The Economist

The treacherous economics of defence

RFK's vaccine madness

Chinese brands: soft-toy power

Conference-panel hell

JUNE 28TH–JULY 4TH 2025

How to win the peace

The Economist

[Jun 28th 2025]

The world this week

The world this week

Politics

Jun 26, 2025 12:44 PM

Despite a wobbly start a ceasefire held between **Iran** and **Israel**. The truce was called at the insistence of Donald Trump and came after America deployed B-2 planes to drop bunker-busting bombs on Iran's uranium-enrichment facilities. Iran made a symbolic retaliation against America by firing missiles at its military base in Qatar. Mr Trump said that had been expected; there were no injuries. At least 28 people were killed in Israel by Iranian strikes during their 12-day conflict and over 600 in Iran by Israeli missiles. It was a victory for Israel, which has achieved an aura of dominance in the region. Mr Trump announced that he would soon hold talks with Iran about ending its nuclear ambitions.

Murder in the church

A suicide-bomber killed at least 22 people at a Greek-orthodox church in Damascus and injured more than 60, the deadliest incident in the **Syrian** capital since the Assad regime fell in December. The government, led by the interim president, Ahmed al-Sharaa, said the bomber was sent by Islamic State to destabilise the country. The episode is another example of the new regime's failure to protect religious minorities.

Colonel Assimi Goita, the leader of **Mali's** junta, met Vladimir Putin, Russia's president, in Moscow. The two men signed deals to deepen trade and economic ties. Following a coup in 2021 Mali has been moving away from the West and towards Russia, exploring the possibility of Russian investment in its mining sector and inviting Russian mercenaries to help fight jihadists.

Kenyans took to the streets to protest against police brutality, defying attempts by the authorities to keep them out of the centre of Nairobi, the capital. At least 16 people were reported to have been killed during the protests. It has been a year since more than 60 people were killed and dozens abducted in protests against an unpopular finance bill.

A **NATO** summit in The Hague ended with an agreement by the alliance's member states to increase defence spending to 3.5% of GDP, plus an additional 1.5% on broader security-related areas, a 5% goal that Donald Trump had insisted on (Spain provoked Mr Trump's ire by watering down some language). Before the meeting, Mr Trump questioned America's commitment to defending NATO countries, though in The Hague he said "We're with them all the way." His commitment to Ukraine was less sure. The American president held a friendly meeting with his counterpart, Volodymyr Zelensky, but offered no new help.

As the summit began there was no let-up in **Russia's** bombardment of **Ukraine**. At least 17 people were killed in a daytime attack in the Dnipropetrovsk region in Ukraine's south-east. Earlier, nine people were killed during one attack in Kyiv and its surrounding area.

Meanwhile, **Canada** signed a defence agreement with the **European Union** that will allow it to procure weapons jointly with the EU. Mark Carney, Canada’s prime minister, has said that his country is too reliant on America for its weapons. Britain recently signed a similar deal with the EU.

Romania’s new governing coalition, headed by the National Liberal Party’s Ilie Bolojan, won a vote of confidence in parliament with broad support. Mr Bolojan, who was nominated for prime minister by Nicusor Dan, the newly elected centrist president, has promised to cut the budget deficit through a series of tax increases and spending cuts.

Four opposition politicians in **Georgia** were sent to jail for refusing to testify to a parliamentary commission that is investigating corruption under Mikheil Saakashvili, a former president, who has been imprisoned for embezzlement. The opposition says the commission is illegitimate, as it was formed after an election in October last year that it claims was rigged by the conservative-populist government.

On June 20th British MPs narrowly supported **assisted dying** at the bill’s third (and final) vote in the House of Commons. The majority was 23, down from 55 in the previous vote in November. The controversial bill had been amended, for example changing the approval needed for the procedure from a high-court judge to a panel of three experts that will include a senior legal figure. If it passes its final stage in the House of Lords the law will allow terminally ill people to end their life.

South Korea’s new president, Lee Jae-myung, appointed the first civilian as defence minister in 64 years. Mr Lee’s choice of Ahn Gyu-back for the job fulfils a campaign promise not to have a member of the armed forces in the position. The imposition of martial law in December by the previous president, Yoon Suk Yeol, caused a crisis in the country. The new foreign minister is Cho Hyun, a former ambassador to the UN.

In **Thailand** trouble mounted for Paetongtarn Shinawatra, who is battling to stay in power as prime minister following the withdrawal of a party from her governing coalition. Ms Paetongtarn reshuffled her cabinet and insisted her coalition was strong. But the party that withdrew its support, Bhumjaithai, said it would press for a no-confidence vote in parliament. An alliance of groups seeking Ms Paetongtarn’s removal has called a mass rally for June 28th.

Meanwhile, the Thai government took steps to tighten the sale of **cannabis**, which was legalised for recreational purposes in Thailand in 2022. The health ministry says that decriminalisation has led to a big increase among young people who smoke the weed, but some see the decision as overtly political. The Bhumjaithai Party was the main driver of the decriminalisation policy and it has now left the government.

The **Vietnamese** government has abolished the death penalty for eight categories of crime, according to state media. These include attempts to overthrow the government, damaging state infrastructure and embezzlement. This means that the death sentence handed down last year to Truong My Lan, a property developer, for embezzling $12bn from a bank will probably be commuted to life imprisonment.

The **Colombian** government blamed local rebels for the kidnapping of 57 soldiers in Cauca, an area heavily dependent on cocaine production. The soldiers were captured by locals under duress from the rebels, according to the defence minister. All 57 were freed in a military operation without a shot being fired.

Roberto Samcam, a former **Nicaraguan** military officer turned critic of the country’s dictatorship, was gunned down in San José, the capital of Costa Rica, where he was living in exile. He is at least the fourth Nicaraguan dissident to be assassinated in Costa Rica since 2021.

A new foil for Donald Trump

Zohran Mamdani claimed victory in **New York's** mayoral Democratic primary, a big upset for the party's establishment. Mr Mamdani sits firmly on the Democrats' progressive wing (his main campaign promise is to freeze rents on rent-stabilised properties) and he would be the first mayor from a Muslim and South Asian background if elected in November. Andrew Cuomo, a former state governor and firm establishment favourite, came second. He has not ruled out standing as an independent in the November election.

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The world this week

Business

Jun 26, 2025 12:44 PM

After several false starts over the past decade, Tesla at last launched its **robotaxi** service, though it was a subdued affair. The electric-car company rolled out a small fleet of vehicles in Austin that picked up invited Tesla-friendly passengers. The driver's seat in the autonomous cars was left empty, though a safety worker sat in the front passenger's seat. There were a few bumps in the road. The National Highway Traffic Safety Administration reportedly got in touch with Tesla after videos posted on social media appeared to show several driving mishaps.

Think different

A giant merger in the **advertising industry** between Omnicom and Interpublic was given the go-ahead by America's Federal Trade

Commission, but only after the companies signed a consent decree promising not to boycott platforms because of their political content. The FTC is investigating whether ad agencies have violated antitrust law by co-ordinating spending boycotts of conservative media.

Nvidia's share price hit a new record high, its first of the year, giving it a market value of nearly $3.8trn. The chipmaker's stock fell sharply earlier in the year amid wider investor concerns about tech companies' commitment to spending on artificial intelligence, but those worries have receded.

Niger said it would nationalise a **uranium mine** that it jointly owns with Orano, a French company. It is the latest in a series of nationalisations in Africa's Sahel region. Mali has placed a gold mine operated by Barrick under state control, and Burkina Faso has nationalised five gold mines recently.

America's National Transportation Safety Board issued an executive summary of its investigation into the incident in which a panel came off a **Boeing 737 MAX 9** passenger jet that had just taken off from Portland in January 2024. The NTSB blamed the aerospace company for failing to "provide adequate training, guidance and oversight" to its factory workers. It also criticised the Federal Aviation Administration for being "ineffective". The full report will be published in the coming weeks.

Israel's stockmarkets hit new records, as investors bet that the military action taken against Iran will make the country safer. Tel Aviv's TA 25 and TA 125 indices are up by 10% in the past month.

Oil prices remained volatile amid the conflict. Brent crude soared to over $81 a barrel, the highest in five months, before plunging below $68 as Iran's threat to blockade the Strait of Hormuz receded. Donald Trump called on American oil companies to increase output in order to lower prices. "Drill, baby, drill," the president exhorted, "and I mean now."

Two court rulings decided that the firms behind generative **artificial intelligence** could use copyrighted books without permission to train their models. One judge said that Meta could continue to do so after finding that a group of authors who had sued it for using their material had made “the wrong arguments”. This doesn’t mean Meta’s behaviour was “lawful”, he said. A similar judgment found in favour of Anthropic against another set of authors, though the judge in that case said that Anthropic’s storage of 7m tomes in a “central library” was not fair use of the material and set a trial for December.

FedEx withdrew guidance on revenue and profits for its full fiscal year because of the uncertainty over trade with China. Freight volumes from China plunged in May when duties were slapped on small packages. Meanwhile, tributes were paid to **Frederick Smith**, who founded Federal Express in 1971 and has died at the age of 80. He ran the company until 2022, when he became executive chairman. Mr Smith started operations in 1973 with 14 small planes carrying 186 packages. Now FedEx ships 16m packages a day.

Despite pressure from Donald Trump to cut **interest rates**, Jerome Powell stuck to his guns and suggested to Congress that the Federal Reserve won’t do so until September, at the earliest. The Fed’s chairman said that the impact of tariffs on the economy will be clearer by then. Speculation continues to swirl that Mr Trump is about to name a replacement for Mr Powell, even though his term doesn’t end until May 2026.

Ditching the shuffleboard

Carnival cruise line issued a stellar set of earnings and raised its outlook. The company said that although it is not immune from current economic headwinds, business was proving to be incredibly resilient. It is helped by the popularity of cruise ships among the young. Around 67% of cruise travellers are Gen X or younger, according to an industry report, and 36% are under 40. Carnival offers many activities aimed at youthful passengers, such as “dive-in” movies at swimming pools.

The world this week

The weekly cartoon

Jun 26, 2025 01:51 PM

Dig deeper into the subject of this week's cartoon

Will the biggest foreign-policy gamble of his presidency pay off?
Peace in his time
How much did America's bombs damage Iran's nuclear programme?·

The editorial cartoon appears weekly in The Economist. *You can see last week's here.*

Leaders

- **How to win peace in the Middle East**
  Trump has gambled :: After the bombs should come a plan to reset the region
- **RFK’s loopy approach to vaccines endangers Americans**
  Jabbers and nuts :: Donald Trump’s health secretary undermines global public health, too
- **How the defence bonanza will reshape the global economy**
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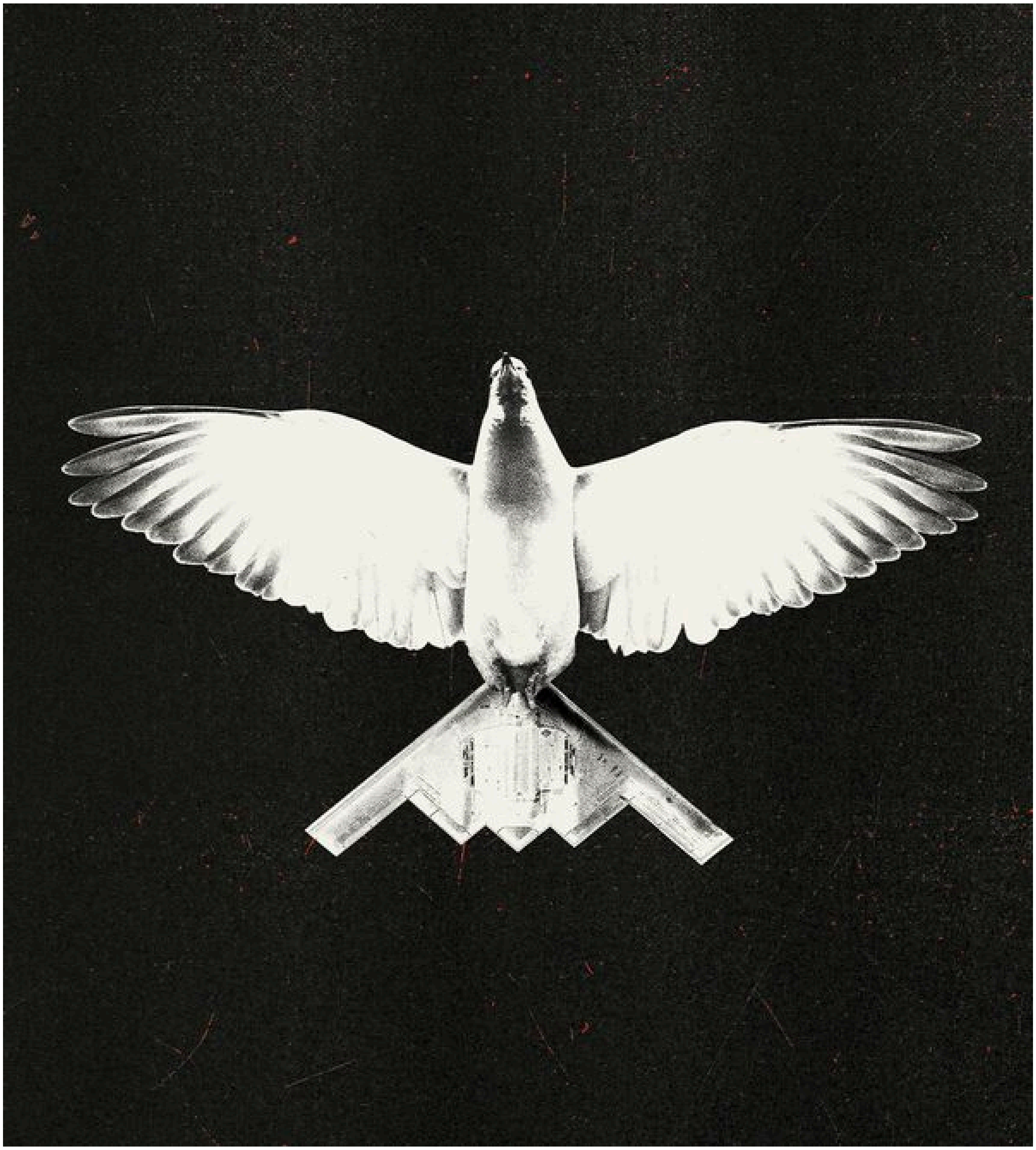
Trump has gambled

How to win peace in the Middle East

After the bombs should come a plan to reset the region

Jun 26, 2025 04:17 PM



DONALD TRUMP gambled. But has he won? He has bombed Iran’s nuclear programme and immediately imposed a ceasefire on Israel and the Islamic Republic, and without a single American casualty. That is vindication over those who, like this newspaper, feared that Iran would lash out.

But the risks were only half the calculus: the other factor was whether America would be able to use a strike to stop Iran from building a nuclear weapon. The best way to accomplish that would now be for Mr Trump to reach a full nuclear agreement with the regime. He can bolster it by pressing the Middle East to solve its problems through trade and investment, rather than preparing for wars. Those are daunting tasks, but if Mr Trump even partially accomplished them, he would have secured a prize that has eluded his predecessors.

His efforts should begin with an assessment of how much his 14 bunker-busting bombs and 30 or so cruise missiles damaged three facilities in Iran. Characteristically, Mr Trump claimed to have "obliterated" the Iranian programme. Within days he was contradicted by a leaked assessment from the Defence Intelligence Agency that warned that Iran had been set back by only a few months·. But it was preliminary and "low-confidence". It, in turn, has been contradicted.

The furious row now unfolding must not obscure the central truth. Bombing alone was unlikely to verifiably destroy all Iran's facilities and was never going to eliminate Iran's nuclear know-how. Its purpose was to set back the programme or, better, persuade Iran that a nuclear weapon was not worth pursuing at all. Regardless of how much damage has been done, Mr Trump now needs to accept that this insight must be formalised in a nuclear agreement.

Read all our coverage of the war in the Middle East

The president has more than American bombers to help him. His raid was the culmination of a stunning 20-month Israeli campaign that has broken Iran's two-decade strategy to extend its malign influence over the Middle East. Its nuclear programme cost tens of billions of dollars but, far from deterring a foreign attack, it provoked one. Iran spent tens of billions more on a network of militias and clients across the Middle East. One purpose was also to deter Israel from attacking Iran, but after being struck by Hamas on October 7th 2023 Israel took Iran's proxy network apart.

Having been humiliated, Iran's regime is at a fork in the road. It could chase a bomb, but if this was discovered the country would be isolated and face another round of attacks. It could also infuriate ordinary Iranians, who have endured hardship and repression even as their taxes have been frittered away by a regime that proved unable to defend them. The alternative is for the military officers who have increasingly elbowed aside the mullahs to conclude that waging a revolutionary struggle against Israel and America is a fight the republic cannot win—and that their own prosperity and survival would be better served by peaceful engagement.

Mr Trump can influence the regime's choices by offering a nuclear deal in everyone's interests. America should demand that Iran give up its stocks of highly enriched uranium and submit to intrusive international inspections. Iran should be able to enrich uranium to reactor grade, but under tough terms that require it to be part of a consortium of countries working offshore. In exchange, the negotiations should be about lifting European and American sanctions, as well as threats.

Do not imagine this will be easy. The urgent question is what became of Iran's 400kg of highly enriched uranium, which was targeted in the American strikes. Nobody trusts Iran to tell the truth, but it will be very hard for the regime to prove what it doesn't have, or for international inspectors to account for every kilogram after such extensive bombing. For its part, Iran trusts nobody, including the inspectors. The negotiations risk getting bogged down in recriminations.

That is why Mr Trump should also change Iran's incentives to go nuclear by trying to set a new direction for the Middle East. Israel is now the region's dominant military power. After October 7th, many Israelis have concluded that survival in a dangerous neighbourhood demands the relentless application of violence. Its armed forces strike targets in Lebanon and Syria at the first sign of an emerging threat. Far-right factions in its government want to use this dominance to annex Palestinian territory in Gaza and the West Bank.

After its victory over Iran, Israel should turn the page instead, as it did with Egypt after the war in 1973 and as it began to in 2020, when it normalised ties with several Arab states in the Abraham accords. The aim should now be a similar deal with Saudi Arabia. But that will require a ceasefire in

Gaza, Israeli acknowledgment of the principle of two states and a move away from a permanent state of war.

To bring about a nuclear deal and normalisation will be very hard—especially for a president with a short attention span and a tendency to improvise. And yet Mr Trump has strengths. He dominates the Republican Party, so Binyamin Netanyahu, Israel's prime minister, will struggle to outflank him in Congress. Having helped Israel, Mr Trump has earned the authority to bang heads together—as he did on the White House lawn on June 24th when he furiously demanded that Israel observe his ceasefire.

Putting the F into diplomacy

If Mr Trump loses interest, as is all too possible, the alternative will be bleak. If Iran's nuclear programme looms once more, Israel will bomb Iran again. But a second or third campaign would be technically and diplomatically harder than the first. Iran would have learned lessons and the world would lose patience at the repeated use of war as a temporary fix. America, obliged to support Israel even if it did not fight alongside it, would find that the Middle East sucked in military resources and political focus that it wanted to direct towards Asia. Eventually, bombing could come to seem futile, driving a wedge between America and Israel. Mr Trump has gambled. If he is to win, much hard work lies ahead. ■

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Jabbers and nuts

RFK’s loopy approach to vaccines endangers Americans

Donald Trump’s health secretary undermines global public health, too

Jun 26, 2025 04:17 PM

WHEN IT COMES to vaccines, President Donald Trump’s instincts have sometimes been sound. In May 2020 he launched Operation Warp Speed, which came up with inoculations for covid-19, based on a new mRNA technology, at an unprecedented pace and scale. By one estimate, covid vaccines averted 18.5m hospitalisations and 3.2m deaths in America in two years. And Mr Trump wisely got himself jabbed. So why is he now letting his health secretary, Robert F. Kennedy junior, dismantle the country’s vaccine-making ecosystem?·

Mr Kennedy is what is known politely as a “vaccine sceptic” and impolitely as a crank. He is undermining trust in, sensible scrutiny of and incentives to invest in one of modern medicine’s greatest wonders.

Time and again he casts spurious doubt on the safety of vaccines. His department has hired a conspiracy theorist to investigate a long-debunked link between vaccines and autism. He warns against the human papillomavirus (HPV) vaccine, which is estimated to have reduced American cervical-cancer deaths by 62% in the past decade. (As a lawyer, he was involved in a lawsuit against the vaccine-maker, Merck; he promised that any profits from it would go to his son, but that hardly erased the conflict of interest.) He has scrapped the recommendation that expectant mothers should be vaccinated against covid, as 120 other countries advise. He called the measles jab a “personal” choice, and urged giving children vitamin A. Several have been hospitalised for liver damage from vitamin A overdoses, and measles is resurgent in America, along with whooping cough, another vaccine-preventable disease. At least eight people have died this year.

Mr Kennedy’s efforts to warp scrutiny of vaccines are equally troubling. This month he fired all 17 members of a committee that determines which vaccines are recommended (and thus funded). A new eight-member committee has less expertise and more doubts; it includes two former paid witnesses in legal cases against vaccine-makers. Mr Kennedy insists this will ensure Americans receive safer vaccines. More probably, they will receive fewer.

As if all this were not bad enough, he is cutting funding. One step is to cancel federal contracts to develop vaccines for bird flu and HIV. Another is to refuse to support global efforts to roll out vaccines in poor countries—which benefits Americans by limiting the spread of infectious diseases. Alarmingly, he also has some power over a federal scheme that shields vaccine-makers from litigation.

Vaccines are unusual because they are given not to the sick but to billions of healthy people. By the laws of chance, many who receive them subsequently fall ill. To prevent vexatious lawsuits from making vaccine production a money-loser, many countries have schemes that weigh the evidence and directly compensate those who suffer such things as allergic reactions, nerve damage or clots. No one claims that vaccines never cause harm; only that the benefits far outweigh the costs. Mr Kennedy has criticised vaccine liability shields, which make life harder for litigators. If he uses his power to hobble America's scheme, drug firms could pull vaccines from the market, drastically raise prices, or cut back on research.

So his boss faces a choice. Will he let his most eccentric henchman continue to undermine public health? Or will he show the same good sense he demonstrated when he launched Operation Warp Speed? If Mr Trump is wise, he will brave the ire of his vaccinephobic supporters and rein in—or sack—his health secretary. ■

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The economic consequences of war

How the defence bonanza will reshape the global economy

As they spend big, politicians must resist using one pot of money to achieve many goals

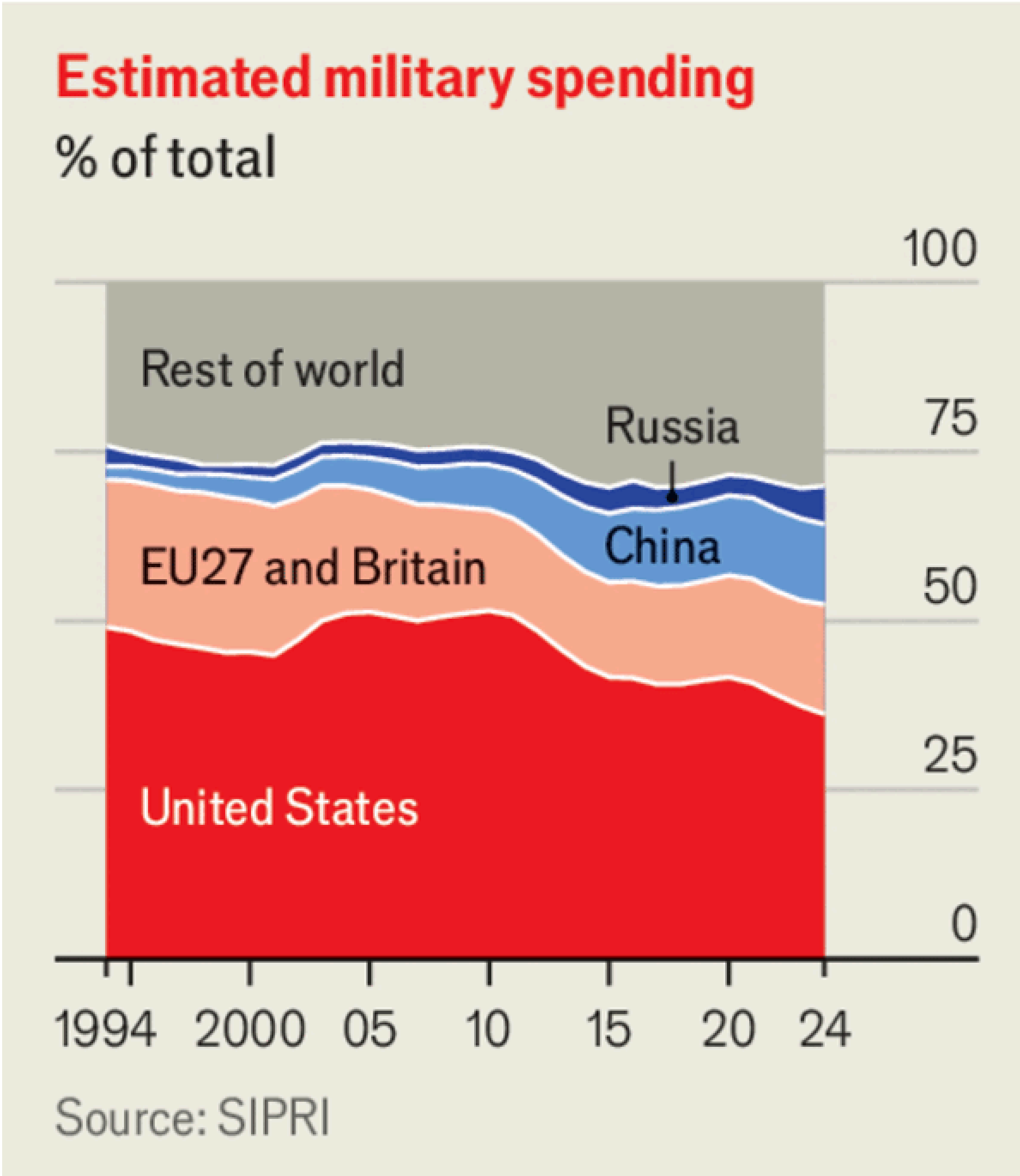
Jun 26, 2025 04:17 PM

FOR THE first time in decades, the rich world is embarking on mass rearmament. Wars in Ukraine and the Middle East, the threat of conflict over Taiwan and President Donald Trump's impulsive approach to alliances have all made bolstering national defence an urgent priority. On June 25th members of NATO agreed to raise their target for military spending to 3.5% of GDP, and allocated an extra 1.5% to security-related items (Spain insisted on a loophole). If they achieve that target in 2035, they will be spending $800bn more every year, in real terms, than they did before Russia invaded Ukraine. The boom goes wider than NATO. By one estimate, embattled Israel splurged more than 8% of its GDP on defence last year. Even doveish Japan plans to stump up.

Such vast sums could reshape the global economy, by squeezing public finances and shifting activity within countries. As politicians sell the benefits of rearmament to voters, many will claim that military spending will bring economic gains as well as security. Sir Keir Starmer, Britain's prime minister, promises defence will offer "the next generation of good, secure, well-paid jobs". The European Commission says it will bring "benefits for all countries". However tempting politically, such arguments are wrong. Using defence spending for economic objectives would be a costly mistake.

The most obvious economic consequence of bigger defence budgets will be to strain public finances. Debts are already high and the financial pressures on governments, caused by ageing populations and higher interest rates, are mounting. The average NATO member, excluding America, will need to raise annual defence spending by 1.5% of GDP.

As a result other parts of the budget, such as social spending, will be squeezed, shrinking the peace dividend from the ending of the cold war. And cutting spending or raising taxes by the full amount is likely to be politically impossible, meaning that many governments will run higher deficits, too. Defence spending will therefore tend to raise interest rates and make the public finances more fragile, even as it makes countries safer from their enemies.



What are the consequences for growth? Deficit-financed spending will provide a Keynesian fiscal stimulus, but it is likely to be modest—and unwelcome at a time of low unemployment and lingering inflation in the rich world. Moreover, defence spending is costly and lifts no one's living standards directly.

Defence research and development, by contrast, could be more beneficial. Publicly funded innovation often has the effect of spurring private innovation; by one recent estimate, when defence R&D accounts for an additional 1% of an industry's value-added, its annual productivity growth rises by 8.3%. Just think of the internet, or nuclear energy, both of which emerged from military research.

Spending on arms will also shift demand around the economy. Politicians hope that it might counter the effects of deindustrialisation, but they are likely to be disappointed. Defence production, like much other manufacturing, is now highly specialised and automated, meaning that rearmament is likely to create far fewer jobs than are being lost to new technology or foreign competition. By one estimate, higher defence spending in European NATO countries could create 500,000 jobs·—a paltry number when set against the EU's 30m manufacturing workers.

The nature of modern warfare only makes mass job creation less likely. Ukraine shows that a country does not need broad-based industrial policy to prepare for war. Making drones, which are inflicting the majority of casualties on the battlefield, is relatively simple·. And the more artificial intelligence becomes important, say in guiding and operating those drones, the fewer jobs are created on assembly lines and the more rents accrue to tech firms.

Big defence budgets will present governments with trade-offs between security, efficiency and equity. As budgets grow, local officials, companies and unions may all clamour for the money to flow their way. But giving in would be a mistake. One of the problems with Europe's defence spending is that too many countries want to make their own hardware. EU countries operate 12 types of battle tanks, for example, whereas America produces only one. Duplication is wasteful and hinders armies from being able to work together.

Governments have no duties more important than keeping their citizens safe. The fragility of the public finances means that they will need to be as efficient as possible in how they spend taxpayers' money. Splashing the cash on favoured places and industries will only lead to more tax rises or cuts to social spending. To make a success of rearmament, governments will need to make an honest case to voters for spending for security’s sake. If they look to accomplish everything with a single budget, they will do nothing well. There is no point in boosting growth if the consequence is to be invaded. ■

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The wrong proscription

Banning the opposition is no way to revive Bangladesh’s democracy

The Awami League has a dire record. But voters should have a free choice

Jun 26, 2025 04:17 PM

IT TOOK ONLY four years for the euphoria that followed Bangladesh’s independence, in 1971, to be extinguished by a military coup. Bangladesh’s second liberation, ushered in by a popular revolution last year, is in danger of fizzling out even more swiftly. In August 2024 a student-led uprising overthrew Sheikh Hasina, the prime minister, who had ruled the country with increasing despotism for the preceding 15 years. A caretaker government took over, led by Muhammad Yunus, a microcredit pioneer and national hero; it promised to rebuild the country’s democracy. Nearly a year on, the new Bangladesh hangs in the balance·.

Caretaker, take care

To be fair, Mr Yunus and his caretaker administration were handed a wickedly difficult task. Years of misrule had deeply corroded democratic institutions. Corruption was widespread and blatant; thugs beat up the government's enemies. The economy, after a period of impressive growth, had lost steam: nearly a fifth of Bangladeshi youngsters were unemployed. Some furious revolutionaries vowed to take vengeance on anyone they thought had helped Sheikh Hasina's regime.

The new government has made some headway. It has said, tentatively, that it plans to hold elections in February 2026. The economy is sluggish but stable. Inflation has slowed. International lenders are providing loans.

Yet much else that it is doing looks risky. In foreign affairs Bangladesh has lurched towards China, wooed by the prospect of trade, investment and cheaper arms. This endangers ties with America, which is the biggest buyer of Bangladesh's exports and was, until the Trump administration's aid cuts, one of its most important donors. The tilt to China, as well as greater chumminess with Pakistan, has angered India, too. Ties with Bangladesh's giant neighbour were improving until last summer, but are now fraying. In recent months India has cancelled a trans-shipment agreement that was benefiting Bangladeshi firms and deported Bangladeshi migrants. Now it wants to renegotiate an important river-sharing treaty.

Mr Yunus's most important task is to remodel Bangladesh's politics. That means convincing the country's quarrelsome parties to agree on new rules for elections, and much besides. Yet there are signs that politicians are running out of patience with this process. Political disagreements are spilling onto the streets. In mid-June a mob assaulted a former election commissioner accused of helping Sheikh Hasina's party, the Awami League, fix elections in 2018.

In May the interim administration made a big misstep: it banned the Awami League from politics, which will prevent it from taking part in the elections due next year. Courts are rightly prosecuting party leaders for crimes committed in office. But until recently there was hope that the rank and file would be given a chance to rejuvenate their movement.

The ruling, enacted through an amendment to an anti-terror law, is legally questionable. It reeks of the kind of dirty tricks that Bangladeshi politicians have long used to thwart their opponents. It risks throwing Bangladesh back into a cycle of retribution, in which whoever is in office uses their power to nobble challengers.

Bangladesh's leaders should unban the Awami League and let it contest a fair election. Many citizens would find that deeply unpalatable—but not everyone in Bangladesh's oldest party is tainted. The League still draws considerable support, including from minority groups. After years of dodgy elections, these voters deserve the right to make a mark for whomever they like.

The party would not win, even if allowed to campaign freely. But its presence in parliament might bolster the opposition, which would help keep the victors on their toes. Building a new Bangladesh requires reconciliation, not revenge. ■

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The new ambassadors

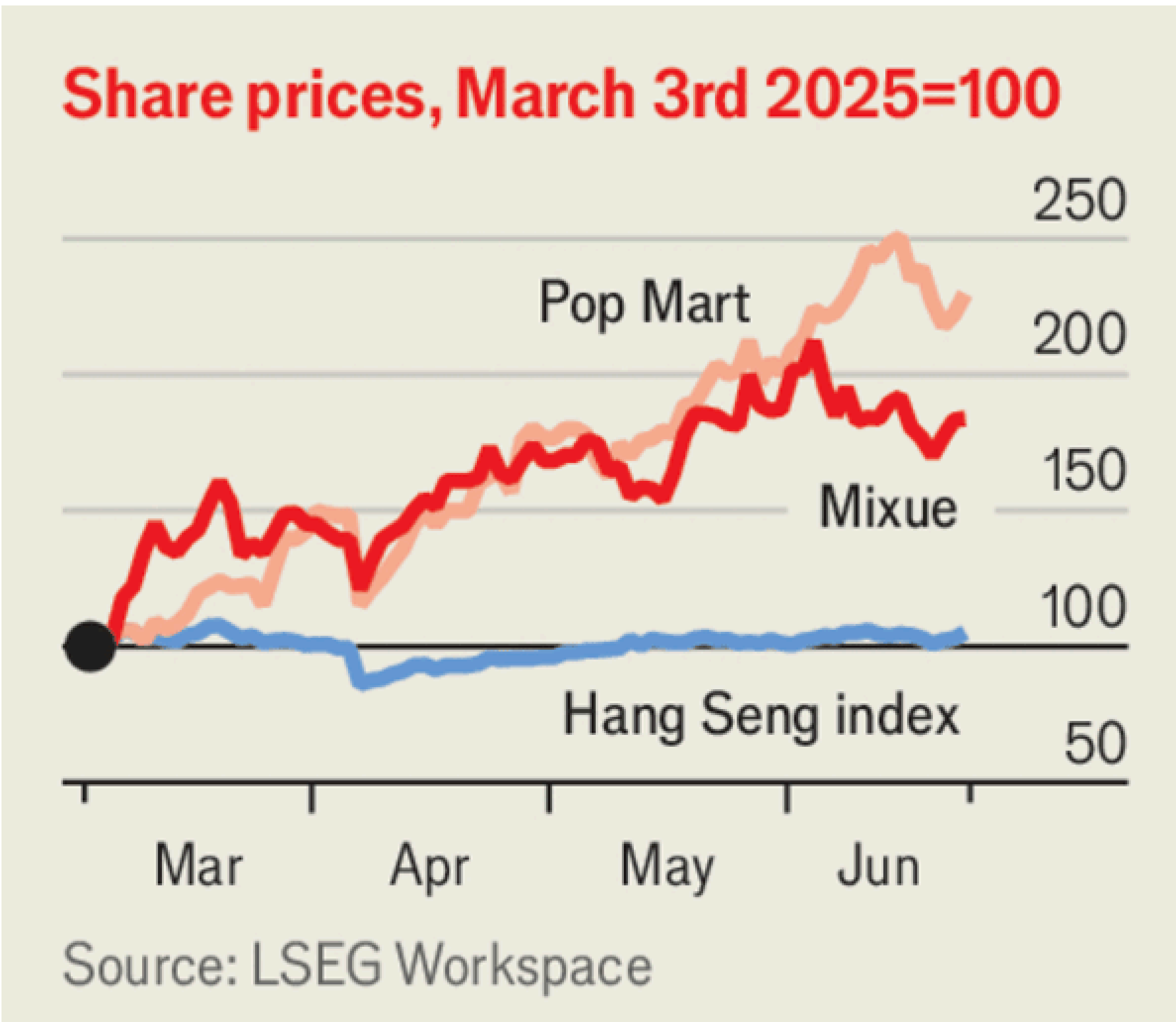
Chinese brands are sweeping the world. Good

From fast food to video games, new marques are making their mark

Jun 26, 2025 04:19 PM

ASK A WESTERNER for an example of a successful Chinese consumer-goods brand, and until recently most would have struggled. Although China is the world's premier manufacturing power, it has long lagged behind when it comes to imaginative home-grown retail brands and products, even as its factories have cranked out vast numbers of them for foreign companies. This is now changing. Innovative Chinese brands are popping up everywhere. Consumers and investors around the world stand to benefit·

From Stockholm to Sydney, the electric car gliding silently by is increasingly likely to be Chinese. Mixue, a purveyor of ice-cream and cold drinks, has dethroned McDonald's as the world's largest fast-food chain by number of outlets. It is expanding in South America, as is Meituan, a Beijing-based delivery app. Chagee, a chain of tea shops, is on track to have at least 1,300 stores outside China by the end of 2027, mainly in South-East Asia; a few years ago it had barely any. And Pop Mart, a Chinese toymaker, has created a buzz worthy of Disney around its strange grinning (or are they grimacing?) nine-toothed dolls, called Labubus. Fans include Rihanna, a pop star, and Sir David Beckham, a retired footballer.



Western shoppers have bought goods made in China for decades. But these were largely made for, and designed by, foreign firms. More recently, internet retailers such as Shein and Temu have won over customers with cheap, cheerful clothes and consumer goods, while downplaying their Chinese origins. Chinese brands were long seen as poor-quality, unimaginative and unfairly subsidised. Scandals around food safety and labour standards did not help.

New firms are now overturning those old assumptions. Many happily advertise their roots. The logo of Chagee shows a Peking Opera singer in full headdress. (The firm's name derives from "Farewell, My Concubine", a traditional Chinese opera.) "Black Myth: Wukong", one of the most successful video games ever, features the Monkey King from "Journey to the West", a 16th-century novel. Many brands now compete on quality as well as price. Chagee's drinks can be as costly as Starbucks'. Chinese EVs offer dazzling entertainment systems as well as low prices. Pop Mart's toys can cost as much as $835.

In the past, Chinese firms typically succeeded by learning to replicate Western products cheaply. Now they are accumulating valuable intellectual property of their own. And though state media outlets laud Labubus, the government does little to subsidise these new consumer firms (with the exception of electric-carmakers). Indeed, China's capital markets, which are tasked with nurturing technologies to beat America, are stacked against them. Consumer firms have received only 3% of the capital raised in listings on the mainland over the past two years. Chipmakers have taken five times as much.

The rise of Chinese consumer brands is good for shoppers everywhere: they now have a wider array of innovative products to choose from. Investors, too, should welcome the sight of oddly mesmerising dolls and the taste of red-bean ice-cream. Investing in Chinese technology companies has long been politically hard because of security worries on both sides. If DeepSeek, China's breakthrough AI firm, were to go public, American investors would be unlikely to get a piece of the action. And TikTok is still stuck in legal limbo. But handbags and hot drinks are harmless. Even as the trade war erupted in April, Chagee went public in New York, raising more than $400m to fuel its global expansion. Many more brands have listed in Hong Kong, or plan to do so.

Western firms will have to wake up and smell the bubble tea. Within China, the premium that foreign brands command simply for being foreign is eroding. In the future they will need to try harder to understand Chinese customers' particular tastes. Some may even do deals with inventive Chinese partners, to gain insight and inspiration. These are still early days for Chinese marques' foray into global markets. But Chinese carmakers are already forcing Western rivals to reconsider their strategies. And competition from China may eventually push Disney, Mattel and other Western mega-brands to new heights of creativity. Chinese brands' westward journey, like the Monkey King's, could bring lavish rewards. ■

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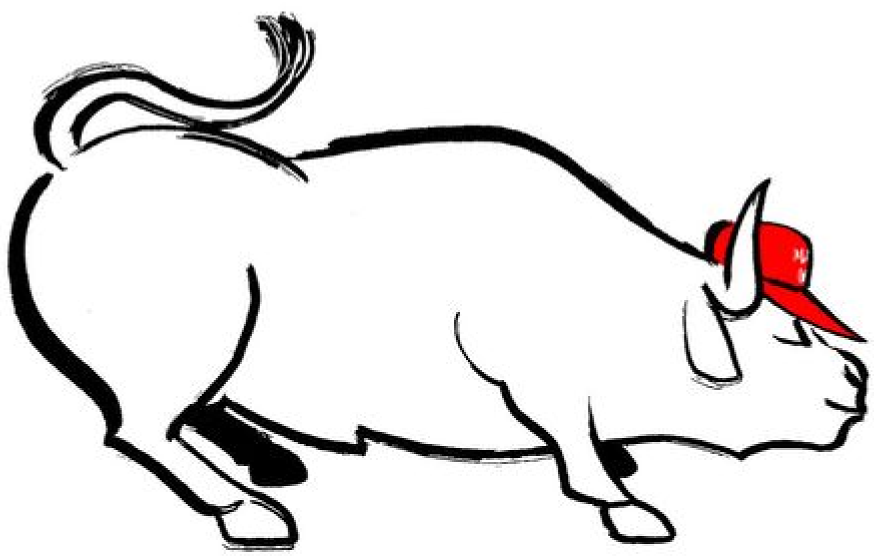
A selection of correspondence

A closer look at American finance

Also this week, Ireland’s tax regime, deep-sea mining, cyclists, opera, Britain’s political class

Jun 26, 2025 12:54 PM



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Financial points

Your special report on American finance (May 31st) overlooked three crucial points. First, leverage, or the ratio of a firm’s assets to its equity capital. It can amplify shocks and create vulnerabilities in the financial system. Banks are typically leveraged 10 to 12 times, whereas much of the institutional private-credit market is unleveraged. Business development companies operate with roughly 1.5 times leverage; insurers, six to eight times. When credit shifts away from banks, systemic risk typically falls.

Second, resilience. The sharpest rise in interest rates in nearly half a century felled Silicon Valley Bank and other lenders, prompting a de facto blanket guarantee of all American deposits. While banks retrenched, private credit provided 85% of financing for buy-outs in the following year. This real-life stress test suggests that a more diversified financial ecosystem can also be a more robust one.

Third, duration. Financing the trillions needed for digital and energy infrastructure demands long-term capital. As the "boundary" of what banks can provide got moved, investors needed to pick up the slack. Insurers, with long-term liabilities, are well suited to the task. They now account for 43% of private credit assets managed by leading firms. This can reduce systemic risk, and, in some ways, this represents a return to an older, less bank-centric, financing model.

As Charles Goodhart taught me: "When central banks overlook financial frictions, their policies lose traction." That does not mean going soft on new intermediaries. Rather, it means keeping a weather eye on how their size, evolution and connectedness could start to pose systemic risk. Private credit today, in my view, is not one of them.

Huw van Steenis
Vice-chair
Oliver Wyman
London

The emerald tiger

Charlemagne took an oversimplified view of Ireland's corporate-tax regime (June 14th). It operates transparently within the EU and OECD frameworks. To paint this as a fiscal fantasy land, where "accountants as versed in the arts of surreal creativity as James Joyce" magic away profits, ignores the very real industrial footprint of foreign firms in Ireland, the many attractive attributes Ireland uses to tempt foreign capital and the competitive environment that small countries are forced to navigate. Apple, Microsoft and Pfizer, to name a few, don't just book profits, they employ tens of thousands of people, fund infrastructure and contribute substantially to public finances.

Yes, Ireland's GDP figures are distorted by multinational activity, a fact that Irish institutions openly acknowledge and work around using alternative measures like GNI. But to reduce Irish economic success to mere "tax shenanigans" is to ignore decades of sound policy. Ireland didn't accidentally strike oil. It cultivated a climate of openness and credibility that attracted investment others failed to secure. Rather than scorn, this should invite thoughtful debate about global tax reform, a debate that recognises the agency of small countries, not just the grievances of superpowers.

Fergal Scully
Dublin

Deep-sea mining

Leticia Carvalho, the secretary-general of the International Seabed Authority, rightly underscored the importance of governance in deep-sea mining (By Invitation, June 10th). But although the ISA and its member states have rushed to reaffirm their commitments to the United Nations Convention on the Law of the Sea and multilateralism in public, many acknowledge a stark reality in private: commercial industry is not welcome at the ISA.

Deep-sea minerals are not only essential to clean energy. They are foundational to national defence, supply-chain security and industrial resilience. With American companies and agencies having pioneered technology trials and environmental studies in the 1970s and 1980s, America is right to reassert its leadership in this exciting industry, especially as geopolitical tensions expose the risks of relying on land-based supply in adversarial hands.

Having taken the American rulebook as its starting point, the ISA has since spent decades arguing over the details, with no end in sight. Delay doesn't protect the ocean. It protects vested interests, all but ensuring China's dominance on this new frontier. President Donald Trump's executive order enabling deep-sea mining reflects a call for action, not isolation, supported by robust, transparent and enforceable rules that will ensure this resource is developed responsibly.

If America's allies hope to play a meaningful role in shaping this critical industry, they must move beyond platitudes and virtue-signalling and commit to real, enforceable rules. The opportunity is vast. We hope to see you out there.

Gerard Barron
Chairman and chief executive
The Metals Company
Vancouver

London's cyclists ignore the rules

It is encouraging to see bicycles overtaking other modes of transport in London with many benefits for all Londoners, whether riders or not ("Two-wheeled agglomeration", May 24th). Yet one disadvantage remains: many cyclists ignore red traffic lights, so that crossing a road in London is now like the Wild West for pedestrians, having to dodge danger from all sides. This behaviour seems to be worse from cyclists who rent their bicycles through one of the various app services on offer.

There is a simple solution. Transport for London should require the apps to monitor their rider behaviour, either with reference to red lights being jumped, or speed relative to other riders or indeed a simple average speed. Rising above a certain speed could indicate that the cyclist did not stop for red lights or pedestrian crossings. The apps would then have to pay TfL a charge calculated on the number of offending riders. The apps would recoup the charge from the cyclist, similar to how dynamic pricing works, or the cyclist could get a reduced star rating.

That would benefit all Londoners, whether mothers with strollers, tourists admiring Big Ben as they cross from Parliament Square, City workers dashing from Tube to office or hospitals patching up the broken bones that you mentioned.

