a moment’s notice. The riposte underscores an essential difference between American and Chinese power: Mr Trump’s ability to coerce comes largely from what America buys and its dominance of international finance, while Mr Xi’s far more nascent coercive strength is based on what China sells.

The weapon he is wielding is newly forged and based on tough export-control rules enacted just over two months ago, on December 1st, which expanded on far more tentative restrictions imposed since 2023. The new regime had its first real test two days later, when China banned shipments to America of gallium, germanium and antimony—rare metals needed to make advanced chips, weapons and munitions—as well as some “superhard” materials with defence applications. Prices of some key minerals jumped after the bans (see chart 1).



In its most recent move this month, China imposed controls on five additional metals, including tungsten, used in armour-piercing bullets, and molybdenum powder, used to make missiles. This salvo appears to have been a warning shot rather than the start of a full-scale trade war: China gave itself the ability to ban exports of the five metals, but has not done so yet.

Nevertheless, China's growing embrace of export restrictions and bans signals its intent to use its economic power to weaponise supply chains and punish foreign firms and countries. As such, the move has alarmed policymakers and analysts in America, who worry it could harm their strategic industries. "In terms of strengthening military preparedness, China is operating in a wartime posture while the United States is operating in a peacetime posture," noted Gracelin Baskaran and Meredith Schwartz of the Centre for Strategic and International Studies (CSIS), a think-tank in Washington. "Bans on vital mineral inputs will only further allow China to outpace the United States."

It is also causing consternation among governments from Europe to East Asia, who fret that the same economic weapons may be turned on them. Some have been running war games to see how they might fare if a critical input were to be choked off, and unlikely constellations of countries are clubbing together in new trade pacts to shield themselves.

China's new export-control regime ostensibly tracks items that are "dual-use", meaning they have both civilian and military applications. Chinese exporters of listed products must now tell the state who their customers are and what they are likely to use the goods for. But Mr Xi's sanctions go far beyond non-proliferation, and seem to be aimed at entrenching China's economic domination of key technologies, materials and industries. In doing so he is deepening other countries' dependence on China in areas such as solar panels and the batteries used in electric cars. He has called the world's reliance on China for these advanced technologies his "assassin's mace", or trump card, that will give China "deterrent capabilities based on artificially cutting off supply to foreigners" should they impose sanctions.

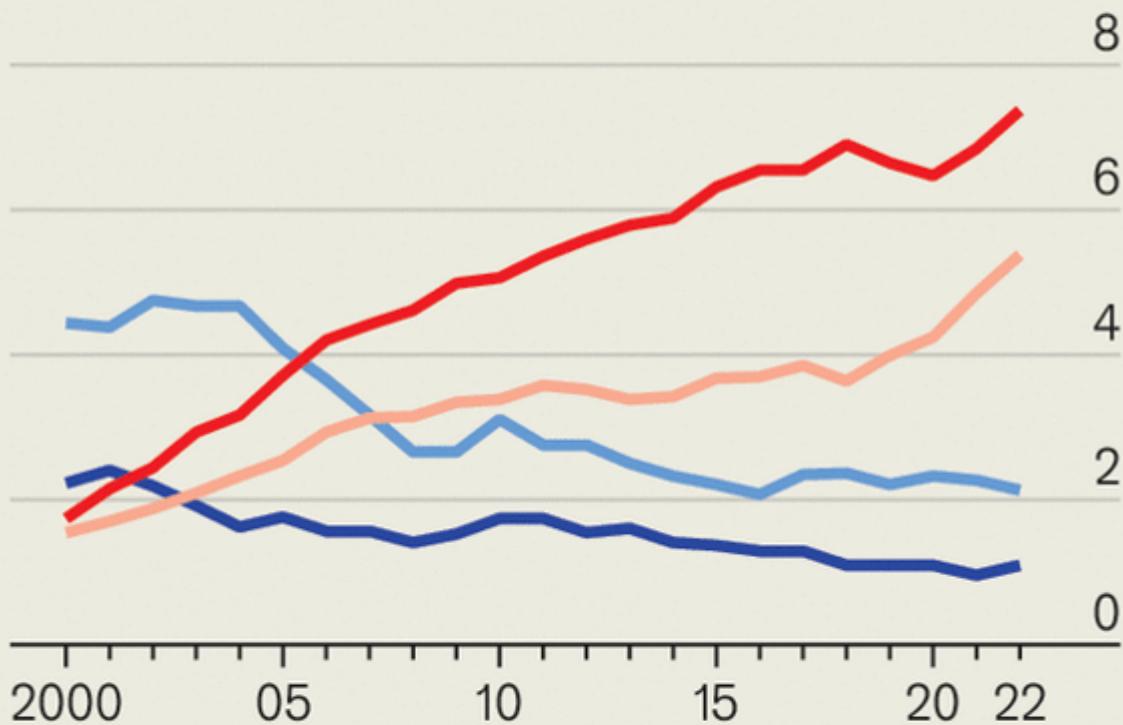
One-sided

2

Imports dependent* on a trading partner, % of total

Imports dependent on China to: — US — EU

Imports to China dependent on: — US — EU



*Product classified as such if: 1) imports are twice as high as exports, 2) it has one supplier that accounts for at least 30% of imports, 3) it has few suppliers globally

Source: MERICS Trade Dependency Database

If successful this would add to a growing one-way dependency of Western economies on China. Canada's producers, for example, are ten times more reliant on the use of Chinese inputs than Chinese producers are on inputs

from Canada. Similarly stark asymmetries show up in countries from the EU (see chart 2).

This has allowed Mr Xi to take aim at a vulnerability in Western economies, and to exploit one of China's key strengths. A wide range of electronics, from radars and smartphone chargers to the computer chips that will be used to train artificial intelligence, rely on a small number of rare minerals dominated by China. One of these is gallium, which America has not produced since 1987. Although America imported less than \$150m worth of the stuff last year, its impact is far bigger because it is used in high-value products. A full embargo would trim some \$3.1bn a year from America's output.

Gallium is not the only critical mineral that China now dominates. Although many rare metals are found in places such as Australia, Brazil, Greenland and South Africa, about 90% of the world's capacity for refining them is in China. China produces almost all of the world's germanium and manganese, three-quarters of its lithium and natural graphite and half its antimony. Often few good substitutes for such metals exist. When it comes to the magnets used in wind turbines, for example, only neodymium will do. Alternatives are either more expensive or not as good.

Worryingly, the West's reliance on Chinese-made inputs for its own industries goes far beyond rare minerals and is greater than meets the eye. Most economists or strategists look simply at how much Western countries import from China when assessing vulnerabilities. But when you also include imports from third countries that contain Chinese inputs, the figure jumps sharply, according to Richard Baldwin of IMD Business School and co-authors. Looked at this way, America's dependence on China is four times greater than indicated by bilateral trade statistics.

When it is not being used to punish, China's exercise of economic power and of its new export-control tool follows a clear commercial logic. Its officials stop the flow of inputs and intellectual property into foreign products that may challenge Chinese national champions, says Rebecca Arcesati of MERICS, a European think-tank. Take, for example, high-end medical equipment. On February 4th, as part of its response to Mr Trump's tariffs, China's commerce ministry added an American genomic-sequencing

giant, Illumina, to its new “unreliable entities list”, potentially cutting it off from its Chinese patients and manufacturing facility. China’s own sequencing champion, BGI, is in a bitter battle with Illumina for global market share.

Beyond stemming the flow of raw inputs, China’s bureaucrats are also keen to slow the efforts of other countries to build supply chains that bypass it. In recent years, both Chinese and Western firms have moved production to third countries to skirt tariffs and avoid being cut off in a conflict. This transformation, known as “China Plus One”, challenges the Communist Party’s grip on an increasing number of global supply chains and has spurred economic planners to issue tighter controls on the sharing of intellectual property. In January China proposed controlling the export of know-how for the extraction and processing of rare metals, specifically gallium and lithium.

China clearly sees some parallels between the power America has to impose financial sanctions from its position at the centre of global finance, and its own power to punish adversaries from its position at the heart of global manufacturing, through its dominance of critical minerals. But America’s use of financial sanctions also offers a cautionary lesson on the geopolitical paradox that China faces: the more successful it is in creating monopolies and dependencies, and using them to bend countries to its will, the more it will push those countries to diversify their exposure.

America has been able to punish people, companies and countries by shutting off their access to international payment systems. For instance, it has booted some Russian banks off SWIFT, the messaging system used by more than 11,000 financial institutions for cross-border payments. But in doing so, it has pushed China, Russia and others to develop alternative payment systems. Last year Russia presented efforts to persuade the BRICS group of countries to create such a system as a way of sanctions-proofing themselves.

The West’s use of financial sanctions offers other lessons, too. In theory these hit hard and quickly, and ought to be easy to police. In the real world, however, groups ranging from Hamas to drug gangs have been able to

dodge them by funnelling money through cryptocurrency markets or lightly regulated banking systems.

China's ability to enforce export controls abroad may face similar problems. It will require officials to keep track of more than 700 products and producers, their customers and the customers of those customers. America has struggled to stop its high-end chips from being smuggled into China, or dual-use materials making their way to Russian defence firms. It will be harder for China to track critical minerals shipped in small quantities.

Western governments cannot rely on smuggling metals, or on suppliers in third countries turning a blind eye. Instead many are keen to diversify their supply of critical minerals. Throughout 2022-24, dozens of countries signed agreements to share information, including sensitive trade secrets, and encourage private investment for alternative supplies of inputs critical to their economies. Last autumn officials from 14 countries in the Indo-Pacific, led by South Korea, huddled in Washington to map their shared vulnerability to supply-chain shocks and to war-game responses. The countries included Vietnam, Thailand, Malaysia and Fiji as well as the major Western allies.

They can draw some comfort that China would face the same dilemma that the West has long faced: the more powerful the sanctions and the bigger your enemy, the mightier the blowback. ■

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The Telegram

Allies will not appease Donald Trump for ever

If Trump convinces partners that the post-1945 order really is dead, things will get ugly

Feb 06, 2025 06:33 PM



THESE ARE heady times for supporters of [President Donald Trump](#). In their telling, their champion has declared a new era in which America will use its strength without embarrassment to secure its interests, and the world is falling in line.

For leading members of Trumpworld, such a scuttling retreat is no surprise. As they see it, the globalised, America-led world order that followed the second world war had become a racket. Especially in the hubristic years after the Soviet Union crumbled, when Washington grandes surveyed a

world seemingly without rivals, successive presidents allowed feckless allies and trade partners to free-ride on American security and steal American jobs. Now, like thieves caught in the act, foreigners feel Mr Trump's righteous, America First wrath, and know the game is up.

As a Republican senator, Marco Rubio spent years as a Reagan-praising advocate of a muscular American foreign policy. After a conversion to Trumpism, he is now the secretary of state. Explaining his new job on Fox News, Mr Rubio described telling foreign counterparts: "I know you've gotten used to a foreign policy in which you act in the national interest of your country and we sort of act in the interest of the globe or the global order. But we are led by a different kind of person now." As for countries that use asymmetrical market opening to run up trade surpluses with America, their leaders have been wondering "why it took us so long" to catch on to their wiles, Mr Rubio suggested.

Seen from Washington, it looks as if even rich, proud allies are in retreat. Take Europe. Mr Trump has demanded that America should buy the [mineral-rich island of Greenland](#) from Denmark. Rather than confront him, the Danes have asked European leaders to avoid statements that might provoke Mr Trump. Small wonder Mr Trump sounds serene, telling reporters last month that "we will get" Greenland. America must control the island because Denmark cannot defend the Arctic from China and Russia, insisted Mr Trump, mocking Danish plans to beef up its northern defences as adding "two dog sleds" (while neglecting to mention American armed forces already stationed in Greenland).

In truth, if Mr Trump thinks other governments are surrendering without a fight, and resigning themselves to a new, might-makes-right world order, he is miscalculating. Most allies believe in the post-1945 system that he so despises, and hope to defend its essential elements. Avoiding fights is an initial, tactical response. A second plan involves buying him off, explain senior figures in Brussels. Though European Union trade officials have spent months modelling the costs of various Trump tariffs on EU exports, and of retaliatory moves, the real ambition is to avoid all-out trade conflict. That explains Trump-pleasing proposals from European Commission chiefs to buy more American liquefied natural gas, ideally ending Europe's need

for Russian gas. It is why several members of NATO are promising to increase defence budgets, and to spend those extra billions on American fighter jets and other expensive kit.

But gestures of appeasement and tactical retreats on minor issues can buy only so much time, and Europe is realising that far harder choices loom. Mr Trump's assault is broader and more profound than anticipated, says Steven Everts, director of the EU Institute for Security Studies, an EU policy-planning and research agency. "The attack was expected to come on trade and economics, we were ready for that." Europe's plan was to hedge its bets to keep globalisation alive, he relates: "There are 7.5bn people who aren't Americans, let's trade more with them."

Mr Trump, however, is picking fights that touch on Europe's core interests, as a bloc whose strength lies in unity and in rules. In Brussels a striking number of Eurocrats express angst about a dispute that pits Elon Musk and other American technology bosses against an EU law, the Digital Services Act. The act requires social-media firms to control misinformation, hate speech and illegal content on their platforms. Eurocrats investigating how X and other firms police content could impose huge fines. Mr Musk, the owner of X, calls that outrageous censorship, even as he wades into Europe's culture wars by promoting hard-right and antiimmigrant demagogues on social media. A European official insists that the online spread of "blatant untruths", some propagated by Russia and other hostile powers to influence elections, imperils "the European way of life". But Mr Musk's complaints have Mr Trump's ear. "We are stuck," laments the official. "We can't just say we won't apply the provisions of the Digital Services Act."

Mistaking fear for an admission of defeat

In the glass-walled corridors of Brussels power, there is real anger over Mr Trump's support for populist nationalists in Europe, notably Hungary's prime minister, Viktor Orban. Mr Orban's pro-Russia, pro-China sympathies routinely lead him to block tough EU policies towards those powers. For centrist Europeans, it is not just a partisan move for

Trumpworld to embrace Mr Orbán. It is an attack on their continent's unity and thus its security.

European leaders are trying to accommodate Mr Trump—for now. A handful of populist leaders share his views. A larger group is betting that he will become distracted and find other targets. Some hope to wait him out. But the moment that Mr Trump convinces allies that their favoured world order is dead, their incentives will reverse. With nothing to lose, even friendly European governments will try to deceive, resist and hedge against a hostile America. Already, influential voices in Brussels, Berlin and other capitals murmur that Europe should draw closer to China.

Mr Trump loves winning. Actually, many allies and rivals still hope that he may yet fail. Once they believe him, he will find the world harder to bend to his will. ■

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Whiplash

Corporate America's diversity wars are just getting started

Donald Trump's attacks on DEI are causing huge headaches for bosses

Feb 06, 2025 06:33 PM



“**I AM A** woman of colour. I am a mom. I am a cis-gender millennial who has been diagnosed with generalised anxiety disorder. I am intersectional.” She was also a spook. Her mission: advertising a career at the CIA. The time? 2021. The place? President Joe Biden’s America.

The American workplace was remade after the death of George Floyd in May 2020. A policeman was convicted of his murder. There were riots. In the heat, the principles of diversity, equity and inclusion (DEI) were extolled in government and across corporate America. Unconscious-bias training and email-signature pronouns became features of office life. All

manner of flags were hoisted. Active discrimination was encouraged through hiring practices that often penalised white men. Political correctness went mad as never before.

That vast project is now crumbling. President Donald Trump has promised a “revolution of common sense”. America’s federal bureaucracy is his main target, and those in DEI-related jobs are the bullseye. Last year the State Department employed a staff of 13 in its “office of diversity and inclusion”; \$2.9m was earmarked for diversity training. Now, under secretary of state Marco Rubio, staffers have reportedly been told to declare diversity initiatives to “DEIAtruth@opm.gov” (the “A” stands for accessibility). Finished, too, are plum contracts for consulting firms. Since 2020, for instance, Deloitte had won more than \$12m in DEI-related work from the Department of Health and Human Services.

In corporate America the backlash against DEI began well before Mr Trump’s return. After the Supreme Court ended [affirmative action in university admissions](#) in June 2023, a barrage of lawsuits were filed against companies. “We sued international law firms over their internship programmes. We sued venture-capital firms. We sued the Smithsonian Museum. We sued Southwest Airlines. I can’t even remember all of them,” says Edward Blum, who brought the university-admissions case. A second front opened up online. “We’ve been fighting this fight for five years, and we’ve faced immense opposition,” says Christopher Rufo, an influential conservative activist who has written extensively against corporate DEI policies.

Mr Trump’s victory in November [accelerated the reversal](#). Some of America’s biggest firms, including Amazon and Walmart, have since scrapped DEI initiatives. The most severe whiplash is in tech. You can listen to it on Spotify. On one podcast Marc Andreessen, a venture capitalist, scolded BlackRock, the world’s biggest asset manager, for forcing “retarded” social policies on companies it invests in. [Mark Zuckerberg](#) went on Joe Rogan’s show to decry the lack of “masculine energy” in the modern workplace. In an email to its staff on February 5th, Google said that it would axe hiring targets intended to improve the diversity of its workforce.

What remains of the DEI movement is being swiftly rebadged. Last month McDonald's said it too would abandon its workforce-demographic goals; the fast-food chain's "diversity team" has become its "inclusion team". At Target, "supplier diversity" is out; "supplier engagement" is in. The retailer says it wants to stay "in step with the evolving external landscape".

Firms retaining DEI policies are likely to have change forced upon them. Anti-DEI executive orders came immediately after Mr Trump's inauguration. One revoked civil-rights-era rules that required extensive demographic-data collection by firms doing business with the government (that includes many big public companies). The burden of the old rules should not be understated. "I have seen many companies decline government contracts just because of the costs of compliance," says Bob Lian of Akin Gump, a law firm.

Deals with the state will now require companies to take a vow of abstinence from "programmes promoting DEI that violate any applicable federal anti-discrimination laws". But DEI is a broad bag of concepts. So far that ambiguity has aided its supporters: one man's discriminatory pursuit of diversity is another's agenda for inclusion. Now Mr Trump is fighting vague management-speak with vaguer legalese. When bosses "don't know what the government and the court's view will be of which programmes are lawful" they will be much more careful, says Jason Schwartz of Gibson Dunn, another law firm.

It is having the intended effect. Bosses are seeking counsel on whether workplace "affinity groups", for example, are legal. Is it worth a court case to find out? "Some of the mechanisms in the executive order are clearly designed to generate private litigation," says Ishan Bhabha of Jenner & Block, another law firm. America First Legal, one of the most litigious groups in recent years, was founded by Stephen Miller, now Mr Trump's deputy chief of staff. "The people leading the activist groups now have the machinery of the federal government behind them," says Mr Schwartz.

Federal agencies have also been told to name and shame institutions they deem the worst DEI offenders, including public companies. In government, that is unprecedented. But in the online MAGA world, public shaming has proved to be a powerful tool. "I expect the investigations to yield a treasure

trove of excess, illegality and insanity, all driven by left-wing ideologies,” says Mr Rufo.

When DEI was ascendant, bosses thought of themselves as statesmen solving social problems more effectively than governments. Many now blame the hubris of that period on paying too much attention to the demands of young employees. The reality is more complicated. Not long ago there was consensus among elites about the benefits of DEI. As America’s culture wars have intensified, that consensus has shattered. With Mr Trump in the White House, the fallout is likely to get more painful still.