Jeb Clulow
London

Saintly advice

You remarked on how a political strongman can promise to keep us safe from criminals by suspending the rule of law, which leads to there being no rule of law to keep us safe from him ("A dictator's progress", May 31st). This is best captured in "A Man for All Seasons", in which Thomas More warns about the dangers of abolishing laws, even in order to get at the Devil: "And when the last law was down, and the Devil turned round on you, where would you hide, the laws all being flat? This country is planted thick with laws, from coast to coast…and if you cut them down…do you really think you could stand upright in the winds that would blow then?" Likewise, Cicero wrote, "We are slaves to the laws so that we may be free."

Philip Green
Nobel, Canada

Culture has no borders

You wrote about the Haskell Free Library and Opera House, which straddles the border between Canada and the United States ("Elbows up, library cards out", May 31st). For many years I was a member of a Gilbert and Sullivan troupe in Montreal and we would sometimes take our show to the Haskell opera. It was fascinating to be on the stage in Canada performing to the audience in the United States. Many people do not know that the opera house and library were a gift from Martha Stewart Haskell and dedicated to her late husband. It was built across the border on purpose so that people in both countries might enjoy the fruits of education and entertainment.

I have a funny story about the lead soprano during a performance of "The Pirates of Penzance" we did there. But that's another tale.

David Langlos
Russell, Canada

Ain't wastin' time no more

Hit songs are getting shorter, you report ("Stay tuned", June 7th). Anyone who misses longer songs could do worse than listen to the Allman Brothers live album from 1971 (yes, I have it on vinyl), "At Fillmore East". The average playing time for the seven songs is over 11 minutes, with two, "You Don't Love Me" and "Whipping Post" reaching over 19 and 23 minutes. It's a refreshing change from tunes that seem to be over before you've had time to settle down with them to just enjoy the music.

Robert Checchio
Dunellen, New Jersey

The impetus to shorten songs has been around at least 50 years. Released in 1974, Billy Joel sang in "The Entertainer":

That was a reference to his label's consternation over his "Piano Man" single from 1973, which ran for four and a half minutes. The label issued an additional radio edit that ran for, you guessed it, 3:05.

David Tice
Round Hill, Virginia

Led by donkeys

Forget Mondeo Man, Bagehot has just identified the next group of disaffected voters in Britain who will decide the next election, the unapologetically middle-class campaigners (May 31st). They should be dubbed the Chardonnay Che Guevaras. Sip, rage, repeat.

Lucy Beresford
London

By Invitation

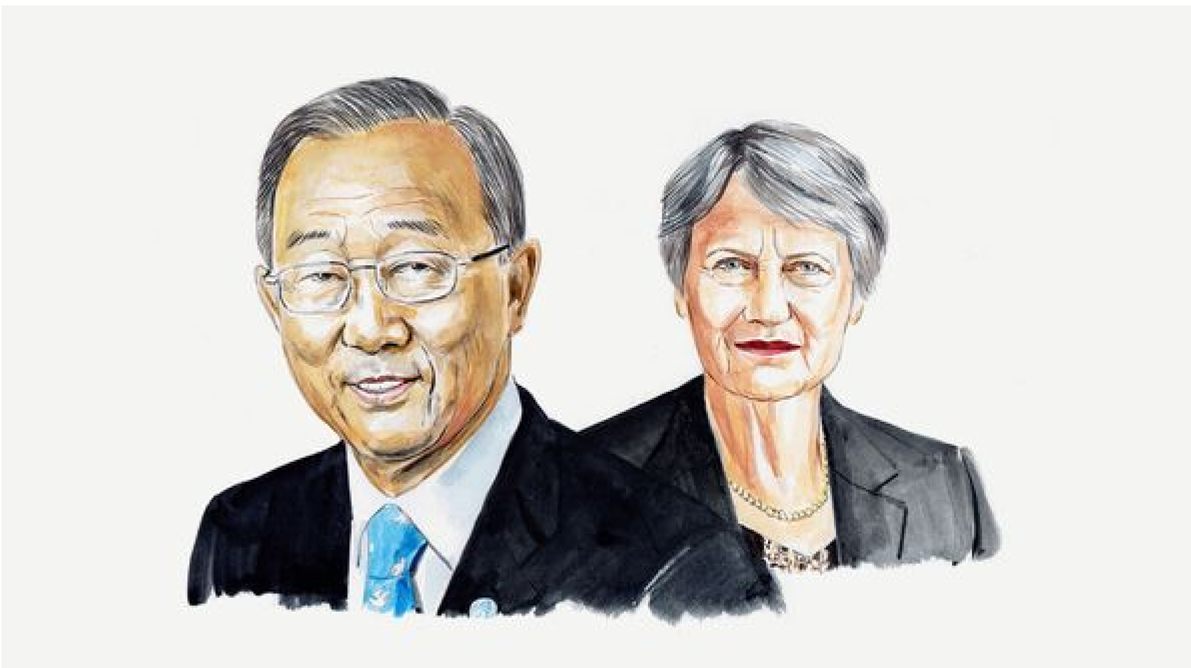
- **The UN's dysfunction undermines global security, argue Ban Ki-moon and Helen Clark**
  Big powers and the United Nations :: The organisation should not be held hostage by a few powerful states

Big powers and the United Nations

The UN’s dysfunction undermines global security, argue Ban Ki-moon and Helen Clark

The organisation should not be held hostage by a few powerful states

Jun 26, 2025 12:44 PM



WHEN THE Charter of the United Nations was signed, 80 years ago this week, President Harry Truman emphasised that the document’s value lay only in the will of governments to use it. “The job”, he said, “will tax the moral strength and fibre of us all.”

That was perhaps more evident in 1945. Today, we seem to have forgotten what is required for multilateralism to function—and why. Opting for peace over war may seem obvious. But it took the horror of two world wars to find agreement on how to maintain that peace.

In the post-war era, countries did exert their moral strength, to varying degrees, to co-operate in building a world of much greater peace, security, prosperity and respect for human rights. That world is far from perfect but much progress has been made.

Conflicts continue, but there has been no third world war. No nuclear weapon has been used in conflict since 1945. Even at the height of the cold war, countries came together to eradicate smallpox. In 1987 the Montreal Protocol was adopted, reversing the destruction of the ozone layer. Multilateral initiatives have helped reduce the number of children dying before their fifth birthday by 60% since 1990. The hard-fought promotion and protection of rights—particularly those of women—has transformed lives everywhere. And more recently, in 2015, the Sustainable Development Goals and the Paris agreement on climate set out agendas to end poverty for good and protect the planet.

These achievements are worth celebrating. Yet we find ourselves at a juncture at which celebration would feel absurd. The UN is slipping into dysfunction as some of its traditional champions, notably the United States, retreat from multilateral co-operation, cut funding and disregard the rule of law when it suits them.

The absence of Truman's "moral strength" is nowhere more glaring than at the UN Security Council. Largely due to its veto-wielding five permanent members, the council has failed to prevent many conflicts over the decades. Worse still, its permanent members have been directly involved in several of those conflicts, from Iraq to Ukraine and beyond. Today, the council stands paralysed to prevent genocide in Gaza. It faces a further test in responding to the Israel-Iran crisis.

It is thus unsurprising that global public opinion of the wider UN is deteriorating. Having served the organisation at its highest levels, we understand these concerns. We know the UN needs reform, and we know how difficult that can be. But its strongest critics are sometimes those who make both its effectiveness and its reform most difficult: its member states.

We are acutely aware of the UN's overreliance on powerful states, the consequences of which are devastating. This is just as much the case for sustainable development or human rights as it is for peace and security. The world must seize this moment of crisis to reorient the UN away from the preferences of a minority and towards better serving all states. The organisation does not have to be held hostage by a few countries—especially those that refuse to pay their dues or fail to show up.

In fact, there are many recent achievements showing that international agreement can be found with or without particular countries. Last month the World Health Assembly adopted a historic "Pandemic Agreement", a feat of determination by governments committed to multilateral co-operation (which remains the majority). The World Intellectual Property Organisation has adopted two treaties over the past year after decades of obstructionism. A resolution paving the way towards a global treaty on crimes against humanity was finally adopted in November, despite repeated attempts at derailment by Russia. The Pact for the Future agreed by the UN General Assembly last September, which faced similar challenges, holds enormous potential for multilateral action on issues ranging from AI governance to climate.

Perhaps most urgently, momentum has been building towards Security Council reform in recent years, with the Pact for the Future committing countries to its expansion—a process that must be led by the General Assembly, not the council itself. Successful expansion of the council in the 1960s shows that reform is possible.

In parallel, the UN secretariat needs to restore its critical role in mediating crises. Member states must support this role, rather than buying into a free-for-all where regional and global powers set the terms of political settlements. The stakes are high. A world war today could lead to the end of humanity, yet the states able to reduce nuclear risks are expanding their arsenals and eroding the taboo against nuclear use through the exchange of barely veiled threats.

We also believe that the next UN secretary-general must be a woman. A continuing succession of men at the top is counterproductive to what the organisation is seeking to achieve. Sharing power and responsibility between men and women is crucial to a stable and united future.

Alongside meaningful UN reform, there is also widespread support for transforming the international financial architecture. Urgent consideration must be given to equitable global tax reform, the alleviation of crippling debt and new approaches to financing global public goods.

The case for an improved UN is clear. But a rushed reform process that is driven by funding cuts rooted in ideological distaste for the principles of the UN will not improve the organisation, or the world.

As the second secretary-general, Dag Hammarskjöld, said, the UN "was not created in order to bring us to heaven, but in order to save us from hell". It was born from a global yearning to counter destructive authoritarianism. It is unsurprising that in today's world certain leaders want to see the UN on its knees, and to shrug off what they see as the tedious constraints of the rule of law. For others, this is a moment that demands their moral strength and fibre. Without it, we risk a world of unchecked power, unprecedented conflict, repression, disease, famine and poverty—a world which would be unrecognisable even to Truman in 1945.■

Ban Ki-moon was secretary-general of the United Nations from 2007 to 2016. Helen Clark was prime minister of New Zealand from 1999 to 2008 and head of the United Nations Development Programme from 2009 to 2017. Both are members of The Elders.

For another perspective on the challenges facing the UN as it turns 80, read the guest essay by Thant Myint-U.

Briefing

Settling dust, swirling questions

Israel's war with Iran is over

But its impact is uncertain

Jun 26, 2025 05:05 PM | Dubai

ACEASEFIRE AGREEMENT rarely surprises the countries that are supposed to cease firing. But that is what happened in the middle of the night on June 23rd, the 12th day of a war between Israel and Iran. Donald Trump announced the end of the war on social media (where else?), saying that the combatants had begged him to make peace. His announcement seemed to catch both Israel and Iran off-guard; they took hours to confirm the news.

Earlier that day the Middle East had been bracing for wider conflict. Iran had warned it would retaliate for American strikes on June 22nd, which had targeted three of its nuclear facilities. America's allies in the Gulf feared they would be the target. But the response, when it came, was largely symbolic: a barrage of missiles fired at al-Udeid air base in Qatar, with plenty of advance warning for both Qatar and America (which uses the base). No one was hurt.

Read all our coverage of the war in the Middle East

Still, it gave Mr Trump a final impetus to end the war. He called Binyamin Netanyahu, Israel's prime minister, and told him that he would soon announce a ceasefire. Having enlisted America's help to strike Iran, Mr Netanyahu was in no position to refuse. Mr Trump asked Qatar to convey the proposal to Iran. The emirate found itself in the odd position of playing mediator with a country that had just bombed it. Iran was quicker to accept: it was being battered. Despite some early violations, the deal seems to be holding. Mr Trump declared on June 25th that America and Iran would meet for talks "next week".

Everyone involved in the conflict can claim to have achieved their main goal. Israel did real damage to Iran's nuclear and ballistic-missile programmes, the stated aims of the war. The Iranian regime survived, weakened but intact. Mr Trump dropped his big, beautiful bombs without getting sucked into a long and unpopular conflict. And Gulf states avoided their nightmare scenario of a destructive Iranian attack on their soil.

Reset or respite?

The question now, though, is how long any of them can preserve those accomplishments. There is a hopeful scenario in which Mr Trump's truce leads to serious diplomacy and lasting calm. More likely, though, it sets the stage for further conflict between America, Iran and Israel.

For now, the Iranian regime is relieved that the fighting is over. It suffered heavy losses in 12 days of war. Israel assassinated the top echelon of its armed forces, including the head of its missile programme and the commander of the Islamic Revolutionary Guard Corps (IRGC), its praetorian guard. Israeli jets knocked out scores of Iranian air-defence batteries and perhaps two-thirds of its ballistic-missile launchers. More than 600 people were killed, including many civilians.

It is hard to assess the damage to Iran's nuclear programme. Both Israel and America bombed uranium-enrichment sites at Fordow and Natanz and a third facility near Isfahan. But it is not clear how severe the destruction is· and how much nuclear equipment Iran might have stashed elsewhere.

Iran was unable to fight back effectively. It did not down a single Israeli jet (though it did destroy a couple of drones). Of the 532 ballistic missiles it fired at Israel, just 31 hit populated areas; the rest were intercepted, misfired or struck deserted parts of the country. Its barrages killed 28 people and destroyed scores of buildings. But they failed to hit the sorts of strategic targets, such as air-force bases, that might have hindered Israel's war effort. Nor were its proxies much help. Hamas and Hizbullah, Iranian-backed militias in Gaza and Lebanon respectively, had already been smashed in their own wars against Israel.

Still, Israel's short-term success belies an enduring conundrum: how can it preserve these gains? Iran will seek to rebuild its conventional arsenal, and probably its nuclear programme as well. It cannot do so overnight, of course. Sanctions make it hard to import weapons and the components to build them. Russia, its main air-defence supplier, does not have batteries to spare. Israeli spies will keep close watch on Iran's nuclear project. In time, though, the threat will inevitably grow.

One option for Israel is to pursue the sort of maximalist policy it has adopted in Lebanon and Syria. It agreed to a ceasefire with Hizbullah in November but has continued regular sorties against the group, which the Lebanese government is powerless to prevent. In Syria, Israel conducts air strikes every few weeks against different armed groups; it has also occupied a swathe of land in southern Syria and courted the Druze, a minority group, as a local proxy. Any stirring of a potential threat in either country is met with force.

This approach would not be sustainable with Iran, a huge country more than 1,000km away. The war, which saw Israel conduct roughly 100 missions a day, was an enormous strain on its air force—and a burden on its treasury, too. To fight at such a tempo for a year would have cost about 20% of Israel's GDP, based on estimates from government economists. America helped underwrite the cost but might tire of constant war in the Middle

East. Mr Netanyahu claims Israel has “placed itself in the first rank of the world’s major powers”. But a country of just 10m is not big enough to act as a permanent hegemon in the Middle East.

The other option is diplomacy: having battered both Iran and its proxies, Israel can negotiate from a position of strength. Two weeks ago Israel and Hamas were close to agreeing on a ceasefire that would have paused that war for at least 60 days and perhaps led to a lasting truce. With Iran reeling, Israeli officials hope Hamas has been deprived of its main backer; perhaps it will be more willing to offer concessions. Other deals are possible too. Syria’s new government is willing to discuss peace, if not full recognition of Israel.

Diplomacy with Iran is even trickier. The Islamic Republic will not negotiate with Israel. But Israeli security officials recognise that the ceasefire will be short-lived without an agreement that puts strict limits on Iran’s nuclear and missile programmes. Mr Trump sounds diffident about replacing the deal he ripped up in 2018. It would probably take months of haggling. It would also require concessions from Iran—which its regime has so far shown no signs of making.

For now Iran is keen to project an aura of strength. It organised rallies on June 24th to celebrate its “victory” over Israel (turnout did not seem overwhelming). This is only a façade: penetrated at the highest levels by Israeli intelligence, the regime is paranoid. It has already rounded up hundreds of alleged Israeli spies. At least six have been executed.

Ali Khamenei, the supreme leader, is 86. There was speculation even before the war about who his successor should be and how the balance of power between clerics and military men might shift. The events of the past two weeks have heightened the IRGC's ascendance. Isolated for his own safety, Mr Khamenei delegated decision-making to a new council, or *shura*, dominated by the Guards. "The country is in effect under martial law," an observer opined during the war.

A year ago the regime was rocked by infighting. Businessmen, military professionals and ideologues battled for supremacy. Hardliners chased pragmatists from state institutions. Rival factions blamed each other for the death of Ebrahim Raisi, the president, in a mysterious helicopter crash in 2024. The war has helped the elite coalesce against a common enemy.

It has also overridden popular hatred of the regime, at least temporarily. No one responded to calls from Mr Netanyahu and Reza Pahlavi, Iran's would-be king, for a popular uprising. Early admiration for Israel's military prowess turned to outrage as its targets widened and the death toll mounted. Political prisoners, mothers of executed protesters and exiled pop stars all called on Iranians to rally to their country's defence. "It's backfired on Bibi," says a dissident former official, using Mr Netanyahu's nickname.

Rallying or reeling?

But the rally-round-the-flag effect may be short-lived. This is not the 1980s, when an invasion by neighbouring Iraq triggered an existential war that helped the nascent Islamic Republic consolidate power. The regime chose to embark on a long confrontation with Israel, a country with which it has no natural disputes. It spent tens of billions of dollars preparing for war, only to be humiliated when the war finally came.

That will probably leave Iran's regime weaker, not stronger. Some Iranians hope that it will slowly collapse in the coming months, as even its supporters lose faith. It could also try to ensure its survival by conceding: a deal with America could end both Iran's economic isolation and the threat of future Israeli attacks.

More likely, though, is that Iran's paranoid, humiliated leaders will cling both to power and to their nuclear programme. Even if Iran does not withdraw from the Non-Proliferation Treaty (NPT), a clear sign of hostile intent, it may reduce its already less-than-stellar co-operation with the UN's nuclear watchdog. Mr Trump was quick to insist that America's strikes had "totally obliterated" Iran's nuclear sites. If the coming months prove him wrong, dealing with the continued threat will require a lasting American commitment.

Some fear that Mr Trump is not up for that—that he will tire of the region's internecine feuds. "We basically have two countries that have been fighting so long and so hard that they don't know what the fuck they're doing," he told reporters on June 24th, as he tried to cajole Israel and Iran into abiding by the ceasefire.

Others in America fear the opposite scenario: they see a parallel with the aftermath of the first Gulf war, in 1991, when America expelled Saddam Hussein's invading forces from Kuwait but left him in power in Iraq. Instead of toppling him, it sought to hobble his regime through sanctions, a no-fly zone and periodic bombing raids. In the end an exasperating decade of attempted containment simply proved a long prelude to the invasion of 2003.

Mr Trump insists he will not get sucked into any more "forever wars". No one in Washington is talking about sending troops to Iran. But America's interventions in the Middle East often become mired. Ronald Reagan's peacekeeping mission in Lebanon prompted suicide-attacks on the American embassy and a Marine barracks in 1983. Barack Obama's air campaign in Libya in 2011 caused a still-unresolved civil war. Iran, for its part, has tormented America since the days of Jimmy Carter, when Islamic revolutionaries took staff at the American embassy hostage for over a year.

To avoid that, Mr Trump will have to negotiate. The most convincing deal would start with Iran forswearing the enrichment of uranium and surrendering its stock of highly enriched material. But Iran has always insisted that enrichment is its right. Mr Trump may find that his blandishments about trade and moneymaking—he wants to turn Iran into a "successful country"—fail to tempt the regime's hawks. The harder he pushes for a zero-enrichment deal, the harder it may prove to persuade them.

Mr Trump has already hinted at more American attacks, should Iran resume its nuclear programme or fail to conclude a deal. America has in effect made itself a cobelligerent with Israel. Even if it delegates the task of suppressing Iran's missile and nuclear programmes—at which Israel has shown exceptional skill—it would still have to provide constant support and weapons. It could be called on to defend Israel and the Gulf and to send bombers back to hit targets beyond Israel's reach.

Some of Mr Trump's own strategists have balked at diverting aircraft carriers, planes and air defences to the Middle East. The administration's own interim defence strategy says America's top priorities are to defend the homeland and prevent a Chinese invasion of Taiwan. The president can mollify his followers if he can show that a short, demonstrative burst of force can yield results. But a prolonged stand-off, let alone a renewed conflict, would be bad for business—not only for Mr Trump, but also for America's closest Arab allies.

The time for war is over, the president says

They have little love for Iran. Gulf countries, in particular, mostly see it as an imperious bully: it has attacked Saudi oilfields, sabotaged ships in Emirati ports and armed the Houthis, a Shia militia in Yemen. The Gulf countries opposed the initial nuclear deal with Iran because it said nothing about such activities; they would cheer a new agreement that limited Iran's missile programme or its support for proxies, to say nothing of the emergence of a new, less ideological regime.

Yet the prospect of a prolonged conflict between America, Iran and Israel makes them nervous. The six members of the Gulf Co-operation Council (GCC), a club of petro-monarchies, pride themselves on stability. Expats move to cities like Dubai and Doha because they are safe. Saudi Arabia is in the middle of an ambitious push to diversify its oily economy, which involves convincing investors that the kingdom is an oasis in a chaotic region.

The events of the past two weeks have dented that image. Expats debated what to do if nuclear fallout crossed the Gulf, or whether it was safe to get on planes with all the ballistic missiles zooming around the region. Scenes of panicked shoppers running through a mall in Qatar during Iran's attack on al-Udeid may have seemed almost comical to Iranians or Israelis, who endured far more terrifying missile strikes during the war. But they deeply unnerve the Gulf's royals. Iran settled for a symbolic attack this time; it may show less forbearance in future.

Some policymakers in the Gulf are starting to reassess their view of Israel. In 2020 the United Arab Emirates (UAE) signed the Abraham accords, an agreement to recognise the Jewish state. Bahrain followed suit weeks later. Saudi Arabia has not yet established formal ties but has maintained close unofficial contacts with Israel for more than a decade. All three saw a relationship with the region's strongest military power as a force for stability.

Pillar or provocateur?

It is starting to look as if the opposite is true. Israel convinced America to bomb Iran over the Gulf states' strong objections. It has refused to end the carnage in Gaza, a source of widespread anger across the Arab world. It seems to be a destabilising force in Syria. Lindsey Graham, a Republican senator close to Mr Trump, has mused that the American strikes on Iran could pave the way for Saudi Arabia to recognise Israel. In fact, overt ties with Israel may look riskier at a time when Israel's conflict with Iran is intensifying.

Always besotted with branding, Mr Trump was quick to dub this the “12-day war”. The name seemed an allusion to the six-day war in 1967, which saw Israel thrash the combined armies of four Arab states. In hindsight, the latter was a decisive moment in the modern Middle East—the beginning of the end of the Arab-Israeli conflict. But it took 12 years, and another war in 1973, before the consequences became clear, with Egypt and Israel signing a peace treaty.

What happens in today’s Middle East is equally hard to predict. The shadow war between America, Iran and Israel is over: they have shattered the taboo on direct conflict. Iran could take this moment to shed its revolutionary fervour. A serious nuclear deal would remove the threat of a future attack. It would also mollify the Gulf states. Along with a ceasefire in Gaza, a new Israeli government and a serious effort to end the conflict with the Palestinians, it could lead to regional normalisation. The Middle East can focus on “commerce, not chaos”, as Mr Trump pledged in a speech in Saudi Arabia last month.

Events in the region are rarely so neat, however. A less hopeful scenario is that Iran goes back to its old habits: shorn of other forms of deterrence, it uses negotiations to buy time to rebuild its nuclear project. Israel and America will have to decide how to contain it, which will require focus from an unfocused Trump administration. The Gulf countries will hunker down and try to avoid the consequences. Perhaps in time Iran’s regime will moderate, or wobble—or perhaps this will prove the moment when it decides to embrace its pariah status and build a nuclear bomb. ■

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Obliterated or simply obscured?

How much did America's bombs damage Iran's nuclear programme?

Assessments vary wildly and it is impossible to know for sure

Jun 26, 2025 12:58 PM

"OPERATION MIDNIGHT HAMMER", as America called its strike on Iran on June 22nd, was a vast raid involving more than 125 military aircraft. It was the largest-ever strike by B-2 stealth bombers and the first use in battle of the GBU-57, America's largest bunker-buster bomb. Seven bombers flew east over the Atlantic from Whiteman air-force base in Missouri on the 37-hour mission to Iran and back, helped by in-flight refuelling tankers and fighter jets to sweep the skies ahead of them. Decoy planes flew west over the Pacific to confuse anyone watching air deployments. Dozens of Tomahawk cruise missiles were also fired at Iran from submarines. The operation's scope and scale would "take the breath away" of most observers, boasted Pete Hegseth, the defence secretary. But how much damage did it actually do to Iran's nuclear programme?

Donald Trump declared that the three facilities targeted had been "totally obliterated". But on June 25th several American media outlets published details of a much more sceptical take from the Defence Intelligence Agency (DIA), which reportedly concluded that the American and Israeli strikes set Iran's nuclear programme back by months, rather than years. The centrifuges Iran uses to isolate the uranium isotope needed for bomb-making were largely "intact" and the country maintained other secret facilities that "remain operational", according to CNN's account of the report. "Much" of Iran's stockpile of near-weapons-grade uranium had been moved before the strikes and so remains intact, the *New York Times* relayed. To quell the ensuing uproar, both Tulsi Gabbard, the director national intelligence, and John Ratcliffe, the head of the Central Intelligence Agency, issued statements insisting the targeted sites had been "destroyed".

Boom or bust?

The B-2s dropped 14 GBU-57s on buried nuclear sites at Natanz and especially Fordow, which Mr Trump described as the "primary" target. The Tomahawks struck Isfahan, a complex of facilities where Iran turns uranium metal into a gaseous compound and back, makes centrifuges and may have stored much of its stock of highly enriched uranium (HEU), meaning it has a high proportion of the fissile isotope. The UN's International Atomic Energy Agency (IAEA) estimates that Iran had 400kg of uranium of 60% purity, a short hop to weapons-grade (usually 90%). That would be enough for ten bombs.

Read all our coverage of the war in the Middle East

Before the strikes Western officials disagreed about whether even the GBU-57, or "massive ordnance penetrator" (MOP), would do much damage to Fordow's deeply buried chambers. It can burrow through 60 metres of ordinary concrete, but only a lesser depth of reinforced concrete.

Repeatedly striking the same spot allows it to penetrate deeper. Satellite images of Fordow released by Maxar, an American firm, after the bombing raid show a series of craters on the mountainside.

David Albright, a former IAEA inspector who now leads the Institute for Science and International Security, a think-tank in Washington, argued prior to the war that Fordow was “more vulnerable than people realise”. Israel had detailed knowledge of the building’s designs, he noted, including knowledge of the tunnels: “where they start, how they zig and zag, where the ventilation system is, the power supplies”. The site had only one ventilation shaft; destroying that, he argued, could put Fordow out of action for “a few years rather than a few months”. Moreover, even if the bombs did not demolish all of the Fordow complex, the powerful blasts might nonetheless have damaged or destroyed much of the machinery inside.

There are other reasons to question the DIA’s pessimism. Its analysts themselves labelled their report “low-confidence”, meaning that its credibility is “questionable”, it is “poorly corroborated”, or there are “significant concerns” with the source. It is reportedly based solely on satellite images and intercepted communications. As new information comes in, American spies’ assessment is likely to change. On June 24th Mr Albright noted that new evidence, which arrived after the completion of the DIA’s report, suggested that “more enriched uranium stocks are in the rubble than believed just yesterday”. He says that Iran is likely to have lost close to 20,000 centrifuges at Natanz and Fordow, creating a “major bottleneck” in any renewed effort to build a bomb.

Fordow was originally a secret project, revealed by Western countries in 2009. The question now is whether Iran has other intact secret facilities and a sufficient stock of HEU hidden away with which to restart the programme away from prying eyes. Iran has threatened to withdraw from the Nuclear Non-Proliferation Treaty. If it does so, IAEA inspectors would have no way to observe Iran’s future nuclear work. Nevertheless, Israel’s spies have displayed an extraordinary ability to penetrate Iran’s nuclear enterprise and security forces, and have repeatedly assassinated nuclear scientists and generals.

The Iranian project has been much more extensive and dispersed than the efforts of Iraq and Syria, whose reactors Israel bombed in 1981 and 2007 respectively. “Will this look more like Syria 2007—where a nuclear programme was decisively ended—or Iraq 1981, where nuclear ambitions were strengthened, and repeated intervention was required?” asks Nicholas Miller, a non-proliferation expert at Dartmouth College. “Assuming the current regime stays in power in Iran, my money is on the latter.” ■

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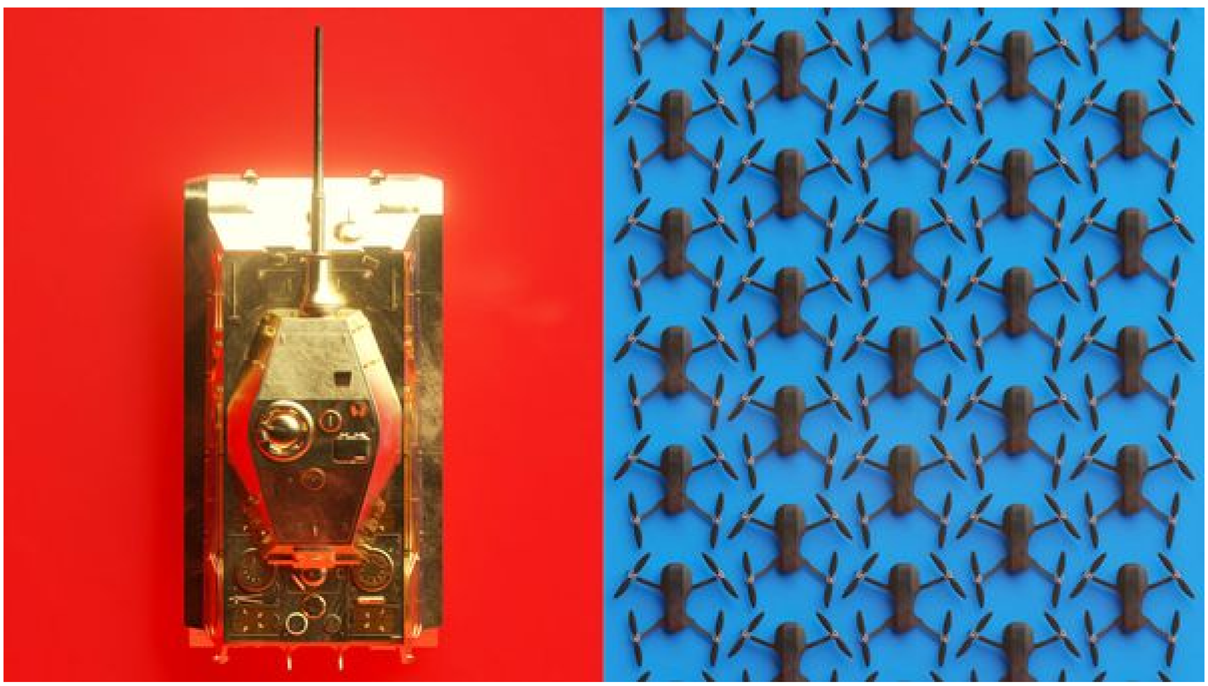
Complex post-industrial military

The war in Ukraine shows the West can re-arm without re-industrialising

Industrial capacity in peacetime is no longer necessary for success during war

Jun 26, 2025 12:59 PM | KYIV



INSIDE THE Joint Systems Manufacturing Centre (JSMC) in Ohio, America's main factory for armoured vehicles since 1942, the production line for the latest version of the Abrams tank snakes back and forth across the factory floor. America no longer makes completely new ones. Instead the plant refurbishes stripped-back hulls and turrets from old models, which are kept in storage in Alabama. Every few days, a frame shuffles a few metres forwards, and a new worker begins painstaking labour on the world’s most advanced tank. Each refit takes roughly two years. Poland ordered a big batch of Abrams tanks from JSMC in 2022, less than six weeks after Russia invaded Ukraine. It is still waiting for most of them.

This agonisingly slow approach is a long way in both geography and conception from the offices of a maker of advanced drones in the suburbs of Kyiv, Ukraine’s capital. Every few months the firm (which did not want to be named) designs a new model that takes four weeks to come to life in facilities that are more like spiffy garages than factories, spread hundreds of kilometres apart to avoid presenting too tempting a target to Russian air strikes. The firm makes twice as many machines as JSMC each month.

The idea that their defence industries are too slow and too small haunts Western governments. Received wisdom holds that, at least since the Napoleonic wars, protracted, high-intensity conflicts are always won by the country with the greater production capacity. Should America end up in a long war with China over Taiwan, they ask, or should NATO have to fight off another Russian invasion of a European country, would either be able to keep up with their adversary’s war machine? The conviction is growing that many strategic industries will have to be preserved and nurtured to maintain the West’s military might. But the examples of the lumbering JSMC and the nimble Ukrainian firm show how misguided such thinking is.

War transforms economies. The sudden, urgent need to produce more and better weapons helps conjure up new industries overnight. The pressure diverts much of a country’s labour and capital, forcing manufacturers to operate in new ways. Industrial innovation eventually reconfigures the battlefield. In 2022 the Ukrainian navy consisted of a single major warship, powerless against Russia’s formidable Black Sea fleet. Ukraine did not have the industrial capacity, much less the time, to start building frigates and destroyers. Yet its home-made naval drones have managed to sink enough Russian naval vessels to send the rest to cower in distant harbours.

America’s defence industry is much smaller than it once was. It still accounts for 43% of the total value of weapons exported globally each year (China’s makes up just 6%), but it no longer churns out the same mass of materiel that was needed to sustain military operations from the 1940s to the 1960s. Instead, the American defence industry makes relatively small numbers of the world’s most sophisticated and expensive military machines. In 1956 the American air force had 26,000 planes. In 2025 it will dip below 5,000. Sixth-generation fighter jets, currently under development, will be able to co-ordinate a fleet of drones, but each could cost as much as

$300m. The number of those fighters the air force is planning to commission is only 20% of the fifth-generation jets it plans to buy this decade. Since 1980, as weapons have become more complicated, the portion of the armed forces' budget going to care for and repair existing systems has doubled (see chart 1).

American defence firms have naturally adapted to this rarefied approach to procurement, largely by consolidating. In 2022 there were just 29,000 of them, down from 42,000 in 2000. Many are the sole supplier of whatever device or component they make, such as the rocket motors inside Javelin anti-tank missiles, or specialised bearings for submarines. Consolidation, in turn, has led to a shrinking and ageing workforce: the average employee on the floor of one big defence factory is 59.

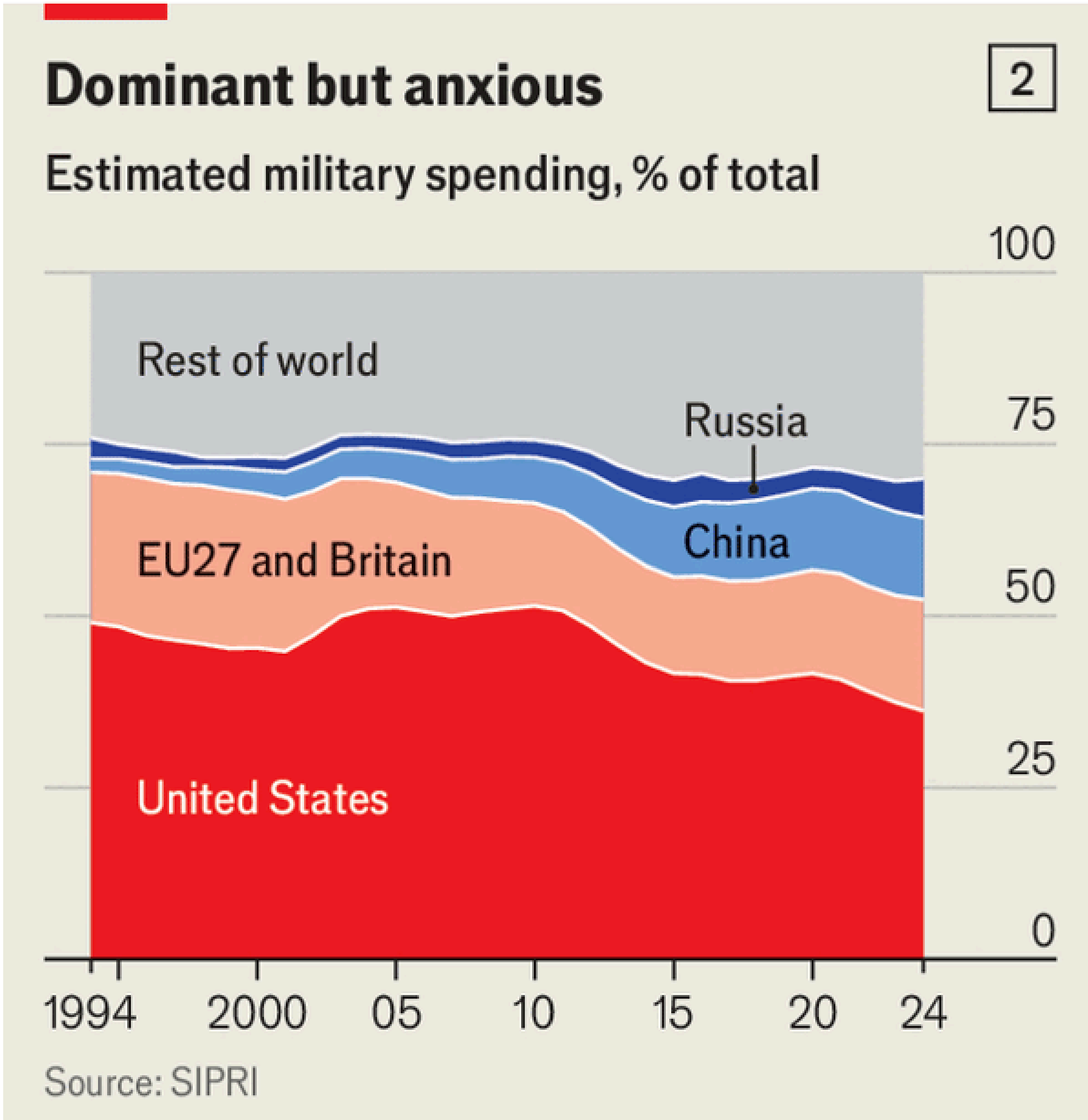
A shrunken industry making such sophisticated weapons cannot help but move slowly. Most "systems"—jargon for the fanciest devices—take a year to manufacture, rising to 18 months for a fifth-generation fighter jet and two years for long-range missiles. "These things are basically artisanal products," says Chris Brose, president of Anduril, a defence firm. "They are made over long periods of time, with specialised workers, materials and processes."

Get a move on

The result is not only a smaller arsenal, but also one that cannot quickly be replaced or expanded. At current rates of procurement it will take seven years to bring America's ammunition stocks back to where they were before military aid to Ukraine began. A confrontation over Taiwan could rapidly deplete America's supplies, as ammunition is spent and ships and planes destroyed. In a war game in 2023 simulating a conflict with China run by the Centre for Strategic and International Studies (CSIS), a think-tank in Washington, America exhausted its inventory of long-range missiles within three weeks. Weapons might also be immobilised by cyberwarfare. In 2015 the United States Naval Academy reintroduced celestial navigation onto its curriculum, for fear that satellite navigation systems might be degraded.

Efforts to crank America's war machine up a gear have disappointed. Last year the Pentagon set a target to produce 75,000 155mm artillery rounds a month by April of this year. It missed by a mile, making just 40,000 a month, less than a third of Ukraine's monthly usage. American arms-makers can speed up production in emergencies, but not by much. The best JSMC can do is double its output, from 15 to 30 tanks a month. According to CSIS, it would take eight years to replenish those missiles that had been exhausted in three weeks.

Planners also worry that China might halt American production of some weapons by restricting exports of critical components or materials. America's defence firms could source some of their Chinese imports from elsewhere if needed. But not all of them. Policymakers in the West have long encouraged domestic production of semiconductors, to ease one possible chokehold. China also has a near-monopoly on rare-earth metals that are needed to make jet engines and brushless motors which propel drones. It is the main supplier of nitrocellulose, a component of gunpowder, which Ukraine struggles to obtain in sufficient quantities.



Western countries already spend more on defence than China and Russia and are increasing their budgets. America, long the world's biggest spender, devoted nearly $1trn to defence last year, four times China's outlay (see chart 2). The EU says it spent $378bn, or 1.9% of its GDP—30% more than in 2021. This week NATO's members promised to raise that figure to 3.5% of GDP by 2035. Japan has almost doubled its outlay in GDP terms over the past decade. In 2024 global defence spending was $2.7trn, up from $2.5trn in 2023, the biggest annual increase since the end of the cold war.

Yet America and its allies still worry that all that money will not necessarily buy them a lasting advantage, given their problems with procurement. China still has vastly more industrial capacity. It accounts for just over a third of global manufacturing, double America's share. So as well as spending on their armies, governments are also spending billions on subsidies for industry in the name of national security. The IMF estimates that 20% of all industrial policies worldwide in 2023 were in industries subsidised, at least in part, for that reason. Donald Trump has also justified his tariffs on certain imports, including aluminium, steel and cars (so-called Section 232 tariffs), as bolstering America's ability to defend itself.

The idea underpinning this largesse is that the bigger and more varied a country's industries, the lower the cost of converting them to wartime production. This was true in the past: in the second world war, for instance, it was relatively easy to use a Ford car factory in Detroit to build B-24 Liberator bombers, because much of what went into both machines was similar. America's civilian industrial strength allowed its factories to churn out weapons faster, more cheaply and in bigger quantities.

Yet the correlation between industrial might in peace and war may no longer be so close. In recent decades the technology involved in any form of most manufacturing has become more specialised. According to an estimate by researchers at the London School of Economics, the ratio of labour to capital equipment in rich-world manufacturing halved from 1995 to 2017. "Decades ago, factories were filled with skilled labourers operating standard machines," says a manufacturing executive. "Now not much doubles."

Manufactured goods have become more complex and diverse. Advances in automation and precision machinery have helped to tailor assembly lines to the goods they produce. (Some modern manufacturing equipment is more versatile: 3D printers play a big part in makeshift factories in Ukraine.) "Can you imagine repurposing a Ford production line to build B-21s now?" asks Mr Brose. "It would be impossible." Hadrian, an American firm, builds defence factories that are flexible in meeting military shortfalls. "We're not talking about shifting products, we're talking about modifying the head of a cruise missile," says one employee. And even that, they say, requires filling a factory with machines that are rare in America.

Ukraine provides a glaring example of the difficulty in adapting existing industry—even arms-making—to the demands of modern warfare. Though the country was part of the industrial heartland of the Soviet Union, and still has lots of disused military factories, Ukrainian officials found this legacy of limited use when Russia invaded in 2022. Officials say 82% of Ukraine's tiny arms industry was then state-owned, which at least reduced administrative obstacles to ramping up production. By the end of the year the state accounted for 89% of military output, as existing factories beefed up their production.

Much faster growth came the following year, however, thanks to nimbler private firms. "After the first year, the private sector began to grow much faster [than state-owned defence firms]," says an ex-official. By 2024, 58% of Ukraine's rapidly growing arms industry was in private hands. Neither public nor private firms made any use of mothballed Soviet weapons factories, although there are plans in the works to do so. It simply turned out to be quicker and more effective to build lots of small new factories than to convert existing facilities.

Some weapons have been easy to scale up. Ukraine's output of artillery shells rose from 50,000 in 2022 to 2.4m last year. Its armoured-vehicle production tripled in 2024. It has been making home-grown howitzers for barely a year, but is now producing more than ten a month.

Drones are a particular speciality. They are far cheaper and easier to make than the sophisticated weapons favoured by richer countries, though the most advanced ones are now made with expertise and specialist components from America and Europe. In 2024 Ukrainian firms produced some 2.2m drones, roughly 95% of the total deployed by Ukrainian forces. The aim is to produce millions more this year.

"Anything small and unmanned, we can make," says a former minister. Uncrewed systems can be simpler and less robust because they do not need to keep people safe. They also reduce demand for scarce manpower. The components for small weapons are less likely to be made with specialised machines, so are easier to make or buy. Some are 3D-printed in cavernous underground halls filled with hundreds of machines. Others are easy to import.

In 2022 Ukraine's arms industry produced $1bn-worth of weapons. Last year its capacity reached $35bn, says Herman Smetanin, Ukraine's 32-year-old minister for strategic industries, who ran a tank factory before the war. That was $20bn more than the government could afford to buy, says one official, who adds that 40% of Ukraine's weapons were still home-made.

The day of the drone

So successful have both sides become at manufacturing drones that they have begun to shape the battlefield. "We started this as the first world war with drones," says Oleksandr Kamyshin, an adviser to the Ukrainian government. "We're now in the first drone war." The trenches that used to define the front lines are disappearing, since they were too vulnerable to drone attacks. Instead, soldiers have scattered into foxholes in groups of two or three. By the same token, drones with bigger payloads have made tanks too vulnerable to lead assaults or venture within 10km of the frontline. And then there are the naval drones that have neutered the Russian fleet.

A manufacturer likens the war's evolution to the plot of "Home Alone", a film in which a child protects his family's house from thieves using improvised gadgets made of toys and other household items. Ukrainian forces' goal has been to fix problems fast with equipment readily at hand. Many drones are designed to be small enough to be transported by car. Estimating the damage done by drones is tricky, and operators rely on conventional artillery and military vehicles for support. Nonetheless, they appear to be getting more lethal. In 2022 drones were responsible for around 10% of casualties on both sides, according to the Ukrainian government. The Royal United Services Institute, a British think-tank, estimated in March that drones are now responsible for up to 70% of the damage done to Russian installations and about half of all casualties.

Ukraine’s arms industry cannot make all it needs, however. Ships, missiles and big weapons are not easy to mass-produce at short notice. These are the sorts of weapons that NATO countries fear running short of in a protracted conflict. China’s civilian shipbuilding industry makes three in five of the world’s ships, and produces warships much faster than America.

Yet fostering a set of civilian industries in the West in case they could become useful in wartime would be expensive, with an uncertain pay-off. Labour costs for building a ship in South Korea, the Western ally with the next-biggest industry, are much higher than in China. Western governments would have to bear that extra cost. Industrial subsidies are often intended to be temporary, to help producers reach a degree of efficiency or scale to be able to compete without handouts. But maintaining dual-use excess capacity in case it is needed in wartime does not work like that. It is an open-ended commitment.

It may also be pointless. The locations and conditions in which a war will be fought are inherently unpredictable. Arms-makers must adapt to the specifics of the conflict and the innovations of the enemy. It is hard to know what will be needed. The fact that Ukraine has become adept at drone production has allowed it to offset its relative lack of ships, tanks and other large platforms where Russia has an advantage and which it would struggle to manufacture at scale.

Industrial might is not completely useless. Ukrainian officials have found that the most fungible industrial resource is skilled workers. It takes two years to train an oil-and-gas engineer in aerospace. America may have fewer manufacturers than China, but it still has many engineers and an innovative private sector.

But wartime innovation leaves peacetime industries behind. JSMC sent 31 Abrams tanks to Ukraine in 2023. It took three months for Russia to destroy 20 machines, after which the rest were largely withdrawn from the front line. American officials later admitted that the tanks were vulnerable to Russian artillery and kamikaze drones. The assembly lines continue to creak forward. But America does not necessarily need more of them. ■

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I came, I bombed, Iran

The fallout from Trump’s Iran strikes is political, too

Will the biggest foreign-policy gamble of his presidency pay off?

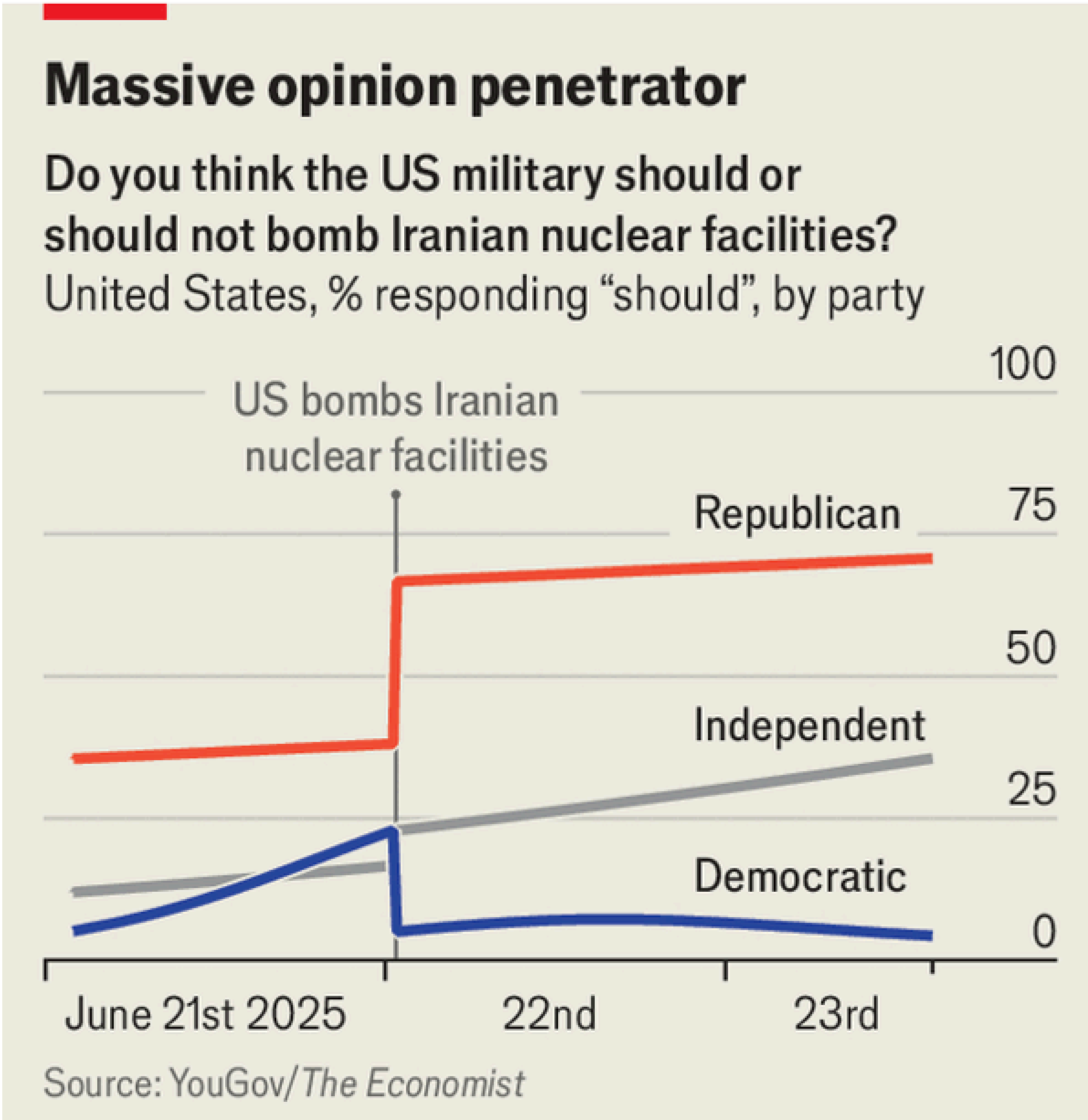
Jun 26, 2025 04:20 PM | WASHINGTON, DC

THE MOST important military decision undertaken by President Donald Trump was, fittingly, one of opportunity and instinct. During his first term in office, hawkish advisers like John Bolton counselled the president to bomb Iran’s nuclear-enrichment facilities. But Mr Trump did so only after a successful Israeli campaign left Iran severely weakened, with few air defences and diminished proxy forces. It was an operational success, executed faultlessly. Stealth bombers flew undetected into Iran and dropped “massive ordnance penetrators” on three nuclear facilities. Not a shot was fired against them. The diplomatic coup came not long after. After a face-saving salvo against an American base in Qatar—telegraphed in advance and easily intercepted—Iran agreed to an American-brokered ceasefire with Israel.

Whether the biggest foreign-policy gamble of Mr Trump's presidency has paid off will remain unclear. If Mr Trump has really managed, as he claimed, the "obliteration" of the Iranian nuclear programme and secured peace in the Middle East, it would be a legacy-defining success. But the Islamic Republic has vexed American presidents ever since the revolution of 1979. It may continue to do so.

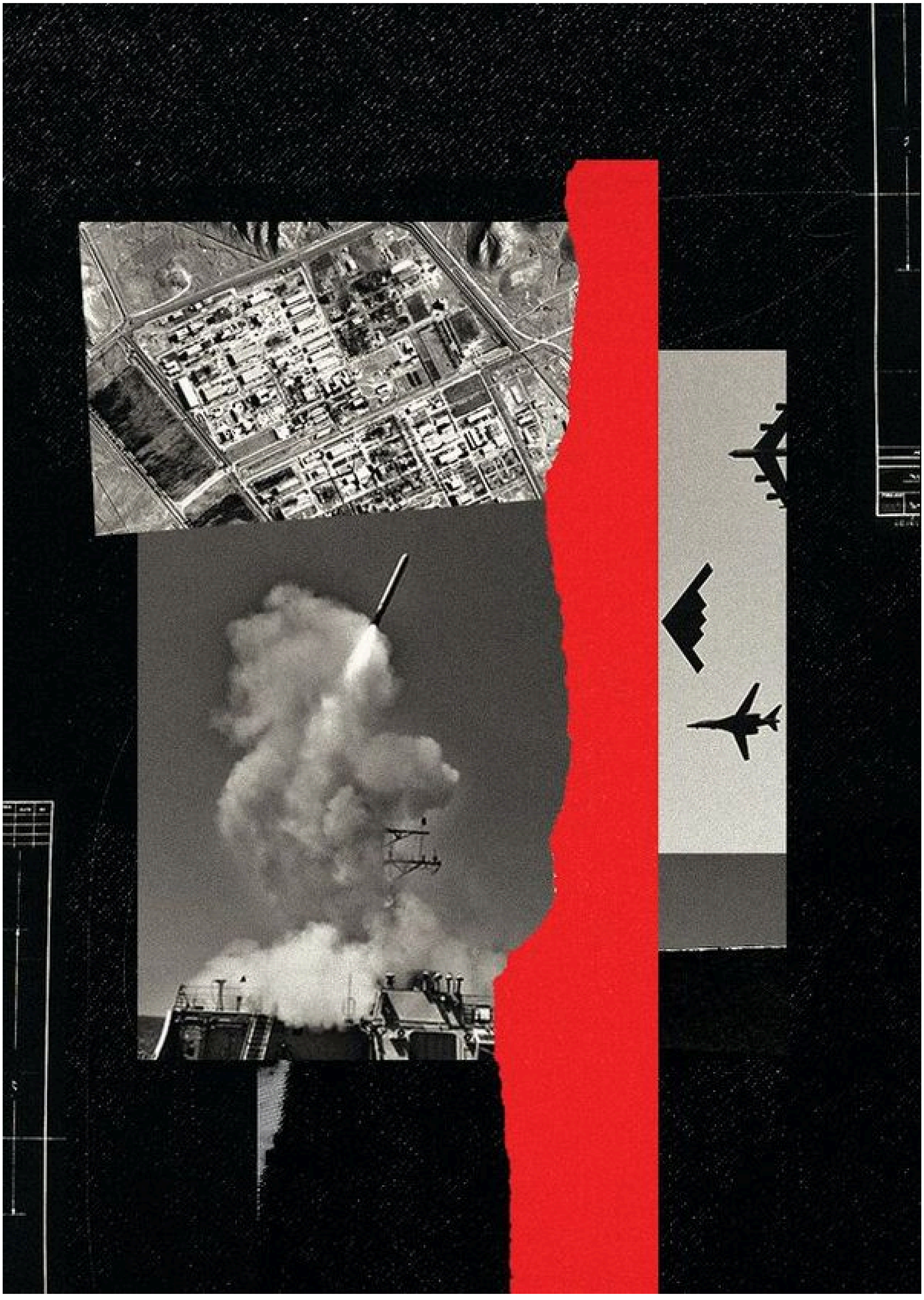
Multiple American outlets have reported, based on intelligence sources, that the bombs dropped on Iran's buried nuclear sites destroyed the entrances but not the enrichment facilities themselves. Other reports suggest the damage was more extensive. Both Marco Rubio, the secretary of state, and Pete Hegseth, the defence secretary said that the targets were destroyed. Asked about it himself at the NATO conference taking place at The Hague in the Netherlands, Mr Trump seemed to admit some doubts before reassuring himself: "The intelligence says, 'we don't know, it could have been very severe'…But I think we can take the 'we don't know.' It was very severe. It was obliteration."

The other looming problem is the whereabouts of Iran's 400kg stockpile of highly enriched uranium. This had been under inspection by the International Atomic Energy Agency (IAEA); its director now says that they have no information about its location. America may have to intervene again if Iran's nuclear ambitions remain; Israel may also act on its own to stop a re-established enrichment programme, breaking the fragile ceasefire. Having followed the country's lead once, Mr Trump may elect to do so again.



How much political capital he has gained at home is also uncertain. In the past, presidents have seen swells in approval after successful military actions abroad. Barack Obama enjoyed a burst of popularity after special forces tracked down and killed Osama bin Laden in 2011. But Mr Trump did not garner such appreciation after the operation that killed Abu Bakr al-Baghdadi, the Islamic State leader, or the drone strike that killed Qassem Suleimani, a top Iranian general, in 2020. The inescapable reality of American politics is polarisation. Because YouGov, the pollster for *The Economist*, happened to be polling Americans just as news of the Iranian strike was emerging, we witnessed this in action. Just before the strike, roughly 40% of Republicans said they supported bombing Iran; just after the strike, this support leapt to 70% (see chart). Similarly, 25% of Democrats supported the strike before it happened; afterwards, this dropped close to 5%.

Among Republican elites, the president’s actions settle a dispute that had been emerging. Mr Trump had struck Syria in retaliation for Bashar al-Assad’s use of chemical weapons in 2018; assassinated Mr Suleimani in 2020; and recently approved bombing Houthi missile sites in Yemen. But in the build-up to the Iranian strikes, some of the most influential voices in the MAGA coalition, such as Tucker Carlson and Steve Bannon, lobbied against them. There also seemed to be objections from administration officials like Tulsi Gabbard, the director of national intelligence, and Vice-President J.D. Vance. The isolationist wing of the party had been emboldened by the president’s hard-nosed attitude towards Ukraine, but its attempt to influence the president on the Middle East failed spectacularly. Mr Trump even publicly mused about “regime change”.



Elected Democrats are, for their part, grudgingly giving credit to the president for degrading Iran's capacity to develop a nuclear weapon. But they simultaneously complain that Mr Trump took action without notifying Congress. They are right that the constitution spells out that it is Congress's power "to declare war" and the War Powers Act of 1973 is supposed to limit the president from conducting military engagements without clear congressional authorisation. Unfortunately, precedent is against them. Presidents of both parties have routinely made military deployments without congressional consent (such as Mr Obama striking Libya in 2011 or Bill Clinton intervening in Kosovo in 1999). The political reality is that the public will not turn against Mr Trump on grounds of legal procedure or constitutional fealty.

Many have attempted to sketch out a "Trump doctrine" in foreign policy, mostly unsuccessfully. Sometimes, "America First" means that the country is so emaciated that it cannot afford its traditional alliances or past military adventurism. The defence of Ukraine is a burden, one that expends munitions that America needs to preserve, risks World War III, and cannot continue unless America reaps a reward in the form of mineral sales. And yet "America First" sometimes means that the country should be able to project military force around the world at will.

Mr Trump operates stochastically, flitting between world views. One moment, America is world hegemon, to the delight of the neoconservatives; the next it is one of a few great powers entitled to spheres of influence, to the delight of the isolationists. There are through-lines, especially a preference to declare immediate victory, but these are psychological and gestural. The diplomatic corps in Washington is constantly engaged in collaborative psychoanalysis of a single man. One liberating mantra that they have alighted on is that Mr Trump's thinking "is a mystery, not a secret". It cannot be carefully extracted by rational inquiry; it can only be revealed. ■

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Socialism for thee

The meaning of Zohran Mamdani's win in New York

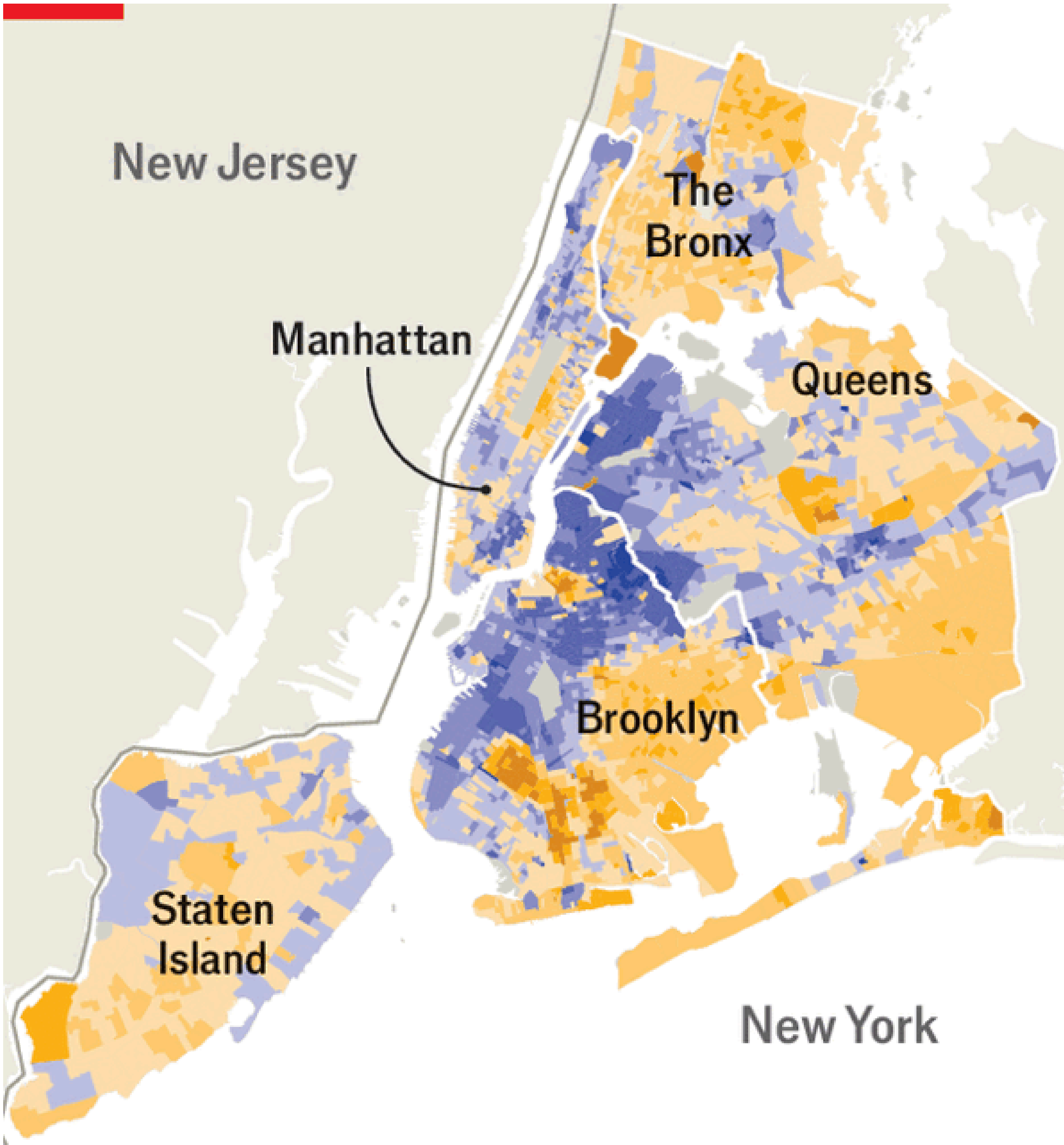
America's biggest city takes a strange turn

Jun 26, 2025 06:41 PM | NEW YORK

LOOKING A BIT shell-shocked, Andrew Cuomo, New York's former governor, conceded to Zohran Mamdani in New York City's Democratic mayoral primary on June 24th. Until recently, even the most enthusiastic Mamdani supporter could not have imagined that the 33-year-old Democratic Socialist, who until a few months ago was little known outside the neighbourhood in Queens that he represents as a legislator in Albany, would topple one of the biggest names in New York politics. Confirmation of the result will come once all ranked-choices votes have been counted, which will take until mid-July. The debate over what the result means, for the city and the Democratic Party, won't wait.

One way of interpreting this result is as a battle between left and centre, in which the centre could not hold. Mr Cuomo is a business-friendly centrist. The people and the money behind him reflect this. He won endorsements from ageing Democratic heavyweights such as Jim Clyburn, a congressman, and Bill Clinton. His donors included Bill Ackman, a hedge-funder who also supported Donald Trump, and Mike Bloomberg, a former mayor (who donated $8.3m to Mr Cuomo's Super PAC).

On the other side is Mr Mamdani, a fan of "solidarity" and free buses. He wishes to put city-run supermarkets in areas without them. He wants to tax the rich. He is a vocal critic of Israel's war in Gaza, which endears him to some New Yorkers and alienates others, but which says little of his ability to oversee the city's 10,000 sanitation workers, 36,000 cops or battle its innumerable rats. He has been ambivalent about whether the intifada should be globalised. Support from the Working Families Party, a small progressive party, was useful too.



New York City mayoral race, Democratic primary 2025

Vote margin at 00.42 ET June 25th, percentage points

← Andrew Cuomo **Zohran Mamdani →**

100 50 0 50 100

Sources: NYC Board of Elections; NYC Open Data

A second way to interpret the result is less about ideology than campaigning. Mr Mamdani is good at it, both online and off. Mr Cuomo ran like someone who first campaigned in 1982, which in fact he did. Days before the election Mr Mamdani walked the length of Manhattan: 21km (13 miles), from the top of Inwood, down to Washington Heights, a largely Dominican immigrant enclave, through the Upper West Side, with its dutiful progressive voters, across Times Square, and finally to Battery Park, grabbing slices of pizza as he strolled. Mr Mamdani said he had 46,000 volunteers who blanketed the city.

Mr Cuomo rarely campaigned outside orchestrated rallies in union halls or black churches. He coasted on his name recognition (that 1982 campaign was for his father's gubernatorial race). This may possibly have reflected some complacency. He led polls even before entering the race, despite having resigned as governor because of allegations of sexual harassment (which he denies) and of undercounting the number of elderly New Yorkers who died in care-homes during the covid-19 pandemic.

Perhaps this race was not about campaigning or ideology, though. Mr Clinton and Mr Clyburn were both born in the 1940s. Mr Cuomo is twice his opponent's age, but by the standards of many centrist Democrats is a sprightly 67. Democratic primary voters are to the left of the electorate as a whole, even in New York. But they are also fed up with the generation of leaders that has lost to Donald Trump twice and yet clings on. This election was about that too. Precinct-level results show Mr Mamdani did best in areas with the highest share of millennials.

The contest is not over yet. Having fallen for Mr Mamdani, the Democratic Party could find that the prize of running America's biggest city slips out of its hands. In November's election he could face Mr Cuomo, running as an independent, and the incumbent, Eric Adams, who won as a Democrat but is one no longer. Mr Mamdani would start that race with an advantage. But the rest of New York City might not agree with Democratic primary voters about the wisdom of handing an annual budget of $116bn to someone who is great on TikTok. At least one prominent New York Republican will be delighted, though. "President Donald Trump might not mind having a pro-*intifada*, socialist, 33-year-old radical governing New York City as his foil for the next three years," says Jesse Arm of the Manhattan Institute, a think-tank.■

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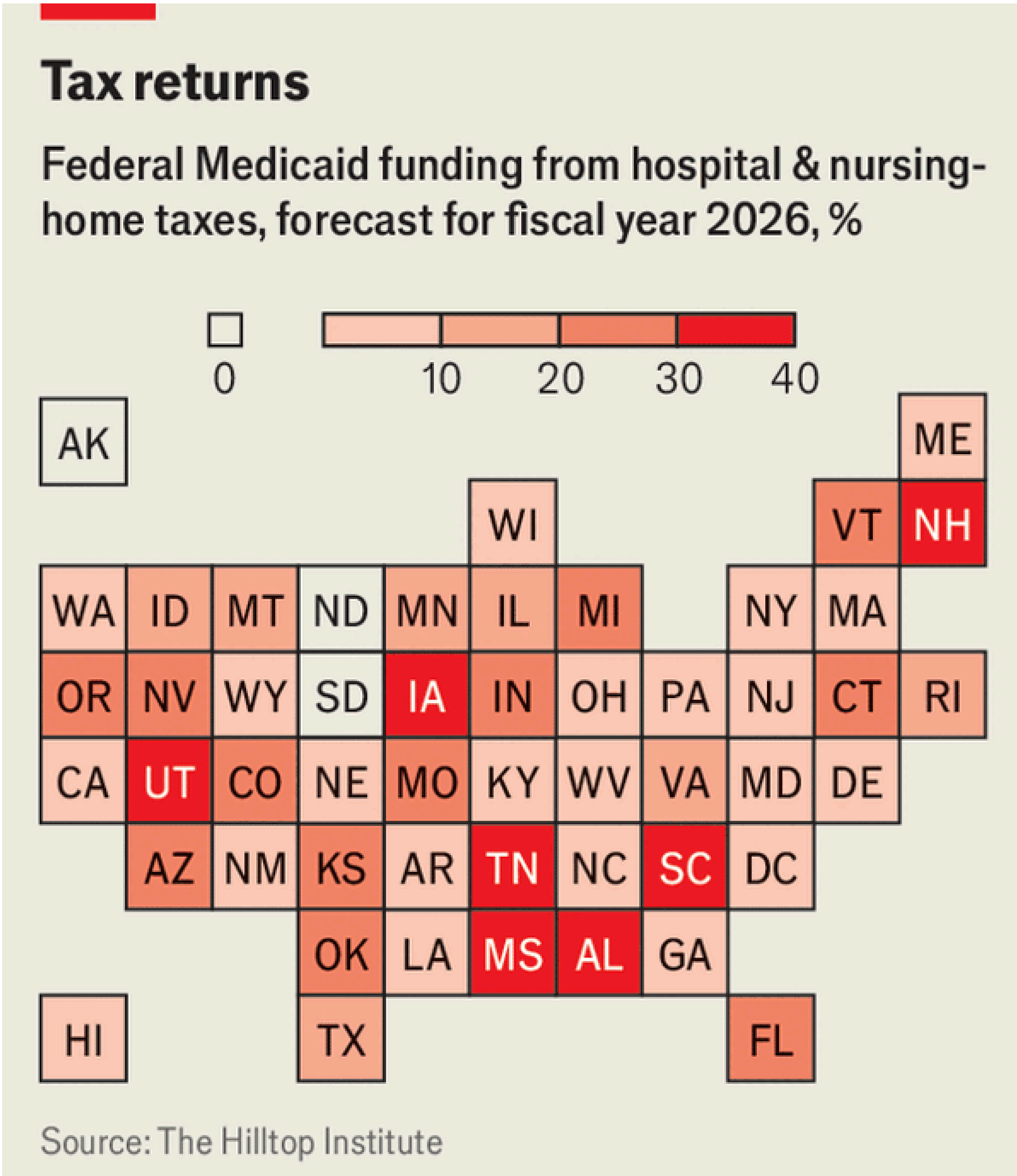
One Big Beautiful Bill

Why America’s hospitals don’t want their taxes cut

Congress is taking aim at a gimmick vital to rural health providers

Jun 26, 2025 01:04 PM | NEW YORK

THE AMERICAN HOSPITAL ASSOCIATION (AHA) may be the only trade group in Washington that is lobbying against a proposed tax cut for their members. Congressional Republicans’ One Big Beautiful Bill Act is undergoing late revisions ahead of the Senate’s self-imposed July 4th deadline. A particularly contentious area involves provider taxes: obscure levies raised against hospitals, nursing homes and other medical offices. On the face of it, cutting those taxes sounds like good news for hospitals. But the levies are a financing gimmick used to fund Medicaid, a health programme for the poor, and for funnelling money to hospitals. The AHA’s president warns the tax cuts are so severe they could close rural hospitals.



The scheme arises from the fact that Medicaid's cost is split between states and the federal government, with Washington roughly doubling however much states spend. To finance their part, states tax hospitals. The hospitals then receive much, if not all, of that money back for providing Medicaid services. Because the federal government ends up double-matching that spending, states rarely have to chip in anything. For example, thanks to one hospital tax in Arizona, passed in 2020, the state has managed to increase payments to hospitals by over $1bn, without spending any more state money. This manoeuvre's importance varies by state (see map), but has grown over time. The taxes are entirely legal but they are the bête-noire of budget hawks as they seek to incentivise states to keep costs down. "The whole thing is such a financial shell game," says Brian Blase, who has advised Donald Trump on health care. "It's a perverse set of financial incentives and just terrible public policy."

The latest version of the bill in the Senate would place stricter limits on provider taxes in the states that have expanded Medicaid under the Affordable Care Act, from 6% of patient revenues to 3.5%. It would also scrap taxes imposed on insurers that administer Medicaid revenue. The Congressional Budget Office, a non-partisan scorekeeper, is yet to price out the Senate proposal, but old estimates say capping provider taxes at 2.5% of revenues would have saved the federal government about 4% of the total cost of Medicaid, or about $240bn over ten years. States would then be on the hook to make up the shortfall, possibly by cutting Medicaid benefits—leading to outrage from hospitals.

Senators from vulnerable states are starting to resist. Thom Tillis, from North Carolina, is handing out flyers estimating the costs for Republican states. Others have called for the Senate to revert to the House's more modest plan—merely a block on new taxes—or introduce a fund to shield rural hospitals. Both Democrats and Republicans have tried in the past to cut down on hospital taxes, says Tom Scully, who ran Medicaid under George W. Bush. "It was whack-a-mole," he sighs. "We were trying for years to slow this down." Previous attempts failed as the taxes are now so ingrained. The politics are not straightforward. Republicans are keen to fund tax cuts that are actually wanted by their recipients and to stop squirrelly budgeting, but an increasing share of their voters rely on Medicaid. According to Morning Consult, a polling firm, Mr Trump won Medicaid recipients by two points in 2024. Four years earlier, he lost them by 19. ■

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Showtime buttons up

Even for $10bn, the Los Angeles Lakers may look like a bargain

A seeming vanity investment is in fact a market-beating asset class

Jun 26, 2025 02:38 PM

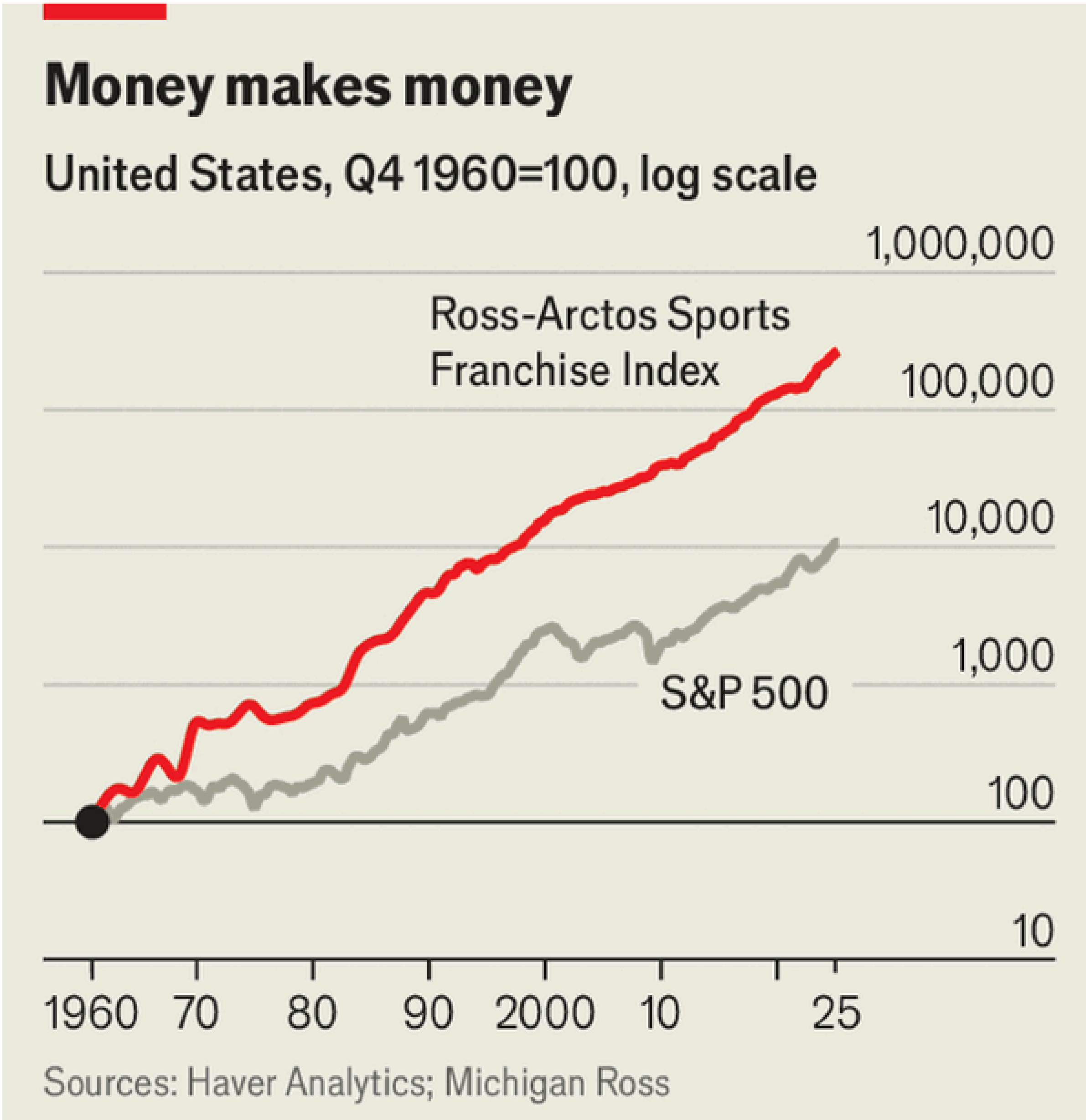
Supernormal returns

WHEN JERRY BUSS, a chemist turned property developer, bought a package of assets headlined by the Los Angeles Lakers for $67.5m in 1979, it required financial acrobatics just as impressive as those of the basketball team's stars. Short on cash, he swapped local apartment buildings to an insurance company for leasing rights to the Chrysler Building in New York, which he then exchanged for the club and its arena—and still needed a loan from the seller, who was embroiled in a costly divorce, to close the deal.

Now, the National Basketball Association's (NBA) marquee club, which won 11 titles in 46 years under the Buss family, is being sold again. And this time, the buyer is a bit better prepared. On June 18th news broke that the Busses would sell their 66% stake in the Lakers to Mark Walter, the CEO of a large financial-services firm, for $10bn. Both the price tag and the purchaser exemplify the evolution of sports economics—and why what might seem like a vanity investment looks poised to sustain its record of market-beating returns.

Until recently, it was hard to find comprehensive data on teams' investment profiles. The "big four" North American leagues—the National Football League, National Hockey League, NBA and Major League Baseball—have just 124 teams, which rarely change hands. But last year the University of Michigan's business school and Arctos, a private-equity firm, launched an index of aggregate returns, based on around 500 historical transactions. And the numbers confirmed that juicy exits like the Busses' are in fact the norm. On average, owners of big-four teams have reaped a 13.1% annualised return since 1960, compared with 10.4% for America's S&P 500 stockmarket index. Sports franchises have also enjoyed minimal volatility: even in the wake of the 2008-09 financial crisis, franchises continued to sell at lofty valuations.

Such results stem from strong fundamentals, accelerated by legal and technological changes. Worldwide, top-tier sports teams have two unique advantages. Their brands are remarkably robust: win or lose, hundreds of thousands of fans will buy tickets, and tens of millions will watch on TV. Moreover, scarce sports teams are the ultimate "positional good"—the cost of joining the club will generally be set at whatever the 100th-richest would-be owner can afford, but the 200th cannot. As wealth inequality grows, so do team values.



Beyond that, the big four's structure makes them far better investments than European football. Every team has a permanent local monopoly or duopoly; a large portion of turnover is shared between clubs; and payroll limits and entering-player drafts keep salaries around 50% of revenues, while giving every team a chance to contend for a title. These rules make losing money almost impossible. In Europe, by contrast, football teams' turnover oscillates wildly based on how they perform on the field, and player costs exceed 70% of revenue. Big-four owners have also benefited from subsidies from local governments, in the form of taxpayer-funded stadiums.

Sports teams have fared even better of late, with the index rising 89% in the three years to March. One reason is the recent legalisation of sports betting. Gambling companies both fund leagues directly, via sponsorship and data purchases, and expand sports' reach via mass advertising, enticement of new audiences, and conversion of casual fans into feverish bettors.

Another is the recent authorisation of institutional investors, such as Qatar's sovereign wealth fund. For now, such buyers are limited to passive, minority stakes. However, they reflect a trend away from idiosyncratic local businesspeople like the Busses, who were prone to penny-pinching and hiring former players, in favour of corporate-style titans like Mr Walter. His financial firm, Guggenheim Partners, manages nearly $350bn in assets, and his holding company has already turned the Los Angeles Dodgers baseball team into a consistent winner with record-setting attendance. The more profit such owners can squeeze out by improving management, the higher the price they can fetch.

Finally, the shifting media landscape has provided an unlikely tailwind. A decade ago, cable television was a cash cow: teams that broadcast games on their own channels collected carriage fees that were baked into the price of a basic monthly cable bundle. Cord-cutting threatened to eliminate this "sports tax" on non-fans.

But streamers have in fact proved even more lucrative. Whereas cable operators typically had enough market power to drive a hard bargain, streaming services compete fiercely for content. Moreover, sports are the rare genre that viewers insist on watching live, making them a favourite of advertisers. Leagues have devised new marquee events, like the NBA's in-season tournament and the NHL's 4 Nations Face-Off, to create extra appointment viewing. As a result, bidding wars have heated up. The NBA's recent $77bn, 11-year deal more than doubled the previous rate.

For now, the Lakers are the only team to achieve an 11-figure sale. But on current trends, it is mere single-digit-billion prices that will become unusual.■

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Hoop dreamers

Oklahoma City has been reborn, 30 years after the bombing

Basketball is only the beginning

Jun 26, 2025 12:44 PM

THE LOUDEST arena in the National Basketball Association is in Oklahoma City. At the final game of the league championship on June 22nd, the crowd willed the local squad on to victory at 110 decibels. “It’s an on-court sports accomplishment”, says the city’s mayor, David Holt, of its first big-league title. But it is also “a prism through which to see the progress of our city”. Thirty years after a white nationalist’s bomb tore through the local federal building, killing 168 people, Oklahoma City’s residents are determined to be known for something other than the terrorist attack. A big-league championship is the latest step toward that goal. The city’s rebrand, however, is much broader than that.

More than $3bn of taxpayer-funded capital investments since the bombing have brought business, culture and people back to a once-desolate city centre. The basketball arena was one of the city's first projects. Later ones include the kind of projects that might attract high-earners, including a streetcar system and a civil-rights centre. As a result, Oklahoma City now looks like a place where professionals want to sip matcha lattes. The city's low costs and low taxes are big draws, too. Its fortunes used to rise and fall with the price of oil, but aerospace and bioscience businesses have added fresh blood and ballast to the economy.

A 50% increase in population since 1995 has also made the city more diverse. The percentage of white residents declined from 75% in 1990 to 54% in 2020. It is also increasingly purple. Republicans used to win the surrounding county by double digits; Donald Trump squeaked in with just over 49% of the vote in 2020 and 2024. If Oklahoma City is unexpectedly liberal and welcoming, that is perhaps in part a legacy of the bombing itself. The price of political extremism is never far from residents' minds. There is a memorial museum where the bomb's crater once scarred the city. It teaches the "Oklahoma Standard", a set of values which emphasises generosity toward one's neighbours. It is, the city hopes, a practice that visitors might remember it by in the future. ■

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MAHA not funny

Robert F. Kennedy looks set to mess with vaccines

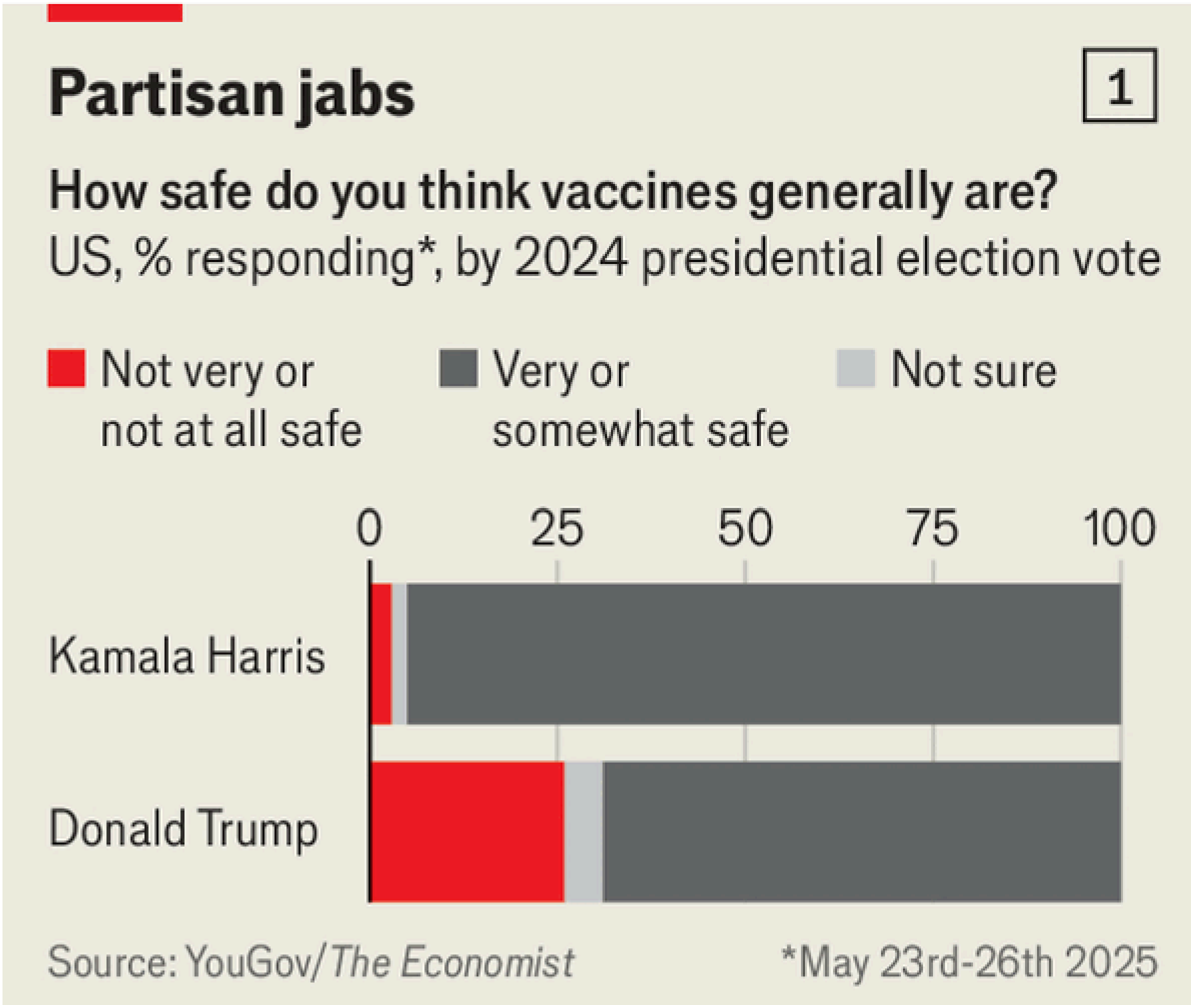
An influential panel has been stacked with vaccine sceptics and ideologues

Jun 26, 2025 12:44 PM | BOSTON

IN FEBRUARY BILL CASSIDY, a Republican senator representing Louisiana and a doctor, cast a deciding vote to confirm Robert F. Kennedy junior as the leader of America’s health department. He said he did so after Mr Kennedy, an outspoken vaccine sceptic, promised he would not interfere with an influential panel of vaccine experts at the Centres for Disease Control and Prevention (CDC). For Dr Cassidy that guarantee, among others, was pivotal. This month the apparent bargain unravelled. Mr Kennedy removed all 17 members of the panel, replacing them with a smaller group of vaccine sceptics and scientists without expertise in vaccines. On June 23rd Dr Cassidy called for the panel’s meeting this week—one of a handful of such convenings each year—to be delayed.

At issue is the work of the Advisory Committee on Immunisation Practices (ACIP), whose recommendations influence which vaccines the public gets and who pays for them. Stacking the committee with ideologues is the most consequential step Mr Kennedy has taken in reshaping the health department to line up with his convictions. The move threatens to worsen already declining vaccination rates, further fragment national vaccine policy and have a chilling effect on the fragile economics of vaccine development.

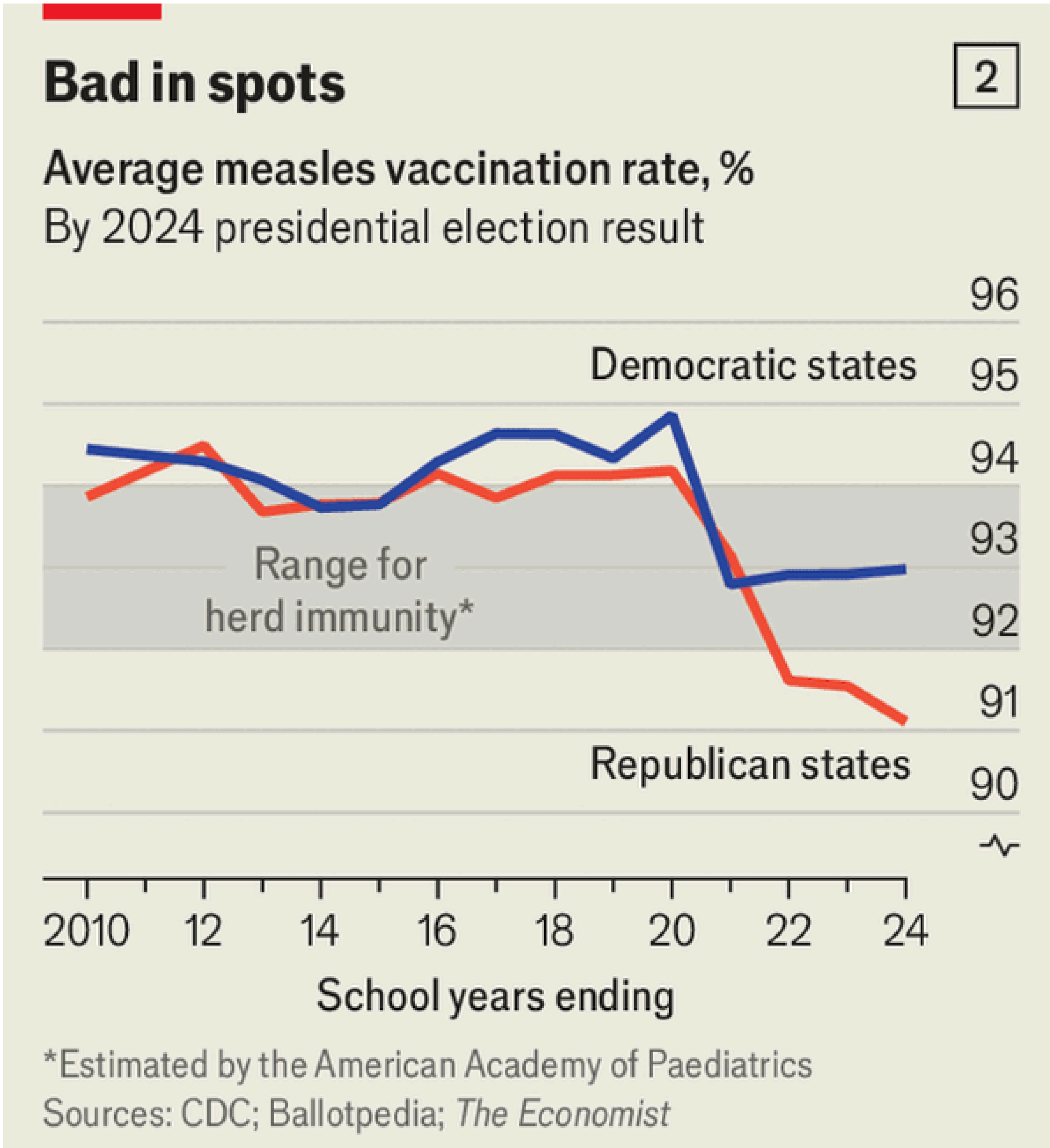
To see where the reconstituted ACIP may be headed, the draft agenda released before its meeting offers troubling clues. It includes a presentation by Lyn Redwood, a nurse and anti-vaccine activist, about thimerosal, a mercury-based preservative that has long been a fixation among anti-vaccine activists despite its safety record and the fact that it is rarely used these days. Usually, the ACIP agenda is formed by input from CDC officials. But sources within the CDC say they were blindsided by the last-minute addition of a presentation and vote on thimerosal.



Though few Americans have heard of ACIP, it has quietly shaped vaccine policy since it was established in 1964. While the Food and Drug Administration approves vaccines, ACIP determines which are recommended and to whom. Reflecting America's patchwork system, vaccine policy is a hybrid of federal guidance and state-level authority. Typically, doctors and state health departments look to ACIP when setting school vaccination mandates and encouraging their patients to get jabbed. Yet in the aftermath of the ACIP purge Dr Tom Frieden, the former director of the CDC, questioned whether anyone could "trust the recommendations of people appointed" by Mr Kennedy, who amplifies vaccine conspiracy theories.