Costco offers a cautionary tale. Unlike Target, the retailer has not released a statement disavowing its commitment to DEI. But it told shareholders to reject a resolution from a conservative group which would have forced a review of its DEI policies. They did; such resolutions rarely get much support. The left wrongly interpreted this as a full-throated commitment to DEI: Al Sharpton, a black preacher, strolled its aisles in support. The right —just as inaccurately—saw the move as a defiant challenge to Mr Trump’s war on DEI. Attorneys-general from 19 Republican states wrote a letter chastising the firm. Promises of boycotts swirled online. When selling a hotdog and soda for \$1.50 can’t unite Americans, perhaps nothing can. ■

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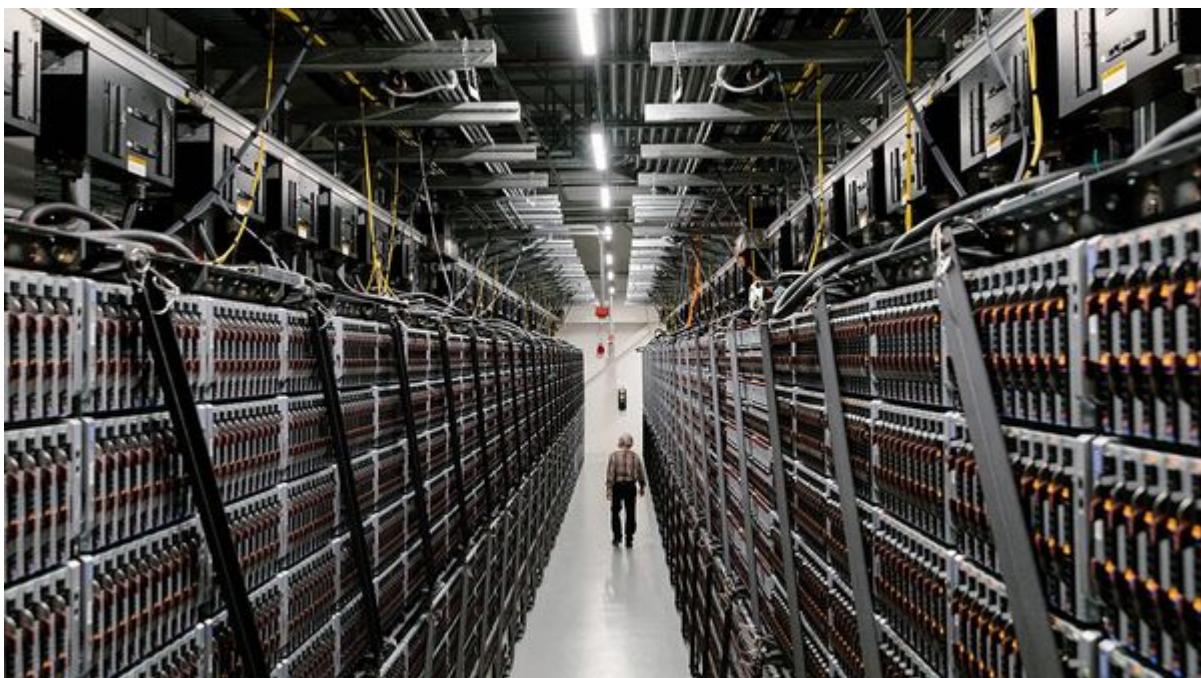
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Splashing the cache

The data-centre investment spree shows no signs of stopping

Demand for processing power will continue to outpace supply

Feb 06, 2025 06:32 PM



IF INVESTMENT IN data centres is about to slow, nobody told Mark Zuckerberg. On January 29th, during an earnings call, Meta's boss boasted that the social-media giant had plans to build an artificial-intelligence (AI) data centre “so big that it'll cover a significant part of Manhattan if it were placed there”.

His timing was conspicuous. Only two days earlier the share prices of firms from Nvidia, a chipmaker, to Dell, a manufacturer of servers used in data centres, had [nosedived](#) in response to the release of a new AI model created by [DeepSeek](#), a Chinese firm. Its training costs were a fraction of those for

similarly powerful Western models, raising questions over how much computing power—and investment—is needed to develop AI.

Although many of those share prices have since recovered, the episode has brought increased scrutiny to the huge sums of money that are being spent on data centres. Meta and America's three big cloud-service providers—Alphabet, Amazon and Microsoft—splashed a combined \$180bn on data-centre infrastructure last year. Add in spending by smaller tech firms, telecoms providers, big enterprises and data-centre operators such as Digital Realty and Equinix, and the figure rises to around \$465bn. Land, buildings and peripheral gear such as electrical equipment make up about 30% of that, with chips, server racks, networking kit and the like accounting for the rest. Cashed-up private-equity firms such as Blackstone have been lured in by the spending boom, undertaking a record \$70bn-worth of data-centre deals last year.

From northern Virginia to Johor Bahru in Malaysia, there are now as many as 11,000 data centres around the world, by one estimate. They collectively guzzle some 55 gigawatts (GW) of power (about as much as the generating capacity of the Netherlands) and take up around 300m square feet of land (more than 4,500 football pitches). The Americas are home to a little over 50% of capacity, measured by power consumption, with Asia accounting for just under 30% and Europe, the Middle East and Africa making up the remaining 20% (see map).

The spending spree shows no signs of letting up. On February 4th Sundar Pichai, Alphabet's boss, said during an earnings call that his firm's capital expenditure would hit \$75bn this year, mostly for data centres, up from \$53bn last year and more than analysts had expected. At least another 63GW-worth of data centres are set to come online over the next few years, according to Omdia, a research firm.

Yet those worried that the world will soon be awash in excess data-centre capacity need not be, for two reasons. The first relates to supply, of which there is currently too little. According to CBRE, a property firm, just 2.8% of data-centre space in North America is unoccupied; capacity is often “pre-leased” even before it is built, typically for 10-15 years.

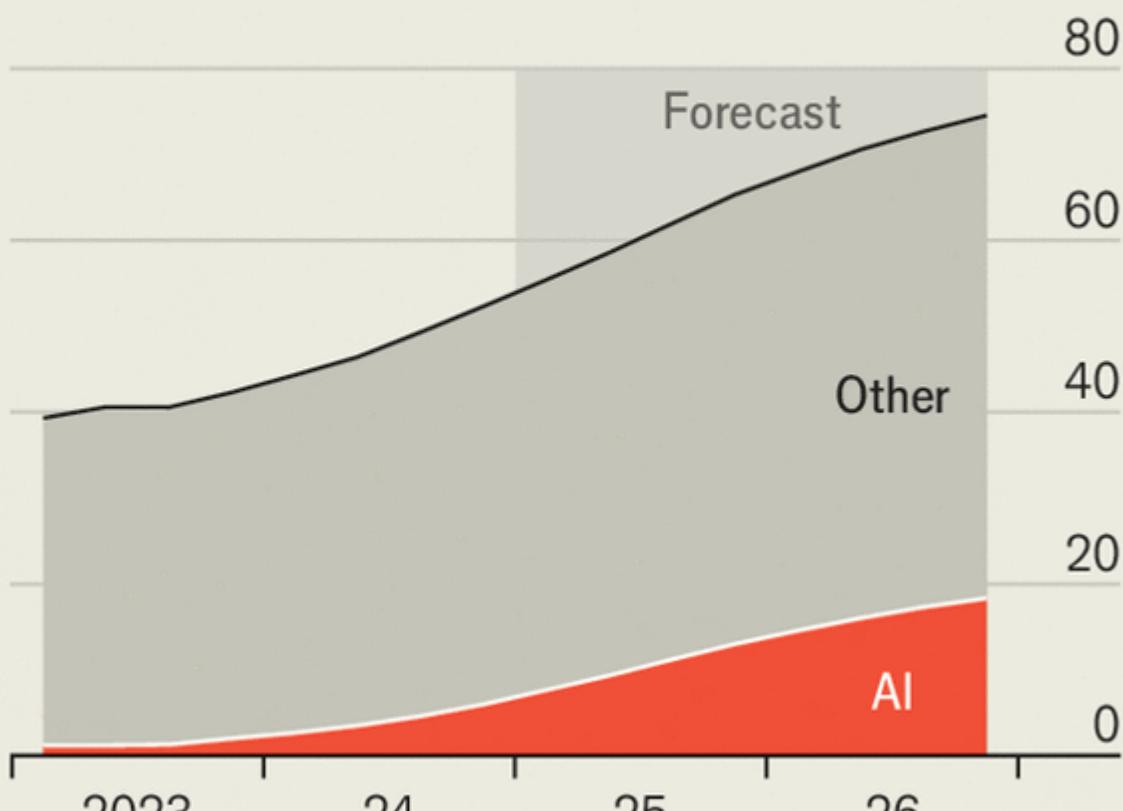
Both Alphabet and Microsoft blamed capacity constraints for slower growth than expected in their cloud divisions in the last three months of 2024. In an effort to keep up with demand, the cloud giants have been leasing facilities from data-centre operators. But they, too, have been struggling to expand supply quickly enough. Jon Lin, an executive at Equinix, points out that it can now take three years to build a data centre, up from 12-18 months not long ago.

Supply chains are part of the problem. CBRE notes that a growing number of projects are in the “under-construction phase for extended periods” because of power shortages. The wait for transformers, a critical electrical component for data centres, can be years.

Governments around the world have also gummed up development. In Malaysia, which has emerged as a regional data-centre hub, officials have rejected applications for new facilities to conserve water and power. Last year Dublin axed a data centre planned by Alphabet; other cities have put in place temporary moratoriums on new facilities. In Virginia, home to a quarter of America’s data-centre capacity, local authorities are tightening zoning rules to limit where data centres can be built.

Cloud fine

Global data-centre demand by application, gigawatts



Source: Goldman Sachs

The second reason not to expect a data-centre glut relates to demand, of which there will still be plenty in the years ahead. At the end of 2024 AI soaked up only about a tenth of data-centre capacity, according to Goldman Sachs. Before the DeepSeek ruckus, the investment bank predicted that AI's data-centre usage would triple by the end of 2026. Even so, it would still have accounted for only about a quarter of the total (see chart).

Various other forces are propelling demand for data centres. Many companies are still in the process of digitising their operations and moving them to the cloud. Internet usage continues to rise as consumers in poor

countries gain access and those in rich countries gorge on video content. Devices from fridges and cars to industrial machinery now generate oodles of data, too.

Recentred

Even if demand from AI decelerates because models require less computing power to train, data-centre operators say that their facilities could be repurposed for other applications. The biggest difference between AI and regular data centres is how much power they consume per square foot: running whizzy AI chips in particular requires lots more energy. That means cooling systems have to be upgraded, though not much else. Switching between uses is “pretty seamless”, says an executive at one data-centre operator.

What is more, plenty of techies are optimistic that cheaper AI will increase demand for the technology. Some also point out that new “reasoning” models use more computing power when responding to queries, in order to generate better answers. Whether those effects will be enough to offset a fall in the number-crunching capacity needed for model training is not yet clear. In the meantime, the data-centre bonanza goes on. ■

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Can Nintendo's new console propel it to even greater heights?

The Switch 2 is another bet that price and portability will beat processing clout

Feb 06, 2025 06:32 PM



Rainbow road to riches

THE WORLD'S most successful maker of gaming hardware has not released a new console for nearly eight years. Yet the fanfare around the Nintendo Switch 2, expected to launch in the next few months, has been relatively quiet. Last month Nintendo released a brief video introducing the machine, which looks much like its predecessor. Under the plastic casing things are no more exciting: analysts expect the console to pack about as much processing punch as Sony's PlayStation 4 (PS4), which is more than 11 years old.

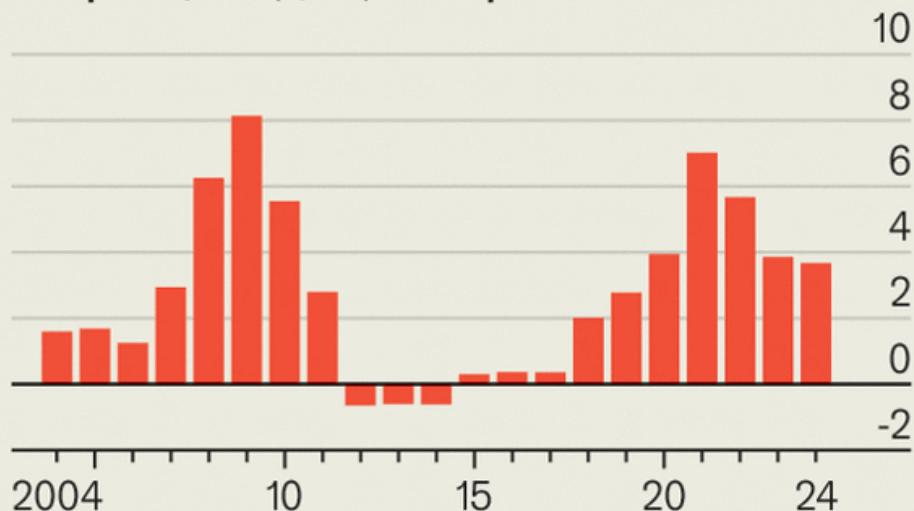
The Switch 2 is a sheep in sheep's clothing. So why is Nintendo's share price at an all-time high? As greater computing power leads to diminishing improvements to the gaming experience, Nintendo is betting that consumers are willing to trade processing oomph for portability and price. That proved to be a winning gamble with the original Switch. With its next console, Nintendo is doubling down on the strategy.

Early rounds of the “console wars” were defined by competition over what the machines could do. Each new generation of console represented a step change in graphical fidelity or gaming mechanics. Nintendo’s N64, released in 1996, catapulted Mario from two dimensions into three; Sony’s PlayStation 2, launched in 2000, rendered a formerly blocky Lara Croft in glorious curves.

Switching up

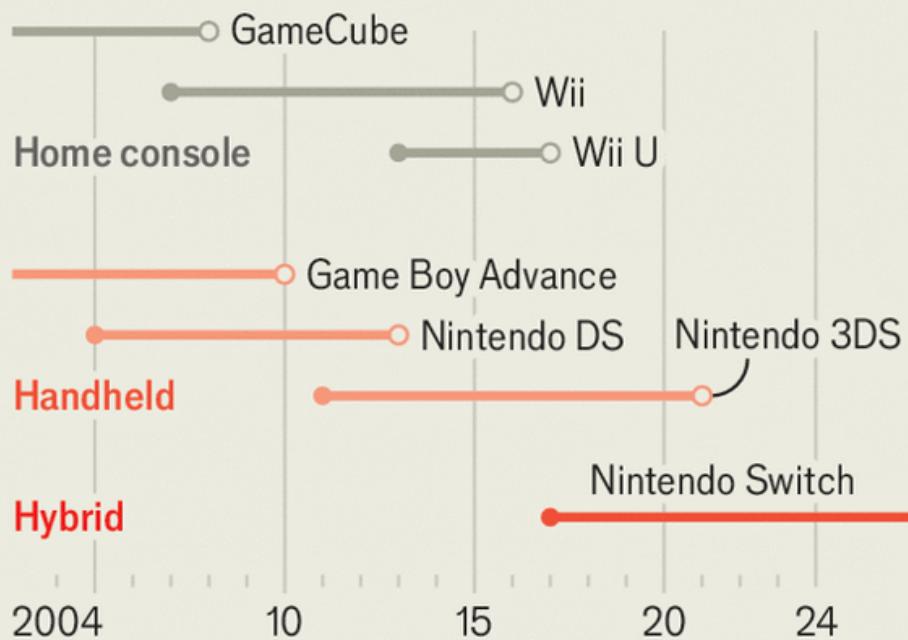
Nintendo

Net profit/loss, \$bn, 2024 prices



Timeline of consoles

Released ● Discontinued ○



Source: Bloomberg

Today each update is marginal. Sony's PS5 Pro, a hulking \$700 beast released in November, offers improvements over the PS5 that are imperceptible to most players. As a result, many no longer bother to upgrade: nearly half of active PlayStation gamers still use an old PS4, Sony says. Game publishers increasingly cater to older machines: Electronic Arts recently released a version of its latest "Star Wars" game for the PS4, more than a year after it launched on the PS5.

The first generation of Nintendo's Switch proved that a console no longer needs to be cutting edge to be a commercial hit. On February 4th Nintendo reported that lifetime sales of the device had reached 151m, just shy of the record set by the PS2 20 years ago. The Switch pushed Nintendo's operating profit close to an all-time high, though it has recently begun to fall again as the device has aged (see chart). The Switch 2 will be backwards-compatible, meaning millions of existing Switch users can upgrade and still play their old games. Analysts expect the new console to cost a modest \$400-500 (Trumpian tariffs notwithstanding), which should also help sales.

Although still underpowered relative to its peers, Nintendo's new console promises more computing might than the first-generation Switch. That creates a "potentially transformative opportunity" for game publishers, says Matthew Ball, a technology analyst. Many of the most popular titles of recent years, such as Activision's "Call of Duty" or Take-Two's "Red Dead Redemption 2", cannot run on the Switch. Nintendo's new console will offer enough power to support them. The chance to reach millions of gamers on Nintendo's platform opens a big new market for these publishers.

They need it: soaring development costs and stagnant demand have pushed many game-makers into crisis. Last month Electronic Arts sharply reduced its revenue forecast for the year. Ubisoft's future is uncertain following a string of flops; the French game-maker has lost around 90% of its market value since its peak in 2018. Even Sony and Microsoft, Nintendo's biggest rivals, are expected to publish more games on its platform to recoup the rising costs of development. Sony recently released "LEGO Horizon Adventures" on the Switch, and Microsoft is encouraging Xbox users to

“play anywhere”, selling gaming subscriptions that can be used on any device.

The Switch 2’s sales are unlikely to match those of its predecessor, believes Josh Chapman of Konvoy, a venture-capital fund focused on gaming. Whereas the Switch originally faced little competition in the handheld market, the space is now becoming crowded. The portable Steam Deck, released in 2022 by Valve, another video-game company, offers PC titles on the move. Valve announced last month that it will also power new portable consoles made by Lenovo. Microsoft and Sony are said to be working on handheld Xbox and PlayStation devices. If the old console wars were about building the mightiest machines, the next battle may be about building the smallest. ■

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Parcel out

Shein and Temu are in Donald Trump's cross-hairs

*An end to the *de minimis* exemption will hurt Chinese e-commerce firms—and enrage American consumers*

Feb 06, 2025 06:32 PM | Shanghai



FOR AMERICAN CONSUMERS, online shopping has just got dearer. On February 1st Donald Trump did away with a decades-old provision, known as the *de minimis* waiver, that exempted goods under a certain value (lately \$800) from customs duties. With the same stroke he raised tariffs on Chinese goods by 10%. Then on February 5th the United States Postal Service announced that it had temporarily suspended inbound parcels from China and Hong Kong, before abruptly reversing, causing all manner of confusion.

Millions of packages arrive in America from China every day. Mr Trump's new trade barriers will be a blow not only to American consumers, but also to the e-commerce companies that have cashed in on the *de minimis* exemption. Shein, a [Chinese apparel group](#) whose largest market is America, is now the world's biggest fast-fashion retailer by sales. Temu, a Boston-based offshoot of the Chinese e-commerce firm Pinduoduo, has also expanded rapidly in America since it launched there in 2022. TikTok, a Chinese-owned short-video app that is currently in legal limbo in America, has built a thriving e-commerce business there as well, through its TikTok Shop feature.

Total *de minimis* shipments into America were worth around \$80bn in 2024, by one estimate, up from \$50m in 2012. Late last year American customs officials were processing 4m of these shipments per day, an increase from 2.8m a year earlier. They comprise roughly 20% of America's e-commerce market and about 7% of all the consumer goods imported into the country. Most come from China.

The exemption helps keep prices low and speeds up processing. Many American consumers have been willing to overlook the often shoddy quality of products from Shein and Temu because they are so cheap. This will change when tariffs and other customs fees are added, which in some cases may double the price for consumers. Logistical disruption could be an even bigger problem for the companies, which have tended to ship products straight from factories in China. Shipments will now be subject to more customs procedures and data provisions from which they were exempt in the past. This will probably overload American customs' capacity for processing, which is said to be strained already, and delay deliveries.

The changes will test Shein's and Temu's ability to adapt. The risk of an end to the exemption has been hanging over their heads for months: it was initiated by Joe Biden before he left office. The resulting disruption will weaken their businesses, but will not be a fatal blow, argues Mark Williams of Capital Economics, a research firm. The companies could push more shipments through third countries, such as Vietnam, though that would add to delivery times, which can already be lengthy. Other options include setting up warehouses closer to customers, to lessen delays, and sourcing

products from other countries. Shein already sources wares from Brazil and Turkey.

Meanwhile, the fallout from ending the *de minimis* exemption will also test Mr Trump's resolve to wage trade battles using consumer goods. Chinese e-commerce has been wildly popular in America. Many products featured on Amazon, America's favourite e-emporium, are sold by Chinese companies. A paper by Pablo Fajgelbaum of the University of California, Los Angeles and Amit Khandelwal of Yale shows that poorer zip codes in America receive more *de minimis* shipments. Ditching the exemption will therefore disproportionately hurt poor families. Mr Trump has delayed the forced closure of TikTok, seemingly to appease its many American users. Perhaps angry shoppers will soon change his mind about the *de minimis* exemption, too. ■

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Bartleby

An encounter with the reception desk

The place where first impressions are made

Feb 06, 2025 06:33 PM



GOOD MORNING, Madam. Welcome to Frostings. How may I help you?

Good morning! I'm here for a meeting with Victor Rumbaba.

Is he expecting you?

He is indeed.

Let me just check on the system for you. Can you spell Rhubarb for me?

Er, sure. R.H.U.B.A.R.B.

Typing

I'm afraid that's not coming up on the system. Can you spell his name again?

Oh, I'm sorry. I thought you were testing my spelling for some reason. That's R.U.M.B.A.B.A.

Typing

There he is. I'm afraid there is no record of him expecting guests this morning, so I will need to take your details. Can I have some ID, please?

Of course. Here you go.

That's a gym-membership card.

Oh sorry. Hold on. Here's my licence.

Thank you, Ms Genoise.

Typing

What company are you from?

Battenberg.

Typing

Can you look into the camera?

Sure.

That's actually my water bottle.

I'm so sorry. Everything here looks like it could be a device.

The camera is just here.

I'm so sorry.

Just stand back a bit. You don't need to be quite so close. Not quite so far. That's it. Thank you.

Printer whirrs

Hold on a second. We've run out of stickers for the visitor passes. I'll just radio my colleague. Alpha Bravo Windowcleaner, come in.

Tango Lemonade Delta. Receiving you loud and clear. Over.

Alpha Bravo Windowcleaner, we need stickers for the visitor passes. Do you know where they are? Over.

Tango Lemonade Delta, in the cabinet on the left. The one with the crisps. Over.

Wilco. Over and Out. Let me just load this up for you, Ms Genoise, and we'll get it printed off.

Tray-opening. Grunting. Printing

Right. Here's your pass.

Is this OK? I'm just a silhouette on this, you would have no idea it's me.

Don't worry. I've worked here for 23 years and no one ever looks at the photo.

Why do you need one then?

Protocol. Just stick it somewhere on your jacket. I'll call up to let Mr Rumbaba know that you are here.

Pushing of buttons

I'm afraid no one is picking up. Let me leave a message. Hello, this is reception. I have Mildred Genoise waiting for you.

Does anyone ever pick up?

Not any more. I'm not even sure people have phones on their desks up there. I sometimes think I might as well be sending interstellar messages to aliens.

So what happens now?

I send him an email saying exactly the same thing.

Typing

Does that work any better?

No.

A cough from behind

Mildred? It's me. Victor.

Oh hello! We were just trying to get hold of you.

Yes, sorry. I was coming from another meeting outside the building and thought it must be you.

No problem.

Well, one problem actually. *Turns to reception.* Hello. I left my pass at home. Could you let us in?

I'm afraid not. I'll need to get someone to vouch for you.

Really? We've been on silent-nodding terms for years.

Really. Can you give me the name of a colleague to call?

Er, yes. Try Sam Bundt.

Sound of someone pushing buttons.

No one is picking up. I'll leave a message. Hello, this is reception. Can you come down to vouch for someone who has lost their pass?

I'm pretty sure we don't have phones on our desks. I'll WhatsApp Sam.

Texting sounds

Success! He's on his way.

I'm afraid you'll still need to sign in, Mr Rumbaba.

Really? Why?

Protocol. My colleague won't let you through those barriers without a pass. Who are you here to see?

No one. I'm the person being visited.

Hmmm. This could be a problem.

Do you ever worry that your job might be taken over by a computer?

I don't think so. You can't really replace the human touch, can you?■

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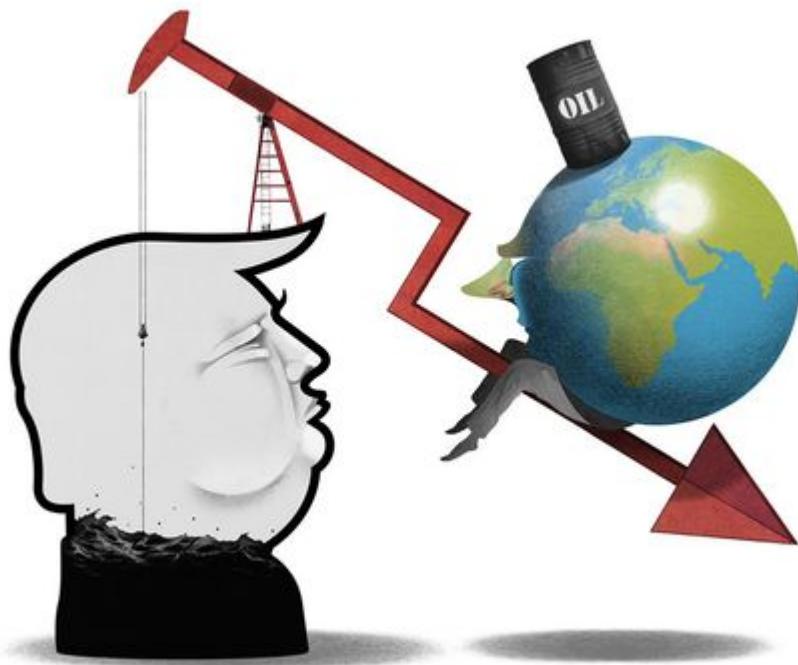
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Schumpeter

Donald Trump loves big oil. Does big oil love him back?

American supermajors' shareholders have mixed feelings

Feb 06, 2025 06:33 PM



DONALD TRUMP likes oil—and oilmen. He gushes about “liquid gold” with as much ferocity as Spindletop, an oil well that spat out perhaps 1m barrels over nine days in 1901 and turned nearby Houston into a boomtown. In his first administration he named Rex Tillerson, former chief executive of ExxonMobil, America’s mightiest hydrocarbon firm, as secretary of state. On February 3rd the Senate blessed Chris Wright, who founded an oil-services firm called Liberty Energy, as head of the Department of Energy. Mr Trump promises that on his watch big oil can “drill, baby, drill” to its heart’s content.

In some ways, the affection is mutual. Oil bosses certainly like the sound of smoother permitting processes and less environmental red tape. This occasionally tied their firms down under Barack Obama and Joe Biden, whose greener-than-thou Democratic administrations bracketed Mr Trump's first stint in the White House. The industry cannot wait for Mr Trump to reverse his predecessor's halt on exports of liquefied natural gas (LNG). His plan to rescind fuel-economy standards for cars and pickups could mean more gas-guzzling for longer. And what CEO doesn't want lower corporate taxes, Mr Trump's signature promise?

More broadly, the president "will be a super-salesman for American energy", expects Daniel Yergin, an industry wiseman and vice-chairman of S&P Global, a research firm. As a token of appreciation, Chevron, ExxonMobil's smaller supermajor rival (which traces some of its roots back to Spindletop), referred to the "Gulf of America", as Mr Trump has unilaterally rebranded what most still call the Gulf of Mexico, in its latest quarterly-earnings presentation on January 31st.

Those results, like ExxonMobil's the same day, were disappointing. Chevron's profits and ExxonMobil's revenues missed Wall Street forecasts. There is, then, room for improvement under Mr Trump. Yet it is unclear just how appreciative ExxonMobil's and Chevron's shareholders will be in four years' time.

So far they are not exactly cock-a-hoop. The two companies' combined market value of \$754bn is around \$50bn less than on the eve of Mr Trump's election victory three months ago. History is also unencouraging. During his first term in 2017-21 the supermajor duo's total returns, including dividends, underperformed Brent crude, the global benchmark with which big oil's fortunes tend to rise and fall. For ExxonMobil that was true even before the market chaos of the covid-19 pandemic. In contrast, returns beat Brent with Democrats in power—handily in Mr Obama's second term and by an order of magnitude under Mr Biden.

That is not because Democratic anti-carbon rhetoric concealed pro-carbon policies—or vice versa when Mr Trump was last in charge. It is because, as Mr Yergin puts it, the two most important characters in the oil story are supply and demand, over which presidents wield little direct influence. And

this time Mr Trump's other big ideas may have indirect effects that hurt rather than help the American supermajors in the long run.

Big oil is not about to go a-drilling. With crude prices already soft, companies have no incentive to weaken them further by flooding the market. For them, cheaper oil means lower profits. Of the executives at large American producers surveyed last month by the Dallas Federal Reserve, half said that their firms would cut capital spending this year and 14% expected it to remain unchanged from 2024. None forecast a significant increase. Chevron plans to spend a bit less globally than last year, and half as much as it averaged between 2013 and 2016. ExxonMobil will spend a bit more, but only because it is digesting a \$60bn takeover in 2024 of Pioneer Natural Resources, a shale-fracking specialist.

This capital discipline has endeared the two firms to investors. They will not forsake it just because Mr Trump has declared open season for prospecting on federal land. Between 2017 and 2020 his government tried to auction off 25m acres, nearly twice as much as in the four previous years and 17 times the figure in the first three years of the Biden administration (those for which data are available). Oil firms bid on less than a quarter of the acreage on offer. Most will be no less discerning this time.

The supermajors will be chary of rushing into Alaska, despite an executive order enjoining them to go wild in the resource-rich north. Big oil firms are serious about self-regulation, says Pete Bowden of Jefferies, an investment bank. The last thing they want is another *Exxon Valdez*, a tanker which sank and soiled the state's coast in 1989. This is less about legal liability and more about protecting their global brands, including in places like Europe that abhor Mr Trump's environmental vandalism and where the firms operate petrol stations. After the election ExxonMobil's chief, Darren Woods, cautioned Mr Trump against creating more uncertainty, for an industry already grappling with the energy transition, by pulling out of the Paris climate agreement (to no avail).

The crudest of presidents

Then there are Mr Trump's tariffs. Those on Canadian and Mexican imports were paused at the last minute this week. If they take effect, ExxonMobil and Chevron will bear some of their cost: by making less on the oil they produce in Canada to export back home, and by paying more for the Canadian and Mexican crude they refine in America. They have already taken a hit from retaliation by China, a third Trump target which did not get a reprieve and responded by slapping levies on American oil and LNG.

A full-blown trade war would be worse. Since most oil is traded in dollars, other countries would be able to afford less of it as their currencies weakened against the greenback. As their economies slowed, they would not need as much. That is a recipe for cheap crude—and, for America's oilmen, a crude, profitless future. ■

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Worse to come

Why Donald Trump's protectionist zeal has only grown

Lessons from a week of chaos

Feb 06, 2025 06:32 PM | Washington, DC



DONALD TRUMP'S supporters celebrate him as a man who says what he means and means what he says. The trade crisis he ignited over the past week has provided more proof, if any was needed, that this reputation is undeserved. Yes, Mr Trump has been clear that he loves tariffs, but he is vague and even misleading about what this ardour means in practice. That has made for a remarkably chaotic start to his new administration, with businesses, investors and other governments all trying to figure out exactly what he wants—and most now bracing for more turbulence.

Not once in the lead-up to the election did he mention the possibility of tariffs aimed at both Canada and Mexico, America's biggest trading partners. Yet his first move on trade after taking office was to announce hefty levies on the pair, threatening to blow up a North American pact renegotiated in his first term. As justification, he invoked an emergency on America's borders from an influx of drugs and illegal migrants, only to then say that what really bothered him was America's trade deficit. Meanwhile, his most radical campaign proposal—a universal tariff on imports—has, for now, been supplanted by talk of more targeted levies.

In the gap between rhetoric and action, plenty of space exists for others, including his own advisers, to impose their own interpretations of Mr Trump's trade plans. Some see him as a masterful negotiator, using tariffs primarily as leverage in negotiations—a view endorsed by Scott Bessent, his treasury secretary. Others see him as a wrecking ball who will destroy an unfair system of international commerce rigged against America—the belief of Peter Navarro, one of his most hawkish advisers. Parsing these interpretations is difficult when the policies Mr Trump pursues, and his cited rationales, change so frequently.

The drama of the past week has nevertheless yielded a few important lessons. Most alarmingly, Mr Trump is proving far more aggressive than in his first four years in office. Back then, Robert Lighthizer, America's chief trade representative, oversaw investigations before gradually imposing tariffs. Jamieson Greer, set to be America's new chief trade representative, will only have his nomination hearing on February 6th (after *The Economist* goes to press). Yet Mr Trump has already announced tariffs that would have been more extreme than any of his previous actions.

During Mr Trump's first term, China was the main target of his tariffs, which ended up applying to \$380bn-worth of goods. His new tariffs would have covered \$1.4trn-worth of imports from Canada, Mexico and China, or about 40% of America's total imports. Although Mr Trump ultimately suspended his proposed tariffs of 25% on Canada and Mexico for 30 days, those on China—an additional 10% levy on top of existing duties—have gone into force. And these extend to goods such as iPhones, which Mr

Trump had previously excluded from extra duties to shield consumers from higher prices.

Mr Trump's new tariffs also arrived suddenly. In his first term he provided months-long notice to affected firms. This time, he announced the tariffs on February 1st, and importers were due to start paying the levies three days later. Mr Trump has also let it be known that he is far from done. He has said that he will "absolutely" implement tariffs on the European Union and has pledged to slap levies of as much as 100% on Taiwanese semiconductors. "He has come right out of the starting gate, going after our close friends and allies," says Douglas Irwin of Dartmouth College. "He is so much more brazen."

A second lesson is that Mr Trump is a true believer in tariffs, seeing them as a singularly effective tool for achieving multiple objectives. This is why there are so many different interpretations of his philosophy: they can all apply at different times. Mr Trump unquestionably views tariffs as leverage, and is not wrong that America, the world's largest importer, has an advantage in any trade war. Consider the country's relationship with its neighbours. Exports to America are worth roughly 20% of Canadian GDP and 30% of Mexican GDP. By contrast, American exports to Canada and Mexico combined are worth just 3% or so of American GDP.

Mr Trump believes that tariffs can be a large revenue source, too, helping wean America off income tax. Never mind that any reasonable estimate shows they would pay for only a fraction of federal spending. Mr Trump also thinks tariffs will prompt a manufacturing renaissance—another idea scoffed at by economists since tariffs raise input costs and shield inefficient producers. Mr Trump's belief in tariffs can thus be said to be overdetermined. "We don't want to predict the timing because it's impossible. But at the end of the day are we going to get significant new tariffs on lots of different countries? I think the answer is 'yes,'" says Andy Laperriere of Piper Sandler, an investment bank.

A more hopeful lesson is that even a true believer must come into contact with reality. This was shown by Mr Trump's suspension of his tariffs on Canada and Mexico. Although America had a stronger hand than either, the tariffs would have done serious harm to American manufacturing,

especially American carmakers, who, encouraged by decades of free-trade deals, have come to rely on factories in Canada and Mexico. A 25% tariff could have wiped out the profits of Stellantis, General Motors and Ford, the “big three” automakers in Detroit, according to Barclays, a bank.

The impact might have been greater than a 25% surcharge on vehicles and parts made in Canada or Mexico would suggest. Some vehicles cross America’s borders up to seven times as components are assembled into bigger and bigger units, and they would have faced fresh tariffs each time they entered America. Certain production lines could have ground to a halt. “As prepared, this was a tactical nuclear weapon” for transnational supply chains, says an executive at the US Chamber of Commerce, an influential lobby group.

Slam the breaks

Mercifully, the memo reached Mr Trump. Although American firms are still desperate to curry favour with him, they mounted a pushback behind the scenes. Publicly, they also aired concerns. The American Farm Bureau, a lobby group sympathetic to Mr Trump, warned that its members would “bear the brunt of retaliation”. United Steelworkers said that “lashing out at key allies like Canada is not the way forward.” Having based so much of his election on Joe Biden’s mismanagement of inflation, Mr Trump may also have been sensitive to warnings that his tariffs would drive up everyday prices and make him unpopular.

These messages were reinforced by markets. As investors absorbed the tariffs, stocks fell, oil prices rose and currencies weakened against the dollar. Then, amid a flurry of telephone calls between Mr Trump and Claudia Sheinbaum, president of Mexico, and Justin Trudeau, prime minister of Canada, it became clear a trade war was not about to break out —or at least not yet. The market moves went into reverse. Now you see the damage; now you don’t.

What was that all about?

Currencies against the \$,
January 28th 2025, 9am EST=100



- 1 White House press secretary confirms tariffs will hit major US trading partners
- 2 Mexican president says tariffs paused for 30 days
- 3 Canadian PM says tariffs paused for 30 days

Source: LSEG Workspace

This will not be the last contest between Mr Trump's love of tariffs and economic reality. His plans are historic, in a bad way. Mr Irwin calculates his proposals on February 1st would have lifted America's average tariff on dutiable imports by ten percentage points, twice the rise under the notorious Smoot-Hawley tariffs of 1930. Although America's tariffs were higher in that era, goods imports have gone from 3% of GDP back then to 11% today.

One might, therefore, expect markets to react swiftly and negatively to any big announcements by Mr Trump in the months to come. But his de-escalation, welcome though it is, has set up a paradox. Many are now convinced that as much as Mr Trump likes to bully other countries, he does not want to trigger a stockmarket rout. This belief may end up limiting sell-offs in future disputes as investors assume Mr Trump, sooner or later, will back down. Calmer markets could, in turn, let Mr Trump stick to his protectionist guns.