Without a trusted national standard, doctors will need to consider conflicting advice. States' vaccine regimes could drift even further apart.

Several Republican states have already introduced legislation that bans the sale of food containing vaccines because of a baseless theory that mRNA is being introduced into the population via livestock. Vaccine scepticism is rising, but is politically skewed. One-quarter of Mr Trump's supporters tell YouGov/*The Economist* that vaccines are unsafe, compared with 3% of Kamala Harris's backers (see chart 1). The two-point gap in vaccine takeup between blue and red states is the difference between staying above the threshold for herd immunity for measles and falling below it. The gap shows no signs of narrowing (see chart 2).



The spread of scepticism may affect vaccine availability. Vaccine development is unforgiving. Because vaccines are generally given prophylactically to healthy people, they require massive clinical trials to prove that they work and that they are safe. And unlike simple small-molecule drugs, for which manufacturing costs can be as little as a few pennies per pill, producing each vial of vaccine can cost 25-200 times as much. Vaccines also come with unique legal risks: they are administered to millions of healthy children, meaning that even statistically rare adverse events can appear and create liabilities. These features make vaccines less attractive investment targets, “unless the science is really, really compelling or there is a significant need not being met”, says Rena Conti, a health economist at Boston University.

ACIP is in effect a guarantor that, if firms develop safe and widely useful vaccines, there will be a market for them. The committee is also the gatekeeper for some $4.7bn in federal spending on Vaccines for Children, a programme which provides free immunisations to roughly half of America’s children. A positive review from ACIP thus unlocks broad access to the American vaccine market.

Economists have long argued that vaccines receive far less investment than their public-health and economic benefits would justify. Before the pandemic, roughly 75 vaccine trials were launched annually in America. That is just 4% of the number devoted to therapeutic drugs. In May the Trump administration cancelled a $766m contract with Moderna, a pharma company, to develop a vaccine for bird flu. Companies are unlikely to invest in risky new vaccines if they fear resistance from an unreasonably hostile FDA or ACIP. ■

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Lexington

Has Donald Trump solved Iran from the air?

Peace in his time

Jun 26, 2025 07:03 PM

WAS HE always so lucky? Yes. Was wealth an aphrodisiac? No. In October 1980, Donald Trump, 34 years old, slender and soft-spoken, had answered a series of such questions from the gossip columnist Rona Barrett when he suddenly shifted the conversation onto a very different plane. When Ms Barrett asked about his destruction of some celebrated Art Deco reliefs as he made room for a new apartment building—he would name it Trump Tower—he praised himself for making a hard decision, and then went on to say the country could use such leadership. He said it would earn America the respect it lacked in the world.

“The Iranian situation is a case in point,” he continued, after Ms Barrett asked if respect was “the most important thing”. Iran, which by then had held dozens of American diplomats captive for 11 months after students stormed the embassy in Tehran, would have treated no other country that way, he said. America should have invaded and made itself not just respected but oil-rich. “That would have been the easiest victory we would have ever won,” he said. Decades later, such blithe counter-factuals would become a familiar hallmark of Mr Trump’s politics: wars would not have happened if he was in charge; vexing international disputes would have been resolved in a day.

Now, in attacking Iran’s nuclear facilities, Mr Trump has made the kind of hard decision, delivered the kind of bold stroke, of which he has always claimed to be capable. There was nothing simple about the assault by American forces, but they made it look as easy as the victory he imagined 45 years ago. Within hours Israel and Iran agreed a ceasefire, and then hastily affirmed it after the American president bellowed at them for backsliding.

As Mr Trump jetted off to a NATO summit, that organisation’s secretary-general, Mark Rutte, congratulated him on “decisive action” that “makes us all safer”. America was commanding the kind of international deference, even sycophancy, that Mr Trump felt was lacking for so long. He posted earlier on social media that Iran and Israel saw “tremendous LOVE, PEACE and PROSPERITY in their futures”. Maybe the Middle East is on the cusp of its long-awaited triumph of hope over history. That said, a lot of history argues for more nuanced expectations.

The 1970s were good years for Mr Trump—he moved to Manhattan, married a model, became a millionaire in his own right. But they were hard on America. Its confidence and pride suffered from Watergate, defeat in Vietnam and then the hostage crisis, which followed the Islamic Revolution in 1979 (an unintended result, in part, of another American intervention, a CIA-backed coup in 1953). But, about a month after Mr Trump sat for his interview, Ronald Reagan won the presidency with a promise to “make America great again”, and a new joke made the rounds: What’s flat and glows in the dark? Iran, 24 hours after the inauguration. The hostages were free before the 24 hours were even up.

That timing was not a capitulation to Reagan but a last humiliation of Jimmy Carter, whom the Iranian regime despised. For months Carter's team had been negotiating the release, in exchange for concessions such as unfreezing some Iranian funds. As it was for Carter, Iran would prove a source of sorrow for Reagan, and his successors. His second term was consumed by a scandal in which his national security aides were secretly selling weapons to Iran in exchange for American hostages in Lebanon, and then illegally funnelling the proceeds to anti-communist guerrillas in Nicaragua (life was complicated back then, too).

Mr Trump has had his own hard experience with Iran. During his first term he withdrew from the nuclear treaty Barack Obama negotiated, calling it "horrible". That agreement lifted some sanctions in exchange for restrictions on Iran's nuclear programme. But some provisions expired over time, and it was silent on Iran's ballistic missiles and its financing of terrorism. Absent the deal, Mr Trump struggled to address those dangers, too, and as Iran shucked the restrictions its path to nuclear breakout shortened.

Iranamok

In his first term Mr Trump told aides he could negotiate a better deal in a day. But it eluded him even as he turned to various emissaries to intercede. When Iran shot down an American drone, Mr Trump launched a reprisal strike but then recalled the planes. He kept "repeating he didn't want to have a lot of body bags on television", wrote John Bolton, then the national security adviser, in his memoir, "The Room Where it Happened". But after Iran continued to escalate its own violence, Mr Trump later authorised the use of drones to kill General Qassem Suleimani, who led the foreign-operations arm of the Islamic Revolutionary Guard Corps.

Notwithstanding such recourse to arms, one of Mr Trump's contributions has been to reverse the diplomatic logic of the George W. Bush years: Mr Trump believes in talking to America's enemies. He returned to office still intent on negotiating with Iran. A fervent pragmatist, he seems unable to accept that an adversary might endure economic deprivation for ideological reasons. This time, he set a deadline for talks of 60 days. When the Iranians did not honour the deadline, the Israelis did.

Israel had already vitiated Iran's proxies in Lebanon and Syria, and now its forces commandeered Iran's air space. Having erased one diplomatic placeholder and failed to create another, Mr Trump grasped the opportunity to set Iran's nuclear project back by force. Military action may have bought less time until Iran's next potential nuclear breakout than Mr Obama's deal did, mere months rather than a year. But maybe Mr Trump's luck will hold out, and with it everyone else's, and, if Mr Trump keeps the pressure on, Iran will give up on building a bomb, and respect America. Or maybe Mr Trump will just change the subject. ■

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All that glitters

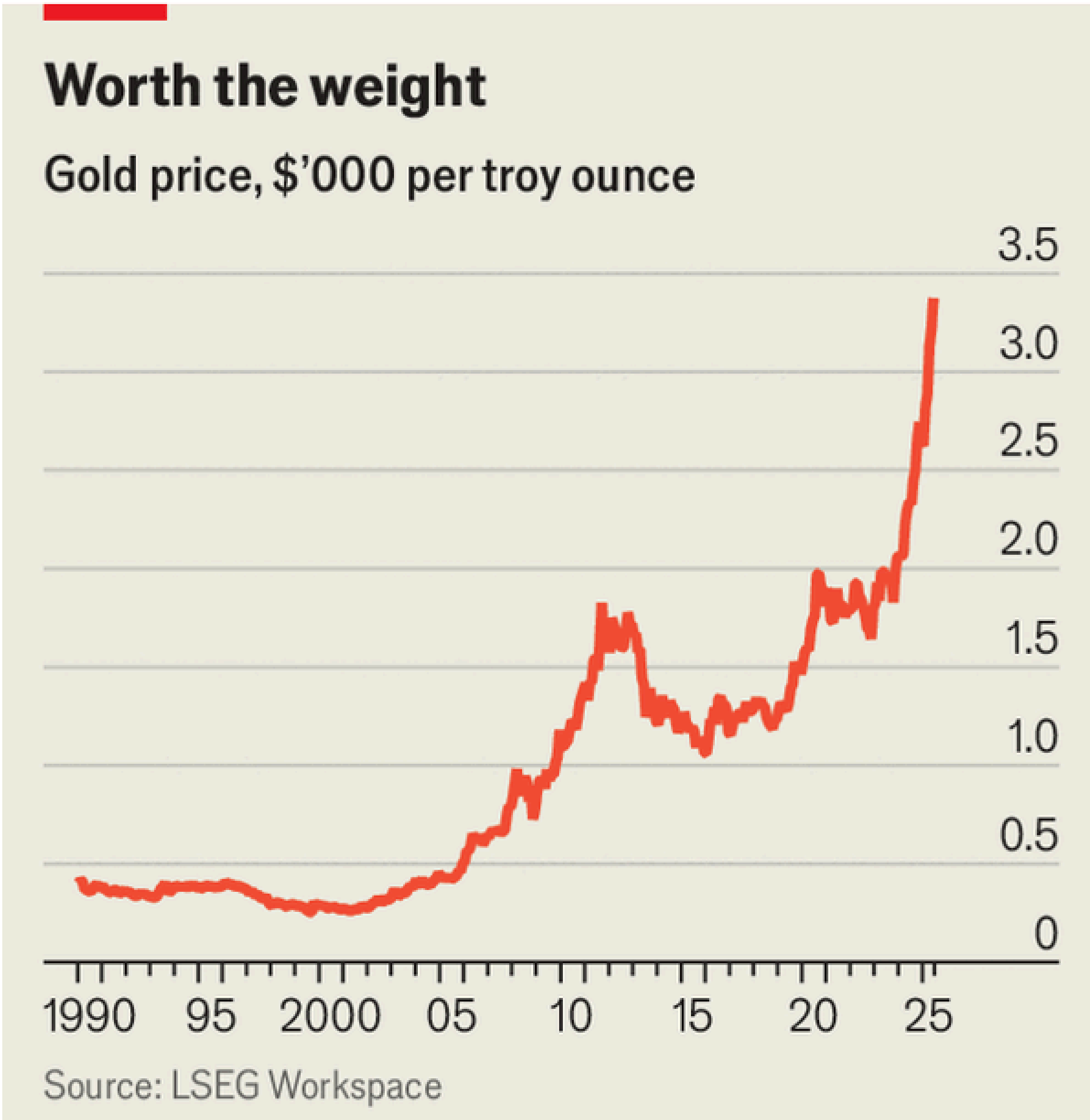
The gold bull-market has a dirty secret

Gold is now better business than drugs for many gangs

Jun 26, 2025 04:26 PM | TRUJILLO

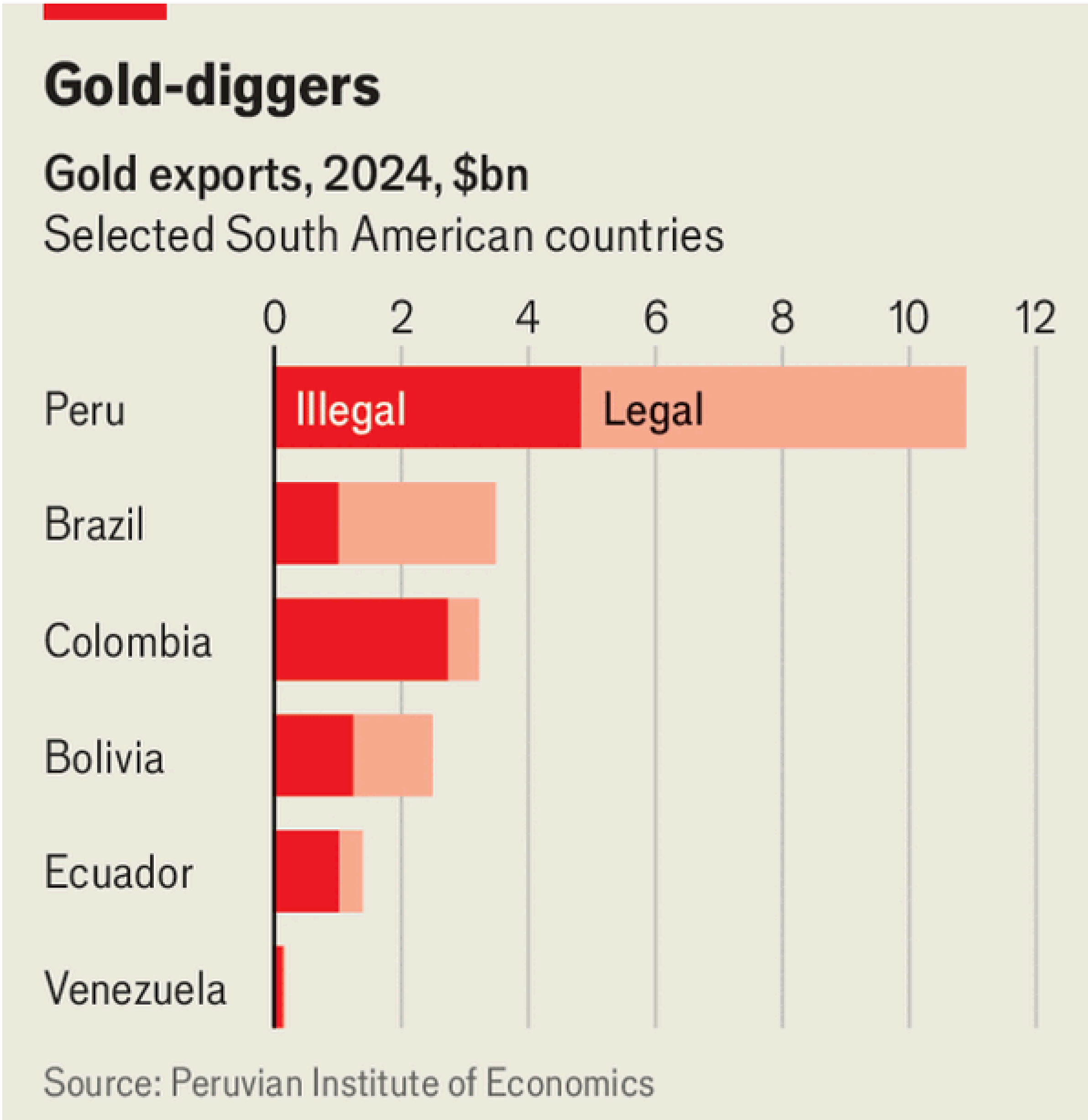
THE MINERS' chants filled the main square of Trujillo, a city on Peru's northern coast. Many of them had travelled from Pataz, a province deep in the Andean hinterlands where a gang recently murdered 13 guards working in a gold mine. "There's a lot of crime in the mountains," said a man with a white hard hat. In response to the killings, Peru's government imposed a month-long ban on mining in Pataz. But the protesters wanted to return to work. "The miners of Pataz are not criminals. We demand the right to work," read a woman's T-shirt.

As the largest producer of gold in Latin America, Peru has been particularly hard hit by a wave of violence linked to illegal mining in the region. Poderosa, a mining company, says 39 workers have been killed in Pataz in the past three years. Two mass graves have been discovered there since October. In January the prosecutor's office in Trujillo was bombed.



The mayhem has been stirred up by the relentless rise in the price of gold and by a glut in the production of coca, cocaine's main ingredient. Since 2008, financial turmoil, geopolitical tensions and growing demand from

Asia’s middle classes have pushed up the gold price, which is near record highs of $3,500 an ounce (see chart).



Meanwhile, coca-bush cultivation in Bolivia, Colombia and Peru has doubled since 2010. Many gangsters are worried that cocaine may become less profitable, so they are piling into the illegal gold market. The two criminal activities complement each other. In the Amazon, coca farms and illegal gold mines often share the same infrastructure, such as landing strips for aircraft. Gangs invest their earnings from drug-trafficking in mining projects, whose output can be laundered and sold as though it had been dug up legally.

In Colombia and Peru gangs are now thought to make more money from gold than from the sale of narcotics. The Peruvian Institute of Economics, a research outfit in Lima, the capital, reckons the country exported $4.8bn of illegal gold last year (see chart). That would represent 44% of Peru's total gold exports, up from 20% a decade ago. In Brazil the government estimates that gangs earned more than 18bn reais (around $3bn) from the sale of gold in 2022, compared with 15bn reais from cocaine.

Bullion bullies

The gangs' involvement is spurring violence and helping to prop up autocrats. Nicolás Maduro, Venezuela's dictator, gives the army a free hand to work with gold-mining mafias in return for political loyalty. Colombia's biggest gold mine, Buriticá, is the site of a stand-off between its Chinese operator and 2,000 miners linked to the Gulf Clan, a gang that stole $200m worth of the glittering ore from Buriticá's tunnels last year. Since 2019 some 18 miners have died there. After a recent government crackdown in Bolívar, an illegal-mining hotspot in northern Colombia, the clan retaliated, killing more than 20 soldiers and policemen. Last month gunmen in Ecuador killed 11 soldiers during an operation to shut down an illegal mine.

The strife in Peru is part of this scourge. During the covid-19 pandemic, *parqueros*, or gold robbers, occupied tunnels in Pataz, hiring gangsters to work as guards, explains Pablo de la Flor of Poderosa. Soon the mafias took over the mines. Several of them are vying for control of the province's resources. A state of emergency, which has seen the army deployed to Pataz since February 2024, has achieved little.

Even when illegal mining does not erupt in open conflict, it is destructive. Criminals are razing the Amazon for gold. By 2018 roughly 1m hectares of forest had been cleared for mining. By the end of 2024 that figure had doubled, according to Amazon Conservation Association, a monitor based in Washington (see map). Much of it was in supposedly protected areas. Mercury, used to separate gold from ore, poisons many Amazonian rivers. President Luiz Inácio Lula da Silva of Brazil has been clamping down on *garimpeiros*, the illegal gold miners who flourished under his predecessor, Jair Bolsonaro. Many have simply moved to Venezuela, where it is easier to cut deals with the army.

With friends like these

The Maduro regime's collusion with Venezuela's illegal gold miners is egregious. But politicians elsewhere also turn a blind eye to such dirty work. In Bolivia the government's support for supposedly non-profit co-operatives has fostered a huge black market. These ragtag groups, which mine most of the country's gold, are technically legal. But they often dig beyond their concession areas and flout environmental laws. Luis Arce, Bolivia's president, has taken a less strident approach to enforcement. Lately a foreign-exchange crisis has pushed him closer to the co-operatives. Last year the central bank bought $1.3bn-worth of gold from Bolivian miners to shore up its reserves. Opposition lawmakers have accused Epcoro, a new state-owned broker, of laundering illegal gold from the Amazon and selling it to the bank, an allegation it denies.

Peru shows how difficult it is to regulate the sector. In 2012 its government set up REINFO, a registry that exempts unlicensed miners from criminal sanctions until they can comply with regulations and prove their rights to the land they mine. But the scheme is a mess. Just 2.3% of registrants end up getting permits. While many miners in REINFO want to raise their standards, the scheme offers little support. In practice it provides cover for gangs who have no plans to register. *Parqueros* outside the scheme use it to launder illegal gold by buying or stealing papers from registered miners. "It's a total failure," sighs Gonzalo Delgado of the Pacific University in Lima.

REINFO was originally intended to be temporary. Its remit is due to expire on June 30th but will probably be extended. The government delayed a previous deadline after miners blocked Lima’s streets. One protest leader is being investigated for alleged links to illegal mining. Gangs also have allies in Congress, making it hard for the government to pass reforms and forcing it to rely on emergency measures. Sending the army to Pataz was a sign of weakness, says Mr Delgado. “It shows the desperation of a government that has no idea how to deal with the problem.”

Luis Miguel Castilla, a Peruvian former finance minister, worries about his country’s future: “I see a lot of similarities with the 1980s, when armed groups controlled large parts of the country.” Across the region, dealing with illegal mining will require a rethink. Redirecting national budgets would help. Peru’s government allocated $73m to combat drug-traffickers in this year’s budget, compared with a puny $17.5m to stop illegal mining. But crackdowns alone will not be enough. Without proper regulation of the sector, it will remain easy for gangs to move from one mineral-rich province to another. As the world gobbles up gold, Latin America bleeds.■

Petro and the pueblo

Colombia’s dire president gets desperate

Gustavo Petro wants to save his legacy

Jun 26, 2025 05:53 PM | BOGOTÁ

IT HAS BEEN a frustrating few years for Gustavo Petro, Colombia’s first avowedly left-wing president. He was elected in 2022 on a promise to overhaul pensions, the health-care system and labour laws, and to dramatically reduce inequality. He also vowed to establish “Total Peace” by negotiating with all armed groups in the conflict-riven country. Yet Mr Petro’s pugilistic governing style has made it hard to get support in Congress, while the courts have held up some of his reforms. Exasperated, Mr Petro is now flirting with changing the constitution.

Colombia needs reform. It is among the world’s most unequal countries. It is painfully hard for a poor child to ascend into the middle class. In a study by the World Bank from 2018, Colombia had the lowest intergenerational income mobility among a group of 75 countries.

Yet Mr Petro’s plans have been flawed. Take health-care reform. Colombia’s system is administered by 27 private insurers. Only seven of these have enough financial liquidity to meet demands by regulators. Yet rather than tweak the system, which provides cheaper health care than in most countries in Latin America, Mr Petro threatened to tear it up. Last year he proposed a bill that would nationalise all private insurers. When Congress shelved this proposal, regulators took over the two largest insurers. In March the lower house passed a watered-down version of the bill. The Senate will probably reject it.

A pension-reform bill is also in limbo. Under it, workers who earn up to 2.3 times the minimum wage—or around $750 per month—would have been obliged to pay their contributions into the state system. Higher earners would have been able to put the balance in a private fund. The bill was meant to come into force on July 1st. But on June 18th the constitutional court sent it back to Congress after opposition lawmakers said that the government had rammed it through Congress without adequate time for debate.

Mr Petro’s biggest success came on June 20th, when lawmakers approved a modified version of his labour reform. Senators had previously rejected it twice, but were cowed after Mr Petro decreed—and then withdrew—a referendum on it. The reform will increase the overtime premium on Sundays and holidays to 100% of a worker’s salary, up from 75% today. It forces firms to contribute more to gig workers’ pensions and health care, and to fully cover their insurance. This “restores rights to Colombian workers,” says Juan Pablo Lopez, a left-wing activist who describes current labour laws as “feudal”.

Fedesarrollo, a think-tank in Bogotá, the capital, reckons that the reform will raise the cost of hiring by up to 15%. Small businesses and firms in security and retail that rely heavily on night shifts will be hardest hit. They could fire employees, pushing even more Colombians into the black market, where about 60% of workers already toil. “You can’t talk about improving conditions for workers if at the same time you discourage entrepreneurs,” says Gabriel Jaime Vallejo of the Democratic Centre, a right-wing party.

Making matters worse, the government is running out of fiscal space to implement its agenda. On June 13th Germán Ávila, the finance minister, froze a legal limit on state spending and borrowing for three years. That will tip the deficit over 7% of GDP this year, up from 6.7% last year.

“Total Peace” looks battered. On June 7th Miguel Uribe, a right-wing senator who had announced that he would run in next year’s presidential election, was shot in the head in Bogotá and remains in critical condition. Days later armed groups killed at least seven people in and around Cali, the third-largest city. “We made a lot of sacrifices so that Petro could become president,” says a local leader from Catatumbo, a violent region. Now he fears his efforts were in vain. In January he was forced to leave his home due to conflict.

All this would be enough trouble for any administration. But Mr Petro’s unstable character compounds problems. He often rants on X, formerly Twitter, and has compared his critics to slave owners and Nazis. Since coming to power he has shaken up his cabinet four times, nominating over 50 ministers. In April his former foreign minister accused him of taking drugs (Mr Petro denies the allegations and says he is being slandered).

These setbacks have led Mr Petro to embrace a dangerous idea. On June 20th he announced that he would include a vote on whether to call a constituent assembly in next year’s general elections. Past presidents have amended the constitution from 1991, which enshrines many social rights. Yet Mr Petro’s proposal to call an assembly to rewrite the charter is radical, and his intentions are worryingly vague.

Critics fear that the president is trying to enshrine in the constitution what he has been unable to pass in Congress. Mr Petro’s approval ratings, at around a third, are low, though not unusual by Colombian standards. He is ineligible for re-election and has no clear heir. Instead, he believes that the *pueblo* will save his legacy. ■

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Pitch perfect

Dutch football has a secret team

Suriname’s squad is becoming less dire

Jun 26, 2025 12:43 PM | PARAMARIBO

Can’t goal on without you

IN FRONT OF fewer than a dozen fans at Paramaribo’s Dr Franklin Essed Stadium, the emcee promises “fireworks” on the pitch. The opening exchanges of the Suriname Major League clash between Notch and Broki peter out into a medley of misplaced passes and goal-keeping howlers. Domestic football in Suriname, a country of 620,000 inhabitants in South America, is a mess. But thanks to an influx of diaspora players, the national side, popularly known as “the Natio”, could become the lowest-ranking team in history to qualify for a World Cup (North Korea currently holds this ignominious title). It helps that next year’s cup will feature the largest number of teams ever.

Surinamese blood has run in the veins of some of the world's finest footballers. In the years leading up to and following the country's independence from the Netherlands in 1975, almost a third of the population emigrated to secure Dutch citizenship. During the 1990s the Dutch national football team relied on star players such as Ruud Gullit, Edgar Davids and Clarence Seedorf, all children of Surinamese immigrants. Today Virgil Van Dijk, captain of both Liverpool and the Dutch national team, is the most prominent of over 100 football players of Surinamese descent in Europe's top leagues.

Yet until recently, this talent largely benefited the Netherlands. Suriname does not allow dual citizenship. No top player would relinquish their Dutch citizenship, as players from outside the European Union are subject to stricter work permits in the Netherlands. That left Suriname unable to tap into its global talent pool. The Natio got stuck with the local dregs of the dribbling world. It went from being one of the Caribbean's strongest sides in the 1970s to being ranked 191 out of 209 teams in 2015 by FIFA, football's Swiss-based governing body. "I would have loved to have played for the Natio, but it was impossible," sighs Brian Tevreden, a retired Dutch-born footballer who now manages Suriname's national squad.

The Natio's fortunes changed in 2019, however, when FIFA altered its eligibility rules. It now lets Suriname issue temporary "sports passports" to Dutch-born players of Surinamese descent. Immediately after the ruling, Surinamese scouts started hiring older Dutch-born players who had given up on joining the Dutch national team. In 2021 the new recruits helped the Natio reach the Gold Cup, a prestigious football tournament for teams from North America, Central America and the Caribbean, for the first time in 36 years. FIFA now ranks the Natio in 137th place.

Goal-getters

This success has made it easier to attract younger players of Surinamese descent. The Natio emerged undefeated from its World Cup qualifying group in June and faces a final round against Panama, El Salvador and Guatemala in the autumn. Just seven players on the 23-man team were born in Suriname. Many locals who were initially sceptical of the European newcomers are warming up to them.

Yet Suriname's dysfunctional football association could stand in the way of the Natio's budding greatness. The association has long been dogged by allegations of impropriety, which it denies. In 2021 a local team, Inter Moengotapoe, was banned from a regional football competition after its owner, Ronnie Brunswijk, a convicted drug-trafficker who is also Suriname's vice-president, played in a match (he maintains his innocence in the drug-trafficking case). After the game, a video showed Mr Brunswijk appearing to distribute cash to his Honduran opponents in the changing rooms. Mr Brunswijk later explained that he was showing his gratitude to the Honduran team for travelling to Suriname to play a match.

"Suriname has plenty of raw talent; with the right structures in place they could become a force in Caribbean football," says Diederik Samwel, the author of books on the game in Suriname. Back at the Essed Stadium, a Notch midfielder glides the ball into the back of the net. ■

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Asia

After the revolution

A big mistake by Bangladesh

Retribution is vying with reform

Jun 26, 2025 04:26 PM | Dhaka

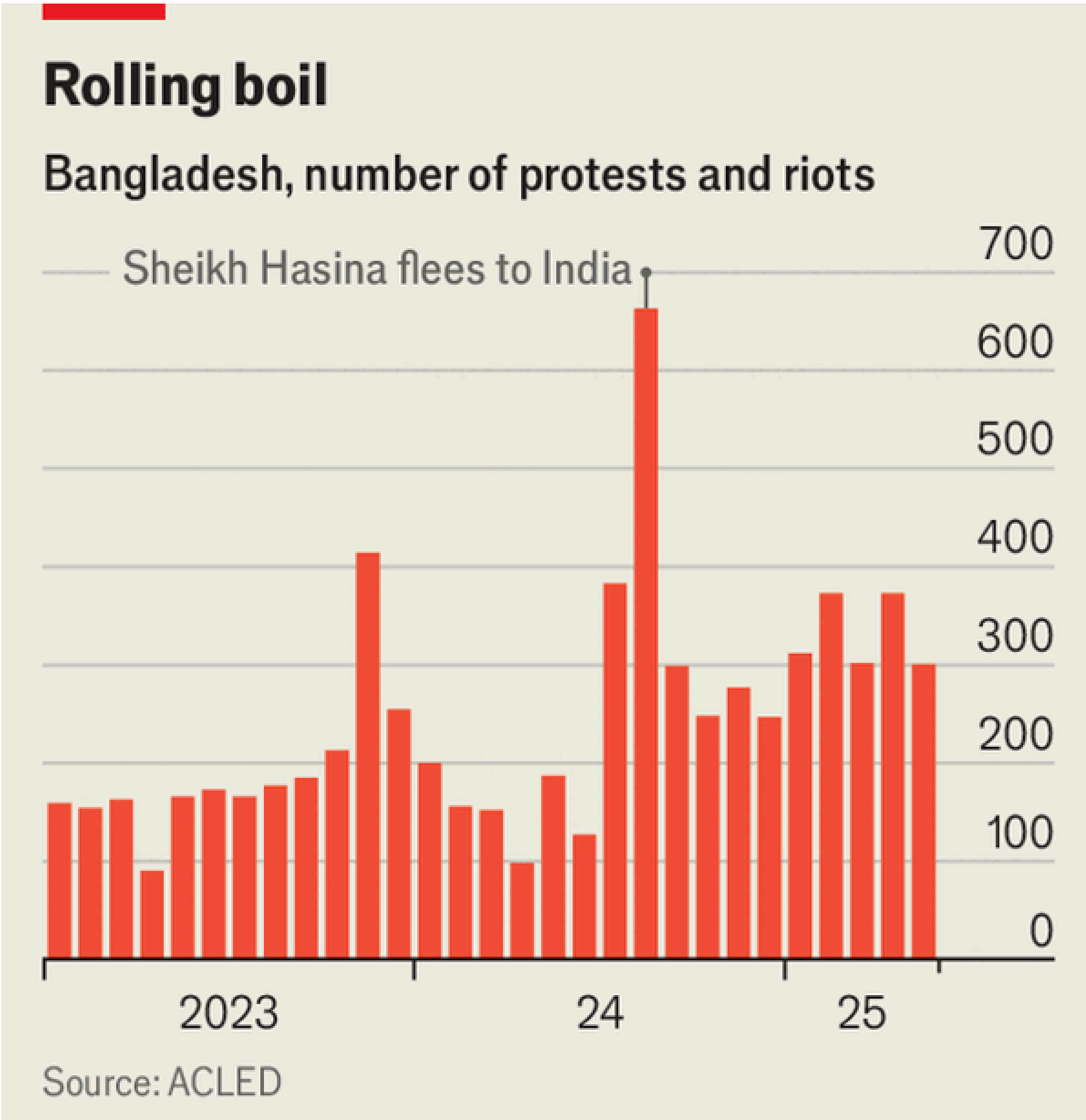
IT IS ALMOST a year since the start of the uprising that toppled Sheikh Hasina, Bangladesh's despotic former ruler. More than a thousand people died in those few weeks of turmoil; many more were hurt. Shortly after the deposed prime minister fled to India on August 5th 2024, a caretaker government led by Muhammad Yunus, a Nobel peace-prize winner, took office. It promised to restore order and rejuvenate democratic institutions that years of misgovernment had ruined.

Eleven months on, the going is tough indeed. Political demonstrations continue (a march in late May is pictured). Many politicians seem keener to lash out at enemies than build bridges: Sheikh Hasina's party, the Awami League, has been banned. America's aid cuts and tariffs threaten development; relations with India, Bangladesh's biggest neighbour, are in crisis. Is this country of 174m going to squander its fresh start?

Mr Yunus insists his project is on track. In a recent interview with *The Economist*, the 84-year-old said that achieving the deep reforms Bangladeshis are seeking will take time. On the economy, at least, his government has good news. Bangladesh's growth will slow from 4.2% to 3.9% in the year ending in June, reckons the Asian Development Bank (ADB): not stellar, but miles better than expected last year. Remittances are arriving, foreign-exchange reserves have surged, and the annual inflation rate has dipped from nearly 12% in July last year to 9% in May. The government has sought to clear bad loans from the banks and started hunting for billions of dollars that the previous government is believed to have siphoned abroad.

Encouraged by this, in recent weeks both the International Monetary Fund and ADB have approved multi-billion-dollar loans. The catch is that so far the government's reforms have focused only on "low-hanging fruit", points out Chandan Sapkota of the ADB. Bangladesh still depends heavily on exports of textiles, has woeful infrastructure and is not creating enough jobs for its youngsters. These issues have grown urgent now that America is waging tariff wars.

If action on the economy has won nods abroad, the government's foreign policy raises eyebrows. Mr Yunus says that Bangladesh is "reaching out to everybody". But in March he was in China for his first big bilateral trip, where he signed a handful of agreements. Reports suggest Bangladesh may buy Chinese J10C and JF17 fighter jets—the same aircraft used by Pakistan in its conflict with India in May. On June 19th China, Pakistan and Bangladesh held their first-ever trilateral summit.



All this dents ties with India, which used to be Bangladesh's strongest ally and is providing sanctuary to Sheikh Hasina. Bangladeshis do not care: a survey last year found 75% of them view China positively, while only 11% say they like India. But alienating a big neighbour is risky. In April India cancelled a trans-shipment facility that allowed Bangladeshi goods to be sent abroad from Indian airports; that will increase costs for firms.

Aligning with China could also hurt relations with America. Before that country cut foreign aid, Bangladesh was one of its biggest beneficiaries;

much of the money helped Bangladesh host the 1.1m Rohingya refugees who live near the border with Myanmar. America is also the biggest market for Bangladeshi exports. Last month Bangladesh opened negotiations on trade, as it seeks to avoid being subject to reciprocal tariffs of 37% that are due to take effect on July 9th.

Yet the biggest question facing Bangladesh is how quickly it can restore democracy—and how long that achievement will endure. Mr Yunus has suggested that elections may be held in February 2026, or at least no later than April. In advance he wants politicians to sign off a document, called the "July Charter", that will set ground rules for the poll and list reforms to be completed by its winner. Exactly what politicians will agree to insert in this contract remains fuzzy.

Nearly 150 parties have signed up to compete in the polls, more than twice as many as were registered before. Newcomers include the National Citizen Party (NCP), a student-led group that emerged from the protests. The caretaker administration is keen to nurture a new generation of politicians. So this is hopeful news. The problem is that these minnows seem unlikely to do very well. Among voters who have already made up their mind, only 5% will plump for the NCP, according to one opinion poll. The old guard is doing much better: the Bangladesh Nationalist Party (BNP) gets backing from 42% of decided voters. Jamaat-e-Islami, an Islamist group, is polling at 32%. Liberals fear the Islamists would indulge religious extremists. As for the BNP, many Bangladeshis think it as venal and complacent as the party they have just removed from power.

That outfit—the Awami League—will not be taking part. After months of pressure from other parties, the interim government banned it from political activity in May, citing "national security" concerns. In theory the ruling is temporary, pending court cases, but legal proceedings might take years. The risk is that a large chunk of Bangladesh's voters decide that this decision has denied them a proper choice at the ballot box. The Awami League remains surprisingly popular: it is first choice for 14% of decided voters, and that is almost certainly an undercount (many Bangladeshis prefer not to admit that they still back it). Mohammad Arafat, an Awami leader, insists half the country still sympathises with his party.

Awami claims that 24 members or supporters have been killed in custody since last year's revolution. Human Rights Watch, an NGO, has accused the interim government of "arbitrarily" targeting Awami supporters in a way that "mirrors the previous government's abusive clampdown on political opponents". Lasting change will require bringing all Bangladeshis together, not dishing out punishments, argues Arafat Khan, a legal scholar at the London School of Economics. Bangladesh sorely needs a "Nelson Mandela moment", he says. ■

The art of no deal

India gets no favours from Trump

Efforts to strike a trade "mini-deal" are dragging on

Jun 26, 2025 04:18 PM

INDIA WAS one of the first countries to confirm, at the start of the year, that it would negotiate a big trade deal with Donald Trump. Talks accelerated in April, after America's president whacked so-called "reciprocal" tariffs on most of the world's countries (which for the moment are paused until July 9th). For months it has been assumed that India is a front-runner to strike an "interim" deal with America that would remove some bugbears, shield India from some of Mr Trump's looming tariff hikes and set the table for a bigger agreement later in the year.

Yet as the clock ticks down to July 9th, much of the early optimism has faded. Lately things have entered a "dramatic downward spiral", reckons Richard Rossow, an expert on India's economy at the Centre for Strategic and International Studies, a think-tank in Washington. During talks in Delhi this month, positions on both sides are said to have hardened.

The issues under discussion are fraught. Among other things, America wants India to accept more of its farm produce—including genetically modified stuff such as maize and soyabeans. That is difficult for Narendra Modi's government to swallow: nearly half of all Indian workers toil in agriculture. Indian governments have long sought to defend them from big American agricultural firms.

It is not only angry smallholders that the government needs to worry about. India's powerful tycoons have long been insulated from foreign competition; they are likely to resist any agreements that risk making business a bit harder. Hindu nationalist groups, whose support shores up Mr Modi's government, oppose making big concessions to foreigners. The largest of these has argued that, to counter Mr Trump's tariff threats, India should pull out of an international agreement that helps protect patents on valuable things such as medicines.

Indians fear that for all his bluster about making trade "fair", Mr Trump's administration is intent on winning unequal gains. Using a tight deadline, "Mr Trump wants to bully India into a deal," says Ajay Srivastava, an Indian former trade negotiator and founder of the Global Trade Research Initiative, another think-tank.

A cooling of ties between America and India is probably making these issues tougher to resolve. In April J.D. Vance, America's vice-president, made a genial trip to Delhi and two neighbouring cities. But since then Mr Trump has irked India's government by claiming to broker a ceasefire in its conflict with Pakistan. He upset it all the more by suggesting that he used trade as a bargaining chip. On June 18th Mr Trump left many Indians flabbergasted when he treated Field Marshal Asim Munir, Pakistan's army chief, to a smiley lunch in the White House.

One big question for India is whether Mr Trump can be trusted to stick to any deal that gets signed. It is reportedly seeking assurances that the Trump administration is not going to introduce more tariffs down the line; it wants to ensure that any deal that is agreed now can be immediately renegotiated if that happens. Some think India should wait and see if Mr Trump will actually raise tariffs on July 9th. American courts may eventually rule that the president does not have the right to do so in the way he has threatened.

Many Indian analysts look askance at the interim deal Britain signed with America in May, which they think required the smaller country to give too much away. If that is the reward for moving quickly, goes the thinking, perhaps dragging one's heels is not so bad. "A trade war is not a physical war—nobody is bombing you," advises Mr Srivastava. "One should not surrender." ■

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A tarnished legacy

Asia’s disgraced saint

As she turns 80, Myanmar’s jailed leader still has much support

Jun 26, 2025 12:44 PM

Simpler times

ONLY AUNG SAN SUU KYI’S jailers know how Myanmar’s ousted leader spent her 80th birthday on June 19th. She was detained in February 2021 when the army staged a coup. She is believed to be held in solitary confinement in a purpose-built cell in a detention centre in Naypyidaw, the capital. Since her arrest only one letter from her has been received: to her younger son, Kim Aris, in January 2024.

This year, to mark his mother’s birthday and remind the world of her plight, Mr Aris called on supporters to produce short video messages. Fans, most of them Burmese, recorded more than 110,000. Ms Suu Kyi may not see them—but the campaign is said to have irked Myanmar’s military ruler, General Min Aung Hlaing. One rumour online is that he has ordered his followers to send him more than 100,000 video messages for his own birthday, on July 3rd.

The coup in 2021 followed an election the previous November in which Ms Suu Kyi's party, the National League for Democracy (NLD), won 82% of seats in parliament. In December 2022 she was sentenced to 33 years in prison—later reduced to 27—for a series of offences, including incitement to resist the coup, electoral fraud and corruption (she denies them all). It is the fourth time military dictators have locked her up: between 1989 and 2010, in three separate periods, she spent some 15 years mainly under house arrest in a villa in Yangon, the biggest city. This stretch in prison is doubtless especially grim.

Her latest incarceration has attracted much less attention from international human-rights activists than her previous imprisonments. That in part reflects the scale of Myanmar's crisis: Ms Suu Kyi is only one of 22,000 political prisoners suffering in similar conditions, or worse. But the silence is as much because of deep dismay about things that happened when she was in power. Ms Suu Kyi is lambasted for not defending the mainly Muslim Rohingya ethnic minority when they came under attack from Buddhist neighbours in Rakhine state in 2015 and were massacred by the Myanmar army in 2017.

Her disgrace was sealed when, as Myanmar's "state counsellor", she went to The Hague to defend her country against charges of genocide at the International Court of Justice. She admitted that war crimes were committed but stopped short of calling it a genocide. (A verdict on that case is still pending.) Ms Suu Kyi's supporters say her priority in power was to introduce a fully democratic constitution, and that this mission required beguiling the generals who had the power to veto it. Others believe she shares the generals' racist views.

Min Zin of the Institute of Strategy and Policy, a Myanmar think-tank based across the border in Thailand, says Ms Suu Kyi is "narcissistic as a politician…She thinks she is a snake charmer." Her failure to get the army to dance to her tune "brought the whole country down". That does not mean people should refrain from calling for her release, he adds.

Within Myanmar, at least, Ms Suu Kyi’s stock remains high. One recent survey carried out by Blue Shirt Initiative, a pollster, concluded that she remains “the most trusted political figure” in the country. The resistance against the coup is partly led by the National Unity Government, a parallel authority made up of mainly ousted NLD members of parliament. Its website still shows Ms Suu Kyi as state counsellor, the position she held when arrested; many of its members remain devoted to her. The junta is not at all squeamish about dispatching its enemies, but it seems to have chosen to keep Ms Suu Kyi alive. It may be fearful of the rage that would follow should she die in its custody, says Sean Turnell, an Australian economist and NLD adviser who spent almost two years in detention in Myanmar.

There is a conceivable future in which Miss Suu Kyi eventually emerges from detention as a figurehead for a new, democratic government—perhaps with prestige but little power. For now, all the evidence points to a grimmer outcome: that she will age in prison in a benighted country, a snake-charmer bitten by the snake. ■

Love hurts

Japan’s civil war over surnames

Inventive schemes help women dodge inflexible marriage laws

Jun 26, 2025 12:44 PM | Tokyo

FOR A COUPLE that has divorced three times, Uchiyama Yukari and Koike Yukio get along remarkably well. The two teachers, who live in the city of Nagano in central Japan, have never fallen out of love. Yet they have parted several times on paper, in order to sidestep a law that requires married people to have the same surname. Most of the time the couple lives happily outside wedlock. Each time they have a child they remarry (because that makes registering the birth simpler) and then divorce again.

In lots of countries married couples face pressure from society to take a single last name. Japan is rare in making this an obligation under law. In May politicians discussed bills put forward by opposition parties that aimed to change the system. In the end, scepticism from the ruling Liberal

Democratic Party (LDP) ensured that no new legislation emerged. Yet the missed opportunity has only encouraged campaigners to redouble their calls for reform. Surveys suggest that fuddy-duddy policymakers are resisting what a majority of Japanese want.

The rules in Japan do not explicitly require that a woman take her husband's name. But in 95% of cases that is how couples choose to comply with the law. "When we got married, everybody assumed I would take his name. Nobody asked if he was going to take mine," says Ms Uchiyama. This is causing more resentment as women rise in the workplace. Name changes are a pain for people who have toiled to build a strong reputation. Using one moniker for legal documents and another for the office is doable, but invites confusion. Keidanren, Japan's largest business lobby, says the status quo "hinders women's advancement".

Campaigners are not stopping there. They say junking name rules will also help stop uncommon ones dying out. One study notes that, given enough time, everyone in Japan is going to end up sharing the country's most common surname ("Sato"). "If politicians claim to be conservative, they should be working to preserve rare and unique Japanese names," says Kono Taro, a reform-minded member of the LDP.

A final argument is that reform could help raise Japan's rock-bottom birth rate. Morihana Eriko, a 29-year-old in Tokyo, says the thought of giving up her name made her pause before tying the knot (it combines the characters for "forest" and "nose"; only a few hundred people share it). A study conducted by Asuniwa, an NGO, concludes that letting people keep their names might prompt some 590,000 people who are currently cohabiting to switch to legal marriages. In Japan strong stigmas discourage births out of wedlock—so this would probably also serve to make them more fecund.

More than half of Japanese favour relaxing the rule, according to one reliable study. Many politicians also support change. The problem is that reformists in the LDP are loth to challenge the hard-right flank of their party, particularly ahead of an upper-house election in July. Liberalising the rules, hardliners say, would confuse kids and loosen family bonds. At the end of last year *Sankei Shimbun*, a right-wing newspaper, asked children how they would feel if family members started using different surnames. It reported 49% saying they would not like it.

The issue has become totemic for a chunk of the Japanese political right, says Miura Mari of Sophia University. “The more the public calls for change, the more they’re galvanised to block it.” Married names were a hot topic at a recent gathering organised by Nippon Kaigi, an ultraconservative group with ties to the LDP. Efforts to change name rules might “tear apart traditional values and destroy the country,” one fiery speaker insisted. He called it a “Communist plot”. ■

Banyan

A surprise East Asian love-in

Donald Trump has given two neighbours more reasons to get along

Jun 26, 2025 04:18 PM

RELATIONS BETWEEN Japan and South Korea are not often cause for a party. But the 60th anniversary of diplomatic ties between the two neighbours on June 22nd was a festive affair. Tokyo's political elite trekked to a jolly reception put on by the South Korean embassy. Ishiba Shigeru, Japan's prime minister, called for the countries to "join hands"; two of his predecessors made toasts. Japanese politicians beamed at photographers while clutching South Korea's ambassador.

Scenes such as these were far from guaranteed when South Korea's new president, Lee Jae-myung, took office at the start of the month. Relations between the two countries have tended to sour whenever Mr Lee's outfit, the left-of-centre Democratic Party (DP), is in power. In opposition, Mr Lee accused South Korea’s conservative president at the time, Yoon Suk Yeol, of being too soft on South Korea’s former colonial overlords (Mr Yoon had tried to solve a long-running spat about whether Japanese companies should pay additional compensation to wartime forced labourers). When Mr Yoon was impeached for declaring martial law last year, many in Japan expected tetchy times to return.

But during his campaign Mr Lee promised a “pragmatic” foreign policy—and so far that is what his country has got. His first phone call went to America’s president, but his second was to Mr Ishiba. (Moon Jae-in, the previous DP president, called Xi Jinping of China second instead.) The tone was surprisingly warm, people familiar with the call say. On June 17th the two leaders held their first in-person meeting on the sidelines of the G7 summit in Canada; South Korea’s presidential office later released photographs of Mr Lee smiling broadly during the encounter. The following day, fighter jets from both countries flew alongside American F-16s in trilateral military exercises over the seas between Japan and South Korea.

Longtime observers of the relationship know these grins can flip in about as much time as it takes to say “Dokdo”. Those tiny islands, which South Korea controls and Japan claims (and calls Takeshima), are just one of many potential flashpoints bestowed by their bitter shared history. Mr Yoon engineered a compromise on the forced-labour dispute that was unpopular at home and could yet fall apart. While 46% of Japanese reckon that historical issues have been resolved, only 17% of South Koreans do, according to a recent poll by a pair of Japanese and South Korean newspapers. The 80th anniversary of Japan’s surrender in the second world war—and thus Korea’s liberation—comes in August. South Koreans will be listening closely to how Mr Ishiba accounts for Japan’s imperial past.

But two big forces are pushing the oft-distant neighbours together. One is Donald Trump. Japan and South Korea, both American allies, face similar tariff threats from Mr Trump; teaming up can help them face him down. Writers at *Yomiuri*, a conservative Japanese daily, and *Hankyoreh*, a left-wing South Korean one, have often taken lines mistrustful of each other’s countries; but in recent weeks both papers have published editorials calling urgently for closer co-operation to deal with trade challenges. And shortly before being named to his post, South Korea’s new trade minister, Yeo Han-koo, called for joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the mega-free-trade deal that was salvaged by Japan after Mr Trump pulled America out during his first term.

The other force is generational change. Young Japanese and Koreans are big fans of each other’s culture. Over 3m Japanese visited South Korea last year, while 8.8m Korean visitors came to Japan—equivalent to nearly one-fifth of the population. In honour of the 60th anniversary of bilateral ties, the two governments set up temporary fast-track lines for each other’s citizens at passport control at four airports in Tokyo, Seoul, Fukuoka and Busan. For Japan, it was the first-ever entry lane dedicated to visitors from a single country.

The young are less focused on the past than their parents or grandparents are. They see each other as peers facing common threats. That urges co-operation: polls find a majority of Japanese and South Koreans want their two countries to work more closely on defence. The toothy photos that Mr Lee published after meeting Mr Ishiba show how much has changed at home. These days South Korea’s public does not demand that its leaders scowl at Japan. ■

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Who will be chosen?

The Dalai Lama faces a horrible dilemma

Tibet's spiritual leader is set to reveal one succession plan. China has another

Jun 26, 2025 04:26 PM | Dharamsala

FOR SOMEONE approaching his 90th birthday, the Dalai Lama is in remarkably good nick. On a mid-June morning, *The Economist* joined a group audience with Tibet's exiled spiritual leader and watched him greet about 300 devotees and well-wishers individually. Dispensing advice and blessings for over an hour, he paused only once for a sip of hot water. He does this five times a week, plus occasional public teachings, in his adopted hometown of Dharamsala in northern India.

Yet those close to the Nobel peace laureate admit that he is slowing down. He arrived for the audience in a golf buggy and was helped to his seat by three aides, as machinegun-toting Indian guards scanned the area. He rarely leaves Dharamsala since knee surgery in America last year. That raises a delicate question for those concerned about Tibet's future, not least the governments of China and India: what exactly will happen when he dies?

The clearest answers yet are expected in a video message from the Dalai Lama on July 2nd, four days before his birthday. By Tibetan tradition, after a Dalai Lama's death, aides and senior lamas identify an infant as his reincarnation. But he can choose not to be reborn. He can also "emanate" as another person while still alive. Whatever his decision, China is certain to contest it. Its atheist Communist Party, which seized Tibet in 1951, says "emanation" is not permitted and that it alone can approve the next Dalai Lama. It hopes the demise of the current one, who fled to India in 1959, will curb international backing for his non-violent campaign for the greater autonomy of Tibet within China.

When the Dalai Lama dies (or emanates), China is thus expected to name a rival successor, just as it did after the Panchen Lama—another senior Tibetan Buddhist figure—died in 1989. The Dalai Lama identified a successor to that post in Tibet but Chinese authorities whisked the child away (never to be seen or heard of again) and appointed in his place another boy, whom many Tibetans see as a stooge. China will probably press other countries to recognise its choice for the next Dalai Lama and punish those who endorse or have contact with the alternative. That makes this succession a historic test of the democratic world's will—and capacity—to resist Chinese coercion and disinformation.

Schisms and schemes

There are significant risks for China, too. The current Dalai Lama (the 14th) is the only figure who commands authority among almost all the 7m Tibetans in China, as well as the 150,000-strong diaspora. Although China has long denounced him as a separatist "wolf in monk's robes", it has tried to persuade him to return to Tibet and endorse party rule there. Without him, the Tibetan movement could fragment and embrace a more radical drive for complete independence. Though that is unlikely to succeed in the near term, it could still undermine China's image abroad as well as its efforts to enforce ethnic unity at home.

The Dalai Lama has already revealed some details of his succession plans. In a book published in March, he said his heir would be born in the free world. There has also been talk of emanation as an option that would conclude the issue sooner and allow him to train his own successor. Still, people close to him now say that reincarnation is more likely. That would create a potentially risky leadership vacuum during the decade or two in which a successor grows up and is trained. But Penpa Tsering, leader of the Tibetan government-in-exile, tells *The Economist* that the risks are manageable, as the Dalai Lama gave up his political powers in 2011 and other senior lamas will provide religious leadership during the transition.

He also says that China has been trying to revive back-channel talks since early 2023, although no meaningful progress has been made. Chinese intermediaries repeatedly ask about the Dalai Lama's health, schedule and succession plans. "They're worried," Penpa Tsering explains. "If there's one thing China can't handle, it's unpredictability." Even so, Tibetans will need international support to resist Chinese meddling, he adds.

America's response is vital. It has long backed Tibetans' demands for greater freedom and advocated talks between China and the Dalai Lama. During the first Trump administration, Congress passed a law authorising sanctions against Chinese officials interfering in the succession. Marco Rubio, America's secretary of state, pledged continued support in March. But Trumpian cuts have withdrawn some $22m in annual funding for Tibetans, which is equivalent to more than half the government-in-exile's budget.

It is also unclear how Mr Trump views Tibet and the Dalai Lama, who once said he lacked "moral principle". Mr Trump is less concerned by human rights than recent predecessors and his approach to China is dominated by a trade war. Dolma Tsering Teykhang, the deputy speaker of the Tibetan exiles' parliament, notes that Mr Trump was once popular with Tibetans because he was seen as tough on China.

India is also critical as it provides a home to the Dalai Lama, the government-in-exile and half the Tibetan diaspora. If the next one is found in India, as many expect, its government would probably offer him sanctuary. That would be politically popular as the Dalai Lama is revered by many Indian Buddhists and Hindus. And India has considered his presence a source of leverage over China. Yet it will still fret over irking its large neighbour. Bilateral tensions have finally eased between them after a four-year border stand-off ended in October. And India increasingly relies on Chinese goods: its trade deficit with China hit a record of $99bn in 2024-25.

That makes the response from other democracies all the more important, particularly the European Union. The EU said in June that the next Dalai Lama should be chosen "without government interference". No country is likely to risk having official contact with the next Dalai Lama, as China has imposed increasing commercial costs on those that do. The incumbent has not met a world leader since Barack Obama in 2016. But several democracies still speak out about rights abuses in Tibet and support the Dalai Lama's "Middle Way", as his quest for autonomy is known.

Whether that continues could depend on how the Tibetan movement evolves after the Dalai Lama's death. Lhagyari Namgyal Dolkar, a member of the Tibetan exiles' parliament, thinks the Middle Way reflects outdated hopes that China will liberalise politically. Calling instead for independence would inspire more Tibetans and foreigners, she reckons. Others think such talk will provoke stricter policies in Tibet and alienate foreign supporters.

The Dalai Lama's announcement will not resolve such differences. He may not answer all the questions around the succession, either. But for many Tibetans, his statement will illuminate the real challenge ahead: how to preserve their identity after the man who embodies it is gone. ■

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Write and wrong

Chinese cops are cuffing erotica

Local police have found a perverse way to raise money

Jun 26, 2025 12:44 PM | Beijing

"IN MY TWENTY years of life, I never thought my first flight would be to a Lanzhou police station." So wrote one young woman who, in the past few weeks, says she was ordered to leave her home and report to authorities in the faraway capital of Gansu province, in the parched northwest. Her supposed crime was profiting from posting erotic stories on a website dedicated to *danmei*—online fiction that depicts romantic and sexual relationships between men, but which is largely written by (and for) straight women.

Most authors earn a pittance for posting *danmei* online, but a lucky few inspired hit TV shows (though with the naughty bits excised) before a crackdown on making them in recent years. One such programme, "The

Untamed”, has racked up more than 10bn views since it first aired in 2019. But *danmei* writers are also attracting unwanted attention from the authorities as part of a troubling trend.

Cops from the sticks are finding ways to slap charges on Chinese who have never once come within a thousand miles of their towns. In China, tackling entrepreneurs and private firms in other forces’ jurisdictions to make money is known as “fishing in distant seas”. In March Li Qiang, China’s prime minister, said “profit-driven law enforcement” had to stop. But scooping up writers of erotica continues.

Though Chinese authorities are deeply conservative on matters of sex and sexuality, several lawyers and *danmei* writers suspect that money-raising may be the real goal. Chinese police forces depend upon a mix of national and local funding. But the country’s property crash has left local governments in the lurch as they can no longer rake in so much revenue from selling land-use rights to developers. Meanwhile some local authorities have grown increasingly adept at finding other funding: last year China’s tax haul declined by about 3%, while money raised by fines and confiscations rose by 15%.

In recent months at least four other *danmei* writers say they were approached by cops from distant parts of China. In December, police from a poor, rural part of Anhui province announced the results of an investigation into 36 people for online obscenity and raised 11m yuan ($1.5m) in fines. They sentenced one well-known *danmei* author to more than four years in prison. She had to hand over all her earnings from writing—about 1.8m yuan—and pay another 1.8m yuan as a fine. “Why are some people who commit sexual assaults in real life not punished so severely?” asks one erotic writer, pointedly. “People should have full freedom of thought, including freedom of sexual fantasies,” writes Chen Bi of the Chinese University of Political Science and Law, who is offering legal aid to arrested authors. ■

The illiberal arts

China’s new army of engineers

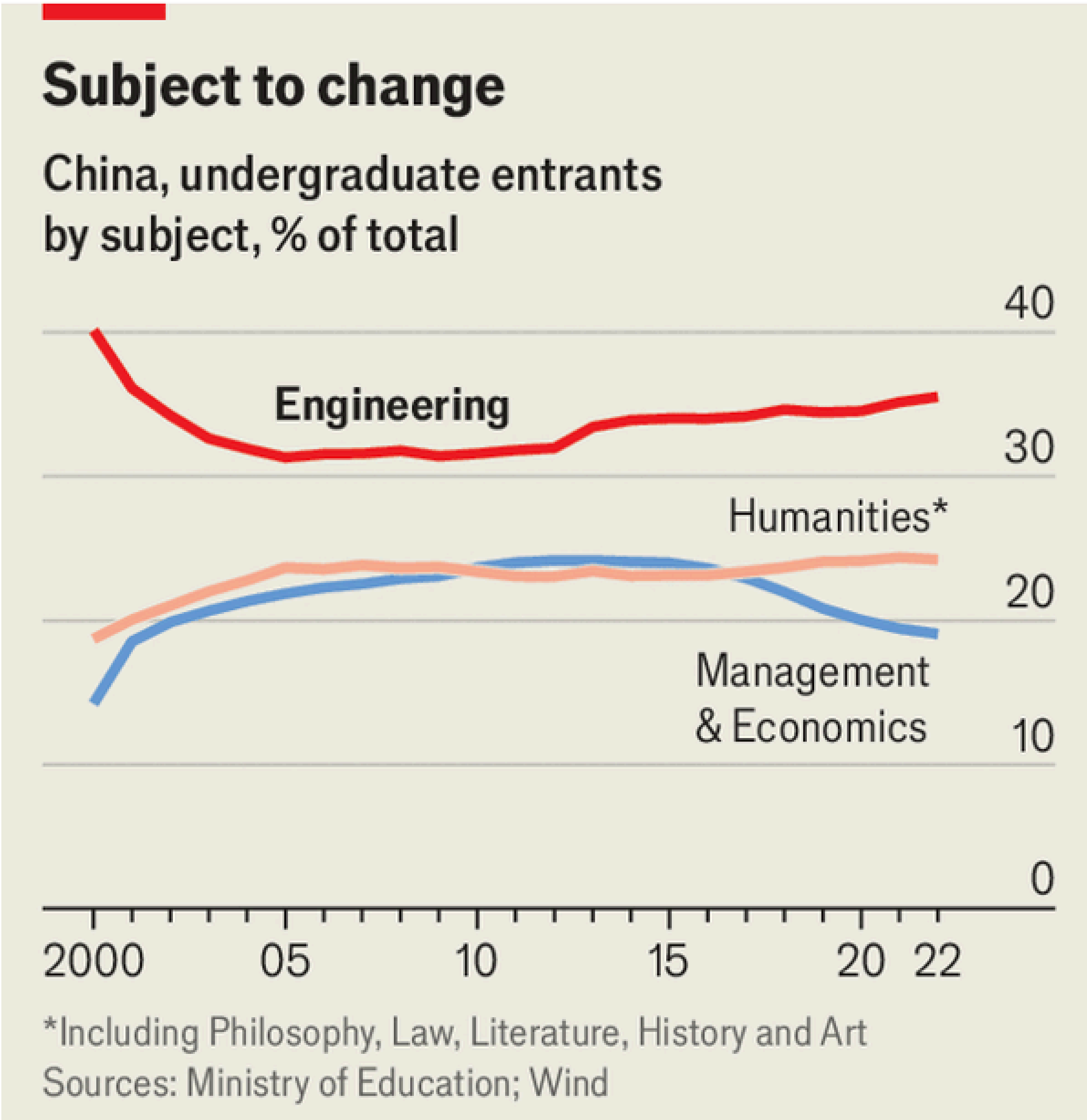
Its ranks will swell as the country’s high-tech industries grow

Jun 26, 2025 12:44 PM | Beijing

Always fully booked

THE TEARS and toil were worth it. Some 4.8m pupils will soon learn that their scores in the recent *gaokao* exam have earned them spots on a bachelor’s degree course at university—unlike 8m of their fellow test-takers. How to make the most of their glittering futures? For many the answer is to study engineering.

Over half of China’s young people now complete some form of higher education, which is provided by 3,000-odd institutions. In China, as elsewhere, an abundance of degrees has made each one less valuable. And as the economy has slowed in recent years, the youth unemployment rate has risen, even among graduates. It was 14.9% in May, according to the government. To stand out, young people want to get the most impressive credentials.



In 2022, the latest year for which data are available, 36% of all Chinese undergraduate entrants—about 1.6m people—picked an engineering degree, up from 32% in 2010 (see chart). In Britain and America, which have far fewer students to start with, the proportion hovers around 5%. It is not because Chinese teenagers are especially fond of screwdrivers. Rather it is because China’s government is strikingly good at getting young people into the high-tech fields it wants to dominate.

The obsessions of the Communist Party have long shaped educational choices in China. It exercises tight control over universities: their leaders are almost always party members and their funding is largely derived from the state, rather than student fees. During the early decades of party rule, the tiny proportion of China’s young people who made it to university studied hands-on subjects like mining and engineering, to help industrialise the country, and agriculture, to feed it.

Student choices widened a little in the 2000s, as China’s private sector flourished. As more delved into economics or business management there was a drop in the share studying engineering. Foreign languages, literature and art also became increasingly popular. But this trend has stalled. Pupils now typically go on to pick engineering because they are worried about finding a job, reports a teacher from a Beijing school.

China’s authorities have supercharged this shift. The party is a big fan of the discipline. Many high-ranking officials, including Xi Jinping, China’s leader, have engineering degrees. Now they want fresh cohorts of young engineers to support China’s high-tech manufacturing sector. In 2023 officials started telling universities to overhaul their degree programmes to focus more on strategic industries and technological bottlenecks. Last year the education ministry announced an “emergency mechanism” to create degrees more quickly, to meet “national priorities”.

All this has led to a flurry of newly specialised engineering degrees. Over 600 Chinese universities now offer undergraduate programmes in artificial intelligence (AI), a field the party vows to dominate by 2030. The founder of DeepSeek, a dynamic AI company, studied the subject at Zhejiang University, in China’s east. Meanwhile many of the firm’s engineers were trained at the elite Peking and Tsinghua universities in Beijing.

Last year several institutions started to offer degrees in “low-altitude” technologies, such as delivery drones and flying cars, which officials see as a new source of economic growth. Next year some places will offer degrees in medical-device manufacturing, a sector where China, for the moment, relies on American companies.

Demand for these new courses has been strong. Middle-class Chinese parents pay close attention to the options available to their children. They think that if the government is promoting a new degree, there is a good chance state funds will flow towards related industries in the years to come and that job opportunities will follow, says Jiang Xueqin, an educational consultant in Beijing. That means they push their kids to study it.

Meanwhile funding is falling, or disappearing entirely, for degrees that the government deems to be less useful. Some management or economics courses at Chinese universities can be mediocre (China has offered them for a relatively short period of time and they are typically taken less seriously by administrators). The humanities are considered more of a soft option. Across the country, institutions have put an end to more than 5,000 programmes over the past five years.

This spring, the prestigious Fudan University, located in Shanghai, announced that it was slashing the share of places it offered for humanities students from 30-40% of the total to 20% in order to expand its high-tech programmes and create new “innovation colleges”. Last year Sichuan University, in the south-western city of Chengdu, stopped offering degrees in musicology, insurance and television studies. Two provinces have said they will reduce the number of students toiling for degrees in English. And several universities have promised to cut more subjects if a high proportion of graduates holding degrees in them cannot find employment.

Social engineering

One kind of humanities degree, though, is gaining popularity: the sort that glorifies the party. Some universities now offer degrees in party history filled with glowing accounts of its rule over China. Over the past decade the number of colleges for Marxist studies in Chinese universities has grown from 100 to more than 1,400. They offer bachelor’s, master’s and doctorate degrees in the subject (needless to say, the colleges are all run by party members). And at least ten universities have set up centres specifically for the study of Mr Xi’s political philosophy. These courses, at least, are unlikely to disappear anytime soon. ■

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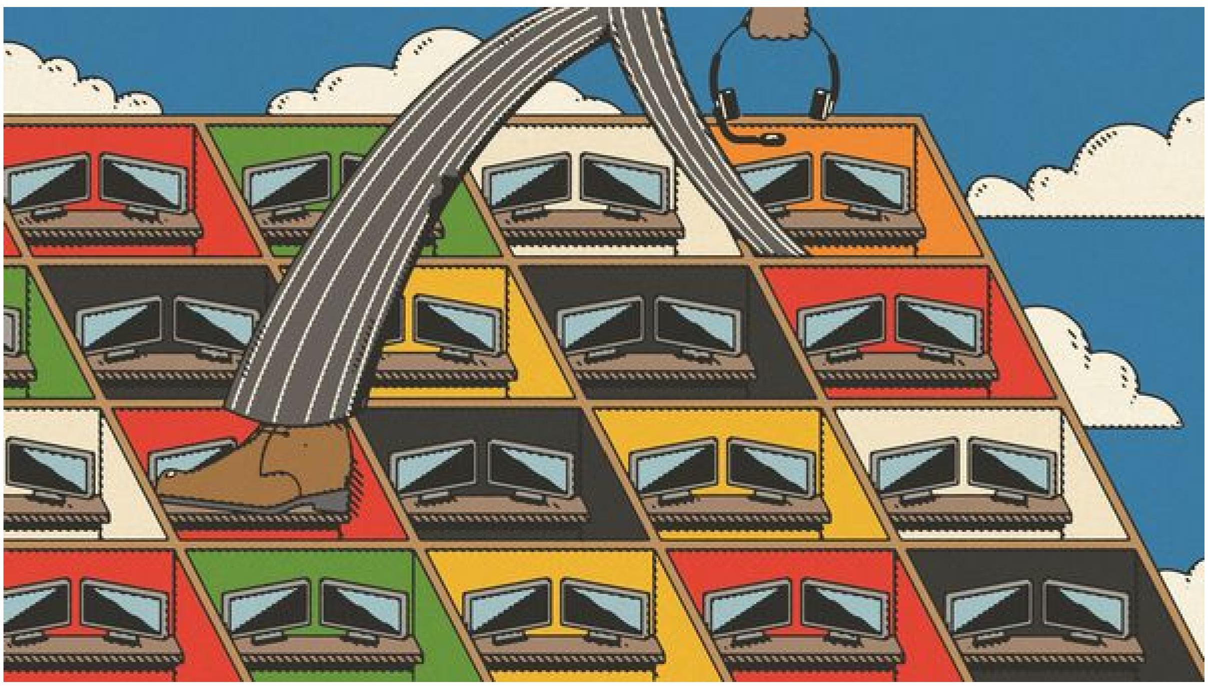
The world's new back office

Call centres could be a gold mine for Africa

Forget factories. There is a better answer to the continent's jobs crisis

Jun 26, 2025 04:34 PM | Nairobi



MERCY MUGURE first heard about business-process outsourcing (BPO) in the mid-2000s. Word of how the practice was transforming India, its global champion, reached Africa, which had largely missed out on the fruits of globalisation. "We thought: why not us?" says the Kenyan entrepreneur. With a friend, she set up one of Kenya's first BPO firms in 2006, hoping to tap into the job-creating potential of an industry that covers anything from picking up phones and processing insurance claims to flagging illegal or violent content on social media.

Today Ms Mugure's company, Adept Technologies, remains something of an exception. Policymakers' hopes that Africa would replace India and the Philippines as the world's back office have not been realised. Yet things may be changing. As increasing demand for workers to train algorithms and annotate digital data brings a boost to the industry, a growing share of the work in the coming years is expected to be done by Africans.

The jobs are sorely needed. Three-quarters of young Africans report they cannot find adequate work. Traditional manufacturing, which helped spur growth by providing mass employment in countries such as South Korea and Vietnam, requires ever more complex machinery but ever fewer humans to operate it, making it less useful as a source of plentiful good-quality jobs.

Outsourcing could fill some of that gap. Currently just 1m Africans work in BPO, about 2% of the industry's global workforce. Yet between 2023 and 2028 the industry is expected to grow by around 14% a year in Africa, nearly twice as fast as the global BPO growth rate of 8% and four times Africa's annual growth rate, which the World Bank expects to reach 3.5% this year. In Kenya, which hosts some of the world's largest outsourcers, the BPO growth rate is projected to be even higher, at 19%, according to Genesis Analytics, a consultancy. "Africa is the next frontier," says Martin Roe, chief executive of CCI Global, whose newest call centre in Kenya seats 5,000 workers.

Anglophone Africa, in particular, has always had some advantages in attracting BPO firms. Its youthful population is increasingly well educated, with strong English-language skills. Bosses claim many Western customers prefer the sound of what they say are more "neutral" African accents to those of Indian English-speakers. The continent's time zones are convenient for businesses in America and Europe. In the past, all that was not enough to tip the scales away from Asia. Yet this time may be different.

One factor is labour-cost arbitrage, notes Mark Graham, co-author of "The Digital Continent". Wages and other costs in Kenya are 60-70% lower than in America, Europe and Australia. Workers in India and the Philippines, meanwhile, are getting richer, and therefore more expensive to hire. The Fairwork project at Oxford University, which evaluates tech companies' work standards, found workers at a foreign BPO firm in Kenya made $233 a month. Their peers at a comparable company in the Philippines earned $284.

More targeted sweeteners from governments help, too. Kenya's long-awaited national BPO policy, due to be unveiled in July, aims to create 1m jobs in the sector over the next five years. Nigeria launched its "Outsource to Nigeria" scheme in 2024. Both offer generous tax breaks and subsidies; South Africa's even doles out cash grants for new jobs. "You have to incentivise the sector deliberately," says John Kiria, Kenya's digital-economy tsar.

Structural changes in the global economy also work in Africa's favour. With labour forces in many parts of the world shrinking, demand for African labour is growing. In May the German government hosted an event in Berlin that aimed to connect German and European companies with African BPO firms.

The BPO boom is not a panacea. Critics are concerned about the quality of new BPO jobs, especially in content moderation for social media and annotation for artificial intelligence (AI). Workers complain of being forced to stare at disturbing text or images without adequate psychological support, or perform monotonous tasks without sufficient breaks. In Kenya former moderators have sued Meta, a social-media giant, and Sama, a Californian BPO company briefly hired by Meta, over working conditions. (Sama denies wrongdoing and says it no longer offers content moderation. Meta argues Kenyan courts do not have jurisdiction and that the complainants were not employed by Meta itself.)

A related issue is hyper-mobility. Faced with negative publicity or tricky governments, companies at the top of a BPO supply chain can go elsewhere. A recent investigation by the Bureau of Investigative Journalism, a London-based outfit, found that Meta had quietly moved its content-moderation work from Kenya to Ghana following litigation in Kenya. (Meta says it chose to keep the new location secret to protect clients and the moderators themselves, and that it takes the support of moderators seriously.) "For the client, it's an overnight decision," says Mr Kiria. "By tomorrow morning, 8am, they're in India."

The biggest challenge is AI. Many basic tasks have already been automated. A decade ago Graham Parrott, a British entrepreneur, founded one of Ethiopia’s first BPO firms, which closed during the pandemic. Now he fears the country “may have already missed the boat”. Bobby Varanasi, a consultant, argues that the industry is being “completely hollowed out at the bottom”. A report by Genesis Analytics for the Mastercard Foundation estimates that more than 40% of tasks in the BPO industry in Africa are at risk of automation.

But tasks are not the same as jobs. Wendy Gonzalez, the boss of Sama, says that when the company set up in Africa in 2008, data labelling meant answering questions like “Is there a cat in this photo?”. These days it involves more sophisticated tasks, such as ensuring that writing suggestions from AI models are grammatically correct. Mr Roe of CCI argues that there will be continued demand for more “complex and emotional” services only humans can deliver. Such work could be better paid.

That means that in the long term, gaining a bigger share of global outsourcing may ultimately be about securing the highest-value jobs. Ms Mugure of Adept Technologies does not offer content moderation. Instead, she is looking to expand into “knowledge-based work”, which will require more Kenyan graduates trained in AI and computer science. For governments, investing in education may be the best hedge against being left behind. ■

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Deaths in the night

Farmers in central Nigeria are being killed with impunity

The government is failing to protect them

Jun 26, 2025 03:23 PM | Lagos

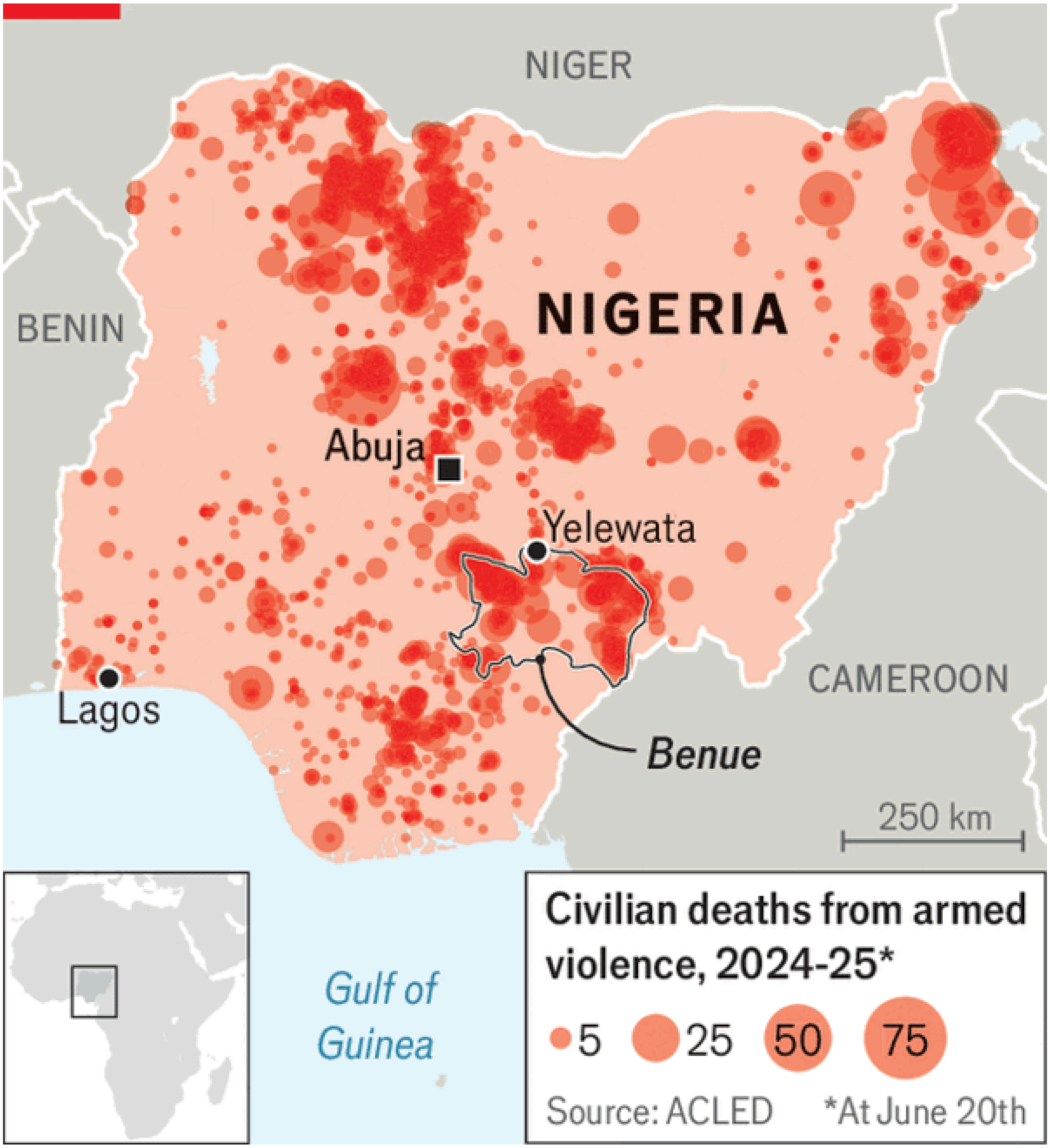
Nothing left but their lives

THOSE LUCKY enough to be light sleepers knew exactly what to do once they heard the gunshots: run. For the people squatting in the church, the school and the market stalls of Yelewata, a village in central Nigeria, the rainy night of June 13th was not the first time they had been attacked. After the gunshots came the raids; then, arson. Amnesty International reckons more than 100 people were gunned down, butchered and set ablaze that night.

Raids on villages are a common part of the long-running conflict over land between nomadic herders and settled farmers in Nigeria, especially across its border with the Sahel. Yet in recent years they have become more frequent and deadly.

Competition over resources has intensified and become enmeshed with banditry and, sometimes, jihadism. Successive governments have failed to quell the violence, which has displaced some 1.5m people in Benue, the state in which Yelewata is located and which is known as the breadbasket of Nigeria.

Land disputes between herders, who tend to be Muslims, and farmers, who are more likely to be Christians, go back decades. They have been worsening since the 2010s, as a combination of climate change and population growth has put more pressure on land. Climate-change-induced desertification across northern Nigeria and neighbouring countries in the Sahel, combined with a growing number of settled farmers in central Nigeria, has reduced the amount of land available for grazing. Longer rains have also made the lush lands of Nigeria’s middle belt more desirable.



The government has tried to tackle the problem by designating specific areas for cattle-herding. But this has gone down badly both with the pastoralists, who do not want to abandon their nomadic way of life, and with the farmers, who are wary of a permanent presence of herders they fear will continue to encroach on their land. Calls to ban cattle-grazing have stoked tensions rather than soothed them.

Meanwhile the most disturbing aspect of the conflict, its increasing lethality, has gone unaddressed. Jihadist terrorism and other militancy in northern Nigeria and the wider Sahel has accelerated the proliferation of weapons in the country. "Growing up, herders only came with staffs," said James Ayatse, a leader in Benue, in a recent speech. "What we have now are criminal herders carrying assault rifles."

Armed groups from across Nigeria and from neighbouring countries in the Sahel are believed to be behind many attacks. Raids along Benue's border with Cameroon have intensified. Victims across the state report that some attackers speak unfamiliar dialects of Fulani, a language family spoken as far west as Mali.

Government officials agree that attackers these days are more likely to be sophisticated criminals than poor herders in search of grazing grounds. But they have had no luck penetrating the raiders' networks or protecting victims. Raids happen because attackers "know the community leaders are defenceless", says Isaac Olawale Albert, a professor of peace and conflict studies at the University of Ibadan.

Security forces, overstretched by fighting terrorism in the north, often turn up late or end up outnumbered, provided they show up at all. The army chief has suggested that this is because local soldiers are in cahoots with the criminals (the army's spokesperson swiftly contradicted him). Abandoned by the state, targeted groups launch reprisal attacks to seek justice on their own, worsening the violence. The former state governor complained that the government in Abuja did not pay enough attention to places that are difficult to access. Bola Tinubu, the president, abandoned a planned condolence visit to Yelewata citing flooded roads.

On June 25th, nearly two weeks after the attack in Yelewata, authorities have at least arrested some suspects. That may go some way towards calming tempers. Yet without a dramatic overhaul of Nigeria's security apparatus, the deadly night-time raids look set to continue. ■

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Charting the horror

As all eyes are on Iran, the horror in Gaza persists

Where people once died in air strikes, now they are dying as they try to find food

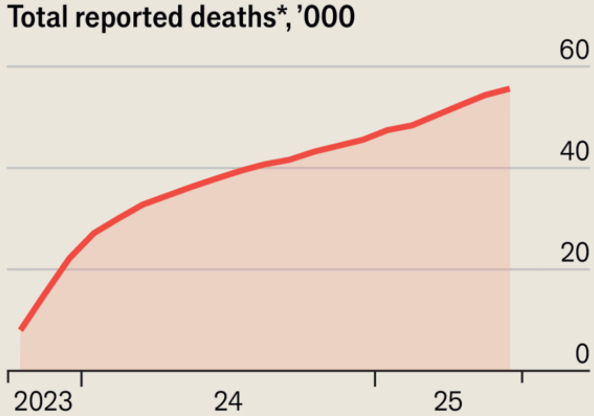
Jun 26, 2025 04:26 PM

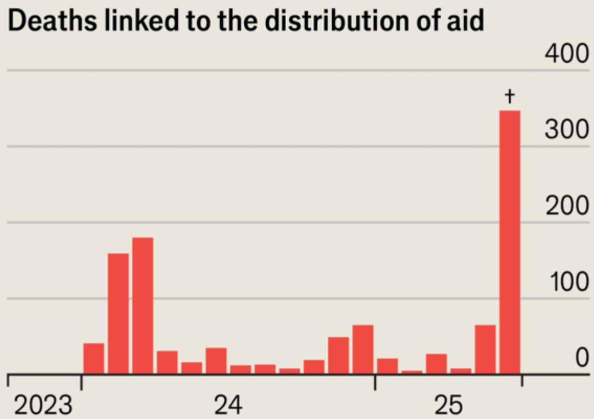
ISRAEL MIGHT have stayed its bombardment of Iran, but the horror in Gaza continues. More Palestinians were killed in Gaza, according to the health ministry there, during Israel’s 12-day war in Iran than in that conflict. The widespread destruction of buildings of the early months of the war (around 60% have been affected) has slowed dramatically, but deaths have not (see charts). Whereas people were once killed in air strikes, the violence is now concentrated around the four new aid hubs that Israel has set up.

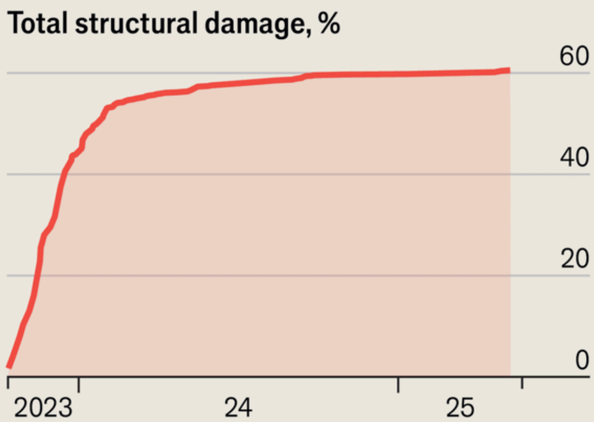
Read all our coverage of the war in the Middle East

Initially the Gaza Humanitarian Foundation (GHF), which runs the hubs, blamed the violence on teething problems. But the deaths linked to aid distribution have soared in the month since its launch. The UN says 410 Palestinians have been killed seeking food en route to the GHF’s centres.

The killing of Gazans







*Reported by the Gaza Ministry of Health

†At June 16th

Sources: Gaza Ministry of Health; ACLED; Corey Scher, CUNY and Jamon Van Den Hoek, Oregon State University

On June 24th at least 40 Palestinians were killed seeking aid in central and southern Gaza. Accounts differ. Doctors treating the wounded say the shrapnel matches Israeli artillery shells. Palestinians fleeing say Israeli tanks opened fire. Safe Reach Solutions, an American firm providing GHF's security, says many of the incidents occur far beyond their perimeter fences and that no one within them has been hurt. Verifying any of these claims is difficult since Israel still does not allow foreign journalists into Gaza unsupervised. "We're dealing with a starving population," says a security contractor. "There's no peaceful way of doing it right now."

Still the hungry keep coming. "The choice is between dying seeking food or starving to death," says Ahmed Masri, whose son, Abed, was shot in the leg in an attack on June 14th while collecting food.

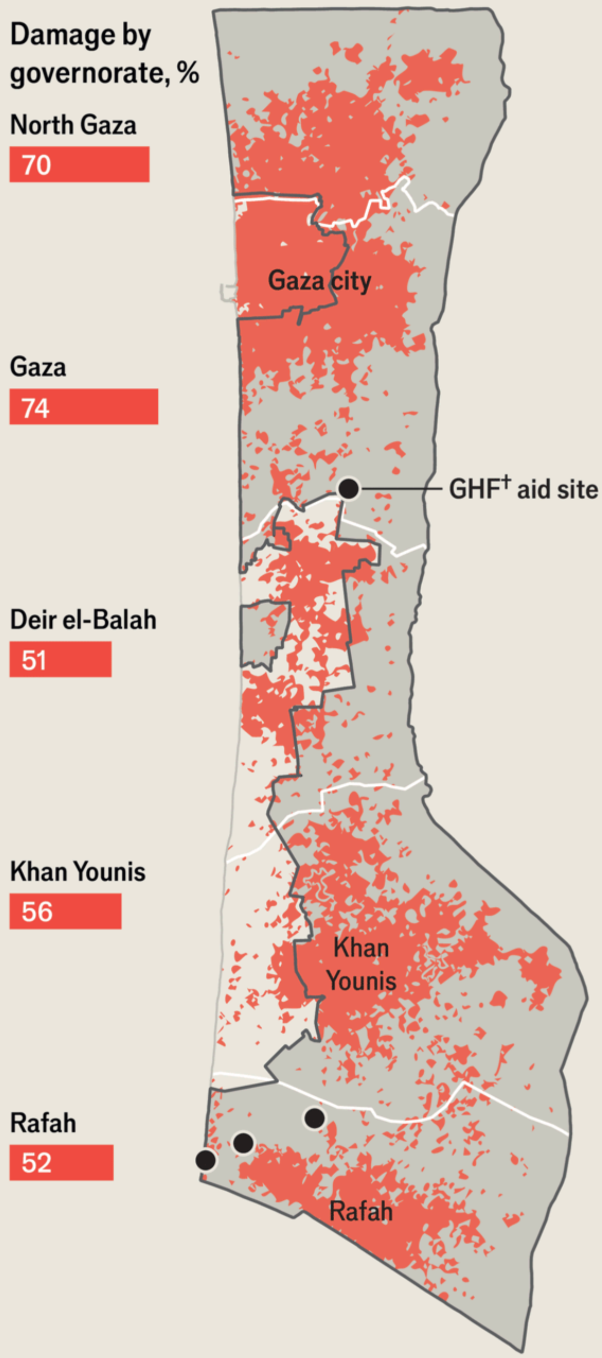
It might help if Israel let in more food. The GHF says it has distributed 42m meals since its launch, less than one a day for every Palestinian, assuming women, children and elderly could all get it. And the foundation admits they cannot. Israel has sharply reduced aid flows via the UN and other humanitarian groups. Even the GHF is starting to fret about Israeli access restrictions. It plans 20 centres but Israel has yet to let it expand beyond the four pilots.

Other vital supplies are running out. The GHF does not distribute water or medicine. Desalination and sewage-treatment plants, water pipes and hospitals have been destroyed. Abed's father took him to three field hospitals after he was shot. All turned him away because they had no medicine to give him.

And the destruction of Gaza

Detected structural damage, May 2025

"No-go" areas*, July 2025



*Israeli militarised zone and displacement orders

†Gaza Humanitarian Foundation

Source: Corey Scher, CUNY and Jamon Van Den Hoek, Oregon State University

Deaths from disease, starvation and the lack of medicine are worsening the toll. Researchers at Royal Holloway, University of London and others say that by January 2025 8,500 people had died of war-related but non-violent causes since the conflict's start. Based on interviews that month and a sample of nearly 10,000 people, they estimated that the death toll from traumatic injuries was 39-90% higher than that published by Gaza's ministry of health, decried by Israel as a Hamas mouthpiece.

Observers struggle to see a military rationale for weaponising food, water and medicine other than squeezing Palestinians into ever tinier slices of Gaza. Meanwhile, on the ground Israel still encounters resistance. Seven soldiers were killed when their armoured vehicle caught fire on June 24th. A military spokesman blamed explosives. Hopes for a ceasefire rest on the possibility that having helped Binyamin Netanyahu, Israeli's prime minister, with his mission in Iran, Donald Trump will force him to accept a deal in Gaza. ■

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Yes, daddy

At a tricky NATO summit, a Trumpian meltdown is averted

America's allies have pledged to spend a lot more, but details are thin

Jun 26, 2025 04:26 PM | The Hague

THE TONE was that of a parent congratulating a toddler. "Donald, you have driven us to a really, really important moment for America and Europe and the world," wrote Mark Rutte, the secretary-general of NATO, in a text message to America's president. "Europe is going to pay in a BIG way, as they should, and it will be your win."

The message was promptly screen-shotted and posted publicly by Mr Trump as he flew into a NATO summit at The Hague on June 24th, prompting other leaders to frantically review what they had previously sent the president lest it be pasted on social media. A day later Mr Rutte, responding to Mr Trump’s description of Israel and Iran as children, went further, referring to the president as “Daddy”.

Diplomats at the summit were divided over whether Mr Rutte’s strategy was degrading or inspired. Either way, the substance was largely true. The summit communiqué published on June 25th—the shortest in recent times—formally announced a new target for allies: 3.5% of GDP on defence plus an additional 1.5% in defence-related spending on critical infrastructure, cyber-defence, civil preparedness and support to defence industries.

The 3.5% figure is rooted in NATO’s assessment of what it will take to build up the capabilities required by the alliance’s regional defence plans, written after Russia’s invasion of Ukraine. The plans are currently “executable with some risk”, says an official; more money would reduce that risk. The combined figure of 5% is a pleasantly round number that was devised largely to placate Mr Trump. But it has some holes.

In the run-up to the summit, Spain emerged as the lone holdout against the spending target. Pedro Sánchez, Spain’s prime minister, is in a tight spot at home, battling allegations of corruption by his aides and unable to pass a budget. “A 5% spending would be disproportionate and unnecessary,” he said on June 22nd.

The solution was two-fold. One trick was to stretch the timeline for meeting the target. Many states had pushed for 2032, with steady annual increases to get there. Others, though, under greater fiscal pressure—and not just Spain—pushed for 2035. In the end, regrettably, the laggards won, though allies are supposed to submit annual plans showing a “credible, incremental path” to the target, and will be subject to a bigger review in 2029.

The problem is that Russia is rebuilding its armed forces faster than previously thought. It had been assumed that it would take Russia seven years after any ceasefire in Ukraine to reconstitute its forces to the level needed for a confrontation with NATO. “The general assessment now should be five years,” one senior NATO official told *The Economist*. “Let’s not kid ourselves,” complains Dovile Sakaliene, Lithuania’s defence minister, suggesting that Russia could attack before the new spending turned up: “2035 is after the [next] war.”

Second, instead of committing “all allies” to the new target, the communiqué simply omitted the word “all”, leaving some ambiguity over how binding it would be. That fudge has prompted concern among several NATO allies that others might also look to exploit the same loophole to dodge their commitments. Robert Fico, Slovakia’s prime minister, noted on June 23rd, for instance, that his country had “other priorities in the coming years than armament”. Marco Rubio, America’s secretary of state, said that Spain’s tacit exemption was “a big problem”, adding: “I don’t think that the agreement that Spain has reached is sustainable.”

The Spanish drama apart, most of the agenda was agreed in advance, leaving leaders to rubber-stamp its proposals. The leaders of Australia, Japan and South Korea, all of whom have attended recent summits, pulled out, giving the event a more parochial flavour. Volodymyr Zelensky, Ukraine’s president, attended a dinner on June 24th but was pointedly left out of the main meetings the next day. The communiqué itself watered down its language on Russia to placate Mr Trump. Russia appeared 43 times in the document released at last year’s Washington summit. This year it appears once.

Britain also announced that it was joining NATO’s nuclear-sharing mission, in which several European air forces host American nuclear bombs and practise dropping them with their own jets. Britain plans to buy F-35A jets, which can carry them. It is one of the biggest shifts in the alliance’s nuclear posture for decades; the Royal Air Force gave up nuclear bombs more than 25 years ago.