It is also not obvious that business will be as determined in pushing back next time. Given how many firms have tight links with Canada and Mexico, they were highly motivated to oppose tariffs on these countries. They do not have the same density of supply chains elsewhere. As such, they will lobby for specific exemptions from tariffs on, say, Asia or Europe, but may be more restrained in trying to stop Mr Trump's broader programme.

Other checks on Mr Trump's protectionist zeal will be even weaker. The president is unlikely to face much opposition from either Congress or the courts. Broad laws such as the International Emergency Economic Powers Act (IEEPA) allow Mr Trump to impose duties so long as he cites a national emergency as justification. Courts have not considered such sweeping use of a president's trade authority before, but trade lawyers think Mr Trump would prevail against legal challenges given the breadth of his delegated authority. Even if judges do place limits on IEEPA, Mr Trump can draw on other statutes.

The erstwhile free-trading instincts of Republicans are certainly not standing in Mr Trump's way. Only a few true believers, such as Ron Johnson and Rand Paul, two senators, have lodged objections on Reaganite grounds. Most of their peers have accepted that they must grin and bear Mr Trump's declarations—and undeclarations—of trade war. They will remain

reticent for as long as their constituents do not feel themselves to be harmed.

During Mr Trump's first term he faced opposition within his own administration. During one alleged incident, Gary Cohn, his top economic adviser, swiped a letter from his desk that would have led to America's withdrawal from a trade agreement with South Korea. In the current White House, Mr Trump is surrounded by loyalists who hew closely to his vision, making such defiance unthinkable. That hints at the most important lesson from the past week: Mr Trump wants to go at speed and there are few obstacles in his way. ■

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Mercantilist menace

Tariff uncertainty can be as ruinous as tariffs themselves

Whatever its geopolitical merits, the “madman theory” transfers badly to economics

Feb 06, 2025 06:32 PM | Hong Kong



AMERICA’S PRESIDENT tempts many people to invoke the “madman theory” of diplomacy. In dealing with other countries, it helps if they think you are crazy. By making threats credible even if they would harm your own country, such a reputation will let you win games of brinkmanship.

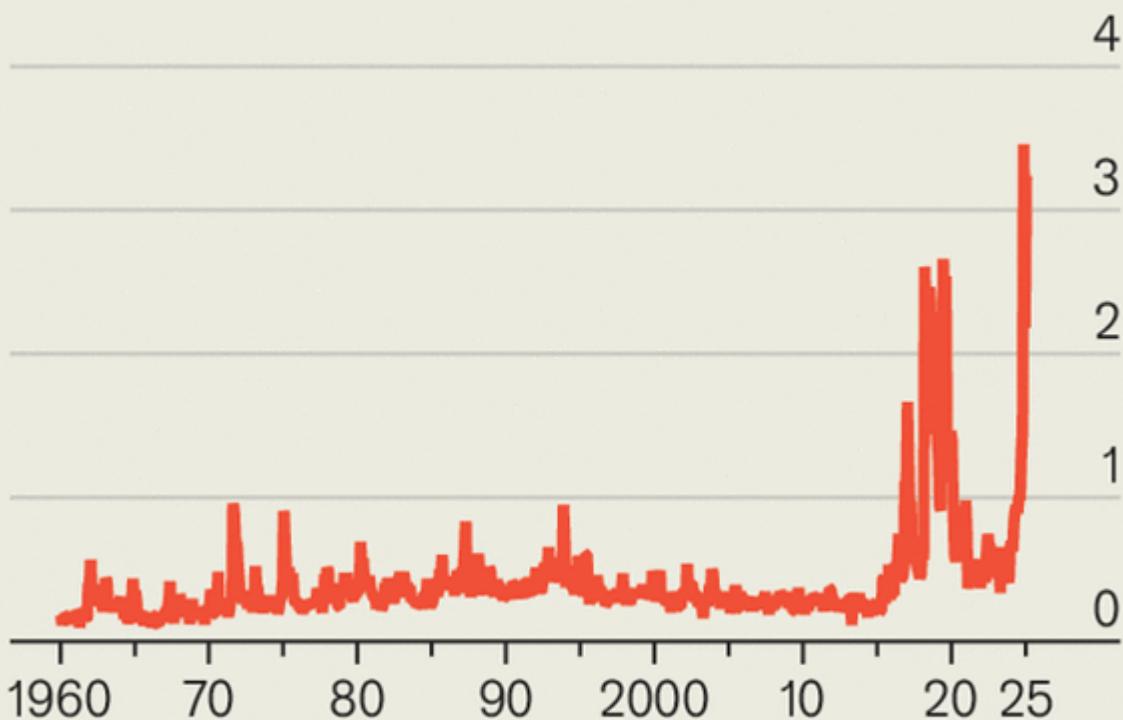
Whatever its geopolitical merits, the madman theory transfers badly to economics. Crazy leaders are hard to predict. Unpredictability creates uncertainty. And uncertainty kills investment and hiring, at home as well as

abroad. In trying to win a bigger share of the spoils, brinkmanship ensures there are fewer spoils to be won.

Donald Trump's approach to trade illustrates the point. Since his election victory he has threatened a bewildering array of tariffs, ordered [duties on Canada and Mexico, suspended these orders](#), then placed tariffs on China. Dario Caldara of the Federal Reserve and colleagues calculate the share of articles in (mostly) American newspapers containing words such as "tariff" or "import duty", together with words like "uncertainty" or "dubious". According to their index, uncertainty was higher in the past three months than at any point since the data begins in 1960.

A subtle pattern

Newspaper articles mentioning
trade uncertainty*, % of total



*Based on seven newspapers (six American and one British)

Source: "The economic effects of trade policy uncertainty",

by D. Caldara et al., *Journal of Monetary Economics*, 2020

Uncertainty makes a virtue out of hesitation. Imagine a firm looking to build a factory in China or Mexico to support an American expansion. When Mr Trump threatened tariffs of 60% on China last year, the firm might have favoured Mexico. When he then promised tariffs of 25% on Mexico and only 10% on China, it might have turned to China. After he delayed the Mexican tariffs and implemented the Chinese ones, it could be forgiven for doing nothing at all until things settled down. Watchful waiting is prudent for the firm, but damaging for the economy. Even if the factory eventually opens, the production lost to delay will never be recovered.

Uncertainty can also hurt less tangible forms of investment. Many firms invest in relationships with buyers or suppliers, adapting to idiosyncratic needs. Such “sticky” relationships between French firms and European partners account for a disproportionate share of trade, according to Julien Martin of the University of Quebec in Montreal and co-authors. Some relationships last more than six years. That is longer than many French marriages. But when uncertainty rises, companies are less likely to pair off with one another.

The economic stakes can be illustrated by looking at market reactions to Mr Trump’s earlier trade wars. Mary Amiti of the New York Fed and her co-authors point out that the American stockmarket fell by a combined 12% on the 11 days in 2018 and 2019 when tariffs were announced by America or China. That wiped over \$4trn from firms’ market value. By looking at the response of options prices and Treasury yields, the economists calculate that about half the drop reflected a flight to safety and a reluctance to hold risky assets, rather than a simple change in expected profits.

The war also hurt China. Felipe Benguria of the University of Kentucky and his co-authors have scoured annual reports from over 2,000 listed Chinese firms in this period, looking for mentions of tariffs, protectionism or unilateralism, and references to uncertainty, crisis or threats. Business nerves increased by over 300% from 2016 to 2018. The authors distinguish between the “pain” of tariffs and the “anxiety” of uncertainty. They show that the anxiety, even controlling for the pain, had a measurable impact on profits and investment.

China’s investors have so far taken Mr Trump’s new duties in their stride. For the past few months, they have been braced for worse. Even so, uncertainties remain. Mr Trump’s order closes a loophole—the *de minimis* exemption—that allows packages worth less than \$800 to escape duties on the grounds that they are not worth the inconvenience of collecting. (The government should not spend a dollar to collect 50 cents, as one official put it in the 1950s.) Chinese e-commerce firms had become adept at exploiting the loophole.

But America’s customs agency lacks the machinery or manpower to examine even a fraction of these parcels. And the extra burdens of

compliance may be as costly to exporters as the duty itself. Some exporters to America may need to invest in new storage and distribution. Before they make that investment, they will need to be convinced that the loophole will remain closed despite the inconvenience.

Canada and Mexico have a month to sort a deal with America. Even if they succeed, the chaos has cost the three economies, harming the credibility of their trade agreement. The virtue of NAFTA and (to a lesser degree) its successor, the USMCA, is that it ties the hands of governments, giving them the power to limit their own power. That allows elaborate, border-straddling production networks to flourish. They now look vulnerable. A leader's recklessness can add credibility to mutually destructive threats. Yet it drains credibility from mutually beneficial commitments. ■

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All good things

When will remote workers see their pay cut?

Logging on at home is a perk, yet so far it has not been treated as such

Feb 06, 2025 06:33 PM | Washington, DC



EMPLOYERS ARE ordering workers back to the office. In recent weeks Dell, a hardware-maker, and JPMorgan Chase, a bank, have issued such decrees. They join a growing list that includes AT&T, Amazon and even the American government, where Elon Musk—who has called remote work “morally wrong” and its supporters “detached from reality”—has championed the shift. Bosses insist that mandates will boost productivity. Workers see them as a way to cut staff without mass firings.

If the goal is to reduce costs, there may be a simpler way: lower pay for remote workers. A new study indicates many would take the deal. Zoe

Cullen of Harvard Business School, Bobak Pakzad-Hurson of Brown University and Ricardo Perez-Truglia of the University of California, Los Angeles, find that tech workers are willing to accept a pay cut of 25% in return for fully or partly remote jobs. That suggests remote work is much more than a perk. If workers value it more than bosses dislike it, there should be scope for bargaining.

The authors reached this estimate by analysing real-world job offers and acceptances, controlling for company type, benefits and the local cost of living, so as to isolate the impact of remote work. Their findings contrast with those from a survey by Nicholas Bloom of Stanford University and co-authors, which found that American workers, on average, would accept only an 8% pay cut for a hybrid schedule, with just one in five willing to take a hit of 15% or more. The discrepancy may stem from methodology. Surveys reflect what workers say they want; Ms Cullen and her co-authors track the trade-offs they actually make. Sample differences may also matter. Tech workers, who tend to be higher earners, may place a greater premium on flexibility than the general workforce.

Historically, perks with clear monetary value have come at a cost to wages. Jonathan Gruber of the Massachusetts Institute of Technology and Alan Krueger of Princeton University have found that when American states in the 1980s raised mandatory compensation insurance for workplace injuries, wages fell to offset the cost. Price Fishback of the University of Arizona and Shawn Kantor of Florida State University found a similar pattern when workers' compensation laws were introduced in dangerous industries such as coal mining or lumber milling. If remote work is, like the provision of benefits, costly to companies but valuable to workers, wages should follow the same pattern.

Yet in most cases so far they have not. One explanation may be that firms are reluctant to create visible pay gaps between remote and in-office workers. Human-resource policies generally aim for internal equity to prevent resentment. There may be legal risk, too. As women are more likely to work remotely, cutting pay for remote jobs could indirectly lead to a gender wage gap, which firms would prefer to avoid.

Another explanation is that remote work has become a bargaining chip. Rather than lowering wages, firms use flexibility to attract and retain top performers. Take an artificial-intelligence specialist earning \$250,000 at Amazon. If the tech giant orders them back to the office, a less prestigious rival may not match the salary but could lure them with a remote-work offer. Flexibility also helps with retention. Mr Bloom finds that hybrid policies reduce quit rates among engineers by a third.

But what happens when labour-market conditions worsen? If workers have fewer options, firms may no longer need to compete by offering remote work. Instead, they may begin pricing it in—offering lower salaries for remote roles, knowing job-hunters have fewer alternatives. Some signs of such a shift are already evident. Employment rates for middle-aged women and disabled folk have risen, with many newly able to take up remote work, yet their wages in these new remote roles are falling.

Workers hate return-to-the-office mandates. When JPMorgan announced the shift, it had to disable comments on its online post after a fierce backlash. At Dell nearly half of employees opted to stay remote last year, even when bosses made it clear they would not be promoted if they did so. All the same, workers might like what comes next even less. ■

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Onwards and sideways

Europe has no escape from stagnation

Things look increasingly dark for the continent

Feb 06, 2025 06:33 PM



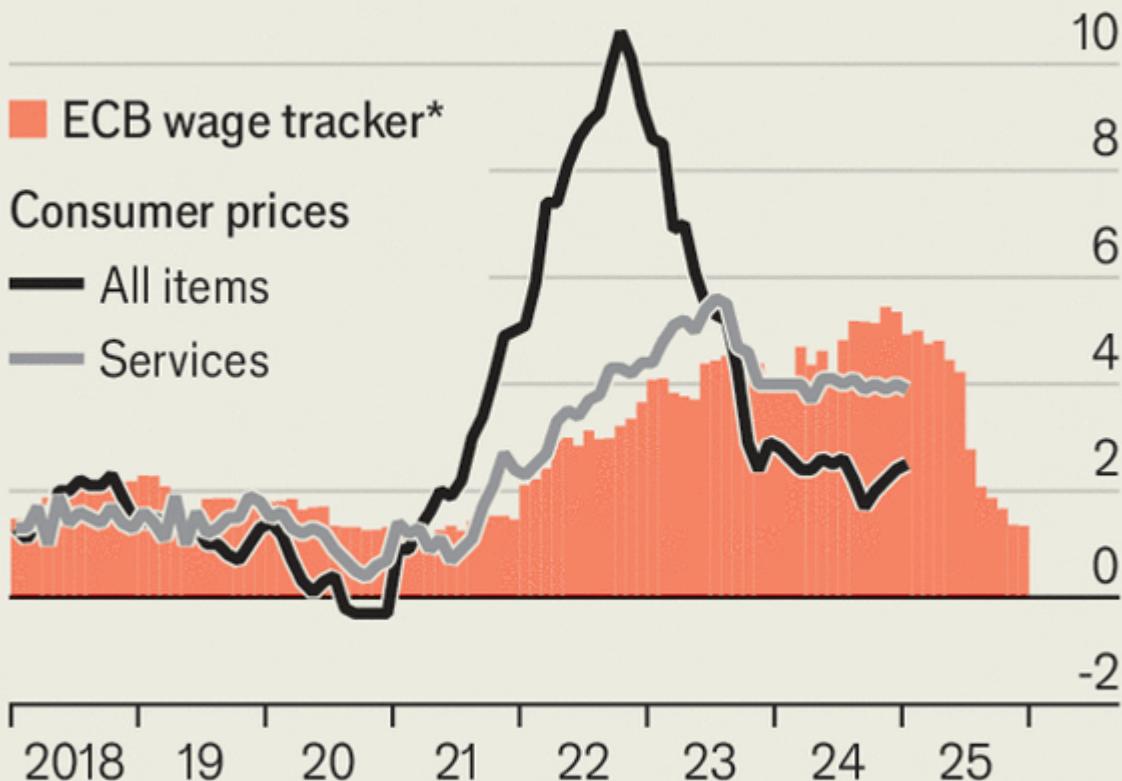
IT IS HARD to avoid the soft bigotry of low expectations. The EU's statistics bureau titled a recent release—showing no economic growth in the last quarter of 2024—“GDP stable in the euro area”. “Stagnant” would have been more accurate.

Policymakers, at least, are increasingly alarmed by the situation. Ursula von der Leyen and Christine Lagarde, head of the European Commission and European Central Bank respectively, together wrote recently that faster growth was needed to protect the quality of life of Europeans, and their security. The intent was to jolt politicians and the public into action.

But where is growth supposed to come from? Europe's ageing population is not as innovative as it once was, dampening productivity. The global economy will no longer support Europe's export-led approach. Investment requires confidence in the future. Consumers are fearful, with many choosing to keep money in the bank. The ECB remains busy fighting inflation and governments are avoiding difficult reforms for fear of a populist backlash. Small wonder, then, that even optimistic growth forecasts for this year barely go beyond 1%.

Flatlining

Euro area, % change on a year earlier



*Based on negotiated wage agreements. 2025 data implied from existing deals

Sources: European Central Bank; Eurostat

One idea is that, as inflation subsides, the ECB can return to stimulating the economy with lower interest rates. ECB policymakers have already cut their main rate from 4% in June to 2.75%. Markets expect them to reach 2% by the year's end, as wage growth cools, which would, in turn, cut cost pressures for firms. Yet the problem is that prices are still rising by 2.5% a year. Those for services are particularly hot, increasing at 4% a year. Thus hope of much looser policy will probably prove forlorn.

Analysts had thought consumers might spur the economy once their real wages started to rise. Now that pay packets are swelling, however, they are refusing to play their part. The euro-zone household savings rate tended to hover at around 12% before the covid-19 pandemic. As of October, the date of the most recent data release, it was above 15%. Consumer sentiment has recently dropped again, to below its long-term average. Europe's gloom, it turns out, is resistant even to higher wages.

External demand is unlikely to come to the rescue either. China is hellbent on exporting its manufacturing surplus to the world, rather than buying more from Europe. America no longer wants to play the role of consumer of last resort, and could push more Chinese goods Europe's way by raising trade barriers. Although in theory trade deals could fuel the EU's export machine, protectionists, led by France, will attempt to slow things down, as can be witnessed in their opposition to a deal with Mercosur, a large South American trade group.

The continent's leaders have explored making use of the EU's budget-deficit rules to spend more on defence, in order to protect against possible future Russian aggression. Germany, one of the bloc's most miserly members, needs to invest and has the money, which the next government may make use of after a forthcoming election. Greater government spending should therefore offer some support to the European economy, but it is unlikely to provide a large boost. Italy has to cut spending to stabilise its debt; France has to do so to bring down an outsize deficit.

That leaves businesses' animal spirits. A rejigging of the global economy creates plenty of opportunities. New forms of technology, not least artificial intelligence, are waiting to be adopted. The green revolution, where Europe has a head start, is gaining followers around the world. But if companies are

keen to splash the cash, they have a funny way of showing it. Their investment rate has steadily fallen since 2019. Now Donald Trump's protectionist policies may induce export-minded firms to invest in America instead.

The commission's leaders are putting their faith in supply-side reforms, hoping to simplify regulation, remove single-market barriers and knit together capital markets. Although this is a good start, the plans seem unlikely to get the bloc anywhere near the €800bn (\$830bn, or 4.5% of GDP) in annual investment that Mario Draghi, a former president of the ECB, envisaged in a doorstopper of a report on the European economy he published in September. To become green, remain prosperous and live securely, the EU and its member states will have to go further. Stable GDP is not enough. ■

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Seventh heaven

Narendra Modi is struggling to boost Indian growth

Tax cuts may lift short-term output, but deeper reform is required

Feb 06, 2025 06:32 PM | Mumbai



AHEAD OF INDIA'S budget on February 1st, Narendra Modi asked Lakshmi, the Hindu goddess of wealth, to bless the poor and the middle class. The prime minister's request for divine intervention mingled public spirit with political self-interest: frustration about economic growth and joblessness contributed to Mr Modi's loss of his outright majority in elections held last year. As it turned out, the middle class, rather than the poor, ended up the real winners of the fiscal statement. Nirmala Sitharaman, Mr Modi's finance minister, announced tax cuts that were worth around 1trn rupees annually (\$12bn, or 0.3% of GDP), which was enough to

exempt millions of relatively high-earning Indians from income tax altogether.