In The Hague by far the greatest source of uncertainty was Mr Trump himself. En route to the summit, he (rightly) criticised the Spanish stance, describing it as “very unfair to the rest of them”. He questioned (once again) his own commitment to Article Five, NATO’s mutual-defence clause. It “depends on your definition”, he suggested, adding ominously that there were “numerous definitions” of the text: “I’m going to give you an exact definition when I get there.” (He didn’t.) But in the end Mr Trump did not rock the boat in the leaders’ private meeting, instead taking plaudits for their higher defence spending. And he declared in his closing press conference that NATO is “not a rip-off”. Mr Rutte, the continent’s new

Trump-whisperer, declared: “For me, there is absolute clarity that the United States is totally committed to NATO…totally committed to Article Five.” So that’s all right then. ■

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The jobs of war

A defence splurge will slow Europe’s deindustrialisation

But probably not reverse it

Jun 26, 2025 01:03 PM

EUROPE’S ECONOMY is being squeezed by low internal growth, tariff threats from America and a surge of imports from China. The threat of deindustrialisation haunts the continent. But there is a bright spot, even if the reason for it is grisly: the need to rearm to deter an imperialist Russia and help Ukraine fight back. Germany has changed its deficit rules to allow unlimited debt-funded defence spending. Other countries in Europe’s north and east, such as Denmark, Sweden and Poland, have announced boosts to their defence budgets to anything between 3% and 5% of GDP. NATO has a new target of spending 3.5% of GDP on defence. It all means that Europe plans to buy a lot more military kit in the years to come—and wants to make most of it at home.

But whether more defence spending will compensate for the relative decline in European manufacturing and help preserve manufacturing jobs depends on the size of the sector, where its supply chains run and whether the type of manufacturing that is needed for arms production is a good match for those sectors in decline.

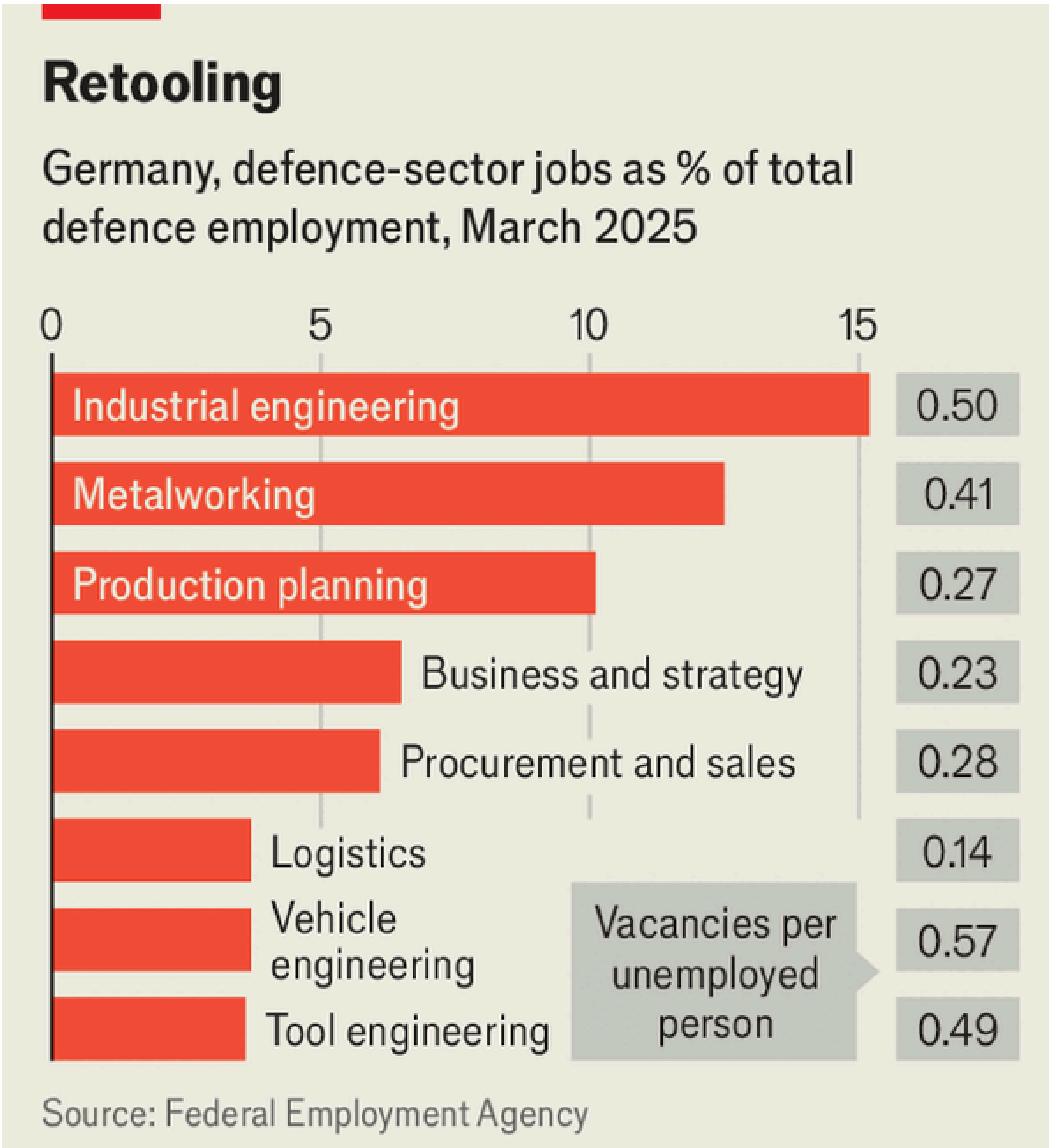
Start with the raw size. Manufacturing made up around €2.5trn ($2.9trn) of value added in 2024, or around 16% of the EU total, down from about 20% in 1995 The share is higher, roughly, the farther east (or more Germanic) the country is. But what proportion of that is the defence industry and its complex supply chain is hard to determine, as official statistics generally keep such data confidential. Bottom-up modelling by EY, a consultancy, gives an idea, however. If, as it estimates, the European parts of NATO, which is most of the EU plus Britain and Norway, will need to spend around €137bn annually over the coming years in equipment, that would be about €65bn more than the current figure. The resulting increase in spending on Europe's own defence sector and its associated supply chain would be €35.7bn, about 1.5% of the EU's overall manufacturing-sector total and would, so EY reckons, add perhaps 500,000 jobs there.

Less than a third of the additional €35.7bn would be in the defence sector itself; the rest would be spent elsewhere in the supply chain. That still translates into creating around 150,000 extra jobs in the actual defence sector. This number fits with those in a new report by Bruegel and the Kiel Institute, two think-tanks. Total employment in Europe's biggest defence firms, according to the institutes' estimates, rose from around 250,000 in 2021 to 280,000 in 2024, and most of the orders for new defence equipment have yet to arrive.

How supply chains will evolve also determines where new jobs will be created. Before 2022 European defence was largely a national affair. The EU has always wanted to change that, in part to make the sector more efficient and integrated. This may now happen. Governments have agreed on €150bn in EU loans to groups of two or more countries for common defence procurement. Its European Defence Fund also aims to foster collaboration in research and development across borders.

With integration comes specialisation. Supply chains will criss-cross the continent, and firms will build capacity where it is most economical to do so. That could transform the sector, much as other manufacturing sectors were transformed via integration into the EU's single market and the EU's enlargement to the east.

And there is a big new weapons producer on the European stage: Ukraine. European arms-makers such as KNDS and Thales are flocking to the war-torn country to build ammunition and spare parts, and to develop new weapons. Germany has announced it will pay for long-range missile production in Ukraine, following the example of Denmark. “It was home to large parts of the Soviet Union's advanced weapons production, and could become Europe's low-cost arsenal now,” argues Jacob Funk Kirkegaard of Bruegel. The low costs and live conditions under which the weapons are being tested make it a prime location for future production, reducing the number of jobs created in the EU.



Then there is the issue of what type of manufacturing jobs are to be created —and whether they can be filled with a shrinking workforce. Modern manufacturing requires higher technical and digital skills, not just in weapons-making. But rapid evolution on the battlefield means the sector itself is transforming radically, and more quickly than, say, the car industry. Kearney, another consultancy, warns of a severe shortage of workers with the right skills.

Job losses elsewhere in manufacturing could help fill the gap. Take Germany, the industrial heartland of Europe. The jobs most common in the defence sector have two things in common. The first is that the number of unfilled jobs per unemployed person is very high (see chart), signalling an existing shortage of skilled workers. The second is that the level of unemployment among those professions has increased since 2023. “What is needed is to develop the skills of these workers further,” argues Enzo Weber of the Institute for Employment Research in Nuremberg. But there is a caveat. The build-up of capacity, and jobs, will only start if good intentions become long-term orders for Europe’s defence firms. ■

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Austerians no more

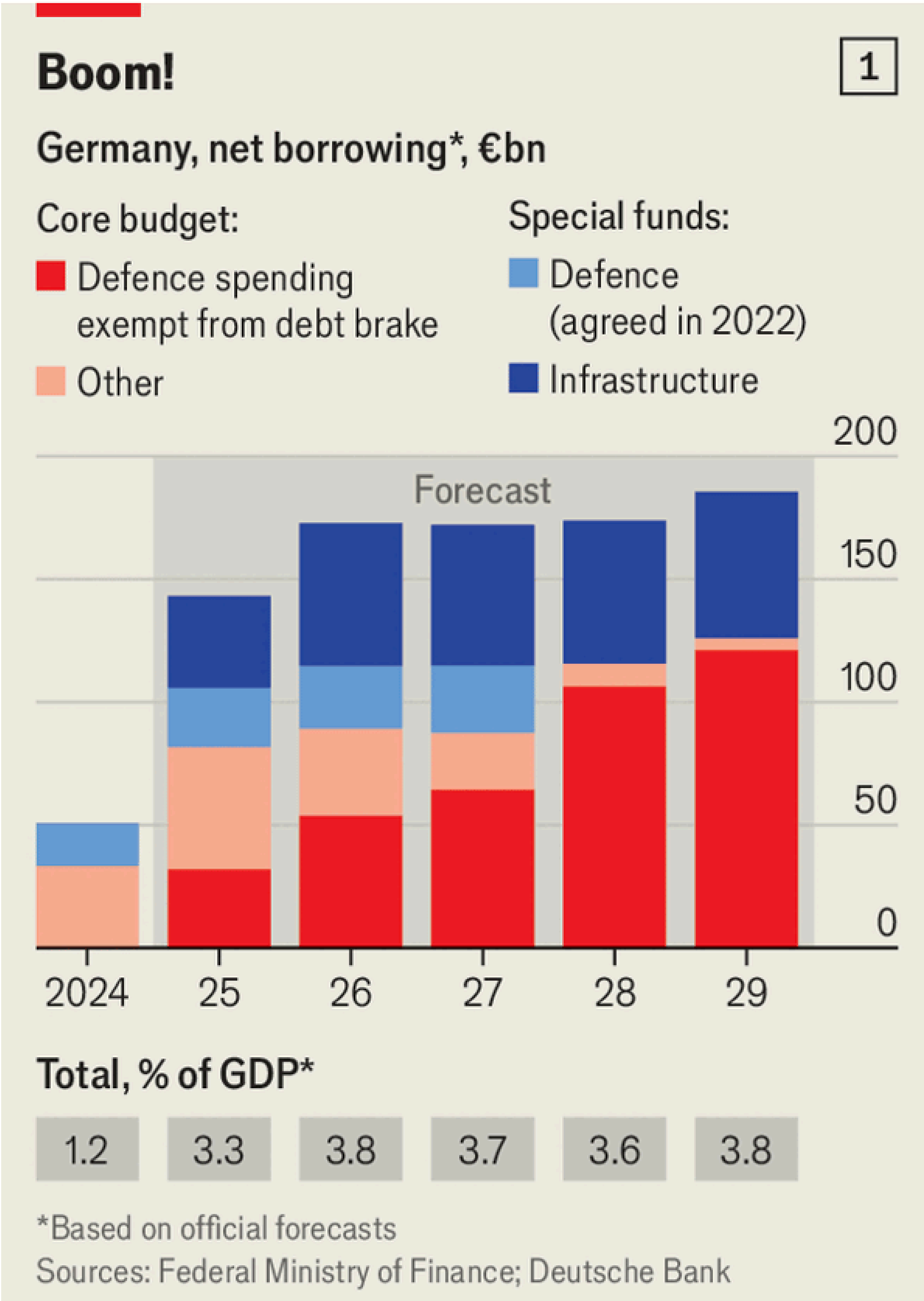
Germany is embarking on an almighty borrowing binge

It is not without risks

Jun 26, 2025 04:05 PM | BERLIN

Klingbeil opens the spigot

THESE DAYS the streets of Berlin run red with the blood of sacred cows. On June 24th Lars Klingbeil, the finance minister, unveiled plans to borrow vast sums for a debt-funded €500bn ($580bn) infrastructure programme and a giant rearmament scheme. The world's third-largest economy is jettisoning its hard-earned reputation as Europe's champion of flinty austerity. It is a bold move, and one welcomed by Germany's allies and the financial markets. But it is not without risks.

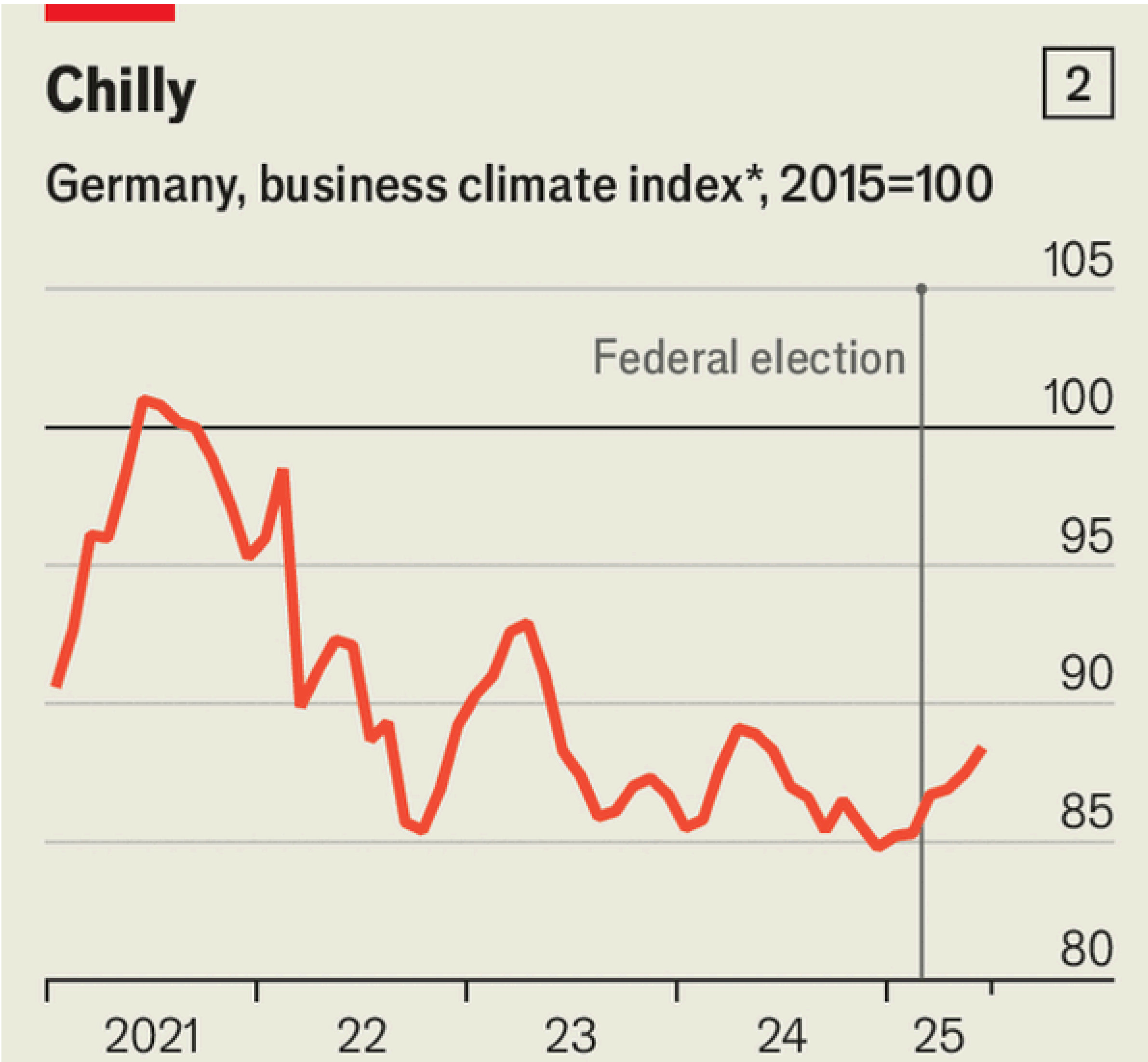


Boom!
1
Germany, net borrowing*, €bn
Core budget:
Defence spending exempt from debt brake
Other
Special funds:
Defence (agreed in 2022)
Infrastructure
200
150
100
50
0
Forecast
2024
25
26
27
28
29
Total, % of GDP*
1.2
3.3
3.8
3.7
3.6
3.8
*Based on official forecasts
Sources: Federal Ministry of Finance; Deutsche Bank

Mr Klingbeil wants to open the taps as soon as the Bundestag passes his budget for 2025 (disputes over which felled the last government), and then to ramp up spending on defence and infrastructure—especially on Deutsche Bahn, the miserable state of which has come to symbolise Germany's dilapidated public realm. Public investment will grow by two-thirds between 2024 and 2026. Perhaps most eye-catching, Germany says it will reach the new NATO defence-spending target of 3.5% of GDP by 2029, a full six years before the deadline leaders agreed to this week. To pay for it all, Mr Klingbeil wants to borrow €850bn over this parliament (see chart 1). That could mean annual deficits of over 3% of GDP.

Three things have enabled this splash of cash. The first is a changed threat perception: Friedrich Merz, the conservative chancellor, wants to strengthen the Bundeswehr to deter Vladimir Putin, who German spooks say will be ready to attack NATO by 2029. The second is a recent tweak to the constitution to exempt most defence spending from its rigid "debt brake", and the creation of an off-budget vehicle for the infrastructure splurge, a demand of Mr Klingbeil's Social Democrats.

The third is Germany's lowish debt stock, just over 60% of GDP. Its more indebted NATO peers may have to make painful cuts to enable higher defence spending. But Germany's borrowing looks affordable, though interest payments will grow. Balanced budgets are useless if "bridges and schools rot and the Bundeswehr is neglected", said Mr Klingbeil.



*Average of 9,000 companies' assessment of current business situation and expectations for next six months
Source: Ifo Institute

Thanks to this avalanche of cash, there are signs that the pall over Germany's economy is lifting. Economic institutes are modestly raising their growth forecasts—though the official projection is still of stagnation this year—and businesses and consumers are perking up. (With a July 9th deadline looming, Mr Trump's threatened tariffs could yet spoil the party.)

What are the risks? One is that bureaucracy, planning snarl-ups and labour shortages, especially in construction and engineering, make it harder to spend the money well, as previous governments have learned. A second is that most of the budget is still subject to the debt brake, and here money remains tight: the government has already had to temper a pledge to reduce electricity taxes. There is a €144bn hole between estimated revenues and spending in 2027-29. Mr Klingbeil is betting that growth will plug it.

Most important, warns Robin Winkler, chief Germany economist at Deutsche Bank, stimulus-induced growth could ease pressure on the government to make necessary but politically tricky reforms. Subsidies to the pension system are the largest single item in the federal budget, and Germany is ageing fast. It desperately needs to expand working hours to alleviate its demographic woes, for example by expanding child care for women who want to work more. "To fix the labour market is to fix the budget," says Florian Schuster-Johnson of Dezernat Zukunft, a think-tank in Berlin.

Jens Südekum, an economics professor and adviser to Mr Klingbeil, agrees that the injection of funds makes structural reform more, not less urgent—but strikes an optimistic note. Germany's nugatory growth has left slack in the construction sector, and beyond that a pledge to spend the €500bn over 12 years gives firms the assurances they need to build up capacity. These are the reforms that most economists have long urged on Germany. Its voters—and Mr Klingbeil, who has designs on the top job—must hope Germany can pull them off. ■

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Rise of the robots

Ukraine is inching towards robot-on-robot fighting

It is ahead of Russia, for now

Jun 26, 2025 04:18 PM | KYIV

A BRUTALIST COMPLEX somewhere in Kyiv, strewn with rubbish and weeds, offers a vision for Ukraine's survival on the future battlefield. At one end is a recruitment office, where lines of 20-somethings are receiving their first orders. At another sit trenches, obstacle courses, and the 3rd Assault Brigade's "Kill House", a training ground for military robots. This is where the elite brigade is stress-testing the unmanned ground vehicles (UGVs) Ukraine hopes will soon begin to carry the burden of war in place of men.

UGVs are already rolling around the front lines, with the 3rd Assault Brigade among the pioneers. They have not yet appeared in large numbers, though that moment may be near. In spring Ukraine announced plans to deploy 15,000 ground robots. Some key players predict that the face of the battlefield will rapidly change this summer, likening the proliferation of UGVs to the explosion in aerial-drone manufacturing in 2023. “We don’t have the men to counteract Russia’s meat-wave,” says one manufacturer. “So we’ll send our own zombies against theirs.”

There are currently about 40 mostly private Ukrainian firms producing some 200 UGV models. They fall into three tribes: logistics (petrol, water, evacuation); engineering support (mine-laying, mine-sweeping, communications); and, to a lesser extent, combat-support roles (platforms with grenade launchers, drone-hunting turrets). Most UGVs are beefed up before being deployed to front-line roles, with brigades typically adding cameras, extra comms or electronic-warfare protection. The war’s widening “grey zone”—10km of ground either side of the contact line, watched and punished by drones—is spurring demand for the most robust robots that let men stay underground.

“Stark”, who runs the Kill House’s “UGV Academy”—a university for ground robots—says machines are already substituting for squads of soldiers in particular scenarios. Mule drones can transport tonnes of materiel to the lines. New evacuation drones like the Ardal can spare stretcher teams from becoming sitting ducks under drone-heavy skies. The latest mine-layers can lay dozens of anti-tank mines in a single run, a task that once required sappers to be sent out, over and over again. The Hyzhak (“Predator”) uses artificial intelligence to identify and shoot drones out of the sky from 200 metres away. Its brother, the Liut (“Fury”), a 7.62mm machine-gun platform, first bared its teeth in an ambush operation during Ukraine’s incursion into Kursk last August. Vasyl, the founder of UGV Robotics, which produces the Liut, says the Russians were so surprised by the novelty that they immediately gave their positions away, letting other Ukrainian units target them.

In the early days the UGV operators needed to be close to their prototypes to stay in range, often no more than a kilometre away. “Shadow” and “Shura”, members of another brigade using UGVs, the 92nd, recall a time when they had to accompany their vehicle by foot to the front, a task that would be suicidal today because of Russian drones. Today, they can connect to them via Starlink from swivel chairs in command posts far from the front-line positions in the Kharkiv region. “We can control the vehicle with the full situation mapped out on screens in front of us,” says Shadow. “One of us can be piloting, the other drinking Coca-cola or on a smoke break.” But the operators do not foresee an era of robot-on-robot warfare just yet. Ground robots are some way from replacing infantry, they say. “I think they will obviously support logistics, to help here and there, yes,” says Shura. “But never to replace infantry.”

The most immediate brake on mass deployment is communications. Starlink fails in difficult terrain or beneath trees. Mesh networks, where drones connect to each other to give data multiple paths to travel, can collapse if crucial nodes are lost. Viktor, an engineer of the Burevii design-and-production bureau, which makes UGVs used for logistics and kamikaze attacks, says the current technology probably needs an AI or machine-vision upgrade before mass use in active combat becomes realistic. That could be a year away. Another factor limiting a UGV revolution will be the availability of skilled operators, he says. “We have very few who have completed enough missions and are still alive.”

Ukraine is winning in the UGV race at the moment—largely because it has to. The Kremlin, whose army is increasing by 8,000-9,000 men per month, probably does not feel anything like the same imperative. Equally, there is nothing to say that Russian UGV drone development will not go the same way as the first-person-view drone market before it. That is to say, Ukraine’s innovation ecosystem opens up the technology, before Russia’s industrial system copies, standardises and scales up on the best of it. But even though Ukraine’s UGV developers acknowledge that the best of their creations will eventually be copied, they say even a modest shift can have real meaning. “It will be a success if we replace 1% of our manpower needs on the front,” says Vasyl. “And I think right now we can do quite a bit better than 1%.” ■

Bitcoin, Babis and automobiles

A bitcoin scandal is good news for the Czech Donald Trump

Andrej Babis looks set to return as prime minister in the autumn

Jun 26, 2025 12:44 PM | Prague

Babis bouncing back

TOMAS JIRIKOVSKY got in way over his head. In 2013 the amateur programmer set up a dark-web market for illegal drug sales. He soon landed in prison. Upon release in 2021 he demanded his gear, which contained lots of cryptocurrency. The case stalled in court, and in March Mr Jirikovsky quietly struck a deal: in exchange for his drives, he would donate 468 bitcoins (currently worth about $49m) to the government.

When Denik N, a news site, broke the story, it turned out others were in over their heads too. For officials to negotiate a cut of ill-gotten gains for the state looks dodgy. The justice minister resigned. On June 18th Petr Fiala, the prime minister, narrowly survived a no-confidence vote.

Mr Fiala's centre-right coalition, SPOLU, now looks set to lose the election on October 3rd and 4th. It had been gaining in polls until the bitcoin scandal. Andrej Babis, a populist billionaire who served as prime minister from 2017 to 2021, will probably return. His ANO party is polling at 31% to SPOLU's 21%.

Rivals are focusing on Mr Babis's own scandals. On June 23rd an appeals court restarted a decade-old case against him involving alleged abuse of European Union subsidies by his agriculture firm. (He denies all charges.) "Either you choose business or you choose politics, you can't do both," says Olga Richterova, an MP for the technocratic Pirate Party.

Yet little seems to stick to Mr Babis. ANO is an ideological chameleon, says Tomas Cirhan of Leiden University, who studies the party. Mr Babis launched it on a pro-business, anti-corruption platform, but picked up left-wing voters by backing pension rises. More recently he has courted the hard right, joining a group in the European Parliament with Hungary's Viktor Orban. He "might be damaging for the Czech position in the Western alliance," says Eduard Hulicius, a deputy foreign minister.

Mr Babis is not pro-Russian. The term of Petr Pavel, the staunchly pro-Ukrainian Czech president, lasts until 2027, and the presidency and Senate render a Hungarian-style autocratic takeover impossible. But the billionaire rejects NATO's new security-spending norm of 5% of GDP. He could enter a coalition with Tomio Okamura, an eccentric Japanese-Czech nationalist, or Motorists For Themselves, a car-owners' party fronted by an ex-racer who collects Nazi memorabilia. Czech politics is often quirky. Lately it looks wobbly, too. ■

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Charlemagne

How strongmen mastered the art of dividing Europe

Soft-power Europe is often bested by hard-nosed autocrats

Jun 26, 2025 04:18 PM

IT TAKES WEEKS of haggling by ministers and their diplomatic underlings to craft what the leaders of the European Union later announce as the "conclusions" of their regularly scheduled confabs. Settling into a windowless conference room for a summit that will nonetheless drag well into the night is a time-tested ritual for the continent's presidents and prime ministers. But a spectre hung over the group even as they prepared for yet another gabfest in Brussels on June 26th, as *The Economist* went to press. For in the same time it takes EU leaders to sign off on a communiqué that few will ever read, Donald Trump may well post a slew of social-media posts reversing, un-reversing then finally re-reversing American policy on precisely what his many counterparts sitting in Brussels are discussing. Europeans might rather prefer the deliberative ways espoused by their leaders to Trumpian chaos. Yet in foreign policy the contrast between the EU's genteel, consensual decision-making rhythms and the brusque ways of strongmen even beyond America has grown starkly of late. Autocrats from China, Russia, Turkey and beyond are too often able to run rings around Europe.

Josep Borrell, until December the EU's foreign-policy chief, liked to describe the bloc as a "cacophony" of views. The clash of policies emanating from all corners of the continent might sound discordant, but allowing everyone to have their say is the inevitable upshot of a union made up of many small- and medium-sized countries for whom showing a common front is the only chance of remaining a global player. The problem it creates, however, is two-fold. First, it can take ages for everyone to weigh in; matters pertaining to foreign affairs are among those that still require unanimity of the EU's 27 members. Second, divisions between Europeans become evident for all to see. Autocratic rivals, unburdened by the niceties of having to consult anyone other than themselves, can then divide and conquer Europe at their leisure.

Take America, which these days shares the autocracies' mistrust of global norms. Mr Trump has upended Europe twice of late, first by demanding governments there sharply increase defence spending, then announcing sweeping tariffs on imports from the EU. Both have caused divisions. Spain balked at pushing spending up to 3.5% of GDP, as NATO partners agreed in a summit in The Hague on June 25th, irking partners who think it cares little about the continent's security. How to respond to tariffs has just as much potential to divide. Trade policy is the responsibility of the European Commission in Brussels, but it must work closely with member states. Many support the EU imposing its own tariffs on American goods—but want products made by their own industries exempted lest that attract retaliation from America. Belgium does not want tariffs on diamonds (or waffles, one might imagine), France and Italy on wine, Ireland on medical equipment and so on. Mr Trump faces no such internal opposition. Team America has one decision-maker, Team Europe has too many to count.

Dealing with Xi Jinping has exposed Europe's divisions just as clearly. Big exporters to China, notably Germany, have long pushed for more engagement with Beijing—not banging on about human rights while on government visits, for example. Some in Europe now see China as a hedge against America, a way to show Mr Trump that it has other options when it comes to trade. In July Mr Xi will host the heads of the EU's main institutions in Beijing as part of a diplomatic charm offensive. Europeans are split. Some are keen on closer links with China; on a recent visit Pedro Sánchez of Spain called for more "balanced relations". That is madness to those on the EU's eastern fringe. They see China through the prism of its succour to Russia, whether through trade or dual-use equipment deliveries as it tries to conquer Ukraine. Who can do business with a leader who celebrated "Victory Day" with Vladimir Putin in Moscow just weeks ago?

The Russian president was, for a time, the rare strongman who united Europe. Since his full-scale invasion of Ukraine in 2022, the EU has shown unexpected verve and unity (though often minus Hungary's Viktor Orban). But soon he too may have the power to divide. Once some kind of peace deal between Russia and Ukraine is signed, it is easy to see the Kremlin engineering a deep schism in Europe by proposing to reopen the gas taps, offering unbeatable prices at first. The mere prospect of cheap energy is already being greeted enthusiastically in some German circles. That horrifies Ukraine's most stalwart allies, for whom importing Russian gas is to finance Mr Putin's future plans for conquest.

A strongman closer to home—inside NATO, even—also divides the continent. Turkey's Recep Tayyip Erdogan is, to some Europeans, a despot who defies basic democratic norms by imprisoning the opposition. But to those who worry about migration from the Middle East to Europe (which Turkey can stem by retaining migrants on its territory) or defence (Turkey has NATO's largest armed forces in Europe and is a major arms-maker) those are peccadillos that can be overlooked. Similarly, Binyamin Netanyahu is treated as a war criminal by the Spanish and Irish, ever keen to show their support to oppressed Palestinians. But there are still notably few who will criticise him in, say, Germany or Hungary.

Trump cards

Getting bested by strongmen was once a manageable problem for Europe. It believed that all countries would morph into liberal democracies as they got richer, eroding the problem of dealing with dodgy regimes over time. The EU's consensual ways were ideally suited to influence the global liberal order it once predicted. Now the tough customers are bigger, closer, and show little sign of changing their ways. It is up to Europe to reconcile being a soft-superpower in a world where hard power increasingly rules. ■

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Britain

- **Britain’s industrial strategy is unlikely to boost its economy**
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- **The culture wars are coming for cousin marriage in Britain**
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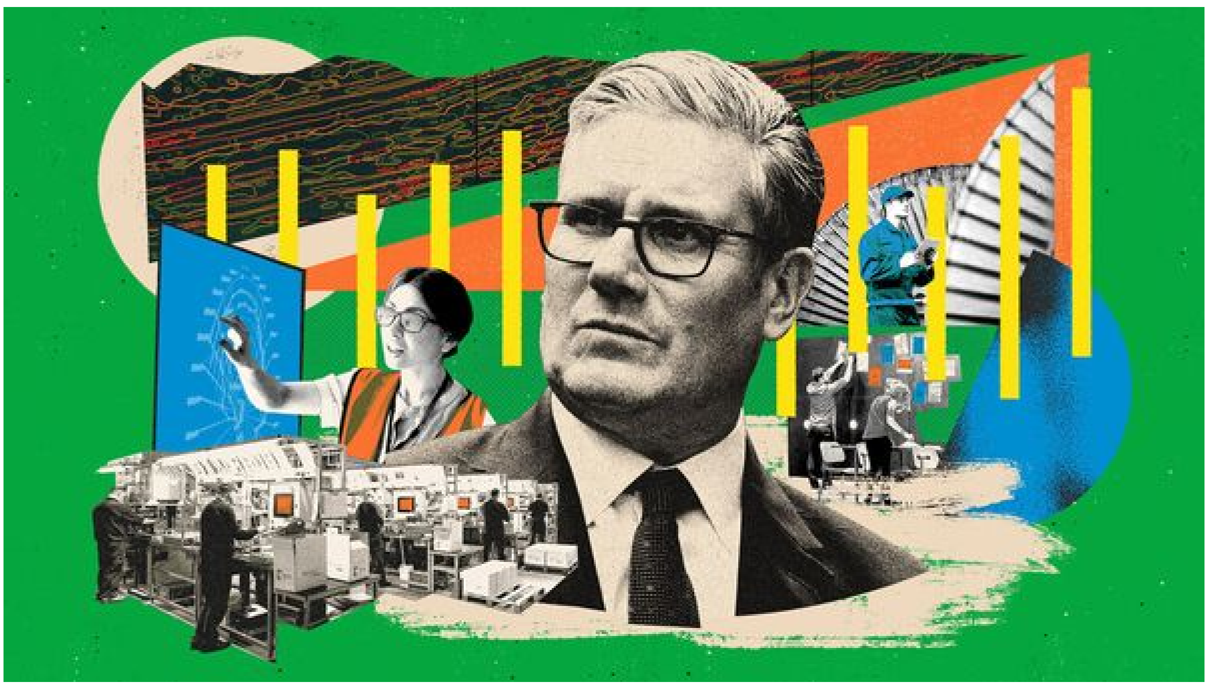
  Bagehot :: And why his government is in trouble

Sector selector

Britain’s industrial strategy is unlikely to boost its economy

But it does at least focus on some of the right problems

Jun 26, 2025 04:26 PM



FOR ANY lobbyist, the holy grail is a picture of the boss grinning in a hard hat. But a mention of your industry or technology at least shows that you are doing your job. “Everyone just desperately wants to be in it,” complains one exasperated policy wonk. “They act like it’s some kind of party boat,” says another.

Welcome to the world of industrial strategy. On June 23rd Britain’s government published a 160-page plan it hopes will encourage the “companies of the future to emerge here”. The sprawling document spans wildly different sectors and is jammed with “transformative” funds, hubs and accelerators. All this, ministers say, will boost the economy, accelerate decarbonisation, help cities beyond London and make the country more resilient. Experience suggests some scepticism is in order.

Long after it fell out of fashion in the 1980s, industrial policy had a deservedly poor reputation. Especially in Britain, it had been used to prop up languishing state behemoths. British Leyland was good at extracting handouts, not making cars. In the past decade, however, the idea has made a comeback. Faced with increased global threats, trade barriers and climate change, politicians have rediscovered a zeal for wielding the power of the state.

Proponents of "modern industrial strategy"—the prefix is there to show they have learned from past mistakes—argue that it is no longer about bungs. Instead, it involves identifying sectors where you have an advantage and helping companies to make the most of it. Critics point out that politicians still love handing out money, are vulnerable to pleading by special interests and remain bad judges of which firms or technologies will succeed.

Labour's strategy follows one produced by the Conservatives in 2017, then largely abandoned. It distinguishes its approach from pure *dirigisme*, arguing that Britain has suffered from a state that both "stands back and interferes too much". The approach is distinct, too, from the jam-spreading of Boris Johnson's "levelling up". The focus is not on ex-industrial towns, but city-regions and clusters that can benefit from agglomeration.

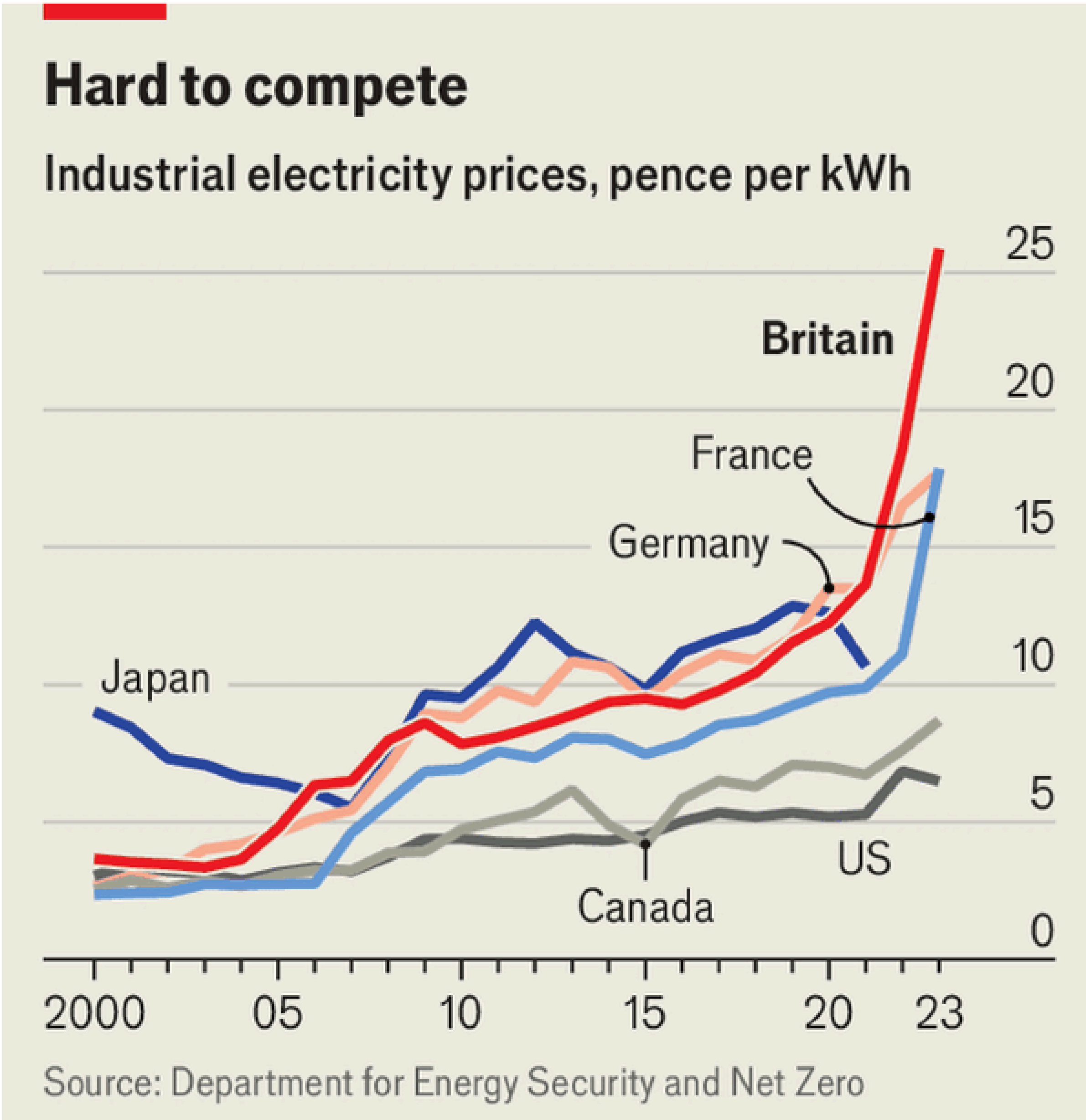
The government does not spell out how much public money is involved. But our analysis suggests the extra spending—beyond plans made by the previous government—is modest, around £15bn over five years ($20bn, or 0.1% of GDP per year). Raising productivity, Labour acknowledges, will rely on making Britain more attractive to private investors. That means fixing the problems that eat into investors' returns, from high energy costs to planning delays and burdensome regulation.

Some might have worried about where this government would think extra investment (public or private) should go. After all, in April it was busy intervening in the steel industry, where British firms have long struggled to compete. Yet the eight sectors targeted in the strategy—advanced manufacturing, clean energy, creative industries, defence, digital and technology, financial services, life sciences, and professional and business services—do reflect a grasp of Britain's strengths, even if some of them are odd bedfellows.

Ministers judge these areas, covering one-third of the economy, to have the highest growth potential. Each gets its own "sector plan". This is where things begin to become less convincing. For a start, most of these sectors are heavily reliant on higher education and immigration. Yet the government has little to say about Britain's universities, whose business model it has undermined by reducing the flow of foreign students while continuing to cap tuition fees.

There will be a new "global talent taskforce" to attract foreign researchers (this follows attempts by France and others to lure disgruntled American scientists). But it will rely on existing visa routes and is backed with only a small fund, which will partly go on administration. Elsewhere, too, the plan is hemmed in by the government's lack of radicalism. Trying to fine-tune growth in narrow sectors—say, professional and business services—comes across as quixotic from a government that has ducked more obvious measures to boost dynamism across the economy, like serious tax reform. "There is no pinstripe-suit tax that the business department can easily target," says Giles Wilkes of the Institute for Government, a think-tank.

The result, as with previous industrial strategies, is a smorgasbord of small pots and schemes. There will be £18m for a clean-energy innovation centre in Felixstowe, £9.7m for a battery-training facility in Newcastle and £150m for a "creative places growth fund" (to be split six ways). This is manna for MPs and businesses (and lobbyists), who sift the plan in search of little goodies. But will it make any difference? The evidence suggests the productivity benefits of even well-targeted industrial policies are slim. And it is not obvious that British film studios are being held back by a lack of state intervention, says Sam Alvis of IPPR, another think-tank.



There was more tangible action on one problem: industrial electricity costs, which have soared in Britain in recent years (see chart). That has clobbered energy-intensive firms in sectors like steel, glass and ceramics. Already, there have been a “significant number of casualties”, says Emma Parkinson of International Energy Products, a manufacturer based in Sheffield. It has probably also dampened investment in advanced manufacturing and AI, by making data centres less viable.

In Britain the price of electricity is nearly always set by expensive gas. Bills have also been raised by charges and levies, which have been used to support the deployment of renewables. From 2027 the government will introduce exemptions, reducing bills by up to a quarter for around 7,000 businesses. Who exactly will pay for this remains unclear.

A year into office, Labour has completed a spending review and published strategies for infrastructure and industry (on June 26th another is due on trade). But markets appear unpersuaded that there is a plan for raising growth in the long run. ■

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In the driving seat

The “motorsport mindset” behind Britain’s success in Formula One

Lessons from one of the country’s most successful industrial clusters

Jun 26, 2025 12:45 PM | Silverstone

WHEN DRIVERS line up on the grid at the British Grand Prix on July 6th, they will be marking 75 years since the launch of the Formula One (F1) World Championship. Much has changed since the race in 1950 at the Silverstone circuit, which straddles Northamptonshire and Buckinghamshire. Then, the cars were basic, safety precautions rudimentary (ropes separated the track from the crowds) and the competitors included a Thai prince, a Swiss baron and a jazz musician.

But Silverstone remains at the heart of things. Seven of the ten teams in this year’s championship are based fully or partly within a 100km radius of

Silverstone. When Cadillac, owned by General Motors, starts competing next year the tally will rise to eight: it has already set up shop nearby. Audi is also sniffing around for premises in the area. And in the slipstream of the teams are more than 4,000 companies, from parts suppliers to PR firms. The industry employs 50,000 people and generated revenues of £16bn ($22bn) in 2023, up by around a quarter in real terms since 2012, according to figures released this week by the Motor Industry Association (MIA), a trade body. What has made Britain's motorsport hub so successful?

The glitz of F1 attracts talent and money. Backed by rich investors, teams splash out on cutting-edge equipment (the wind tunnels that test the aerodynamics of car parts can cost £50m-plus). Younger fans are drawn to the sport thanks in part to "Drive to Survive", a Netflix series. "F1 The Movie", a film starring Brad Pitt, is out this week. The British Grand Prix is now the most-attended paid sporting day in the country.

Andy Cowell, the CEO of Aston Martin F1, talks about the "motorsport mindset". Its engineers are experts at identifying problems, designing solutions, and making and testing prototypes. This happens fast, in the days between one race and the next. "The race is on in the factory," says Mr Cowell. A huge screen looms over the central corridor in Aston Martin's new facility at Silverstone, with a clock counting down the minutes until the next Grand Prix. Its mission-control room enables engineers to track race participants in real time. The place embodies high-precision, innovative engineering.

These specialised firms are seeking to diversify beyond F1. During the pandemic, motorsport teams helped design and manufacture equipment for covid-19 patients who were struggling to breathe. Co-operation with the defence industry dates back even further. During the war in Afghanistan a firm supplying brakes to F1 redesigned the braking system of a patrol vehicle that was struggling with the weight of extra armour; it produced a solution much more rapidly than the usual defence contractors could.

These efforts are stepping up a gear. McLaren Applied, which McClaren sold in 2021, works on deploying technology from motor racing into other industries. A consumer-goods giant, GSK, is churning out nearly 7m more tubes of toothpaste annually after McLaren applied its pit-lane approach to the company's production line.

The MIA is spearheading initiatives in defence and aerospace. The Silverstone Technology Cluster, a non-profit group set up to support engineering, electronics and software businesses, is doing similar work to apply motorsport prowess elsewhere. "We have experts here who can design smaller, lighter and more compact products to tight deadlines," says its founder, Pim van Baarsen. He argues that fulfilling Britain's manufacturing potential is not just about creating new clusters—it is also about making the most of the ones that already work well. ■

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Non-doms

Britain has bungled its taxes on the super-rich

Wealthy people are often accused of crying wolf. This time feels different

Jun 26, 2025 12:44 PM | Florence

The lure of Florence’s new tax ceiling

PALAZZO SERRISTORI, a newly restored palace housing luxury apartments, is a presence among the terracotta rooftops in Florence. Unoccupied for 30 years, its frescoed ceilings and gilded salons gathering dust, the building was sold hours before Italy went into lockdown in 2020. Marco Casarola, president of LDC Hotels & Resorts, the developer behind its €35m ($41m) makeover, says high-end properties were valued at €10,000 per square metre in 2017. Today they fetch double the price.

The surge may be partly due to a policy change in Britain. The Labour government's decision to scrap the country's non-domicile tax regime, which until April allowed the ultra-rich to avoid taxes on offshore assets, has driven a wave of high-profile departures—and demand for luxury Italian property. Those relocating to Italy include Nassef Sawiris, Egypt's richest man, and Richard Gnodde, a banker at Goldman Sachs. "There isn't a wealthy person I know that is not leaving," says Ann Kaplan Mulholland, a Canadian entrepreneur who is moving to Milan.

The aim of the reforms was both to raise money and to make the tax system fairer. The old non-dom regime, dating back to 1799, when rich Britons accumulated vast fortunes across the empire, created problems of fairness and legitimacy, according to Alex Cobham of the Tax Justice Network, an advocacy group. "No other British taxpayer enjoys anything approaching this," he says. Strained public finances amplified calls for change.

Inevitably, tampering with these perks has prompted an outcry from the mega-rich—and claims that they are leaving in droves. Chris Walker, a former economist at the Treasury, estimates that one in ten of Britain's 74,000 or so non-doms (as of April 2023) have left as a result of tax reforms, with more to follow. Firms such as Oxford Economics (a consultancy), the Adam Smith Institute (a think-tank) and Henley & Partners (an adviser to the footloose ultra-rich) all predict mass departures.

Are such warnings overblown? Credible research on people ditching Fitzrovia for Florence is fiendishly hard to find. "Claims of a mass millionaire exodus simply don't hold up to scrutiny," insists Stephen Kinsella, a member of Patriotic Millionaires UK, a lobby group. A study co-authored by Arun Advani, a tax economist at the University of Warwick, finds that past patterns suggest the loss of a tax break for the super-rich results in a "significant" but "temporary" exodus. A 19% fall in their post-tax income, say, would be expected to lead to an outflow of about 5% of non-doms.

But Mr Advani expects a larger behavioural response this time. That is because, unlike previous tweaks, the latest changes have abolished the non-dom regime entirely, removing protections that offshore property trusts once afforded the rich. The broadened scope of inheritance tax is the biggest worry. The decision to subject previously exempt offshore assets to the same 40% levy that ordinary wealthy Brits must pay is a key motivator for 83% of non-doms in any relocation decision, according to a poll by Oxford Economics. “It was always a bad design to have the inheritance-tax rate for foreigners jump from 0% to 40% overnight,” says Mr Advani.

A FIG leaf and a flip-flop

Heightened global competition also plays a role. Other jurisdictions have rolled out competitive tax regimes as London’s has become more punitive. Italy’s €200,000 flat tax has proved to be a magnet for the global rich, says Bill Thomson of Knight Frank, a property company. In America President Donald Trump has launched a “gold card” residency scheme in exchange for a $5m payment. Nearly 70,000 people have expressed interest, according to Howard Lutnick, the commerce secretary.

By contrast, Britain has lost its distinctive advantage—the non-dom tax status. “The UK had the most attractive tax system,” says a property entrepreneur who requested anonymity. “Overnight it turned into one of the worst.” Having invested in British social housing, he takes umbrage at the perception of the ultra-wealthy as “tax dodgers”. Unless Britain reverses its decision on inheritance tax, he plans to leave.

True, a new tax scheme is easing the overall impact. Since April the Foreign Income and Gains (FIG) regime has offered a four-year UK tax holiday on foreign income and capital gains for new arrivals before worldwide levies kick in. “It is a regime on steroids,” says Sara Vestin Rahmani of Bespoke Bureau, a staffing agency for nannies and butlers, which has seen a surge in demand since the scheme was announced.

Yet a revolving door for the rich and mobile makes for a less predictable tax base. The Office for Budget Responsibility, Britain’s fiscal watchdog, has cautiously predicted that scrapping the non-dom tax status will raise £33.8bn ($46bn) for the Treasury over the next five years. By contrast, the Centre for Economics and Business Research, a think-tank, reckons that the government will raise negligible amounts if even a quarter of non-doms leave the country in the first year. Penalising the rich rarely pays off.

Countries such as France and Sweden have swung sharply away from wealth taxes as a result.

And now Britain itself appears to be rowing back. It is reportedly mulling a softening of its inheritance-tax reforms. Annoyingly for the government, Nigel Farage, the opportunistic leader of Reform UK, this week proposed an eye-catching flat tax of £250,000—similar to the scheme that has been luring non-doms to Italy.■

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Relative values

The culture wars are coming for cousin marriage in Britain

Some on the political right are pushing for a ban

Jun 26, 2025 12:44 PM

MARRYING A FIRST cousin has been legal in Britain since Henry VIII broke with Rome in the 16th century. The practice faded and became taboo as family sizes shrank and understanding of the genetic risks grew. In modern Britain unions between first cousins are rare, and for decades have been a non-issue.

But there is a section of British society where cousin marriages are more common: Muslim communities, particularly Pakistani ones in the north of England. Precise numbers are elusive (no one collects them). But Born in Bradford, a study of about 13,500 families living in the West Yorkshire city between 2007 and 2011, found that 37% of married couples of Pakistani heritage were first cousins, compared with fewer than 1% of white British couples.

Now some on the political right have begun pushing for a ban on cousin marriage. A Conservative MP, Richard Holden (pictured), introduced legislation in December, arguing in Parliament that “the practice is not really conducive to modern British society.” His bill, supported by Robert Jenrick, the runner-up in last year’s Tory leadership contest, is slated for a second reading in the House of Commons in July. But unless it can win government support it is unlikely to find sufficient parliamentary time to make it to a vote.

There are health risks to consanguineous relationships but, as with many issues sucked into the culture wars, each side of the debate finds its own ways to interpret the data. The Born in Bradford study found that—after accounting for other risk factors such as age, obesity and smoking—having a child with a first cousin roughly doubles the chance of a congenital health problem, to 6% versus 3% in the broader population. John Wright, who led the research, is at pains to point out that cultural choices that are rarer in Muslim communities, such as drinking during pregnancy or having children later in life, also carry health risks. Compared with the average, children born to white British women over the age of 34 had double the chance of birth defects, the study found.

For Mr Holden, any health issues are secondary to concerns around social integration. In his telling, the church’s restrictions on cousin marriage before 1540 helped break down barriers between tribes of Angles, Saxons, Jutes and Celts. “The British Pakistani community and, to a lesser degree, the Irish traveller community are removing themselves from wider society and closing themselves off,” he says. He argues that such marriages can be a means to strengthen clan loyalties at the expense of good citizenship.

Dr Wright describes Mr Holden’s bid to outlaw cousin marriage as misguided. “Every time this topic and our research is in the media we receive vile racist and Islamophobic emails and messages, so no one should be under any illusion of how this taps into a deep and dark well of racism,” he says. The Muslim Council of Britain similarly dismisses attempts to legislate away a cultural practice. “It isn’t an issue that comes up in our discourse, nor do we feel it an important topic to expend time and energy into,” says Mustafa Al-Dabbagh, its assistant secretary-general.

A ban would be popular, however. Polling published in May found that 77% of Britons want first-cousin marriage outlawed, rising to 82% among supporters of Reform UK, a nationalist party. Cousin marriage is joining burqa-wearing and grooming gangs as a thorny issue—with the extra dimension that marriage can be a route for chain migration.

Other historically Protestant European countries with previously relaxed attitudes to cousin marriage are turning against it. Norway banned it last year. Sweden and Denmark are considering following suit.

Opponents of a ban argue that it could push people away from civil ceremonies and into unofficial religious weddings. Mr Holden wants to head off this loophole by also outlawing sex with a cousin, through amendments to the Anti-social Behaviour, Crime and Policing Act, which criminalised forced marriage in 2014.

At a public debate in December Nazir Afzal, a former chief prosecutor for north-west England who worked on the forced-marriage ban, said cousin marriage should remain legal and argued that rates are naturally falling. Politicising the issue would mean Muslims “will be reluctant to talk about it and educate others if they think it’s just a hammer which the far right would use to attack their communities”, said Mr Afzal, a practising Muslim.

So far the Labour Party is studiously avoiding the matter. The previous government launched a broader review of marriage rules, including questions such as which venues can host weddings and whether humanist ceremonies can be legally binding. That has been rumbling on since 2014. On June 18th Alex Davies-Jones, a junior justice minister, said the government would announce an update to its position soon. Mr Holden thinks it unlikely Labour will support his bill: “I suspect they don’t want this argument.” ■

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Bagehot

Feral Labour: why Sir Keir Starmer’s MPs have had enough

And why his government is in trouble

Jun 26, 2025 12:44 PM

THIS TIME last year, Sir Keir Starmer was touring Britain during a general-election campaign with a simple message: “Stop the chaos.” The uncharismatic leader of the Labour Party offered little in the way of ideology. Policies were few. Instead, Sir Keir pledged a better process: stability and competence where the Conservatives could offer only infighting and ineptitude.

It has not quite worked out like that. A year on, Sir Keir’s government is in trouble. A whopping 120 of his MPs have signed a wrecking amendment to Labour’s welfare bill, which aims to cut £5bn ($6.8bn, or 0.2% of GDP) from Britain’s bulging spending on disability benefit. A party that promised stability now offers its own brand of chaos. What made the Labour Party go feral?

Most political problems begin with bad policy. Britain’s welfare bill stands at around 11% of GDP. Reform is necessary. But this particular cut was introduced largely so Labour did not breach its fiscal rules. The result was an ill-thought-through scheme, with haphazard brutality dished out to those with arthritis or Crohn’s disease. There were no winners, so nothing to console guilt-ridden Labour MPs traipsing through the Aye lobby.

Nor was £5bn enough to placate any bond vigilante. Without big tax rises, or stingier conditions, Britain’s welfare state is unaffordable. Labour’s welfare cuts resemble the Woody Allen joke: the food here is terrible, and the portions are so small!

The origins of Labour’s feral turn begin with its success. The party has a majority of 165. With that, expectations rise but discipline withers. Career prospects, always volatile for a backbench MP, worsen. There are well over 100 jobs in government but 400 people fighting for them. True, the typical backbench MP is a hyper-ambitious Millennial with an impressive parkrun time. But why bother following the whip if there is no reward at the end of it?

After all, when animals go feral, they are simply returning to their natural state of being. Skim the CVs of Labour’s rebellious MPs and you find a collection of do-gooders. It is a party of Oxfam veterans and youth-club workers; highly educated and highly ambitious. They are not rabid leftists. But nor are they people who entered politics to cut benefits for the disabled.

A Labour MP can vote to cut welfare—but in the same way a dog can be taught to walk on its hind legs. It is not something that comes naturally. Labour’s approach to training has been too brutal. Labour’s leadership has engaged in a strategy of “hippy-punching”—finding the most left-wing people in the party and giving them a hearty whack. Threatening milquetoast social democrats is something different. The wrecking amendment was tabled by Dame Meg Hillier, an experienced Labour MP whose day job is chair of the Treasury Committee, not handing out *Socialist Worker* outside Tube stations.

Perhaps Labour's backbenchers were always a little wilder than supposed. Profiles of the party's incoming MPs painted them as Starmtroopers: docile and loyal to the point of lobotomisation. In truth, it was a more transactional relationship. Labour candidates fell into line because Sir Keir promised, and won, a big majority. At that point, Labour could set about doing the sort of things former Oxfam employees like, such as defending foreign aid and reducing child poverty.

Sir Keir has not kept his end of the bargain. Downing Street has made a virtue of doing distinctly unLabourish things. It slashed the development budget to pay for extra defence spending, which, while pragmatic, was never going to impress an MP whose job used to be spending aid. It refused to lift the two-child limit on benefits, the fastest way of yanking children out of poverty. At the same time, Sir Keir has dragged the party's polling to near apocalyptic levels.

If Labour's MPs are going feral, they are only following the path trodden by their constituents. Britain's two-party system, where power swings between two moderate parties, has already shattered, with Nigel Farage's Reform UK atop the polls. Now the shards are being ground to dust. The Green Party has surprisingly high support despite little media coverage. A new left-wing party headed by Jeremy Corbyn is mooted. Labour is stuffed with MPs who fear becoming one-term wonders, leaving no mark beyond a short Wikipedia entry. Desperate people do desperate things.

Sir Keir is determined to push the vote through. It would be a gamble. A defeat would damage his authority within a parliamentary party that already regards the leadership with dwindling respect. (It took Sir Tony Blair, the last prime minister with such a huge majority, eight years to lose a vote.) And he risks a loss of credibility with Britain's investors. Harder decisions are coming down the track. If Sir Keir cannot tame feral MPs on relatively modest reforms, can he manage more ambitious ones?

Strong and stable government in the national interest

Even if Sir Keir succeeds, converting a vast majority into a puny one, it would bode ill. A subtle leadership contest has already begun. Andy Burnham, the mayor of Greater Manchester, who has turned shaking his head and tutting at central government into an art, has sided with the rebels. And what if the rebellion rises? Feral backbench MPs are one thing; a feral cabinet is quite another.

Labour’s leadership faces a more insidious problem. The most dangerous idea in British politics is the view that politicians are all the same; that each party acts like the other. Reform UK is a soap opera. Earlier this month its chairman flounced out, only to flounce back days later. Kemi Badenoch, the Conservative leader, will be fortunate to still be in a job next year, never mind at the next election. Sir Keir promised only stable government, rather than sweeping change. If Labour cannot provide that, then Sir Keir’s party offers nothing at all. ■

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International

- **Sex work in the gig economy**
  Red lights, green lights :: Sweden is banning OnlyFans content as the lines around sex work blur
- **Feckless Europe accepts Trump’s Lone Ranger diplomacy**
  The Telegram :: It is meekly welcoming the new sheriff’s vigilante justice

Red lights, green lights

Sex work in the gig economy

Sweden is banning OnlyFans content as the lines around sex work blur

Jun 26, 2025 01:21 PM

FOR DECADES Sweden was seen as the epitome of sexual freedom, so much so that President Dwight Eisenhower fulminated in 1960 that its people tended towards “sin, nudity, drunkenness”. In 1971 it followed Denmark to become the second country in the world to legalise all forms of pornography. Yet Sweden has been altogether more prudish when it comes to prostitution, having originated the so-called Nordic Model in 1999, which criminalised the purchase of sex, but not its sale, with the intention of reducing demand while protecting vulnerable women. This model has since spread widely. In the past decade, France, Ireland, Israel and the American state of Maine have all adopted it; Scotland is considering it.

Now Sweden is trying to apply its real-world Nordic model to the digital world. On July 1st a new Swedish law will come into force that criminalises paying for live porn on sites like OnlyFans, the platform best known for its adult content, but not those who perform the online sex acts. Those breaking the new law face a penalty of up to a year in prison.

The new law comes as sex workers increasingly embrace technology and move online. Many of those selling physical sex have already transitioned from soliciting on street corners to advertising on the internet. More recently the sale of virtual sex has gained momentum.

Buying sex and sexual content has also become easier—and more accepted—than ever. Fully 14% of young Americans say they would consider selling content on OnlyFans; 16% say they would become a "sugar baby", selling companionship (and very often sex) to older men. In May 2024 one in ten British adults who were online visited Chaturbate, a live webcam-sex site. And the boundaries of what people consider to be sex work are becoming blurry, notes Teela Sanders of the University of Leicester. In Sweden, 8% of girls aged 15-19 say they have sent sexual content or met someone for sex in exchange for money, often via the social-media app Snapchat. On the gay dating app Grindr, it is common to trade sex for gifts or drugs. In an age where sex and relationships are often more overtly transactional, many in Generation Z do not see what they are doing as "sex work" at all (unlike, for example, work in brothels, which is usually perceived as more exploitative). Only 56% of Britons aged 18-25 say that "sugaring" counts as sex work, compared with 70% of over-65s.

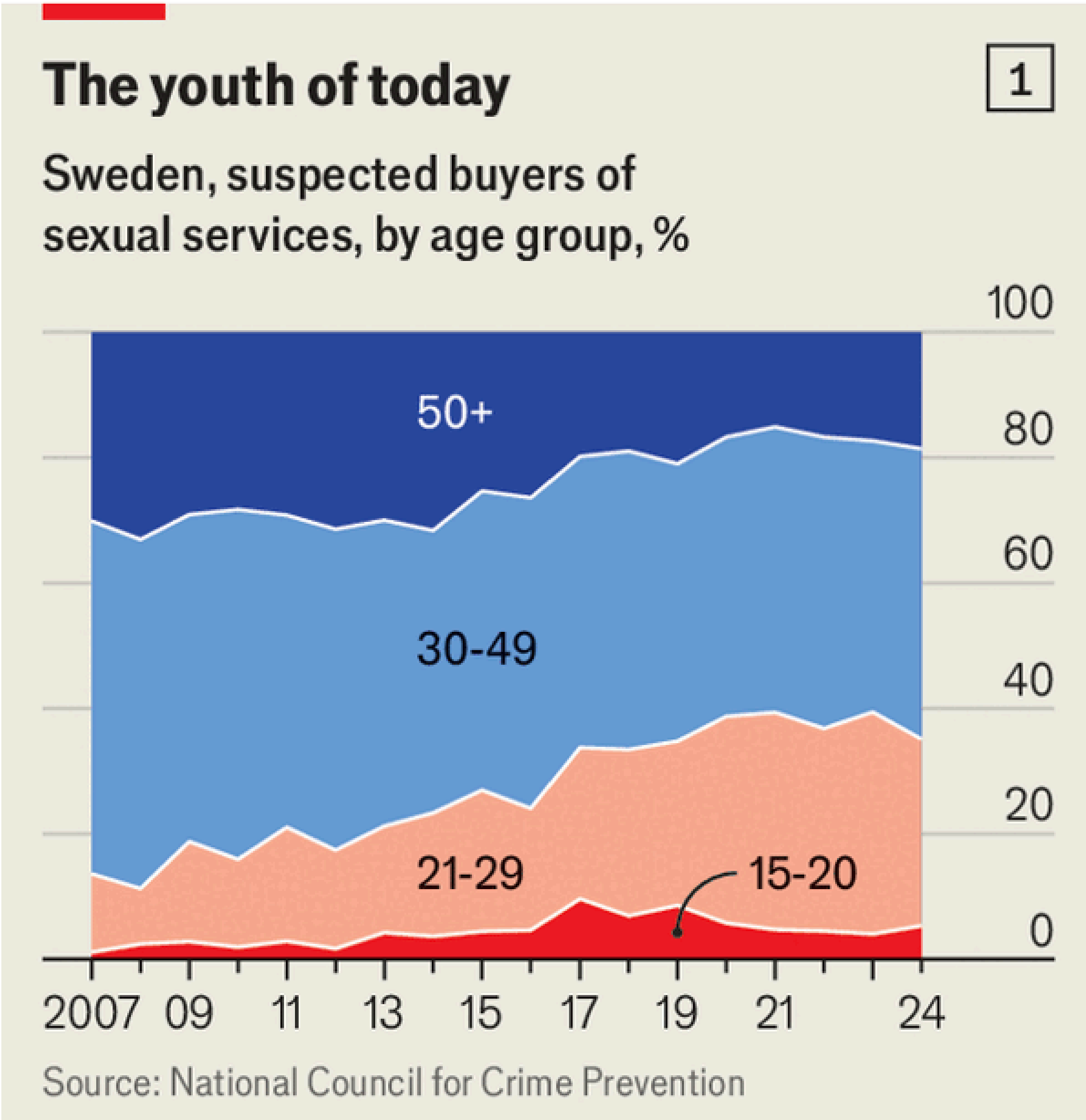
These changes raise two important questions. Does the Swedish model work in the real world? And should it also apply to virtual sex work? Supporters of the Nordic model in relation to old-school prostitution argue that the purchase of sex is always exploitative, and that restrictions are needed not only to protect the vulnerable but also to crush demand. In this they hark back to abolitionist views of the 1920s, when the League of Nations sent undercover agents to infiltrate brothels, where they found examples of foreign women in debt bondage. Denying sex workers agency over their own bodies, they declared that many were "mentally abnormal" and of "poor heredity and poor environment". Though attitudes have softened since, some of the stigma and denial of agency persist in the Nordic model, which is based on the idea that many prostitutes go into sex work because of childhood abuse or poverty rather than free choice, and that they should be "rehabilitated".

To be sure, there are many sex workers like Samuel Vahlund, who turned to prostitution after childhood bullying and a traumatic sexual assault destroyed his self-esteem, and because he needed money for drugs. At the time, he believed he was consenting, but would dissociate during sex with other men. "I hated myself," he says.

And similar trends appear to be the case for many of those entering online sex work. Meghan Donevan, a researcher at Talita, a Swedish charity, interviewed 120 people who had appeared in "commercial pornography". Of those, 88% had been sexually abused as children and 69% had attempted suicide. Virtual sex work also creates the possibility for other sorts of harm. In thousands of webcam "studios" across Colombia, women work 12-hour shifts streaming from cramped, often filthy cubicles, keeping only a fraction of their earnings. "Doxxing", whereby personal information is published on the internet, is common. "I know a lot of people who prefer old-school sex work because it's safer," says one Italian sex worker.

Sweden's government argues that since virtual sex work also carries the risk of harm, it should get the same legal treatment as the sale of actual sex. Moreover, says Nina Larsson, Sweden's minister for gender equality, "digital prostitution" can be a "gateway" to selling sex in person. Does the argument have merit?

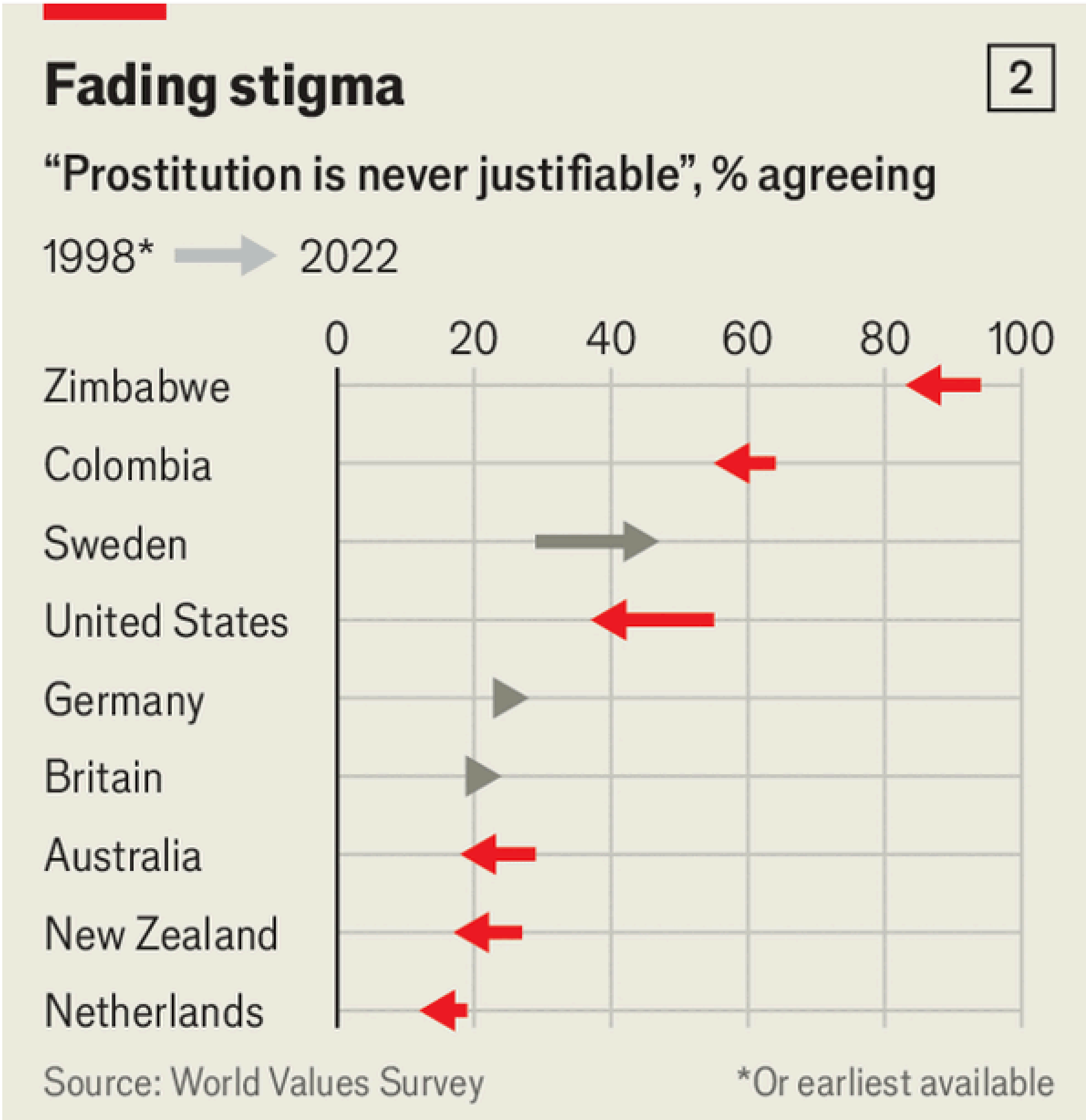
Supporters of the existing Nordic model tout a fall in the share of Swedish men who say they have ever paid for sex, from 14% in 1996 to 9% in 2017. They also point to falling street prostitution as proof of its success. But that may well be because sex work has moved underground or out of the country. The government reckons that 80% of Swedish men who pay for sex do so when they are abroad. Janna Davidson, Sweden's national rapporteur on human trafficking and prostitution, argues that the most important effect of the Nordic model has been normative: Swedes are far more likely than their rich-world peers to say prostitution can "never be justified".



Yet there is little firm evidence that the Nordic model is achieving its main goals of protecting vulnerable sex workers or of putting a lasting dent in demand, especially since a growing proportion of men suspected of buying sex are under 30 (chart 1).

Worse, the policies in force since 1999 may have distracted authorities from reducing the genuinely harmful aspects of the sex trade. This is because police often find it easier to arrest johns than to pursue pimps and traffickers. Prosecutions for buying sex have risen in Sweden, but there were no convictions for trafficking in 2024.

Far from protecting vulnerable people, the existing laws may well be harming them. The stigmatisation of sex work means prostitutes and their clients are less likely to seek treatment for sexually transmitted infections. Migrants—who may make up 70-80% of those selling sex—are particularly vulnerable, because even though the sale of sex is not criminalised, it can be grounds for deportation. Paulina Bolton, who co-ordinates investigations into prostitution and human trafficking at the Swedish Gender Equality Agency, admits that support for victims is lacking.



The European Sex Workers Rights Alliance says that Sweden's new law "will further isolate sex workers, particularly migrants and trans people". It will also be hard to enforce. Instead of expanding the Nordic model online, Sweden should be looking at better alternatives for both the real and digital worlds.

Recently, in a church in Brussels, stalls offered lube, condoms and leaflets with titles such as: "So you're dating a sex worker"; and "Anal health". The event, arranged by the Belgian union of sex workers to mark International

Whores’ Day, closed with a performance by a dominatrix, who stripped in front of the altar before hypnotising attendees with her whips.

In 2022 Belgium became the first European country to fully decriminalise sex work (and the second globally after New Zealand). Last December it granted sex workers formal labour rights, entitling them to sick leave, maternity pay and pensions, and obliging brothels to get a permit and comply with health and safety standards. In the past few years, the Australian states of Victoria and Queensland have decriminalised sex work; South Africa and Thailand have drafted similar bills. In contrast to the Nordic model, this approach is supported by many academics, who argue that full decriminalisation helps to reduce stigma, deters police harassment and helps separate the willing from the coerced.

Andrea, a sex worker (whose name we have changed) meets one or two clients a week in Brussels. She insists she is not the “victim” that abolitionists claim she is: “We’re all forced to sell ourselves to live.” Sex work gives her more agency and autonomy than waitressing, Andrea says.

Even so, prostitution has long been a profession with few rights or protections. This was made clear in the first covid-19 lockdown, when many sex workers had to rely on food parcels. When the government mandated the use of masks, disposable sheets and carbon-dioxide meters in brothels, it was a first step towards formal recognition. In South Africa, greater sympathy for those selling sex allowed the government to introduce a bill to decriminalise prostitution in 2022. In 2023 Costa Rica recognised sex work as labour. Sex workers were given a tax code and now pay VAT.

Still, change can be slow. In Belgium just a handful of permits have been issued. Andrea has not registered as sex worker because of the paperwork and tax expense, she says. While legalisation of physical sex work has many benefits, from reduced violence against sex workers and better access to medical services—improving their and their clients’ health—it also needs sensible regulations to protect workers’ rights, says José Estrada Castro, a lawyer who advocated for Costa Rica’s reforms. An EU-funded project is helping draft a law to enshrine sex workers’ labour rights, such as by capping the profits of third parties and letting workers refuse clients or acts.

Extending protections to online sex work is trickier. Yet any experiments in regulation should start with an eye on the evidence, which, though incomplete, suggests that virtual sex work can be safer and give workers more agency than the physical sort. Like many other jobs, both kinds have risks. Regulation should minimise these while allowing innovation. ■

The Telegram

Feckless Europe accepts Trump's Lone Ranger diplomacy

It is meekly welcoming the new sheriff's vigilante justice

Jun 26, 2025 04:13 PM

IF EUROPE CANNOT have America as a global policeman, it will settle for Donald Trump as the Lone Ranger. That, in effect, is the message from the leaders of Britain, France and Germany. All three have come close to endorsing strikes on Iran's nuclear programme by Israel and America. Many will welcome his imposition of a ceasefire and his imperious order to Israeli warplanes to "turn around" rather than punish an apparent Iranian breach of it.

The contrast with the American-led invasion of Iraq in 2003 is jarring. Back then, the West was split by debates about international law. For a camp led by France and Germany, only the UN Security Council—the governing body of the post-1945 order—could authorise attacks on Saddam Hussein. American talk of preventive strikes was dismissed as cowboy justice.

Today, though, the initial response of Sir Keir Starmer, Britain's prime minister, was as clinical as a Pentagon press release. "Iran can never be allowed to develop a nuclear weapon and the US has taken action to alleviate that threat," declared the man who had previously made his name as a human-rights lawyer.

In post-war Europe, crafting elegant rationales for impotence is a prized skill. France's president, Emmanuel Macron, showed mastery of the form after Israel's initial raids on Iran. He told the Elysée press corps that an Iranian bomb would be an "existential" threat to the world, and that—though France favoured a diplomatic solution—Israel's strikes had set back Iran's nuclear-enrichment and ballistic-missile capabilities, and so were steps "in the right direction". After America joined Israel in striking Iran, Mr Macron toughened his stance a bit. On June 23rd he spoke of the "legitimacy" of efforts to neutralise Iran's nuclear structures, but added that America's actions lack "a legal framework". Winning the prize for bluntness, Germany's chancellor, Friedrich Merz, told German television that Israel is doing "the dirty work" for "all of us".

Geopolitics helps explain European meekness. Western governments fear power vacuums in the Middle East. They were thus glad to hear Mr Trump forswear regime change in Iran. Selfishly, it is also a relief for Western governments to be spared Trumpian lectures about free-riding allies. Mr Trump is proud that only America's bombs can curb Iran. Before ordering his raid, he scoffed at European offers to engage with Iranian diplomats, saying: "Iran doesn't want to speak to Europe. They want to speak to us. Europe is not going to be able to help in this one."

Europe's response is rational, but revealing. In foreign policy a useful principle is: that which cannot be changed must be welcomed, says Steven Everts, the director of the EU Institute for Security Studies, an EU policy-planning agency. Even so, he concedes, Europe's response "speaks to our weakness".

For their part, non-Western powers have demanded that America and Israel heed international law. After Israel began bombing, China's supreme leader, Xi Jinping, telephoned a counterpart to agree that: "The use of force is not a right way to resolve international disputes." In particular, "the red line of protecting civilians in armed conflicts must not be crossed," declared Mr Xi. His lofty words were undercut only by the civilian-killing record of the other president on the line, his friend Vladimir Putin of Russia.

China wants regional stability and fears higher energy prices, says a Chinese scholar in Beijing. As for playing a more active role, that depends on whether warring parties want China's help and "whether China has any real leverage over the matter". For now neither condition applies, adds the scholar. State-funded Chinese analysts signal that China, the largest buyer of Iranian oil, would be displeased if Iran closed the Strait of Hormuz to shipping. Should Iran try a nuclear breakout, a prominent Chinese commentator suggested, China might allow the imposition of new sanctions on Iran, by abstaining at the UN rather than casting a veto.

Europe could come back into the picture as a diplomatic player, suggests João Vale de Almeida, a former EU ambassador to America and the UN during the gruelling years of nuclear talks between Iran and the five permanent members of the UN Security Council (the so-called P5), plus Germany and the EU. He predicts that any new pact with Iran, even one backed by America's hard power, may rather resemble the JCPOA, the multilateral agreement generated by those talks that Mr Trump quit in 2018. He laments the past seven years as "a big detour" of lost time and credibility.

No cowboy sunsets in the real world

A big change since 2018 involves the splintering of the P5, whose members —America, Britain, China, France and Russia—were remarkably unified in their opposition to an Iranian bomb, says Catherine Ashton, who as EU foreign-policy chief from 2009 to 2014 chaired nuclear negotiations with Iran. The assembled envoys felt a sense of historic common purpose, says Baroness Ashton. That survived even crises like the political protests that swept Ukraine in 2013. She recalls leaving the Iran meetings in Vienna and flying to Kyiv to denounce Russian meddling in Ukrainian politics. Russia's lead negotiator would fly to Moscow to condemn the West. Then both would return to Vienna for constructive talks. She remembers China as "a team player" on Iran nukes, too.

Today Mr Trump seems interested in bilateral dealmaking, observes Lady Ashton. That approach raises hard questions about Iran's incentives to disarm. America acting alone can apply coercion. But given Iranian distrust of Mr Trump, only an international coalition can credibly offer the reward that Iran seeks: a long-term economic reopening to the world.

The Lone Ranger was not big on commitment. After dispensing vigilante justice he would ride into the sunset. Western leaders know the limits of that approach. Alas, they must deal with the American president they have. ■

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Soft-toy power

It’s not just Labubu dolls. Chinese brands are booming

They are winning customers at home and abroad

Jun 26, 2025 04:26 PM | Shanghai

LABUBU DOLLS are hard to come by. Even at the giant flagship store of their maker, Pop Mart, in Shanghai, throngs of customers are told they need to wait a week or longer. The grimacing elvish creatures, which come in “blind boxes” that keep buyers in suspense over which one they might get, sell for as little as $20. But a rare variety sold for $150,000 at an auction on June 10th. It is not just Chinese children trying to get their hands on them: celebrities including Sir David Beckham, an ex-footballer, and Rihanna, a pop star, have gone public with their appreciation.

The Labubu craze has sent Pop Mart's shares up by 180% since the start of the year. It is one of a growing cohort of Chinese consumer brands whose popularity is surging. For decades Chinese shoppers looked overseas for the latest trends in cosmetics, fashion, hospitality and more. Now they are flocking to local luxury firms, high-end make-up brands and milk-tea shops. What is more, many of these brands are gaining a devoted following abroad. Western brands should be worried.

It is an odd time for a boom among Chinese consumer products. Sputtering economic growth has caused household spending to weaken. Yet the strain on Chinese shoppers is one factor propelling local brands. As consumers have become more price-sensitive, cheap but decent quality homegrown brands have thrived.

Many Chinese coffee drinkers have found local chains such as Cotti or Luckin just as good as Starbucks, an American company, but often half as expensive. Laopu Gold, a Chinese maker of luxury jewellery, has done well selling elegant bracelets and earrings that tend to be cheaper than those of Tiffany & Co, another American stalwart. Songmont, a local handbag brand, has launched a costly ad campaign in airports across the country pitting itself against foreign competitors that are often twice as expensive, or more. Part of Pop Mart's success with Labubu dolls has come from targeting frugal spenders with high-quality, "emotive" products, says Lina Yan of HSBC, a bank.

Yet consumer downgrading is only part of the explanation for the buzz around Chinese brands. In many cases shoppers are paying just as much or more for local equivalents. For instance, the best-selling products at Chagee, a tea chain that went public in New York in April, are tea lattes that sell for 15-20 yuan ($2-3), on a par with Starbucks's top products in China. Chagee has marketed itself as a premium brand, not a budget one, notes Han Zhang of Deutsche Bank, another lender. The fastest-growing segment of electric vehicles in China is not the cheapest but those priced at between 200,000-400,000 yuan, considered "entry-level luxury". Foreign firms have long dominated this segment, but many popular new models in this range are from local rivals such as NIO and Li Auto.

Chinese consumers are also now far less enamoured with foreign goods simply because they are foreign. Laopu’s rapid rise is proof of that. The firm, which sells intricate gold jewellery with a distinct Chinese flair, has managed to keep its sales per store above 300m yuan, at least 50% higher than most of its foreign rivals. Its share price is up by more than 2,000% since it listed in Hong Kong about a year ago. Laopu is one of only a small number of homegrown luxury brands in China. The industry has long been cornered by foreign firms—though most of them are now doing poorly in the country. Western luxury brands once filled a gap simply because there were no real local alternatives, says Amber Zhang of BigOne Lab, a research firm. However, "that doesn't mean Chinese consumers naturally resonate with the design or cultural message of those Western brands." Rather than trying to appear Western, both Laopu and Chagee have flaunted their Chineseness. It has worked.

Fans argue that, despite its lower prices, Laopu's materials and design are of higher quality than most foreign offerings. This points to another shift in spending habits in China: shoppers are better informed about products today than they used to be, mainly thanks to social media. Many feel that they have been fleeced by foreign companies that were able to sell at inflated prices purely by not being Chinese. Today young women scour the labels of cosmetics brands to find local products with the same active ingredients as foreign ones but at lower prices, notes an industry analyst.

That has helped yet another hit Chinese brand, a cosmetics maker called Mao Geping, which raised $300m in an initial public offering in Hong Kong in December. Its shares have soared by about 250% since then. Homegrown cosmetics firms have been trying to steal share from foreign ones such as L'Oréal and Estée Lauder for years, but have struggled at the pricier end of the market. Mao Geping, which is named after its founder, a famous make-up artist, is the first local company to make it onto the list of the top ten high-end make-up brands in China.

Whereas foreign firms tend to focus on China's largest cities, local brands operate farther afield. Many got their start in smaller inland cities. Chagee opened its first store in Kunming, in the southwestern province of Yunnan, in 2017. Most of its shops remain outside rich coastal areas. Mixue, a cold-drink chain, started as a shaved-ice stand in one of China's poorer provinces. The country's most popular fast-food brands have mainly expanded in smaller cities before trying their luck in places such as Beijing and Shanghai.

Hoteliers are doing the same. H World, a Chinese hotel chain, will open about half of its new properties in third- and fourth-tier cities over the next year, says He Jihong, its chief strategist. Foreign hotel chains are much less active in small cities. This could be one factor keeping H World's hotels fuller than those of foreign rivals. Its occupancy rate was above 80% last year, while the figure for Marriott, an American chain with a large presence in China, fell below 70%.

The focus on small cities is important because spending there appears healthier than in big cities. Purchases of fast-moving consumer goods, such as packaged food and beauty products, expanded by 5.5% in 2024 in cities with fewer than 1m people, whereas they shrank by 4.6% in the biggest cities, according to Bain, a consultancy.

Foreign brands in China are scrambling to fend off their new competitors. Lavazza, an Italian coffee chain, has tried selling birds'-nest coffee, with limited success. Western businesses such as Häagen-Dazs, an ice-cream chain, and Starbucks are reportedly sounding out local investors for their Chinese operations in an effort to inject new ideas.

The competitive threat is not contained to China. Pop Mart now has stores in more than 20 countries, including at least 37 in America. Mixue can be found across South-East Asia. Chagee plans to have more than 1,300 shops outside China by the end of 2027, up from almost none four years ago. And analysts believe that the more foreign recognition these brands get, the more popular they become within China. The social-media craze in the West over Labubu dolls is thought to be adding to their local cachet. For decades, retail trends swept into China from abroad. Those days may be ending. ■

Correction (June 25th): *The original version of this article wrongly described Rihanna as American and misstated the timeline for Chagee's international-expansion plan.*

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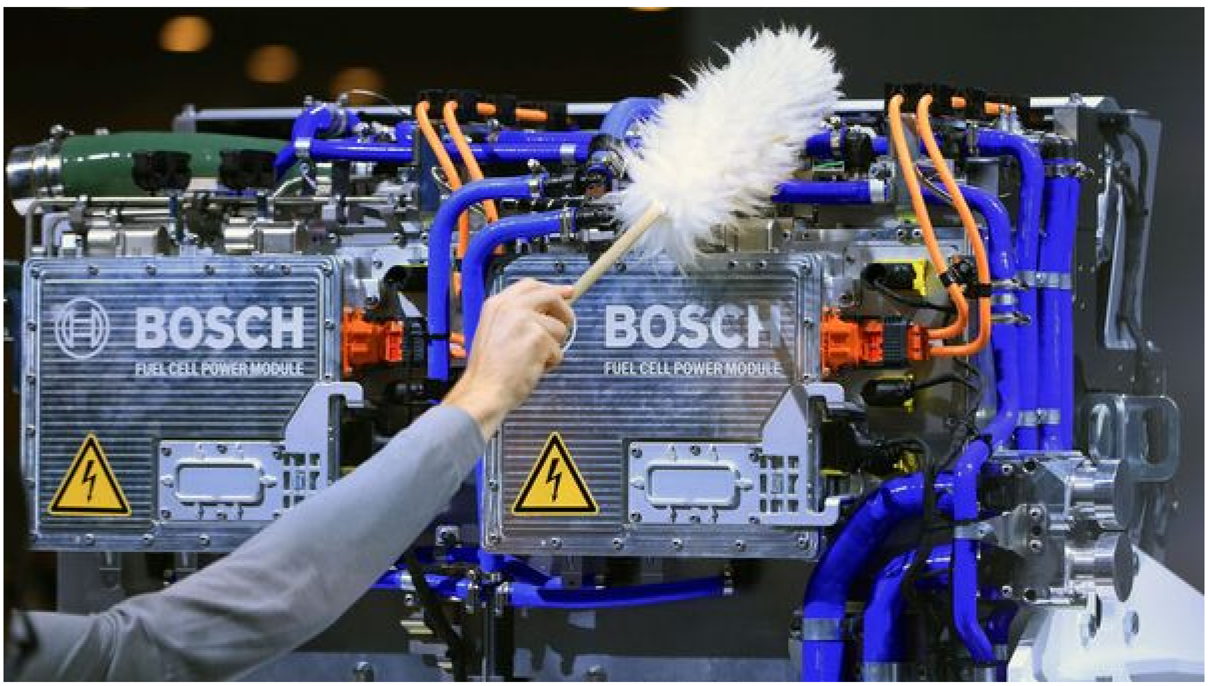
Part company

How to tell the West’s car industry really is in trouble

Suppliers, once far more profitable than auto firms, are struggling

Jun 26, 2025 12:43 PM



AUTO SUPPLIERS HAVE never been as flashy as carmakers. The dashboards, suspension assemblies and other components they sell are hidden beneath shiny bodywork. Even so, the likes of Bosch, Continental and Denso regularly outshone their carmaking customers financially. Now, however, the steady rise of electric vehicles (EVs), the growing importance of software and the emergence of new rivals are upending their businesses.

The damage is evident everywhere. In 2024 the world’s top 30 suppliers suffered a drop in free cashflow of around a third compared with the year before, according to AlixPartners, a consultancy. European suppliers announced 54,000 job cuts worldwide last year, with around 12,000 going at Germany’s Bosch, the biggest of the bunch. On June 24th Continental gave further details on a plan hatched last year to spin off its parts division from its tyremaking business, which has faced less disruption (EVs still need tyres). On June 11th Marelli, a Japanese auto supplier whose troubles have been made worse by debts and President Donald Trump’s tariffs, filed for bankruptcy in America.

Supplying carmakers was once a much better business. In the years before the covid-19 pandemic, suppliers were, on the whole, far more profitable than their customers. The big “tier 1” firms, which deal directly with carmakers, would bid for contracts for larger components made up of smaller parts from suppliers further down the chain. Economies of scale came from supplying many firms with similar products, while bargaining power came from there being fewer suppliers for most parts than carmakers.

A pandemic-induced chip shortage, however, shifted power to carmakers. They cut production to prioritise making pricier, more profitable cars. Meanwhile, suppliers faced a slump in sales volumes, and were unable to raise their own prices because of long-term contracts. The gap in profitability between carmakers and their suppliers, as measured by their returns on capital, narrowed significantly (see chart).

Worldwide car production has since bounced back to its pre-covid level, but is now stagnant. What is more, suppliers are grappling with other challenges. First, although EVs are taking a greater share of global sales, they are not doing so as quickly as carmakers had expected. Many Western suppliers, however, had invested heavily in capacity to build parts for them, some of which now sits idle.

A second challenge comes from the rise of software. The old way of building a car—by integrating lots of parts from big suppliers, each with their own chips and software—is giving way to more centralised computing. This will help carmakers assert more control over the software that will define the driving experience and differentiate brands in the future, much of which is now being built in-house or with specialist partners. For some suppliers, the fear is that they will become makers of commoditised "dumb hardware", says Andrew Bergbaum of AlixPartners.

These shifts have also opened the door to new entrants. Batteries supplied by firms such as China's CATL and South Korea's LG Energy Solution account for a good chunk of the cost of an EV. The electric motors, inverters and control units they connect to can also be provided by manufacturers from outside the traditional auto industry, such as Japan's Nidec or NXP Semiconductors, a Dutch firm.

Ascendant Chinese carmakers are also giving a boost to local suppliers, which they may take with them as they expand production abroad. For their part, Western carmakers are choosing to partner with nimble Chinese suppliers and software companies to better compete on the mainland—as Volkswagen has done with Horizon Robotics and Mercedes-Benz with Momenta, to help build self-driving cars. Firms that adopt Chinese technology may decide to use it everywhere, notes Pedro Pacheco of Gartner, another consultancy.

It is not all doom and gloom for Western suppliers. Business is brighter for firms that make parts which are not specific to EVs or do not contain much software, such as tyres, seats and glass. And the big companies still have the time and money to turn their businesses around. Even so, they may be veering towards a future of lower margins and dwindling profits. ■

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Vibe valuing

AI valuations are verging on the unhinged

Unless superintelligence is just around the corner

Jun 26, 2025 12:44 PM | SAN FRANCISCO

Thinking up a business

VIBE CODING, or the ability to spin up a piece of software using generative artificial intelligence (AI) rather than old-school programming skills, is all the rage in Silicon Valley. But it has a step-sibling. Call it vibe valuing. This is the ability of venture capitalists to conjure up vast valuations for AI startups with scant regard for old-school spreadsheet measures.

Exhibit A is Mira Murati, formerly the chief technologist of OpenAI, who has vaulted almost overnight into the plutocracy. Her AI startup, Thinking

Machines Lab, has reportedly raised $2bn at a $10bn valuation in its first fundraising round, before it has much of a strategy, let alone revenue.