India urgently needed a change of approach. According to the most recent data, the country's economy is growing at just 5.4% a year, down from 8.1% in 2023 (see chart). The Economic Survey, produced by the government's chief economic adviser ahead of the budget, forecast growth of 6.3-6.8% in the year to come, below both the pace set in the years following covid-19 and India's average growth rate of 7% or so in the decade before the pandemic. If India is to achieve the government's aim of becoming a developed country by 2047, it will have to sustain growth of at least 8%.

Get rich slow

India, GDP, % change on a year earlier



*To become a developed country by 2047

Source: Haver Analytics

A temporary slowdown would not be too much of a problem. Some of the previous rapid growth reflected big spending by the urban middle classes, who had pandemic-era savings to put to use. Policy then became more restrictive. At the end of 2023 India's central bank (the RBI) warned commercial lenders against overly generous loans and tightened restrictions on consumer borrowing. Government spending was then interrupted by last year's general election, which ran from April to June. By December only 62% of budgeted capital expenditure had actually taken place, compared with 67% the previous year.

Policy has now become more stimulative. On January 27th the RBI announced measures, including repo auctions and outright bond purchases, to improve banking liquidity. Sanjay Malhotra, the RBI's new governor, who took office in December, will meddle less with the exchange rate. Bankers speculate that previous attempts by the central bank to stabilise the rupee against the dollar had drained the money market. On February 3rd the rupee fell to its lowest level ever against the dollar. A cheaper currency should boost export competitiveness and the value of remittances from India's diaspora.

The tax cuts should also fuel consumption among India's urban middle classes. The new threshold for income-tax payment is, at \$14,000 or so, around five times the median annual wage of a salaried Indian employee. Already, just 76m of India's 589m-strong workforce file a tax return, with the majority having no tax liability at all. Agricultural income is exempt altogether, and 43% of Indians work on farms. Ministers hope that leaving more money in the pockets of India's urban middle class will increase demand for the goods and services produced by those lower down the income distribution, who carry more political heft. Shares in India's consumer-goods firms rallied following the budget.

Factory farming

Meeting Indians' longer-term aspirations is a much more difficult task. It means building a broader middle class and supporting the creation of good working-class jobs. Although the country's highly competitive services sector provides strong export earnings, it does little for employment. Manufacturing, which tends to be better at soaking up labour, has fallen as a share of GDP to just 13%, its lowest since 1967. Private capital investment, rather than the state-directed kind in bridges, ports and railways, has been sluggish for decades. India's official unemployment rate may be low at 3.2%, but millions struggle in poorly paid informal work.

Moreover, the path to prosperity beaten by China, South Korea and other Asian countries—building low-value manufacturing, before then attracting more complicated forms of industry—is becoming much narrower. The world has entered an era of protectionism and tariffs, and India must cope

with the flood of cheap goods from China and an increasingly difficult American market. At the budget, Ms Sitharaman announced a swathe of tariff cuts, including on components for consumer electronics, electric vehicles and the capital equipment used to manufacture them. Tellingly, she also cut tariffs on Harley-Davidson motorcycles, a long-term ask of Donald Trump. During the American president's first term, India failed to attract companies pursuing a "China plus one" strategy (ie, shifting parts of their supply chain out of China). Instead, India's government maintained trade barriers that sought to push firms to move whole supply chains to India. Ministers are wise to take a different approach this time round.

Yet boosting Indian manufacturing will require additional deregulation from an exhausted and insecure government. There were some steps in the right direction at the budget. A "high-level panel", convened to examine permits and licences, will seek to make it easier to do business in the country. Failing to comply with some rules, such as by filing a tax return late, will be decriminalised and no longer carry a jail sentence. In other matters, not least the especially sensitive issues of labour and land regulation, there is little evidence of progress. And although the budget itself did not provide much direct support for the poor, India's government has tilted towards more welfarist policies via direct handouts that are distributed by state governments, often timed to coincide with elections. In the absence of greater government ambition, India's best hope may lie in more divine intervention. ■

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Buttonwood

How to invest like a MAGA bigwig

Cannabis, crypto or half of North Dakota?

Feb 06, 2025 06:32 PM



WHEN THE 24 cabinet secretaries and top-level officials in Donald Trump's new government assemble, they will form one of the wealthiest administrations in history. Whether they are the very wealthiest is impossible to say, since official disclosures top out at "over \$50m"—a pittance for some of the assembled. But such disclosures are helpful in another way: they shine a light on the widely varying investment strategies of MAGA luminaries, and thus their widely varying outlooks on the world.

For many, the lion's share of their wealth is held in private firms. This is true of two of the richest: Howard Lutnick (Mr Trump's nominee to be commerce secretary) and Linda McMahon (the education nominee), whose wealth is counted in the billions. Mr Lutnick is chairman of Cantor

Fitzgerald, a brokerage and investment bank. Ms McMahon, whose finances are yet to be disclosed, owes most of her riches to World Wrestling Entertainment, a sports-media business. At the other end of the spectrum, Lori Chavez-DeRemer (labour) owns a stake worth between \$1m and \$5m in SJJD Consulting, a recreational-cannabis producer with a licence to operate in Oregon, her home state.

Property investments are another recurring theme. Most cabinet members and would-be members are landlords; none is more enthusiastic than Doug Burgum, the secretary of the interior. Twenty-four years ago he sold Great Plains Software, a technology firm, to Microsoft for \$1.1bn of the computing giant's stock. He has since bought up swathes of land across his home state of North Dakota and neighbouring Montana, which will have appreciated nicely: house prices are on the rise in both states. He would have been better advised to keep hold of the Microsoft stock, however, which has risen in value by more than 1,200% since he sold his company.

That is where the similarities end. The most obvious differences concern overall levels of wealth. Scott Bessent, a hedge-fund titan whom Mr Trump has selected as treasury secretary, owns art and antiques worth \$1m-5m, or at least five times the value of all assets reported by Marco Rubio, America's secretary of state. Mr Bessent has holdings in stock and bond exchange-traded funds (ETFs), and hundreds of millions of dollars in bets on international currency markets. The latter is a meat-and-potatoes choice for a hedge-fund magnate, even if it would be a little adventurous for an average retail investor.

The portfolios of Jamieson Greer, Mr Trump's nominee to be US trade representative, and John Ratcliffe, the new director of the CIA, are largely held in pedestrian stock and bond funds, bank accounts and annuities, as well as a few individual stocks. By contrast, some MAGA types have quite literally bought into the cause. Pam Bondi, the attorney-general, holds between \$2m and \$10m in shares and warrants in Trump Media and Technology Group, which owns Truth Social, the president's social-media network. Ms McMahon sits on the company's board.

No single asset class better illustrates the divide between the financially conservative and the new American right than cryptocurrencies. Mr Trump

now has exposure to digital assets himself through the \$TRUMP meme coin he launched shortly before his inauguration. Six of the 24 cabinet secretaries and cabinet-level officials own bitcoin or other tokens, including J.D. Vance, the vice-president. This group is in the ascendancy both politically and financially: bitcoin has risen in price by more than 130% in the past year, trouncing returns from traditional assets.

Indeed, two of Mr Trump's most controversial appointments are big digital-asset investors. Robert F. Kennedy junior holds between \$1m and \$5m in bitcoin. Tulsi Gabbard, the nominee for director of national intelligence, is a crypto omnivore, with \$30,000-100,000 in bitcoin and up to \$15,000 each in cronos, ethereum and solana, three smaller coins. Although Mr Bessent reports an investment in a bitcoin ETF, it accounts for less than 0.1% of his assets.

The new cabinet's level of crypto enthusiasm outstrips that among the broader American population. According to a survey conducted by the Pew Research Centre, 15% of rich American households own cryptocurrencies, with their popularity skewed to younger investors. Such an unusual level of exposure will surely buttress the administration's support for the industry. Not only is the incoming cabinet ideologically committed to crypto—they have a huge personal stake in its success, too.■

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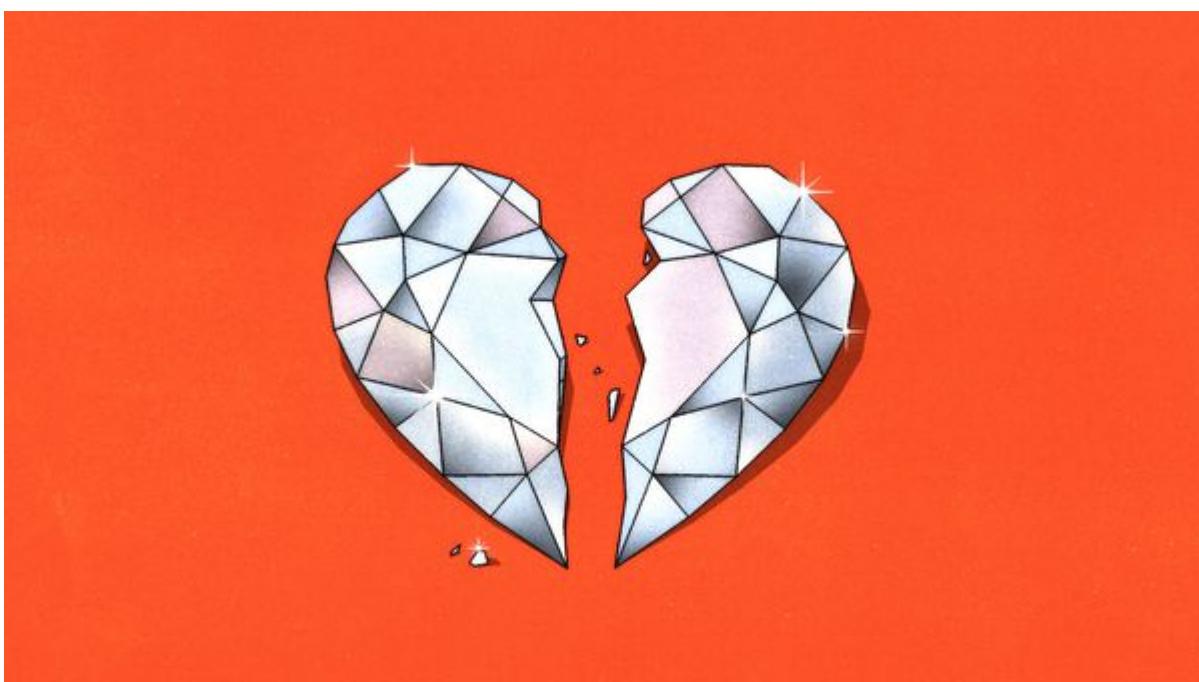
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Free exchange

Don't propose with a diamond

Lab-grown gems may destroy both their own value and that of natural rocks, too

Feb 06, 2025 06:32 PM



VALENTINE'S DAY is fast approaching. Inside sock drawers around the world, men (and a few women) will be hiding rings intended to convey their everlasting love. Since De Beers, the world's leading diamond company, ingeniously announced that "diamonds are forever" in the 1940s, most engagement rings have included a diamond—and an expensive one at that. The average American will spend \$5,000 on the band for their proposal.

A lot has changed in recent years, however. The most important development is the soaring popularity of lab-grown diamonds. Identical to their natural alternatives—except to gemologists with specialist equipment

—such stones now make up around half of the American DER market, reckons Martin Rapaport, chairman and founder of Rapaport, a diamond pricer, up from a tiny fraction a decade ago. (DER is the unglamorous acronym the industry uses for “diamond engagement ring”.) American jewellers report that lab-grown diamonds now account for more than half their sales of loose diamonds (ie, those not in a ring), an increase from one in ten at the beginning of 2020.

For the past few years it has been easier to produce a diamond in a factory than to extract one from the ground. This is reflected in price tags. At one leading jeweller, \$5,000 spent on a lab-grown diamond will yield a rock roughly four times bigger than if the money was spent on a natural diamond of similar quality. As a consequence, the parsimonious boyfriend now faces an alluring proposition: a larger, nicer diamond; a happier fiancée; and a healthy status symbol to boot. Little surprise, then, that the average size of diamonds purchased in America is on the rise, even as the amount of money spent on engagement rings is falling. The world has entered an era of frugal matrimony.

So far the trend has been excellent news for sellers of lab-grown diamonds, and terrible for those flogging the traditional variety. America, by far the biggest purchaser of lab-grown diamonds, has seen its imports of cut-and-polished natural diamonds fall by half between 2022 and 2024, according to Rapaport. De Beers’s revenues have decreased by a third. Some industry analysts extrapolate from this and foresee a future filled to the brim with lab-grown gems. And for other kinds of products they would be correct. With “ordinary goods”, consumer demand moves inversely to prices: when something gets cheaper, people want more of it. When air travel was expensive, for example, few could afford it. Now you can hop from London to Madrid for £50 (\$63), many more do so—and the airline business has boomed.

However, as anyone who has bought one is aware, engagement rings are not ordinary. Being a (hopefully) one-off purchase to celebrate a significant milestone, the price tag is as important as the ring itself. A large, gleaming rock on a partner’s finger illustrates the strength of the proposer’s love (and

perhaps, more accurately, the size of their wallet). Diamonds are the stone of choice because they are scarce and, as a result, expensive.

Lab-grown diamonds upset this equation, as they are both more common and indistinguishable from a mined rock. Their availability is not limited by what was formed billions of years ago in the Earth's crust, nor by the desire of miners to spend lots of money to extract them, but by what sellers find profitable. Wholesale synthetic-diamond prices have fallen by 90% over the past six years, according to Paul Zimnisky, a diamond-industry analyst, meaning that rocks can now be sold at much lower prices for similarly strong profits. And wholesale prices are set to keep falling as manufacturing techniques continue to be refined and competition between manufacturers intensifies.

Will lab-grown diamonds become cheap enough to undermine the entire industry? Owing to the similarities between synthetic and natural diamonds, at some point the stones may no longer work as a way to signal both love and wealth. Jewellers have so far not passed on all of the collapse in wholesale prices to consumers, preferring instead to increase mark-ups. Indeed, Mr Zimnisky reckons that retail margins on lab-grown diamonds have climbed to nearly 90% for three-carat rocks, up from 30% five years ago. Margins on mined stones are still about 30%.

Rock bottom

But this dynamic seems unlikely to last. For one thing, wholesale synthetic-diamond prices may not yet have bottomed out: "I can see \$10-15 a carat coming soon in lab diamonds' future," predicts Mr Rapaport. Moreover, the diamond market is sufficiently competitive that jewellers will struggle to retain such fat margins. Some online retailers now flog healthy stones for just a few hundred dollars. Although a boyfriend might be happy to take a chance on a \$4,000, larger lab-grown diamond rather than a \$6,000 smaller, natural stone, he will probably turn his nose up at a \$300 ring compared with a \$6,000 one. Nobody wants to be quite that cheap a husband. As lab-grown diamonds become a feature of costume jewellery and the wares of discount retailers (such as Pandora, which already sells rings featuring lab-

grown diamonds for just \$200), their status as a luxury gift worthy of a Valentine's Day engagement looks set to crumble.

This could spell yet more trouble for companies selling natural diamonds, whether in Antwerp and New York or on the high street. In the face of growing competition, the price of a ring-size single-carat stone has fallen by 37% over the past six years. If, as seems likely, lab-grown diamonds lose their signalling value, a much steeper fall in prices is in store. To survive, luxury jewellers will have to persuade their clientele that a natural diamond is still worth the outlay at a time when less-well-heeled shoppers will be buying near-identical stones for their children's birthdays. Perhaps, then, De Beers was wrong. A diamond is not for ever. ■

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Fighting flight

Fighting the war in Ukraine on the electromagnetic spectrum

Drone operators and jammers are in a high-tech arms race

Feb 06, 2025 06:33 PM | Kyiv



FOR SOLDIERS at the front, electromagnetic defences are as vital as air: invisible when present, and disastrous when not. In July Ukrainian troops in southern Donbas found this out the hard way. Abruptly, Russian drones switched frequencies, from standard 700-1,000 megahertz to 400-500 megahertz, blinding Ukraine's electronic-warfare (EW) systems. The drones flew deep behind the lines, cutting off units and making supply routes impassable. Tens of Ukrainian military vehicles were destroyed daily in what Serhii Beskrestnov, a Ukrainian EW specialist, calls a "Russian safari". Only when Ukraine understood what was happening, and secured

new EW systems working at 500 megahertz, weeks later, were they able to stabilise the situation.

The war of waves has been pivotal to the wider conflict. A continuous and intense contest between munitions and jammers is driving rapid change, as each side scrambles to find, monitor, occupy and attack increasingly rare gaps in the spectrum where signals can get through. “What you’re seeing in Ukraine is electromagnetic manoeuvre warfare in action,” says Thomas Withington, a fellow at the RUSI think-tank. “Much as land forces are always moving to find that high ground or key crossing, so too are electronic ones.” As jammers become more numerous and more sophisticated, the quest for jam-proof drones becomes ever more urgent.

Russia began its all-out invasion with colossal advantages. It was the world’s EW superpower—if measured by the quantity, might and variety of its systems. It dominated the initial exchanges, jamming much of Ukraine’s military communication. Elon Musk’s Starlink, a secure satellite-communication network, gave a lifeline to Ukraine. Then, in 2023, came the drone revolution. Ukraine pioneered the use of first-person-view (FPV) drones to search, chase and destroy enemy targets with pinpoint accuracy. “Without the proper drone and electronic warfare support, an infantry unit will survive only a few hours on the battlefield,” says Major Dmytro Tolstoluzhsky, an officer in a specialised technology unit of Ukraine’s defence ministry. The task of EW turned to neutralising the drones, loitering munitions and glide bombs that now dominate the skies.

The new war exposed vulnerabilities in Russia’s extremely powerful but bulky EW systems, which became liabilities lying within FPV drone range. They were forced to retreat a full 10-15km away from the front line, diluting their effect. Meanwhile, Ukraine began to make progress expanding its own EW capacity, with local producers scaling up production of trench-level EW systems. Yaroslav Filimonov, the chief executive officer of Kvertus, a Ukrainian company that specialises in EW, says monthly production jumped from 100 devices at the start of 2022 to 1,000 by 2023, and is now up to 5,000. At least 200 companies now work on EW, says Mr Withington.

The basic science of a front-line jammer is not complicated: a cheap metal box with aerials generates electromagnetic noise to block piloting signals or video feeds. Both sides rely heavily on commercially available Chinese components. But beyond this is a constantly evolving, high-stakes technological arms race. Every eight to 12 weeks sees a major change in either EW or drone practice, says Major Tolstoluzhsky. Both sides switch within a wide frequency spectrum from 200 megahertz to 1,000 megahertz, and above. But the “main race” last year, says Andrey Liscovich of the Ukraine Defence Fund, a non-profit which sources non-lethal aid, was a shift in frequencies down from standard GSM bands—those used by mobile phones—to 300 megahertz, making it trickier to find off-the-shelf components.

The result of these proliferating frequencies is vehicles that resemble steampunk porcupines, bristling with half a dozen antennae to protect against different drones, each drawing significant power.

Defenders also have to know where and when to focus their attention. Using a device which spits out a lot of radio waves not only risks electronic fratricide, but also makes the user a potential target. Knowing when to turn it on, and on which frequency, depends on passive sensors which can triangulate radio emissions from the other side to work out their source. The sensors used early in the war, to spot cheaper Chinese-made drones, are no longer as useful. Some of today’s sensors are in space: Ukraine is using data from satellites built by HawkEye 360, an American firm.

More common is a spectrum analyser, a small \$7,000 box, which picks out the different frequencies broadcasting at any time. That information can then direct your jamming. In theory, spectrum analysers could be strung together to create a giant electronic picket to detect emissions all along the front line. That would cost around \$10,000 per kilometre of front, estimates Mr Liscovich, perhaps \$10m for the entire stretch—a modest amount. The problem, as with so much else in the war, is supply chains. Only three companies in America and Germany build the devices; turnaround times are eight months.

Both sides are also experimenting with cleverer methods. Mr Filimonov describes Azimuth and Mirage, a pair of products: the first picks up signals

within 25km and feeds it to the second, which uses software to generate waveforms on the right frequency. In theory, that frees up the need to carry around several different jammers. But both sides can make disruptive changes. “This is a field of science where everything can be upended in the shortest of time,” says Lieutenant Colonel Oleksandr Korobka, who heads an EW unit in Ukraine’s 54th brigade.

The top-end Russian drones, for example, have already evolved to include backup piloting systems. They may switch from standard GPS to satellite-led or inertial-navigation systems, which use gyroscopes and accelerometers to work out a drone’s real position. They may also use artificial intelligence (AI) or communication with beacons on the ground to move drones to a target or back to base. “In such a case full EW defence is practically impossible,” says Colonel Korobka.

The newest challenges are last-mile automation and fibre-optic drones. Last-mile automation avoids most tactical EW shields, which have a range of about 50m, by guiding drones to near a target, and then using AI to visually lock on and strike. Fibre-optic drones, first seen on the battlefield in the spring of 2024, unwind spools of tiny cable as they fly, making them more difficult to manoeuvre but impervious to EW interference. Fibre-optic drones often spearhead attacks, targeting and destroying EW systems first so other radio-piloted drones can follow. Both sides are in the process of ramping up the technology. Russia, the first-adopter, has a lead. Mr Filimonov says that methods such as stroboscopes—flashing lights to dazzle the drone’s cameras—are also being tested.

For now, most drones are still jammable. And Ukraine still has the edge in EW. “They’re certainly quicker than the Russians,” says Mr Withington. The war has also made them quicker than many Western competitors. Mr Filimonov visited 15 military exhibitions around the world last year. The EW technology he saw was not only pricier—American and European amplifiers are two to three times more expensive than the Chinese ones commonly found in Ukrainian kit—but also obsolete. “These technologies are somewhere in 2021,” he says, witheringly. “Everything they are producing is, for the moment, useless on the front line.” ■

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Make some noise

Fine-tuned acoustic waves can knock drones out of the sky

The right sounds can also disable their cameras

Feb 06, 2025 06:33 PM



Mic drop

AS CHILDREN EVERYWHERE are delighted to learn in science class, sound can shatter glass. Might it also be possible, then, to use acoustic waves to disrupt the electromechanical sensors that drones require to fly? To find out, four engineering students at the University of Toronto repurposed small car speakers to cobble together a contraption “for blasting a drone with sound”, as one of them, Michael Acquaviva, puts it. It worked in early tests, though only at close range. Drones 50cm away wobbled. At 25cm, they crashed.

Come the spring of 2024, after the kit's power supply was beefed up and the speakers were replaced with transducers capable of producing ultrasonic waves, the system was entered in a counter-drone competition held by Canada's defence department. The team's design tied for second prize, winning C\$375,000 (\$262,000). Its members founded a small startup, Prandtl Dynamics, that now plans to have a prototype the size of a carry-on suitcase suitable for battlefield use by June. The desired initial attack range is 100 metres.

Prandtl's unique "soft kill" sonic weapon exploits materials' tendency to vibrate when exposed to acoustic energy, especially if the sound waves match the material's resonant frequency. Prandtl's system, says Parth Mahendru, the firm's boss, concentrates energy into a narrow acoustic "laser" that disrupts, among other things, the gyroscopes drones require for stable flight. To detect drones and aim the acoustic beam, the system records sound waves from approaching drones and uses a computer costing around C\$30 to crunch data from a sky-scanning camera.

Prandtl hopes, perhaps optimistically, to stretch the range of its "Sound Matrix", as employees refer to the kit, to roughly 150 metres. Many of the [tactical jammers](#): on the front in the war between Russia and Ukraine have an effective range of just 50 metres or so.

Crucially, many of the newer drones taking to the skies in that conflict are impervious to conventional jamming anyway. Some fly using internal-navigation systems that compare live video from an on-board camera with a preloaded terrain map, with artificial intelligence selecting targets. Others receive commands through unspooling wire. Both drone types would be vulnerable, at least in theory, to Prandtl's acoustic attacks.

Prandtl is compiling a library of different acoustic waveforms that can take out a variety of types of small drones. Acoustic attacks effective against some 35 drone models have been worked out so far. In the process, Prandtl's engineers are learning some astonishing tricks. By modulating a wave's amplitude and other characteristics, the system can interfere with or even gain a measure of control over specific subsystems such as the gimbal or camera shutter. "We can blind the drone, or we can crash the drone," says Mr Mahendru.

Prandtl is also designing a 4kg “backpack” model to protect foot soldiers. Anna Poletaeva, the firm’s chief operating officer, believes it can be manufactured for less than C\$2,000. Inquiries are coming from America’s armed forces, Ukrainian defence contractors and others. But the company also spies a market for non-military environments, where conventional jamming is generally illegal. For civilians annoyed by pesky drones, disabling their cameras may be preferable to bringing them crashing down.

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Crypto crime-hunters

Cryptocurrencies are spawning a new generation of private eyes

Their tools are software, and a nose for trouble

Feb 06, 2025 06:32 PM



FOR THE criminally minded, the allure of cryptocurrencies is easy to grasp. Decentralised online ledgers called blockchains allow digital assets, in the form of “tokens”, to be moved without financial institutions monitoring what is happening for signs of money-laundering or other wrongdoing. Chainalysis, a crypto-investigations firm in New York, tallied more than \$53bn in suspected crypto-laundering in 2022-23, nearly double its estimate for the previous two years. Nicholas Smart of the Dubai office of Amsterdam-based Crystal Intelligence, another investigator, quips that with blockchains, “Anyone can become a bank.”

Then there is the theft of cryptocurrency. As we report in our [new podcast series “Scam Inc”](#), so-called pig-butcherers play on legitimate crypto owners’ naivety and emotional vulnerabilities. John Powers, boss of Hudson Intelligence, in New Paltz, New York, says many of his clients have lost tokens worth north of \$100,000—and in some cases \$1m. They are not alone. This global industry is now [worth over \\$500bn a year worldwide](#). Crooks, moreover, have surely noted that the potential pool is growing. Token values have soared following America’s election of crypto-friendly Donald Trump.

Against this backdrop, specialist firms are developing new forensic software to comb blockchain ledgers in search of stolen digital assets, and to flag possible money-laundering, terrorist financing, and other crimes. The market for such programs is booming. Kroll, an American financial risk and advisory firm, expects revenues from its crypto-sleuthing practice to have exceeded \$10m in 2024, roughly double the figure for the previous year.

Making sense of the “data lake” of blockchain ledgers is challenging. Banks, even those in Switzerland, where numbered accounts were invented, are expected to know their account-holders’ identities. But blockchains move tokens instantaneously between unique alphanumeric addresses held in digital wallets that can be opened only by private software keys. Though records of the transactions themselves are public, the identities of those behind them are not. Nor is it even clear which addresses are controlled by a given wallet. That opens all sorts of possibilities for money-laundering and illicit payments.

The puzzle of crypto transfers can sometimes, however, be solved by appropriate analytic software. Creators of this are cagey about their tricks, but the frequency and timing of transactions provide clues. An especially fruitful approach is to identify multiple addresses that contribute to a single payment. The private keys to those addresses must be held, or at least controlled, by a single entity. Importantly, as Tom Robinson, chief scientist at Elliptic, a firm in London that develops such software, observes, these “co-spend heuristics” will stand up as evidence in court.

Money laundering and illicit payments are not the only shady activities which transaction patterns can illuminate. The use of “ransomware” is another. Ransomware is software installed illicitly on a computer that then locks valuable data held on it until a crypto payment is made. The proceeds, says Phil Larratt, who was once a financial investigator with Britain’s National Crime Agency and now works for Chainalysis, are then typically split about 70-30 between the gang’s negotiators and the ransomware’s developers.

Mr Larratt says pig-butchered scams involving romance also generate fingerprints. They involve “approval phishing”—fooling lonely hearts into authorising malicious transactions, often with help from a bogus crypto app. This lets a scammer withdraw the victim’s funds. Chainalysis has identified \$2.7bn in such fraud since May 2021, passing relevant data to the police. In one case, this allowed the notification of a soon-to-be victim just in time.

Many of Chainalysis’s customers are crypto exchanges (places that convert digital assets into conventional currency, and vice versa) seeking to comply with the requirements of the Financial Action Task Force, an intergovernmental body based in Paris. In 2019 this outfit issued rules requiring exchanges in member countries, now numbering 36, to spot and report “sketchy crypto transactions”. Similar rules have been put in place elsewhere, too. Red flags include large conversions of digital assets into normal currency despite a high commission, and also the transfer of tokens purchased in cash to multiple exchanges in foreign jurisdictions, especially dodgy ones, like Russia.

“Obfuscation manoeuvres”, such as scattering funds into multiple wallets only to reconsolidate them elsewhere, or transfers through several cryptocurrencies, are another tip-off. The best software can now trace assets that have passed through hundreds of wallets. The objective is to identify the funds’ arrival in an exchange where they can be seized by a court. Some crypto exchanges even design trading apps to scan users’ devices remotely. One warning sign is when multiple accounts are controlled from a single mobile phone, says Azariah Nukajam, compliance boss in Britain for Gemini, an exchange in New York.

Developers of device-scanning software are understandably tight-lipped. But Jeremy Doyle, head of growth for anti-money-laundering analytics at SEON, based in Austin, Texas, and Budapest, says its software assesses things like a phone's number, location, model, storage capacity and how data are entered. Human beings enter data slightly irregularly. Bots tend to be inhumanly precise in such matters.

"Off-chain" work enriches the picture. Many analytics firms send messages feigning interest to fishy exchanges and investment schemes, in order to obtain scammers' crypto addresses. They also monitor online forums where scammers share tips and malicious code. Jeremy Sheridan of FTI Consulting in Washington, DC, says his firm has cracked blockchain investigations with titbits gathered this way. Following social media helps, as well. Mr Smart says he and his colleagues at Crystal Intelligence found a picture of "a box room in a suburb of Beirut" that revealed the QR code of a shady crypto outfit run from the place. Information from an Israeli intelligence service helped his team conclude that the operation had received more than \$7m in cash from Hizbulah, a Lebanese terrorist militia.

For all this, the sleuths remain the underdogs. Ironically, the sort of artificial intelligence which might really help cannot be fully applied to crypto investigations. Its complexity means even its programmers and operators cannot know exactly how it arrives at its conclusions. Those conclusions thus do not stand up as evidence in court. Instead, the software used is "rules-based", so authorities can see how its conclusions have been drawn. With that unlikely to change, Mr Powers of Hudson Intelligence reckons crypto's cat-and-mouse game is just getting going. ■

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Well informed

Are ice baths good for you?

They won't hurt. Actually they might, a bit

Feb 06, 2025 06:32 PM



A “COLD SHOCK” sounds unpromising, at least at first blush. Plunge into icy water, and, as you gasp for air, your heartbeat jumps, blood vessels constrict, stress hormones like cortisol, an immunosuppressant, surge and you begin to shiver. Yet the practice of regularly soaking in cold water is booming and has even become fashionable.

The movement’s biggest evangelist is probably Wim Hof, a Dutch athlete and health guru. Dubbed “The Iceman”, Mr Hof has stood in a container filled with ice for nearly two hours and has swum under ice for 66 metres—a world record. His popular Wim Hof Method (WHM) combines meditation and breathing exercises with frigid soaks (or cold showers). His website says that adherence to the WHM burns fat, reduces inflammation,

strengthens the immune system, balances hormones, improves sleep and lifts the mood. By exercising the heart, vessels and muscles, it also supposedly remedies cardiovascular diseases.

That would be no trifle if true. And cold does speed up a body's metabolism. It also reduces the painful inflammation that causes swelling, which is why cold packs are placed on injuries. But does cold-water immersion provide broad benefits? A study in 2014 of 12 practitioners of Mr Hof's method found that, following a deliberate introduction of an infection, *Escherichia coli*, they experienced fewer flu-like symptoms than a control group. In a study in 2018 in which Mr Hof was subjected to mild hypothermia, the cold was found to activate brain areas that are associated with pain suppression and well-being.

The largest study of what Mr Hof and his followers call "power in the cold shower" was conducted in 2015. Researchers asked about 3,000 volunteers to either shower normally or end with a cold blast lasting 30, 60 or 90 seconds. A month later, those who had ended their showers cold had been absent from work for 29% fewer days than those washing normally. That sounds impressive. But it may have been a placebo effect, and in any case there was no difference in the number of days for which members of the two groups felt ill.

Researchers at the University of Bern in Switzerland wondered if cold immersions might boost "body sturdiness" by improving antioxidant and immune responses. For 22 young men following WHM, they measured blood pressure and "pulse wave velocity", the speed at which ventricular contraction pushes blood through the body's arteries. Their work, published in 2023, pored cold water on Mr Hof's claim that WHM produces broad results in just ten days. It concluded that 15 days of WHM therapy "did not exert positive effects" on a range of parameters.

Research remains far too thin to be conclusive. Sample sizes have mostly been small. Researchers also struggle to isolate factors—a study of winter swimmers, for example, might end up measuring the effects of vigorous exercise, not cold. That said, the effects of cold-water immersion on mood seem promising. Studies have shown cold dunks to raise levels of dopamine and endorphins, neurotransmitters linked to pleasure. A study in 2023 of 33

adults given a five-minute chilly bath and a brain scan found that they “felt more active, alert, attentive, proud and inspired and less distressed and nervous”.

That finding, at least, seems to justify the movement’s enduring popularity. For those seeking a break from the pampering of modern life, cold water can be ruggedly seductive.■

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What the flock?

How TikTok became a religious pulpit

Social media are changing people's faith in unexpected ways

Feb 06, 2025 06:32 PM



THEY SAID it was divine intervention. TikTok was [resurrected](#) on January 19th, just hours after the short-video app shut down in America. Users gushed that their prayers had been answered. “God said let TikTok rise up!” one exclaimed. In fact, Donald Trump issued an executive order on his first day back in office, granting an extension before the Chinese-owned app would be divested or shut down due to American concerns over national security.

Sacred sentiments are not out of place on TikTok, where religious content is booming among the app’s 1.9bn global users (none of whom are in China,

where it is not available). Videos with the top five holy hashtags, including #Jesus and #Islam, have been viewed more than 1.2trn times.

“FaithTok”, as some call the platform’s congregation, is eclectic. Videos show [Catholics](#) sprinkling holy water, Mormons annotating scripture and Muslims reciting the Koran. Nuns provide glimpses of convent life; imams proffer guidance; and congregants try to launch their own congregations. TikTok offers a cacophony of liturgy, which sometimes baffles as much as it enlightens. But it is worth more attention, because the app is changing faith and culture in notable ways.

This is not the first time technology has influenced religion, of course. The [printing press](#) was famously disruptive, disseminating new teachings and spurring on the Protestant Reformation in 1517. Television helped evangelism flourish in America in the 20th century, though it was also linked to lower church attendance. After the internet boom in the 1990s, people in the West started shedding their formal religious affiliations. Since then the share of Americans who say they have “no religion” has almost tripled, to 28%, surpassing every other denomination (though most still say they believe in a “higher power”).

Online there are “so many religious truth claims floating around that it undercuts your certainty”, explains Paul McClure, a sociologist at the University of Lynchburg in Virginia. As people spend more time on the internet, they are less likely to pray, attend services or belong to a religious tradition. That does not mean social media have been all bad for religion: [online platforms](#) have sometimes helped build religious communities through forums and chat rooms, including during covid. And inundated with multiple belief systems, pushed through algorithms, research has found that young adults on social media have become more accepting of different religions.

TikTok is the loudest pulpit yet. The app is “social media on steroids”, according to Nathan Mladin of Theos, a Christian think-tank. Its supercharged algorithms reduce complex ideas to 30-second clips and erode the “habits and virtues” of traditional “faith journeys” faster than ever before, he says.

TikTok is changing faith in three ways. First, conversions are occurring differently, especially among young people, who are not always attracted to established religious figures. Instead, they gravitate to FaithTokers, who sometimes peddle products that are “in line with scripture”, such as halal snacks and sportswear emblazoned with Bible verses. Their videos offer new rituals (“holy girl habits”), slogans (“God is so cool!”) and counsel in verse (“When in doubt, worship it out”). Influencers who tout “the Jesus glow” have seen great success on a platform where personal beauty advice flourishes.

Gen Z, TikTok’s biggest flock of users, is more likely than any other generation to think faith has a place in the modern world, according to a study by Theos. Young proselytes are often attracted not to established churches but to online ministries. “Short-form content was...a gift from God,” says Taylan Michael Seaman, a Louisianan influencer who runs a digital ministry and helps other Christians form their own. (“Kingdom University”, his training programme for would-be ministers, costs \$8,000.) Mr Seaman claims to have started a “viral revival”, training a thousand preachers and inspiring some 750,000 “salvations”, or conversions.

A second way TikTok is changing faith is by making it less formal. Gen Z does not want “smoke and mirrors”, argues Gabe Poirot, an influencer who claims to have converted some 40,000 people to Christianity. Young people prefer unedited clips to polished productions. Some are leaving church pews, he thinks, to develop a more “intimate relationship with Jesus” online. Pared-back sermons and the parasocial relationships many netizens forge with online influencers offer some semblance of closeness to God.

TikTok’s casual style also means that anyone with a phone and internet connection can start preaching, says Denis Bekkering, an expert on online evangelism. Influencers are lauded for their charisma rather than their credentials; those with large followings have little training. On top of that, creators are incentivised to provoke or pander to their audience for views. That leads to clickbait titles such as “Are YOU going to HEAVEN or HELL?” and inflammatory interpretations of scripture.

This points to one of TikTok’s biggest effects on faith: it is sowing division. As ever more voices proclaim authority, people’s belief systems have

splintered. Much as worshippers abandoned the Catholic church during the Reformation, today they are leaving traditional institutions to follow new religions.

The vitality of unorthodox beliefs undermines dominant authorities. Influencers' ministries are often "non-denominational", espousing views separate from any established sect. On the outer fringes of FaithTok people are defecting to "[new age](#)" spirituality. #Wicca (paganism) and #Witchcraft each have billions of views on the platform, as youngsters extol crystals, potions and spells.

FaithTok is awash in religious disinformation, from AI-generated hate speeches to deepfakes of prominent religious leaders. Spiritually minded conspiracy theories (dubbed "conspirituality") spread rapidly on TikTok and beyond. For example, "QAnon" conspiracies are prevalent, infused with religious imagery and positioned as spiritual quests. Faith is a mobilising force, because believers think they are being summoned for a higher purpose, says Joan Donovan, a disinformation scholar at Boston University.

Some may find it ironic that religious content is flourishing on an app with strong ties to the Chinese Communist Party, which officially promotes "state atheism" and has persecuted religious and ethnic minorities, including mostly [Muslim Uyghurs](#). But those who have closely studied TikTok are not really surprised. Divisive content, including about politics, tends to be amplified on the platform, in order to sow social instability, some believe. Religious disinformation can be as divisive as the political sort, Ms Donovan says. Online, many of the lambs of God turn into lions. ■

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Puffed out

It's spellbinding! Riveting! A triumphant tour de force!

Simon & Schuster is cutting back on book blurbs. Good

Feb 06, 2025 06:32 PM



BOOKS ARE about to become a little less “Spellbinding!”, “Stunning!” and “Compelling!”. Fewer still will offer a “tour de force” (whatever one of those might be). That is because Simon & Schuster, an American publisher, has decided to stop doing book blurbs, those saccharine quotes from other authors on the back of books, at its flagship imprint. They are, says Sean Manning, the company’s publisher, “very weird”.

Few will mourn them. The blurb (which in Britain is also called a “puff”) is an unloved literary tradition. It first appeared at the start of the 18th century and spread as printing presses perfected the modern dust jacket. The aim

was to offer enthusiasm; instead, they were sometimes seen as suspect. Some authors scorned them; readers disregarded them. Blurbs are “disgusting tripe”, wrote [George Orwell](#), in the sort of phrase that rarely makes it onto a cover.

Their tone is part of their problem. Blurbs are intended to be alluring. But their tenor of universal acclamation means that more often they are suspected of simply lying. “Right from the word go, people are suspicious,” says Ross Wilson, a professor of English at the University of Cambridge. With good reason, since blurbs are not quotes culled from impartial reviews but praise prised from writers (some of whom share the author’s agent or publisher). Look up the words “blurb” and “puff” in the dictionary, and definitions of both explain that their praise is extravagant.

Blurbs mislead readers in two ways. One is by exaggeration. The style of a puff is, as the name suggests, breathless. Someone might declare a book “magisterial”, another that it is “unputdownable”, a third that “If you can read this book and not shriek with delight, your soul is dead.” You feel guilty, wrote Orwell, when you are in the library and “fail to shriek with delight”.

Blurbs also lie by omission. In theory they are testament to an author’s narrative skills. In truth they are a testament to their social ones: they often reflect arm-twisting rather than artistry. Established authors loathe giving them. “We would as soon sell our tears for lemon-drops”, wrote Nathaniel Parker Willis, a poet, than thus “defile one of God’s truthful adjectives”. New authors struggle to get blurbs, which is partly why Simon & Schuster is ditching them.

Blurbs are also self-defeating. Intended to extol very good writing, they more often exemplify the very bad kind. Many are less written than assembled from stock phrases—“A heartbreakingly unputdownable page-turner!”—with an exclamation mark at the end. This makes them exhausting to read! And all but meaningless. There has been honest copy on dust jackets—[T.S. Eliot](#)’s description of [Louis MacNeice](#), a fellow poet, informed readers that “His work is intelligible but unpopular”—but it is too rare.

It turns out that the habit of using words like “unputdownable” is itself quite putdownable. Mr Manning says his editors will use the time they save on chasing quotes to instead produce good books. Not, note, “scintillating” or “heart-rending” books but simply “the best books possible”. It is an admirably muted aim. ■

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Hammered

Why auction houses are turning to private sales

Customers want instant gratification. Sellers want price control

Feb 06, 2025 06:32 PM | HONG KONG AND LONDON



ON FEBRUARY 8TH, after *The Economist* went to press, Sotheby's was scheduled to hold the first international auction in Saudi Arabia's history. Among the 162 lots for sale in Diriyah is a painting by [René Magritte](#), a Belgian Surrealist, depicting a building—part brick, part cloud (you realise after staring)—conservatively estimated to fetch around \$1m-1.5m.

It is a fitting image: the structure and stability of the auction business are not how they appear at first glance. Despite the search for customers in new markets such as [Saudi Arabia](#), the auction houses' main source of growth is not public sales. Instead, it is private transactions, brokered discreetly by

the auction houses. At Sotheby's, the world's largest auction house, these increased by 17% in value last year. At Christie's, the second largest, they rose by 41%; private sales now account for nearly 30% of total revenue, compared with just 12% a decade ago.



There are two distinct types of direct transaction. The first is high-end retail. This trend is most evident in Hong Kong, where Christie's, Sotheby's and Phillips all recently moved into new customer-facing locations to attract impulsive shoppers who want to buy something immediately, rather than register to bid and wait until auction day. Christie's has 50,000 square feet in a central skyscraper, better to showcase items such as a white Hermès [Birkin bag](#) made of crocodile and a rare camellia-shaped, diamond-encrusted watch by Chanel. Each month more than 1.3m customers pass through Sotheby's "Maison" in a mall in downtown Hong Kong where the firm hopes to tempt new customers with luxury sneakers and a woolly mammoth skull that can be purchased on site.

The second, more profitable, type of private sale is of high-end art. When prices for the most expensive artworks fall, many sellers are wary of putting their work up for sale at auction, says David Schrader, chairman of global private sales at Sotheby's. Private transactions offer sellers full control on price and security against lowball bids or no bids at all. A work that is

“burned” at auction, meaning that no bid reaches the minimum price a seller is asking, can dent its value long-term. Private sales are also speedy: many take less than two months to complete.

Adrien Meyer of Christie’s refers to private sales as “matchmaking” buyers and sellers. The centuries-old auction houses’ most valuable assets are their little black books. The houses know who owns the item a buyer might want and which bidders lost out at recent auctions and might be keen on a similar work. Private sales are lucrative for auction houses, though many sellers try to negotiate on the commission. No planning, publicity, exhibition or catalogue are needed, as they are for live events, so costs are lower.



Recently sellers have been more keen on private sales, as geopolitical instability, including war in the Middle East, has led to less stable auction results. Last year public auctions were down by 28% (by value) from the previous year at Sotheby’s and by 16% at Christie’s. Though the volume of items sold at auction has been growing, there has been a slump at the top end of the market, according to Clare McAndrew of Art Economics, a consultancy. In 2024 the 100 most expensive lots at auction fetched less than half the equivalent group two years before.

But private sales rely on the existing base of clientele; they do not necessarily bring in new art buyers. The question of how to attract younger collectors is on every executive's mind. The Saudi sale is the first time any international auction of physical works is open to payment with [cryptocurrency](#) for all lots; it is an attempt to entice the younger crypto crowd.

If private sales continue to rise, it will represent a big shift. Auction houses were founded on the idea that marketplaces enabled price discovery for an artwork, which has no inherent value. Now the question is whether private sales could replace a more transparent market with [an opaque one](#), turning off newer collectors. Fair warning, as an auctioneer might say. ■

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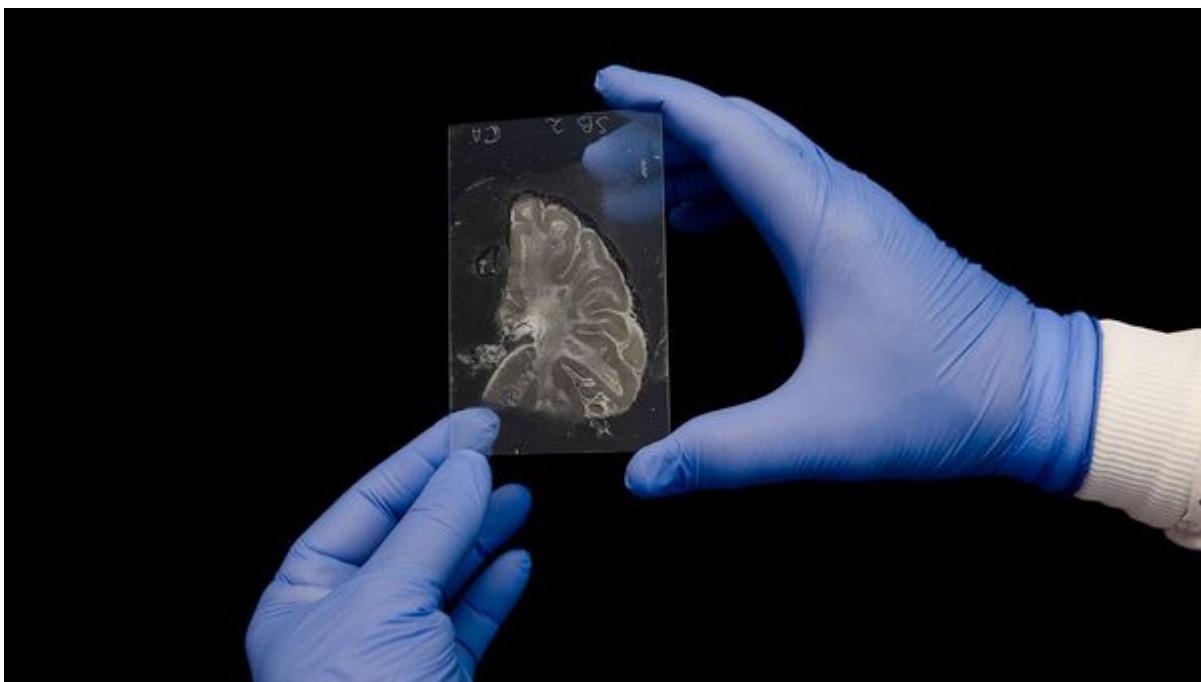
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Brain fog

Have doctors been wrong about how to treat Alzheimer's disease?

A new book argues that dogma and bad science led Alzheimer's research astray

Feb 06, 2025 06:32 PM



ALZHEIMER'S DISEASE affects more than 30m people worldwide, mostly the elderly. After the age of 65, the chance of developing it doubles every five years. By 85, the odds are one in three. Its symptoms, which include memory loss, difficulty with basic tasks and depression, progressively worsen. As global life expectancy rises, so will cases of Alzheimer's, making it one of the big public-health challenges of an ageing world.

There is no cure. Between 1995 and 2021, around \$42bn was poured into more than 1,000 clinical trials. Yet only a handful of drugs has made it to market. Even those mostly treat the symptoms of the disease, rather than stop it.

The leading explanation of Alzheimer's is the "amyloid hypothesis", which suggests that deposits of beta-amyloid, a type of protein, accumulate between neurons and disrupt their function. But the theory remains controversial: all brains with Alzheimer's show beta-amyloid plaques, yet not everyone with these plaques experiences cognitive decline. Whether amyloid build-up causes Alzheimer's, or is merely a symptom, remains unresolved.

In "Doctored" Charles Piller, a science journalist, details how groupthink and dishonesty steered Alzheimer's research off course. In 2006 [a *Nature* paper](#) by researchers at the University of Minnesota appeared to provide a major breakthrough. The study claimed that a subtype of beta-amyloid caused memory impairment. It quickly became one of the most cited papers and inspired hundreds of millions of dollars in public-research grants. Another influential paper published in 2012 by scientists associated with Cassava Sciences, a biotech firm, bolstered the amyloid theory by linking insulin resistance to amyloid plaque formation. The finding fuelled a wave of research into the idea of Alzheimer's being a "diabetes of the brain" that could be managed with drugs. There was just one problem—both studies were based on [falsified data](#).

"Doctored" follows Mr Piller's investigation into the deception. Central to the story is a group of image sleuths, with a sharp eye for manipulated pixels of Western blots (a lab technique used to study proteins, which were [doctored in the studies](#)). Some chapters read like a scientific whodunnit. In one, Mr Piller has to work hard to earn the trust of a reluctant whistleblower. In another, he travels to Prague for a private meeting with a group of image detectives with cryptic pseudonyms.

Despite clear evidence of manipulated research results, journals and regulators were slow to act. Mr Piller blames powerful backers of the amyloid hypothesis who ignored red flags. It was only in June 2024—two years after allegations first surfaced—that the *Nature* paper was retracted by

its authors. Cassava Sciences, while denying wrongdoing, stopped trials of its Alzheimer's drug, Simufilam, in November after it failed to show clinical benefits.

These papers' consequences go beyond the lab. For patients and their families, experimental treatments often represent a final lifeline. Encouraging people to pin their hopes on medicines that are ineffective, or even unsafe, is a betrayal. Fixation on a theory offering limited success in human trials may also have diverted resources from other more promising therapies.

Since 2023 the Food and Drug Administration, America's drug regulator, has approved two new medicines that modestly slowed cognitive decline by attacking the amyloid plaques. They also come with dangerous side-effects for some, which include brain swelling and bleeding. Mr Piller remains sceptical of these treatments. So will many of his readers, after his gripping story of medical groupthink and warped incentives. ■

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Back Story

Performing in a cinema near you: Bob Dylan and Maria Callas

Behind the boom in musical biopics

Feb 06, 2025 06:33 PM



EVERYONE KNOWS a genius when they see one. At least they do in biopics. In “A Complete Unknown”, a young Bob Dylan rocks up at the hospital that is treating Woody Guthrie, and instantly Guthrie and [Pete Seeger](#), another folk-music patriarch, recognise he is the real deal. In “Maria”, even a sweating Nazi officer in wartime Athens, for whom a callow Maria Callas is forced to sing, gawps at her talent.

“A Complete Unknown” is up for eight Oscars. “Maria”, another new release, stars Angelina Jolie as the troubled diva. Along with “Better Man”, in which Robbie Williams is portrayed by a CGI ape, these are the latest in

a drumbeat of musical biopics. Last year it was Amy Winehouse and Bob Marley. Up soon are a quartet of films about the Beatles (an impending [Michael Jackson](#) biopic has reportedly run into legal woes). Why is this genre playing on repeat?



Celebrity is a narrative shortcut. Like modern myths, the outlines of stars' biographies are familiar, so artful directors can focus on dramatic episodes, rather than squishing a whole life into two hours. You know Mr Dylan is a great American bard and Callas was an opera legend. So James Mangold can concentrate in "A Complete Unknown" on Mr Dylan's breakthrough in the early 1960s. In "Maria" [Pablo Larraín](#) zooms in on the week before Callas's death in 1977, with flashbacks to her wartime trials, glory days and affair with Aristotle Onassis.

Meanwhile viewers enjoy two performances in one. They see the screen Dylan shake up American music. In parallel they weigh up Timothée Chalamet's impersonation, comparing his version of Mr Dylan's oddly winning whine and enigmatic air with the original. Mr Chalamet pulls off this high-wire act with élan. For her part Ms Jolie suggests Callas's imperious vulnerability.



The music itself is another draw. Musical biopics are, well, musicals. Not only do you get Mr Chalamet's fine renditions of "Blowin' in the Wind" and "Like a Rolling Stone"; you imagine you are present at the creation of these anthems. You may not have heard Callas sing live, but "Maria" teleports you to her breakout triumph in "I Puritani" in 1949.

So a musical career is an efficient storytelling vehicle. It is also inherently dramatic, not just in the artist's rise from obscurity but in the act of performance itself: the countdown to a headliner's entrance, the audience's caprice, the fortune-and-glory stakes. The climax of "A Complete Unknown" is the Newport Folk Festival of 1965 where Dylan scandalously "[goes electric](#)" and defects to rock'n'roll. In "Maria", an ailing Callas tries in secret to revive her faded voice.

At the heart of the musical biopic is a mystery. Genius may be easy to spot, but where does it come from? In "Maria", Callas reckons "music is born of misery"; you yank it "through your belly, out your poor mouth". Ouch! "A Complete Unknown" dodges the question. Dylan blows into New York from Minnesota with the gift for lyrics that would ultimately [win him a Nobel prize](#), plus an intuitive sense that "you have to kind of be a freak" to hold a crowd. His only explanation is a cock-and-bull yarn about performing at carnivals.

With the drama and insights, musical biopics typically have a dark undertone. After all, stardom is not all growing your hair wild and wearing shades indoors, as the movie Dylan does. Fame is a prize but it can also be a torment. The famous must wrestle for control of their stories with managers, record labels and, in Callas's case, domineering partners. “Maria” imagines her telling [John F. Kennedy](#) that they are both “lucky angels who can go anywhere we want in the world—but we can never get away”.

This is the flipside of celebrity and of the biopic’s appeal. The star is an idol and a sacrifice, an object of both admiration and envy. When people ask where his songs came from, says the film Dylan bitingly, they really want to know “why the songs didn’t come to them”. Lots of biopics supply a shiver of *Schadenfreude* alongside devotion, in finales featuring anguish or untimely demise. Think of Elvis Presley, who in [“Elvis”](#) (2022) winds up bloated and exploited.

In “Maria”, Callas swoons and dies as operatic heroines tend to. By contrast, Dylan evades the Icarus-like comeuppance that is a ghoulish element in the biopic formula, riding off on his motorbike into a wide-open future. The refusal to conform to type is part of the real Mr Dylan’s greatness—and a reason why “A Complete Unknown” stands out in one of cinema’s favourite genres. ■

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Let's Thai the knot

Fans are going crazy for Thai television shows and music

Behind the “Boys’ Love” and “Girls’ Love” craze

Feb 06, 2025 06:33 PM | BANGKOK



They only have eyes for...each other

RECENTLY SIAM PARAGON, a ritzy shopping mall in Bangkok, transformed into an impromptu concert hall. Beneath palm trees wrapped in twinkling lights, Oat Pramote, a Thai singer-songwriter, performed his hit songs to an audience of hundreds. But the loudest screams erupted when Daou and Offroad—two male heart-throbs—came on stage in matching all-white ensembles. The actors, who became famous as a supposed couple in a [“Boys’ Love” \(BL\) TV series](#), sang upbeat tunes, their dancing synchronised. One teasingly lifted his tank top, sending the female crowd into elated squeals.

Though South Korea has long dominated [Asian pop culture](#), Thailand's cultural scene is booming, with songs and shows seducing audiences locally and abroad. It started around 2020, with the surprising success of BL shows, or gay romantic dramas. YouTube helped them find passionate audiences across Asia and beyond. About half of all TV series produced in Thailand are now either BL or "Girls' Love" (GL), an emerging genre starring gay women. In 2024 there were 61 new shows, up from just five in 2018, according to Poowin Bunyavejchewin, a researcher at Thammasat University in Bangkok.

The success of BL and GL shows has also contributed to a surge of "T-pop" music, which TV actors often sing as a sidehustle. Globally, streams of T-pop doubled in 2023 on Spotify, a music platform. Between 2021 and 2023 Thai music industry revenues rose 55%.

Many fans abroad discovered Thai content serendipitously. In lockdown during the pandemic in America, Beth Ann Hopkins was browsing through [K-pop](#) and Asian dramas on YouTube before an algorithm led her to a fan edit of a Thai BL series. "The storylines were not what I expected," she admits of the homoerotic dramas. But she was hooked. She now co-hosts a podcast called "Let's Talk BL".

BL originated in Japan in the 1970s; manga depicting gay couples sold in niche comic-book stores and at fan conventions. But it was Thai production firms that recognised the genre's screen-worthy potential, combining manga plots with sleek aesthetics. Shows sign up handsome actors who are "shipped", or paired together as a fictitious couple (though many fans want to believe they are really together). Explanations for BL's appeal among its largely straight female fan base range from the simple to the profound. Some cite the lack of an attractive heroine to spark female viewers' jealousy. Others muse on the deep psychology of mapping forbidden sexual desires onto male bodies.



Whatever the reason, the genre has become lucrative. SCB EIC, a research outfit, projects revenues of Thai BL and GL to reach 4.9bn baht (\$144m) in 2025, nearly five times higher than in 2020. Today BL actor couples dominate Bangkok's billboards. The lobby of GMMTV, one of Thailand's biggest production firms, teems with fans eager to catch a glimpse of their favourite acts walking into work.

Unlike its Japanese predecessor, which largely remained in the realm of fantasy, Thai BL shows tackle serious themes. Recent series have grappled with issues such as inequality and disability rights. Many actors attend pride parades and speak in support of gay marriage, which Thailand legalised last year.

Such openness may be part of the appeal. The largest overseas markets are those that do not allow for gay content to be produced legally, including China (where homosexual content is [officially banned](#)) and Indonesia, a Muslim-majority country. Thailand's progressive shows have become "a resource for people living in some more oppressive societies", observes Thomas Baudinette, an anthropologist at Macquarie University in Australia.

Fan male

Another part of BL's appeal is the proximity to stars that fans can achieve. Instead of fans worshipping celebrities at a remove, Thai entertainment transforms the relationship into a “two-way communication”, says Sataporn Panichraksapong of GMMTV. Actors-turned-singers perform daily at shopping malls, appear at intimate meet-and-greet events and respond to direct messages and comments on social media. Ayla Dehghanpoor, the other co-host of “Let's Talk BL”, used to buy tickets for expensive K-pop concerts, but became hooked by the accessibility of Thai pop culture. “You can truly interact on a personal level with these artists that you're so excited about and love so much,” she says.

Can Thailand become Asia's next cultural powerhouse? The government is hoping so, recently establishing the Thailand Creative Culture Agency to boost its entertainment sector abroad. But Thai pop culture remains far smaller than its Korean counterpart, which boasts sensations like [BTS, a boy band](#) that was the bestselling musical group globally in 2021.

Today Thailand's biggest celebrity outside the country is Lisa, a Thai member of Blackpink, a K-pop group. Last year she established her own label and filmed a music video, “Rockstar”, in Bangkok with Thai creators. Meanwhile, “Lan Ma” (“How to Make Millions Before Grandma Dies”), a family drama, became the highest-grossing Thai film in several overseas markets and the first to be shortlisted for an Oscar (though it was not ultimately nominated). “It's hard to predict, but I feel like we're on the cusp of something big,” says Mr Baudinette of Macquarie University. “I'm just waiting for Thailand's BTS moment.” ■

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Economic & financial indicators

- **Economic data, commodities and markets**

Indicators ::

Indicators

Economic data, commodities and markets

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Economic data

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	Gross domestic product			Consumer prices			Unemployment rate	
	% change on year ago: latest	quarter*	2024†	% change on year ago: latest	2024†	%	%	%
United States	2.5	Q4	2.2	2.7	2.9	Dec	2.8	4.1 Dec
China	5.4	Q4	6.6	5.0	0.1	Dec	0.2	5.1 Dec [§]
Japan	0.5	Q3	1.2	-0.2	3.7	Dec	2.7	2.4 Dec
Britain	0.9	Q3	0.1	0.9	2.5	Dec	3.2	4.4 Oct ^{††}
Canada	1.5	Q3	1.0	1.3	1.8	Dec	2.4	6.7 Dec
Euro area	0.9	Q4	0.1	0.8	2.5	Jan	2.4	6.3 Dec
Austria	-0.6	Q3	-0.5 [‡]	-1.0	3.4	Jan	2.9	5.3 Dec
Belgium	1.1	Q4	0.8	1.0	4.4	Jan	4.3	5.8 Dec
France	0.7	Q4	-0.3	1.1	1.8	Jan	2.3	7.8 Dec
Germany	-0.2	Q4	-0.8	-0.2	2.8	Jan	2.5	3.4 Dec
Greece	2.5	Q3	1.1	2.2	2.9	Dec	3.0	9.4 Dec
Italy	0.5	Q4	-0.1	0.6	1.7	Jan	1.1	6.2 Dec
Netherlands	1.7	Q3	3.3	0.9	2.9	Jan	3.2	3.7 Dec
Spain	3.5	Q4	3.1	3.0	2.9	Jan	2.9	10.6 Dec
Czech Republic	2.1	Q3	2.1	1.0	3.0	Dec	2.4	2.7 Dec [‡]
Denmark	2.9	Q3	3.6	1.8	1.9	Dec	1.3	2.9 Dec
Norway	3.5	Q3	-7.1	1.7	2.2	Dec	2.2	4.0 Nov ^{¶¶}
Poland	2.7	Q3	-0.4	2.9	4.7	Dec	3.8	5.1 Dec [§]
Russia	3.1	Q3	2.7	3.7	9.5	Dec	8.4	2.3 Nov [§]
Sweden	1.0	Q4	0.8	0.6	0.8	Dec	1.9	8.0 Dec [§]
Switzerland	2.0	Q3	1.7	1.2	0.6	Dec	1.1	2.7 Jan
Turkey	2.1	Q3	-0.8	2.9	42.1	Jan	57.7	8.4 Nov [§]
Australia	0.8	Q3	1.3	1.1	2.4	Q4	3.1	4.0 Dec
Hong Kong	2.4	Q4	3.2	2.5	1.4	Dec	1.7	3.1 Dec ^{‡‡}
India	5.4	Q3	3.0	6.6	5.2	Dec	4.8	7.9 Jan
Indonesia	5.0	Q4	5.5	5.0	0.8	Jan	2.3	4.9 Aug [§]
Malaysia	4.8	Q4	-1.2	5.1	1.7	Dec	1.8	3.2 Nov [§]
Pakistan	3.2	2024**	na	3.2	2.4	Jan	12.6	6.3 2021
Philippines	5.2	Q4	7.4	5.5	2.9	Jan	3.2	3.9 Q4 [§]
Singapore	4.3	Q4	0.4	3.8	1.6	Dec	2.4	1.9 Q4
South Korea	1.3	Q4	0.4	2.1	2.2	Jan	2.3	3.8 Dec [§]
Taiwan	1.8	Q4	2.1	5.0	2.1	Dec	2.2	3.4 Dec
Thailand	3.0	Q3	4.9	2.6	1.3	Jan	0.4	0.8 Dec [§]
Argentina	-2.1	Q3	16.4	-2.4	118	Dec	220	6.9 Q3 [§]
Brazil	4.0	Q3	3.7	3.4	4.8	Dec	4.4	6.2 Dec ^{‡‡}
Chile	2.3	Q3	2.7	2.3	4.5	Dec	3.9	8.1 Dec ^{‡‡}
Colombia	2.0	Q3	0.8	1.6	5.2	Dec	6.6	9.1 Dec [§]
Mexico	0.6	Q4	-2.4	1.5	4.2	Dec	4.7	2.6 Dec
Peru	3.8	Q3	2.8	3.1	1.9	Jan	2.4	4.5 Dec [§]
Egypt	3.5	Q3	38.0	2.4	24.1	Dec	28.3	6.7 Q3 [§]
Israel	-1.1	Q3	4.0	0.4	3.2	Dec	3.1	2.6 Dec
Saudi Arabia	1.3	2024	na	1.3	1.9	Dec	1.7	3.7 Q3
South Africa	0.3	Q3	-1.4	0.8	2.9	Dec	4.4	32.1 Q3 [§]

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted.
*New series. **Year ending June. ‡Latest 3 months. ††3-month moving average. Note: Euro area consumer prices are harmonised.

Economic data

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	Current-account balance % of GDP, 2024 [†]	Budget balance % of GDP, 2024 [†]	Interest rates 10-yr govt bonds latest, %	change on year ago, bp	Currency units per \$ Feb 5th	% change on year ago
United States	-3.4	-6.5	4.4	26.0	-	
China	2.1	-5.0	1.4 ^{§§}	-88.0	7.27	-1.0
Japan	4.2	-4.7	1.3	56.0	152	-2.1
Britain	-2.9	-4.0	4.5	49.0	0.80	nil
Canada	-0.5	-2.3	3.0	-56.0	1.43	-4.9
Euro area	3.2	-3.2	2.4	5.0	0.96	-3.1
Austria	2.3	-3.7	2.8	-10.0	0.96	-3.1
Belgium	-0.3	-4.6	2.9	1.0	0.96	-3.1
France	-0.4	-6.2	3.1	26.0	0.96	-3.1
Germany	5.8	-1.8	2.4	5.0	0.96	-3.1
Greece	-6.4	-1.3	3.3	-13.0	0.96	-3.1
Italy	1.3	-4.2	3.5	-40.0	0.96	-3.1
Netherlands	9.5	-2.0	2.5	-5.0	0.96	-3.1
Spain	3.1	-3.2	3.1	-7.0	0.96	-3.1
Czech Republic	1.3	-2.4	3.9	9.0	24.1	-3.4
Denmark	10.8	2.1	2.1	-36.0	7.16	-2.8
Norway	17.3	12.5	3.9	31.0	11.2	-4.5
Poland	0.6	-5.7	5.8	45.0	4.03	0.5
Russia	2.5	-1.7	16.6	488	97.6	-7.1
Sweden	6.0	-0.9	2.2	-2.0	10.9	-2.3
Switzerland	7.0	-0.9	0.3	-54.0	0.90	-3.3
Turkey	-0.9	-4.1	26.1	140	35.9	-14.9
Australia	-2.0	-1.2	4.4	16.0	1.59	-2.5
Hong Kong	12.0	-3.2	3.7	8.0	7.79	0.5
India	-0.5	-4.9	6.7	-43.0	87.5	-5.0
Indonesia	-0.2	-2.4	7.0	38.0	16,285	-3.6
Malaysia	1.6	-4.4	3.8	nil	4.42	7.5
Pakistan	0.2	-6.7	12.1 ⁺⁺⁺	-242	279	0.2
Philippines	-2.6	-5.6	6.1	-4.0	58.1	-3.1
Singapore	19.6	0.2	2.9	-13.0	1.35	nil
South Korea	4.1	-1.8	2.8	-56.0	1,445	-7.9
Taiwan	13.5	0.5	1.6	35.0	32.9	-4.5
Thailand	2.2	-3.7	2.3	-41.0	33.6	6.6
Argentina	0.4	0.3	na	na	1,054	-21.4
Brazil	-2.4	-7.5	14.6	390	5.80	-13.6
Chile	-2.5	-2.5	6.0	62.0	969	-1.5
Colombia	-2.8	-5.7	11.1	123	4,181	-4.9
Mexico	-1.0	-4.9	10.0	75.0	20.7	-16.8
Peru	1.8	-3.6	6.7	10.0	3.72	4.0
Egypt	-5.2	-3.7	na	na	50.3	-38.6
Israel	4.1	-7.0	4.3	4.0	3.55	3.7
Saudi Arabia	0.4	-2.5	na	na	3.75	nil
South Africa	-2.1	-5.3	10.4	53.0	18.5	2.9

Source: Haver Analytics. ^{§§}5-year yield. ⁺⁺⁺Dollar-denominated bonds.

Markets

In local currency	Index Feb 5th	% change on: one week Dec 29th 2023	
United States S&P 500	6,061.5	0.4	27.1
United States NAS Comp	19,692.3	0.3	31.2
China Shanghai Comp	3,229.5	-0.6	8.6
China Shenzhen Comp	1,919.6	0.4	4.4
Japan Nikkei 225	38,831.5	-1.5	16.0
Japan Topix	2,745.4	-1.1	16.0
Britain FTSE 100	8,623.3	0.8	11.5
Canada S&PTSX	25,569.8	0.4	22.0
Euro area EURO STOXX 50	5,271.1	0.8	16.6
France CAC 40	7,891.7	0.2	4.6
Germany DAX*	21,585.9	-0.2	28.9
Italy FTSE/MIB	36,581.5	0.6	20.5
Netherlands AEX	919.5	1.6	16.9
Spain IBEX 35	12,536.7	2.0	24.1
Poland WIG	86,131.8	-0.1	9.8
Russia RTS, \$ terms	941.5	-0.7	-13.1
Switzerland SMI	12,579.4	0.4	12.9
Turkey BIST	9,719.8	-3.5	30.1
Australia All Ord.	8,683.4	-0.2	10.9
Hong Kong Hang Seng	20,597.1	1.8	20.8
India BSE	78,271.3	2.3	8.3
Indonesia IDX	7,024.2	-2.0	-3.4
Malaysia KLSE	1,574.5	1.4	8.2
Pakistan KSE	111,935.4	0.4	79.2
Singapore STI	3,815.4	0.4	17.7
South Korea KOSPI	2,509.3	-1.1	-5.5
Taiwan TWI	23,161.6	-1.5	29.2
Thailand SET	1,286.7	-4.2	-9.1
Argentina MERV	2,477,714.0	-2.7	166.5
Brazil BVSP*	125,534.1	1.7	-6.4
Mexico IPC	51,570.2	nil	-10.1
Egypt EGX 30	29,735.6	-0.5	19.4
Israel TA-125	2,578.3	2.3	36.6
Saudi Arabia Tadawul	12,414.4	-0.2	3.7
South Africa JSE AS	86,610.7	1.5	12.6
World, dev'd MSCI	3,848.6	0.5	21.4
Emerging markets MSCI	1,095.8	0.3	7.0

US corporate bonds, spread over Treasuries

	Dec 29th	
Basis points	latest	2023
Investment grade	96	154
High-yield	321	502

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

The Economist commodity-price index

2020=100	Jan 28th	Feb 4th*	% change on	
			month	year
Dollar Index				
All items	138.1	140.0	4.9	9.8
Food	157.5	160.4	5.6	21.3
Industrials				
All	122.1	123.2	4.2	0.3
Non-food agriculturals	132.1	131.7	1.2	3.7
Metals	119.5	121.0	5.0	-0.6
Sterling Index				
All items	142.8	144.2	5.0	10.7
Euro Index				
All items	151.4	154.2	4.8	13.7
Gold				
\$ per oz	2,757.4	2,837.6	7.1	39.3
Brent				
\$ per barrel	77.6	76.2	-0.9	-3.1

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

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Obituary

- **Marianne Faithfull battled labels all her life**

“Virgin on a Pedestal” :: The singer and icon of the 1960s died on January 30th, aged 78

“Virgin on a Pedestal”

Marianne Faithfull battled labels all her life

The singer and icon of the 1960s died on January 30th, aged 78

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FREE LOVE. Psychedelic drugs. Embroidered Moroccan cushions. Nietzsche. Zen. Tribal trinkets. Customised existentialism. Ossie Clark dresses with knee-high boots. (Later, it was all ruffled blouses and cloaks from the Antique Market). Chat-up lines such as “Have you read ‘Les Fleurs du Mal’?” Or, when she first slept with Mick Jagger, a deep discussion of the Holy Grail. All these things summed up the 1960s for Marianne Faithfull. But most of all, she would remember with her still-bright smile, “how beautiful everyone was”.

And she most of all, many said. To Andrew Loog Oldham, the Rolling Stones' manager, who discovered her at a party in 1964, she was an angel (with breasts). To the British public, who fell for her when she first appeared on "Top of the Pops", at 17 with her straight blonde hair and innocent blue eyes, singing "As Tears Go By" in a plaintive whisper, she was a demure convent schoolgirl suddenly swept into fame. "Virgin on a Pedestal" was the first of many labels, which clung to her like shadows.

That pedestal was not quite so tall. She had several songs in the top ten in the mid 1960s, but none, not even "Tears", reached number one. She made a better actress than a singer. As for virginal or demure, those were not right either. True, she sang sweet folk songs round Reading's coffee bars. But at St Joseph's, behind a brown paper cover purporting to be "The Imitation of Christ", she was devouring Huysmans and Genet. She also regularly paid visits to a commune where her absconding father taught Dante and Petrarch and, if she crept round the battlements at night, she could hear the communards noisily making love. When she left home for London she meant to experience anything and everything.

First, smoking and drinking. She did lots of both, liking her life's grit to sound through her songs. Then plentiful sex. She tried three of the Rolling Stones: Brian was feeble, Keith gave her the greatest night of her life, but Mick seemed the best bet. There was no shortage of others. The chaste angel was rapidly eclipsed by her role in "The Girl on a Motorcycle" (1968), straddling her steed in skin-tight black leather, looking really good. She found Mick voracious, and too stern about her bowerbird habit of buying glittering things, but over their four years together he was kind. He wrote "Wild Horses" after she told him she couldn't be dragged away. To the press she was now "Mick's Muse", a label she kept for decades, half-afraid of straying into his prancing orbit again.

The Stones had been tough company. Those years reeled past in a whirl of drugs, parties, pregnancies (one by her first husband John Dunbar, one, miscarried, by Mick), police raids and bad press. She insisted she had come to drugs as a genuine innocent, after, not before, she had inspired Mick to sing of "Sister Morphine". She had discovered them at a party in 1967 for which the host had prepared six lines on a table. He handed her a rolled

dollar bill; she snorted all six. (It was Merck cocaine, she explained, delicate as snowflakes.) She soon moved on to heroin, though she didn't intend to, and was high for most of the late 1960s. The newspapers were overjoyed when in 1967 the police raided a party at Keith's country house to find her, they claimed, wearing only a fur rug and intimately involved with a Mars bar. Sheer fantasy, she retorted. But it gave her a new label, "Wanton Woman in a Fur Rug"; or, indelibly it seemed, "Mars bar".

It was time to disappear. Not to die, really, though she tried that; but the 14th-floor window of an Australian hotel was sealed shut, and 15 Tuinal weren't enough. She needed to work out who she was. In that heroin high, when she no longer knew, she had gone to check in the mirror. She was not there; she saw Brian, who had drowned some weeks before. If he was dead, maybe she was. William Burroughs's "The Naked Lunch" had recommended heroin as the best way to escape the world. For two years, on the street in Soho, that was what she tried.

For most of that time, when not in squats, she sat on a wall. Though she was wearing her Deliss silk dresses, almost no one recognised her. Her weight fell to seven stone; two front teeth got knocked out. *Facilis descensus Averno*, as Virgil wrote. There were human compensations: local shopkeepers helped her wash her things and gave her cups of tea. She reckoned her drugs bill was £20,000, but she had always been, and remained, hopeless with money. Her label now was "Junkie", though as a junkie she was hopeless too, missing her veins so often that a friend had to shoot up for her. Gradually she was rescued, but it took 15 years.

Then she had to repair the ruins, both of her face and her voice. She marked her first determined steps back with an album called "Broken English" in 1979, snarling her way through her own disillusion, jealousy, fury and bad dreams. It was acclaimed. If her looks and cords had perished she could sing Kurt Weill and the blues, which were both in her already. She could do cabaret with the world-weariness it called for; she could do film. (Especially that, as she loved being someone else.) In 2007 she was nominated as best actress for "Irina Palm", the story of a middle-aged woman taking up sex work to save her son, at the European Film Awards. After 1985, when she was "clean", she made 21 studio albums.

She absolutely refused to be a victim. After all, she wasn't. She had set the course of her life herself. No one had made her take up with the Stones, or get married to three brief husbands, or become an addict. Despite the labels, she had loved being an icon of the 60s, when all those scintillating beautiful young things were frolicking beneath a volcano about to explode. As she might have remarked at the time, peeling off her baby-doll frock before some romp, "What would Rimbaud say?" (He was her idol). He wrote, "The poet makes himself a seer by a long, deliberate and total disordering of the senses. He consumes all the poisons in himself." So had she. No regrets. *Undaunted*, godammit! ■

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