Ms Murati's success can be explained by her firm's roster of ex-OpenAI researchers. Tech giants like Meta are offering megabucks for such AI superstars. Yet venture-capital (VC) grandees say that even for less exalted startups, traditional valuation measures such as projected revenue growth, customer churn and cash burn are less sacrosanct than they used to be. This is partly because AI is advancing so quickly, making it hard to produce reliable forecasts. But it is also a result of the gusher of investment flowing into generative AI.

The once-reliable measure most at risk of debasement is annual recurring revenue (ARR), central to many startup valuations. For companies selling software as a service, as most AI firms do, it used to be easy to measure. Take a typical month of subscriptions, based on the number of users (or "seats"), and multiply by 12. It was complemented by strong retention rates. Churn among customers was often less than 5% a year. As marginal costs were low, startups could burn relatively little cash before profits rolled in. It was, by and large, a stable foundation for valuations.

Not so for AI startups. The revenue growth of some has been unusually rapid. Anysphere, which owns Cursor, a hit coding tool, saw its ARR surge to $500m this month, five times the level in January. Windsurf, another software-writing tool, also saw blistering growth before OpenAI agreed to buy it in May for $3bn.

But how sustainable is such growth? Jamin Ball of Altimeter Capital, a VC firm, notes that companies experiment with many AI applications, which suggests they are enthusiastic but not committed to any one product. He quips that this "easy-come, easy-go" approach from customers produces ERR, or "experimental run rate", rather than ARR. Others note that churn is often upwards of 20%. It doesn't help that, in some cases, AI startups are charging based on usage rather than users, which is less predictable.

Add to this the fact that competition is ferocious, and getting more so. However fast an AI startup is growing, it has no guarantee of longevity. Many create applications on top of models built by big AI labs such as

OpenAI or Anthropic. Yet these labs are increasingly offering applications of their own. Generative AI has also made it easier than ever to start a firm with just a few employees, meaning there are many more new entrants, says Max Alderman of FE International, an advisory firm.

Even well known AI firms are far from turning a profit. Perplexity, which has sought to disrupt a search business long dominated by Google, reportedly generated revenue of $34m last year, but burned around $65m of cash. That has been no hurdle to a punchy valuation. Perplexity's latest fundraising round reportedly valued it at close to $14bn—more than 400 times last year's revenue (compared with a multiple of a little under 5 for stocks traded on the Nasdaq exchange). OpenAI, which torched some $5bn of cash last year, is worth $300bn. The willingness of investors to look past these losses reflects their belief that the potential market for AI is enormous and that costs will continue to plummet. In Perplexity's case, the startup may be a takeover target, too.

In time, trusty old approaches to valuations may come back into vogue, and cooler heads prevail. "I'm the old-fashioned person who still believes I need [traditional measures] to feel comfortable," says Umesh Padval of Thomvest, another VC firm. For now, just feel the vibes. ■

Correction (June 26th 2025): The original version of this article misstated the combined price-to-sales ratio of firms listed on the Nasdaq.

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Getting paid

How OnlyFans transformed porn

The platform, now up for sale, has made a smutty business far more lucrative

Jun 26, 2025 12:44 PM

SINCE IT WAS founded in 2016 by a well-heeled Briton, OnlyFans has grown into a giant of X-rated content. The platform, whose current owner, a secretive Ukrainian-American, is reportedly looking to sell it for $8bn, is used by over 4m “creators”, who post content, and over 300m “fans”, who pay for it. In its fiscal year to November 2023, the latest data available, it brought in revenue of $1.3bn. At around 50%, its operating margin was higher than those of tech giants such as Alphabet, Meta and Microsoft. OnlyFans has been an enormous financial success. It has also transformed how porn is made, shared and consumed online.

The internet has been filled with smut for as long as it has existed. Work published in the *Journal of Sex Research* in 2023 suggests major porn sites get more monthly visitors and page views than Amazon, Netflix or Zoom. Yet the industry has struggled to make money. "Tube sites", such as PornHub, allow users to watch videos for free. Ad revenues are paltry, as many brands steer clear of adult content. Measures to keep illegal content like child porn off some sites are weak.

OnlyFans developed a lucrative new approach. It charges users to watch videos, with extra fees for bespoke content, merchandise and personalised chats. Much of this, though not all, is sexual in nature. OnlyFans keeps a 20% cut of what users pay, slightly less than Uber, a ride-hailing app, and about the same as Airbnb, a home-sharing platform. OnlyFans paid creators $5.3bn in its 2023 fiscal year. Because it isn't on the app stores run by Apple and Google, it doesn't have to pay them a share of its takings.

Money has allowed OnlyFans to invest in security measures which, though imperfect, are better than those of many of its peers. In some markets, including Britain, it uses third-party technology to estimate a viewer's age based on a facial scan, to ensure minors don't sign up. For creators, it requires numerous pieces of documentation, including a government ID and bank details. It has nearly 1,500 people verifying accounts and checking that videos on the platform meet its rules. In May OnlyFans rejected about two-thirds of the 187,305 applications it received for new accounts. Keily Blair, its chief executive, compares this to the know-your-customer process used by big banks. "There is no anonymity on OnlyFans," she says, adding that the site is not end-to-end encrypted, allowing the firm to monitor what is published. And there is no algorithm pushing posts.

Creators have flocked to the site. Last year Lily Allen, a pop singer, revealed she was making more money through OnlyFans, where she shared photographs of her feet, than through Spotify, a music-streaming service. Bonnie Blue, a sex worker who was banned from OnlyFans this month following a stunt in which she slept with more than 1,000 men in a day, tells *The Economist* she earned as much as $250,000 per month from the site. She bought a Ferrari and a Rolex. Hers is a serious business: Ms Blue has a team of around ten people, including photographers, editors and security.

She says she spends 60-70% of her time at her desk, rather than in the bedroom, replying to messages and doing administrative tasks. “Being an online creator isn’t as glam as it seems,” she says.

There are many risks for OnlyFans. One is competition from newer subscription sites, like Fansly, where Ms Blue has shared videos since the ban. Artificial-intelligence tools are producing increasingly realistic porn for free. Then there is the policing of adult content. On July 1st Sweden will introduce rules that mean anyone paying for custom images or videos on porn sites could face up to a year in prison. OnlyFans was fined over £1m ($1.4m) by Britain’s media watchdog this year for providing it with faulty information about its age-verification process. An independent review in Britain of the porn industry, published in February, argued that “the competition for clicks is driving the production of increasingly disturbing content”; last week the government announced that the depiction of strangulation in porn would be made illegal. OnlyFans is also at the mercy of payment providers, which have their own rules on which services they will support.

Still, for $8bn, OnlyFans looks like a bargain. Airbnb and Uber are currently valued at 33 and 50 times their past 12 months’ operating profits, respectively. On an average of the two, OnlyFans should be valued at around $28bn. If its profit has grown since it last reported results in 2023, it would be worth even more. At least a few buyers will be tempted to take a look. ■

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Big Smell

Behind the world’s fragrances sits a shadowy oligopoly

Trustbusters have been poking their noses into it

Jun 26, 2025 12:44 PM | Paris

DAMP CARPET and old coffee. That is how a perfumier might have described the “top notes”—industry speak for the initial olfactory experience—at SIMPPAR, the annual fragrance-ingredient expo held this month in Paris. It is where vendors from Sicilian dynasties to Japanese chemical firms gather to showcase their ingredients. Some are natural. The centifolia rose, a beautifully pungent pink flower harvested at dawn, at its peak potency, makes for excellent marketing material. Less romantic but highly lucrative are the synthetic ingredients. These molecules allow their makers to isolate specific smells, spare the animals once killed for their secretions and give fragrances staying power.

Sellers of such raw materials grumble openly about many things. Deepu Nair of Greenleaf Extractions, an Indian supplier, complains that unpredictable weather has ravaged his country's ginger crop. Laura Johnston of Ultra International, a Dutch pedlar of essential oils, laments that regulations aimed at ensuring ingredients' safety and traceability are ever increasing.

But few wish to discuss the biggest question hanging over their industry: the fate of the four giants that dominate the business of turning raw materials into flavours and fragrances for brands. America's International Flavours and Fragrances (IFF), Germany's Symrise and Switzerland's dsm-firmenich and Givaudan control some two-thirds of that market. Their haute perfumiers develop the formulas for lines by Yves Saint Laurent, Hugo Boss and others. Their functional perfumiers create scents for Procter & Gamble's laundry detergent. Their flavourists work with Coca-Cola. Meanwhile, their chemists produce in-house synthetic ingredients. To protect their formulas, the four have developed a culture of secrecy. The competition for commissions, or briefs, is fierce—or at least it is meant to be.

Over the past two years trustbusters have been poking their noses into all this. In 2023 EU authorities raided the four's offices. Swiss and British antitrust cops have also been investigating. Allegations include price-fixing and divvying up customers. (Givaudan, dsm-firmenich and IFF say they are co-operating; Symrise, which Britain dropped from its probe last month, did not reply to *The Economist*.)

These probes have also encouraged civil lawsuits. In February an American judge declined to toss out a class action against the companies brought by a group of consumers and smaller businesses over alleged anti-competitive behaviour. (The four firms have denied wrongdoing.) America's Justice Department recently sought to intervene to stop some documents from becoming public, as it is considering a case of its own. Unilever, a consumer-goods giant, is also suing dsm-firmenich, Givaudan and Symrise, and has said it will invest €100m ($116m) to build its own fragrance capabilities.

All this may have weighed on the share prices of the four firms, which are down by an average of 9% over the past year, despite the fact that business has been good. In the first quarter of 2025 their sales grew by an average of a little under 6% year on year, excluding acquisitions and divestitures. “The fragrance market is booming,” notes Sylvain Eyraud of Takasago, a Japanese rival not under investigation. That is thanks in part to Gen Z. Perfume was the fastest-growing beauty category in America in 2024, according to Circana, a research firm, which has found that more than 80% of Gen Z wear it at least three times a week. Mr Eyraud’s optimism flags only when he talks about so-called dupes—copycat perfumes whose sales are fuelled by those same youngsters. Still, the industry’s growth is nothing to sniff at. ■

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Profile

Wendell Weeks, the small-town boss at the big-tech table

Corning’s boss is a corporate stalwart with a passion for glass

Jun 26, 2025 12:44 PM | Corning

Raising the glass

IN HIS OFFICE in upstate New York, Wendell Weeks is about to do an ad hoc product demonstration. He brandishes something he calls a Norwegian hammer, a device used to test how resistant materials are to hard knocks. Mr Weeks first experiments on a thin sheet of metal; the hammer leaves a visible dent. Then he places the hammer over a small sample of glass; its percussive impact leaves no trace.

This parlour trick is designed to reveal the unexpected properties that glass can have. But it also reflects the unusual blend of folksiness and futurism that characterises Mr Weeks, the chief executive and chairman of Corning Inc, a 174-year-old materials firm. His homespun approach to management has helped keep his firm at the heart of the digital economy.

Glass was first made by humans around 4,000 years ago; Mr Weeks's demo feels almost as old-fashioned. And yet decade after decade, Corning keeps popping up at the cutting edge of technology. In the late 19th century, it made the encasements for Edison's light bulbs. In the early 20th century, it invented Pyrex. Under Mr Weeks, its fibre-optics have become an essential part of the infrastructure of the internet. Corning made the glass for the first iPhone. Now it is a big supplier of the cables that run through data centres.

The company takes its name from a town of just over 10,000 people, where it is still based today. Corning is a place of ice-cream shops, honey-locust trees and friendly folk. Mr Weeks first went there as an auditor, working for PriceWaterhouseCoopers. His childhood had been chaotic: both his parents were alcoholics, and his father's plumbing business had gone bankrupt. Corning, at first a client, seemed like the kind of steady company Mr Weeks wanted to work at full-time—and 42 years "of service" later, he is still there.

Before becoming its chief executive in 2005, Mr Weeks was running Corning's optical-communications business. In the 1990s fibre-optic cables made Corning a big beneficiary of the dotcom boom—and then a victim of the bust. Although Mr Weeks's division was the one that had caused the damage, he was soon appointed to the top job.

The crash taught Mr Weeks the importance of humility. If you catch a big trend, "you actually start to believe that you're really smart, and you see this happen again and again with folks". It also taught him to appreciate what he calls "the strong arms of [his] brothers and sisters". It's the kind of phrase that is unexpected from the mouth of a trained accountant, but Mr Weeks has a spiritual streak: he quotes Marcus Aurelius and Miyamoto Musashi, a 17th-century Japanese swordsman.

If Mr Weeks learned important lessons from the dotcom bust, he has absorbed others from America's tech royalty. He has sat alongside Jeff Bezos on Amazon's board since 2016. And in early 2007 he had another formative experience, courtesy of Steve Jobs. Apple’s boss rang to ask for Corning’s help on a product that was launching later that year: he wanted a scratch-resistant glass case for the iPhone.

Mr Weeks’s team came up with a composition that would fit the bill, but did not think it would be able to fulfil the order on its own. Mr Weeks told Jobs as much over dinner, only for Jobs to retort that he was scared, and that his fear of failure was depriving his colleagues of the chance to take part in history.

It’s obvious that Mr Weeks has had more enjoyable meals (”Steve could make you realise things pretty quickly…it helps by not being that sensitive to others’ feelings.”) But he also saw the truth in what the boss of Apple said. Mr Weeks told Corning’s board that the firm would meet Apple’s request.

That first foray into smartphone glass spawned a division called Gorilla Glass, which has since earned the tribute of an antitrust investigation by the European Commission. It also helped to crystallise an approach to innovation that carries through to the present day. The iPhone request could be fulfilled because of work that Corning had done decades earlier on thickened glass for car windshields. That product had an obvious drawback (would you prefer to hit thickened glass in an accident?) but the property of being stronger came in use eventually.

Mr Weeks calls strength, scratch resistance and other kinds of valuable properties “vectors”. He operates on the assumption that making progress on a vector will work out well for Corning, even if he doesn’t know precisely when. For optical communications, density is a vector: if you can fit more cabling in a certain space, the likelihood is that it will come in handy at some point. And so it has. Meta’s giant new data centre in Louisiana will need perhaps 8m miles of cable, enough to connect all the single-family homes in New York state. Mr Weeks spends a lot of his own time working with small teams of researchers on just these vectors; colleagues recall him joining them at the whiteboard as they tried to make the first glass for the iPhone.

The job of every chief executive is to connect people inside the firm with people outside it. But Corning bridges worlds that are strikingly distant—the academic expertise of glass researchers and the demands of investors on Wall Street, the sleepiness of a small town and the pace of the world's biggest tech firms. If part of Mr Weeks's role is to bring these worlds together, another is to keep them apart. "We don't view our job as to take the harshness of the world outside and bring it inside," he says. Test the culture, by all means. But don't break it. ■

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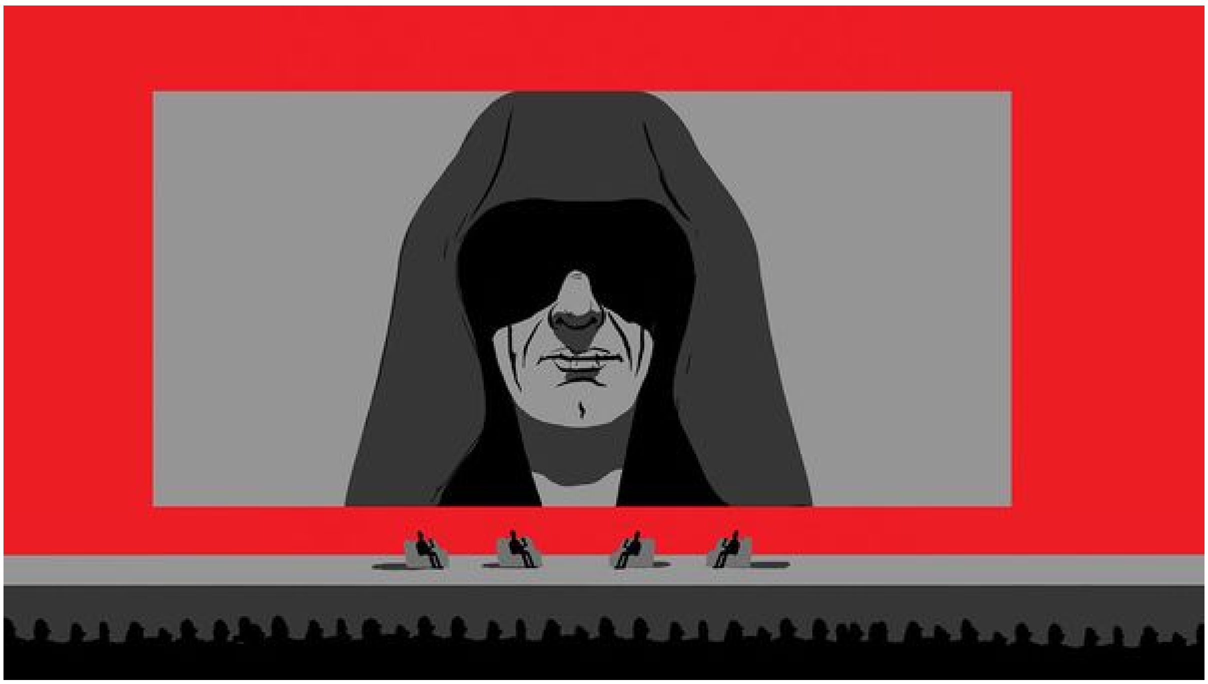
Bartleby

The three rules of conference panels

One unfiltered moderator, three panellists and a universal experience

Jun 26, 2025 12:44 PM



IT'S PRECISELY midday, and it's my great pleasure to be chairing the last panel discussion of the morning. We're going to spend the next 30 minutes talking about the impact of something important on something else important. I'm your moderator and I should have done more preparation.

[12:01] Joining me is a stellar line-up of people you've never heard of. Furthest away from me is Lee Smyth, who is the vice-president for sustainability, communications, technology and stationery at the IDBBB. Next to him is Alan Pheasant, a serial entrepreneur. Alan has plainly forgotten the first rule of panels, which is that this is the only time your socks will have the attention of hundreds of people. And finally, looming over us on the big screen, like someone from the Galactic Empire, is Anne von Ark, head of investor relations at SilverMullet.

[12:02] Anne, Al, Lee—which sounds so much worse now I say it out loud—welcome. Could I start by asking you to give me your brief opening thoughts on this vital topic? Lee, I'll turn to you first.

[12:07] Lee, I'm sorry to interrupt but we only have 23 minutes left for this session and so far the only thing you have told us is what the IDBBB does. Alan, can you perhaps pick up on what Lee said and make it sound interesting?

[12:09] Apparently not. Emperor Palpatine, what is SilverMullet doing to mitigate the impact of the one thing on the other thing?

[12:11] Thank you, Anne. Too late, I now remember the second rule of conference panels, which is never to ask people for opening remarks. We have less than 20 minutes left, so a reminder to the audience that I will be coming to you for questions soon. You can either raise your hand or send them in via the event app if you can get it to work.

[12:12] Lee, I know this next question makes no sense at all but it sounds clever. What do you think would count as a DeepSeek moment in this context?

[12:15] I'm sorry to interrupt again, Lee, but we've only got 15 minutes left now and all I can really say with certainty is that you are employed by the IDBBB. Let's throw it out to the audience for questions. I see a hand up at the back there: the thick-set gentleman in glasses. Just wait for the microphone, please…Oh, I'm so sorry, madam. It's very dark out there, so all I can see are your silhouettes. What was your question?

[12:20] That wasn't really a question, was it? More like a filibuster. Are you related to Lee, by any chance?

[12:21] More questions, please. Don't be shy. I can see more hands going up. Let's go to the woman in the terrible sweater. Please wait for the microphone to get to you. Just don’t expect it to get there quickly. The third rule of conference panels is that at least 10% of it will be spent watching someone carrying the microphone to the wrong person. Another 5% will be spent on the eventual recipients treating it like a Neanderthal being handed a toaster: tapping on it, blowing on it, looking at it in apparent wonder.

[12:22] Do go ahead, madam. Stop tapping it. What was your question?

[12:22] I have literally no idea what you just said. But let me rephrase it in a way that suits me. I think what you are asking is what we’d be saying if we were to be asked back for the same panel in 2030. I know what Lee would be saying: something interminable about the IDBBB. So let’s turn this one over to Alan.

[12:26] Thank you, Alan. We have time for one more question. Can we go to the misshapen person right at the back with two hands up? Further back, further back. That’s the one. What’s that? It’s a potted plant? Well then, let’s try and round up everything we have learned. Anne, from your vantage point on the bridge of the Imperial Super Star Destroyer, what’s the one thing people should take away from this session, apart from regrets?

[12:28] Alan, Lee, anything brief you want to add in the final minutes?

[12:30] I’m sorry to cut you short again, Lee. Our time is up, and it will take us several minutes to get out of these ludicrously deep armchairs. Lunch is now being served. We’ll be back here in the main hall in an hour. Please join me in thanking our amazing panellists for a very informative discussion.■

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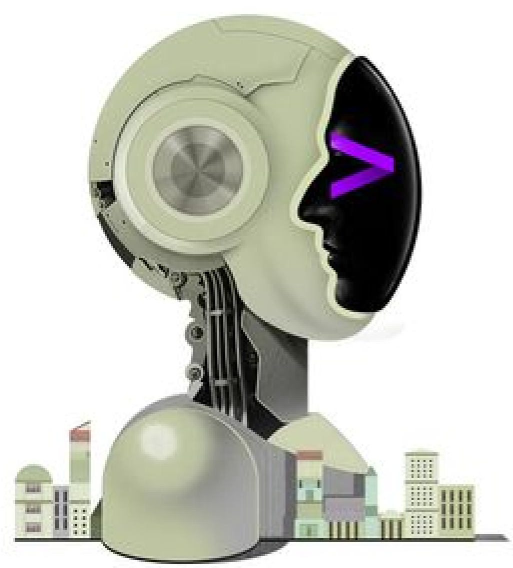
Schumpeter

Who needs Accenture in the age of AI?

The self-styled reinvention powerhouse faces its toughest job yet—remaking itself

Jun 26, 2025 12:43 PM



WHO IS CONSULTING good for? Consultants, obviously. Chief executives, who can blame failure on bad outside advice and take credit for successful counsel. Also, for the industry's one listed behemoth, its shareholders. Between the start of 2015 and the end of 2024 Accenture, which split off from its accounting sibling in 2000 and went public a year later, generated a total return (including dividends) of around 370%, handily outdoing not just the S&P 500 index but also Goldman Sachs and Morgan Stanley, rival redoubts of advisory smugness. As America's stockmarket climbed to an all-time high in February, the firm was worth $250bn, more than either investment bank.

Since then, however, investors have wiped some $60bn from its market value—and a self-satisfied smile off its face. On June 20th its share price tumbled by 7% following a disappointing quarterly earnings report. Revenue and operating profit both rose a touch faster than expected year on year, to $17.7bn and $3bn, respectively. American-government contracts took less of a hit than feared from the DOGE efficiency drive. But new bookings declined for the second quarter on the trot. Both one-off consulting projects and “managed services”, where Accenture runs certain corporate functions day to day on clients’ behalf, were down. The number of individual customers inking over $100m-worth of business with the firm in the previous three months dipped from 32 to 30.

Some of this is a temporary setback. Amid the fog of a trade world war, and of geopolitical ructions in the Middle East, many global companies are currently preoccupied with survival rather than “reinvention”, which is Accenture’s stock-in-trade. Still, the firm’s problems run deeper. Having made a fortune telling others how to adapt to newfangled tech, from the internet to cloud computing, it now faces the selfsame predicament in the age of generative artificial intelligence. As semi-autonomous gen-AI “agents” sweep the world, who needs consultants?

This is the uncomfortable question before Julie Sweet, Accenture’s boss since 2019. Her two-part answer has been to insist that clients will require as much help with gen AI as they did with earlier tech innovations, or more, and that Accenture is perfectly placed to provide it. Neither claim sounds persuasive.

It is true that plenty of multinationals can make neither head nor tail of gen AI. Ask most managers about the relative virtues of Claude Sonnet 4 and ChatGPT o3 and you get a blank stare. A recent survey by S&P Global, a data compiler, found that 42% of companies abandoned most of their AI initiatives. A year ago the figure was just 17%. Clearly, then, some hand-holding is in order.

But for how long? Accenture's success was built on partnerships with a plethora of technology providers, whose often finicky products it has long helped clients select, put in place and maintain. All sides stress the strength of their enduring relationships. In November, for instance, Accenture and Microsoft added a "Copilot business transformation practice" to Avenade, their 25-year-old joint venture. In May the consultancy and SAP, a giant of enterprise software and another longtime collaborator, unveiled a new programme to help small but fast-growing companies "reinvent, thrive and grow" (in Ms Sweet's words) and "move faster, operate more efficiently and scale with confidence" (in those of Christian Klein, her opposite number at SAP).

For all such public bonhomie, though, some of Accenture's partners cannot wait to cut out the middle man. AI is being integrated into their offerings so that it works straight out of the box—and keeps working as AI agents automatically update and upgrade IT systems in accordance with users' commands. Newcomers like Palantir are embedding their own engineers with customers. All this lets clients save money on Accenture consultants, in the blunt words of one supposedly friendly tech boss.

Already the pace of Accenture's new gen-AI contracts is slowing, from $200m a quarter last year to $100m in the past three months—not exactly reassuring for what are the early days of a ballyhooed technological revolution. It implies that, for Accenture, "AI is not digital 2.0," sums up Tom Rodenhauser of Kennedy Intelligence, which tracks the consulting industry.

Despite Ms Sweet's insistence to the contrary, the AI age looks likely to belong not to enablers of technology like Accenture but to its originators. Consider the past decade. In the seven and a half years before ChatGPT introduced gen AI to the masses in November 2022, Accenture's shareholder returns, of 200% over the period, and its future prospects, as measured by the ratio of its share price to forecast earnings, dwarfed those of companies such as SAP and IBM. In the two and a half years since, the tables have turned. Palantir, for its part, is worth $338bn, six times what it was just a year ago.

Accenture could have used its access to capital markets to invest in deep tech (which IBM, for example, has continued to do despite a pivot to consulting in the 1990s). Instead it opted to splurge on innumerable “tuck-in” takeovers of small consultancies. That includes maybe 50 ad and marketing agencies that, if Meta and Google have their way, gen AI is about to make obsolete.

Bitter Sweet

In an attempt to calm investors’ nerves, Ms Sweet has reorganised her firm around “reinvention services”. The new unit combines all of Accenture’s businesses into a one-stop shop to meet clients’ needs. It will be run by Manish Sharma, the well-regarded boss of Accenture’s American operations. This sounds an awful lot like, well, Accenture—and Mr Sharma’s new role like Ms Sweet’s old one overseeing the whole business. If the firm really wants to avoid being disrupted out of existence by AI, it may need some better advice. ■

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Minimising, maximised

How to escape taxes on your stocks

Not that American investors need a guide—a booming industry is doing the job for them

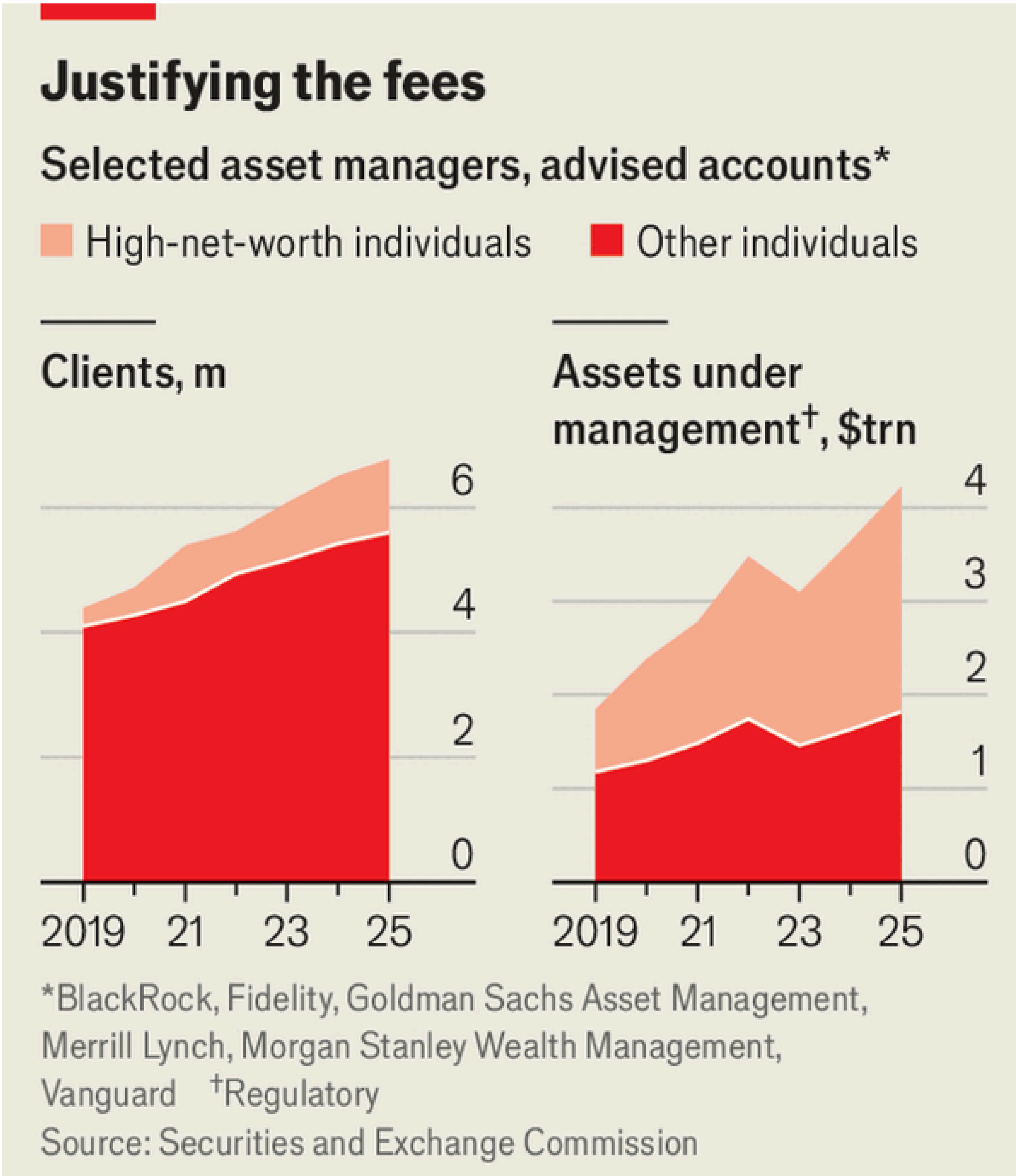
Jun 26, 2025 12:45 PM

AN INVESTOR'S DESIRE to minimise his dues is nothing new. "The avoidance of taxes", said John Maynard Keynes, "is the only intellectual pursuit that still carries any reward". What is new is the scale and speed at which the desire is transforming financial intermediaries, wealth management and even the notion of passive investing. Once the preserve of the ultra-rich, the drive to minimise taxes has reshaped America's financial system.

Everything from the "separately managed account" industry (with \$2.7trn of assets under management) and robo-advisers (an estimated \$1.2trn) to exchange-traded-funds (\$15.5trn) now caters to an investor's desire to minimise taxes. Beneath these behemoths is a plethora of niche offerings, such as exchange funds and 1031 exchanges, as well as more sophisticated strategies such as “heartbeat trades”, “box spreads” and “long-short dynamic tax-loss harvesting”. Whereas tax advice was once dispensed by a well-dressed fellow in a wood-panelled office, today it arrives through bespoke algorithms.

Asset managers have embraced the shift with gusto. JPMorgan Chase last year said that its newish tax-strategy line was its fastest-growing business; BlackRock is a big player; Neuberger Berman, which on June 23rd announced a new “tax-managed long/short” strategy, is another. Fintech platforms, such as Betterment and Wealthfront, and boutique firms built upon tax efficiency, including Alpha Architect, NDVR and Quantinno, are keen. In pitches to clients, even large investment funds such as AQR Capital Management and ARK Invest now focus on after-tax returns, rather than pre-tax outperformance.

The modern playbook for avoiding the taxman uses old techniques in new ways. Chief among them is the treatment of capital gains. Investors are taxed on the difference between the sale price of an asset, such as a stock, and its original purchase price. Since the levy applies to net capital gains across an entire portfolio, financial-services firms noticed that they could lower their clients’ tax bills if they realised losses alongside gains. Thus arose the strategy of “tax-loss harvesting”, which involves investors selectively selling underperforming assets, often with the intention of repurchasing them soon after.



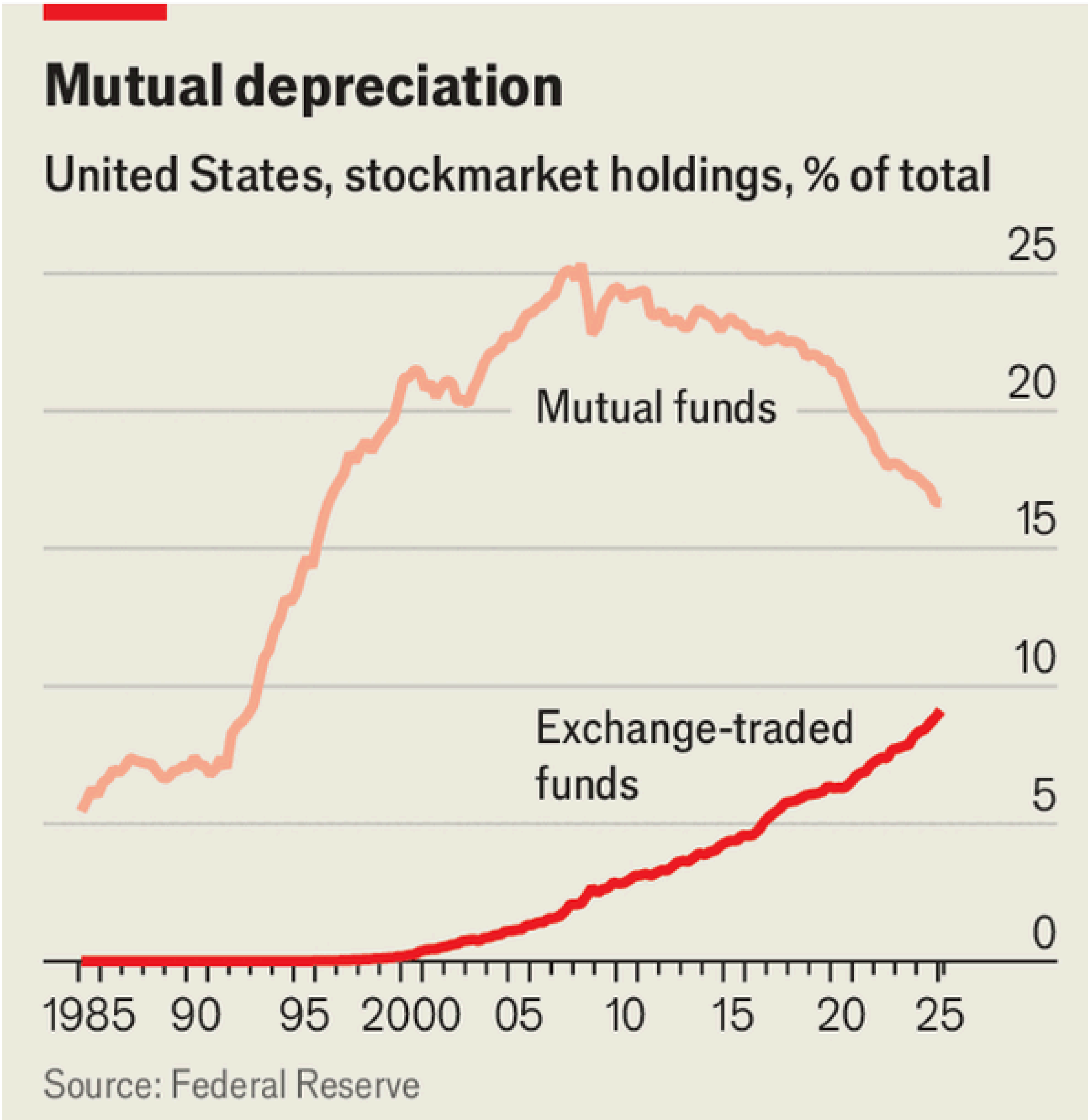
Such strategies are more effective when investors have control over their investments, exposure to lots of assets and can automate the process of selling and repurchasing. This is what many new products offer. Take separately managed accounts (SMAs), which are owned by individuals but overseen by asset managers. Since they hold securities directly, rather than in a pooled fund, and can be tailored to each investor, they fast became a crucial tool for the rich after being offered by banks in the early 2000s. Growth has exploded recently. Since acquiring Aperio, a specialist, in 2021, BlackRock has overseen a more than 20% year-on-year rise in the firm's SMA assets. Combined assets in SMAs held at BlackRock, Goldman Sachs, Morgan Stanley and JPMorgan were worth $1.4trn at the end of last year—roughly $400bn more than those under management by the world's 20 largest hedge funds.

Investors seeking the benefits of SMAs without the hefty minimum investments or need for customisation may find their way to direct indexing or robo-advising. As the name suggests, direct indexing involves holding the individual stocks that make up an index, rather than the whole index. Since indices will inevitably contain some underperforming stocks, investors can sell these for tax offsets—even when the broader market is rising. Robo-advising automates the process of identifying losing positions and scheduling repurchases, sparing investors the need to do so themselves. These products have grown fast, too. In the past two years, Vanguard's robo-advisory platform saw its assets under management rise from $6bn to $21bn. Some $865bn has been invested in direct indexing. S&P Global, a data firm, expects that figure to reach $1.1trn by 2028.

Due diligence

A second pillar of the tax code explains the rise of the ETF over its ageing cousin, the mutual fund. For all their benefits, mutual funds are remarkably tax-inefficient. When an investor redeems shares, the fund may have to sell appreciated assets, triggering capital gains for all shareholders in the fund. One way to think of an ETF, the joke goes, is as a mutual fund that does not pay taxes. Investors trading in and out do so on a secondary market with other investors, without triggering any sales by the fund itself. More importantly, even when an ETF does need to trade on the primary market—say, to accommodate inflows or outflows from large investors—it typically does so by handing over a basket of appreciated stocks in exchange for ETF shares. Because this redemption is "in kind", and no cash changes hands, the Internal Revenue Service looks the other way.

This quirk may seem insignificant, but the benefits it confers are profound. Derek Horstmeyer of George Mason University and co-authors compared the post-tax returns of ETFs with those of mutual funds. They found an average gap, or “tax alpha”, of 0.2 percentage points a year, which is more than the total decline in average fees on passive funds over the past 30 years.



This has saved investors hundreds of millions of dollars. It has also transformed the structure of corporate ownership. ETFs now hold over 9%

of all American companies' stocks, up from 0.2% in 2000. The less tax-efficient mutual-fund sector, by contrast, peaked in 2008 at 25% of stockmarket ownership and has since fallen to 17%. Although ETFs have other benefits, such as liquidity and low fees, Rabih Moussawi at Villanova University and co-authors find that the different tax regimes account for most of the reallocation between ETFs and mutual funds. They show that, even controlling for fees and performance, the relative tax burden of mutual funds against ETFs is strongly predictive of outflows. On top of this, tax-sensitive investors are more likely to invest in ETFs.

Some strategies are trickier. Many explicitly tax-aware ETFs, which have burgeoned in recent years, seek to replace dividends (taxed in the year of receipt) with capital gains (taxed on sale), or to avoid interest income (taxed even more) altogether. But even sophisticated strategies tend to layer or enhance a smaller set of core techniques. Want to combine in-kind redemptions with tax-loss harvesting? A "heartbeat trade" allows ETF exchanges to swap assets that have gained a lot for those that have gained less. Not content to wait for losses to appear in a portfolio? An investor may pursue a "long-short" tax-loss harvesting strategy, ensuring that one of two legs always has a loss to be harvested.

If the desire to minimise taxes is old, what explains the recent explosion in the use of such stategies? It is not because of a change to the rules. The wash-sale law, which governs how soon investors can repurchase assets after harvesting a loss, has been on the books since 1921. The legal basis for the in-kind redemption mechanism of ETFs dates to 1986. And although capital-gains-tax rates do fluctuate, they have remained fairly constant in recent years.

Stranger still is that many vehicles at the core of the tax-aware industry were not set up with tax efficiency in mind. When ETFs were launched in 1990, it was to allow investors to trade throughout the day. Robo-advisers set out to automate financial advice rather than tax-loss harvesting. Even SMAs were about customisation for the rich rather than careful tax planning. Evolutionary biologists use the term "carcinisation" to describe the curious tendency of crustaceans to independently evolve into crab-like forms. Something similar seems to happen with financial products.

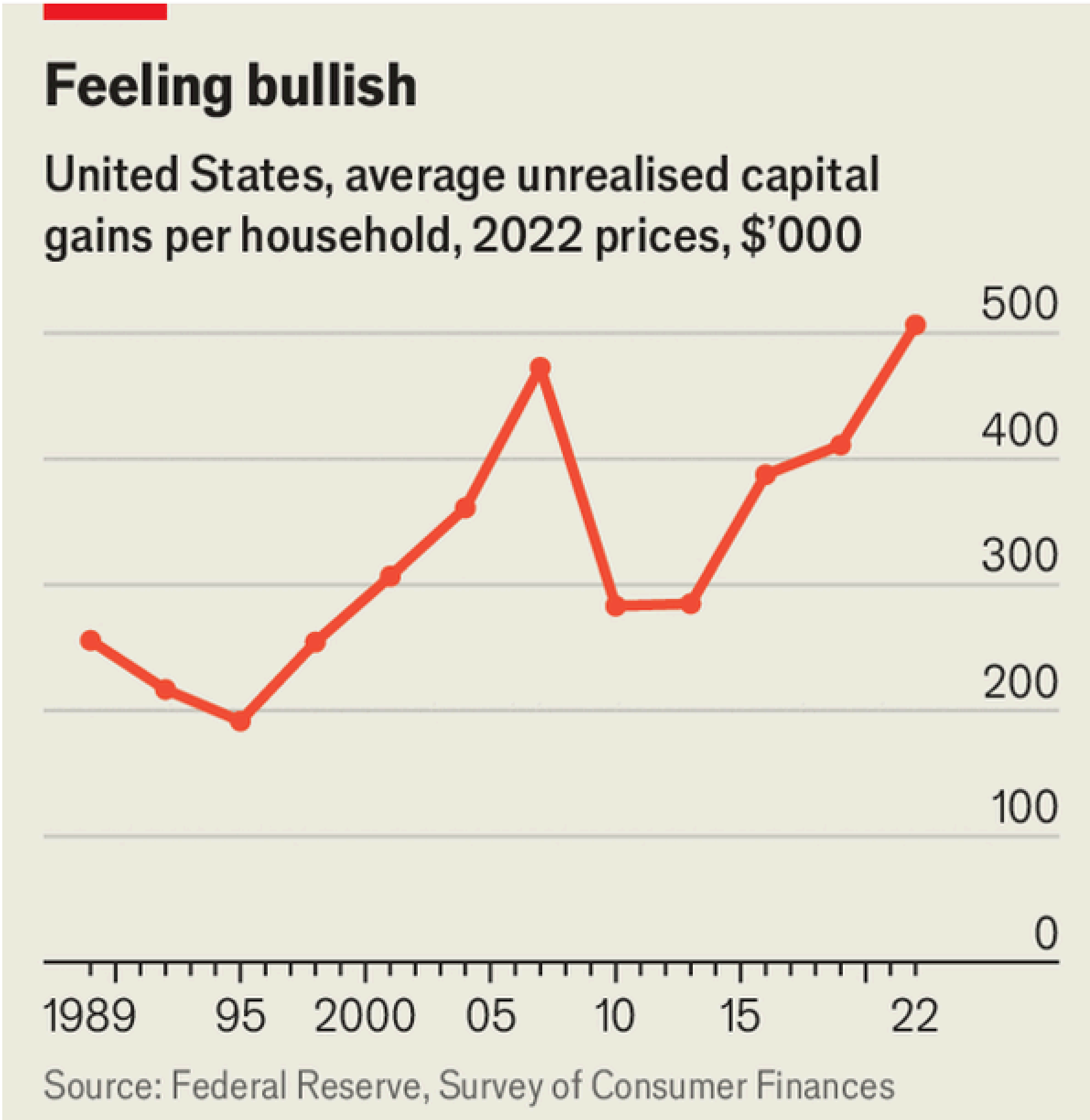
What has changed is technology. Consider a strategy as conceptually simple as direct indexing. In the pre-digital era, manually harvesting across dozens or hundreds of individual stocks would have been a nightmare to do even once a year, let alone constantly. Now the tracking, sale and repurchase of assets can be handled by a simple algorithm and click of a button.

Less certain than death

Another barrier was transaction costs. Unless an investor parks his money in a passive ETF, most tax-aware portfolios require high turnover. Investors must regularly sell losers and repurchase them no sooner than 30 days later, all while trading back towards their desired index exposure. Such churn once imposed costs that would have wiped out any tax advantage. A study published in 2000 by Brad Barber of the University of California, Davis, and Terrance Odean of the University of California, Berkeley, found that, for some retail traders in the early 1990s, the average round-trip trade with a value of more than $1,000 incurred 3% in commissions and a 1% in bid-ask spread (essentially the transaction cost of a trade). Today commissions are close to zero and bid-ask spreads for leading stocks are often 0.15% or lower.

Such “supply side” factors would have mattered little were it not for a commensurate surge in demand for tax minimisation. The cumulative return on the S&P 500 index from 2010 until the end of 2024 was about 600%, which has left Americans holding enormous unrealised gains. With a generation of baby-boomers now looking to convert these into cash for their retirement, it is little wonder they have sought to do so while minimising their payments to Uncle Sam. Many gains are highly concentrated, too, driven by high-performing stocks such as Nvidia, a chip designer, and Tesla, an electric-car maker, or by ownership of whole businesses. Without planning, realising gains—whether to cash out or to rebalance a portfolio—can trigger an unpleasant tax bill.

Last, wealth managers’ incentives have aligned with technological progress and rising demand. The rise of index-fund providers such as BlackRock and Vanguard, the subsequent collapse in fees and the difficulty of outperforming the benchmark has left many asset managers looking for new ways to justify their charges. Tax-aware strategies offer one such way.



Economists may question whether the industry's tax-aware evolution is good for markets. After all, it is difficult to argue that sheltering portfolios in tax-efficient wrappers furthers the central aims of finance, namely price discovery and the efficient allocation of risk. Moreover, the process is a zero-sum game: what investors gain, the government forgoes. At the same time, however, there is some good news. The yen for tax efficiency is unlikely to distort markets much and—to the extent that individuals are better stewards of capital than the government—is perhaps even beneficial. Just as the decline in management fees has been celebrated, so should a lower tax burden on investors.

The more salient criticism of the new approach is not that it distorts markets, but that its benefits are skewed towards those who need them least and (in some cases) may be overstated. Stockmarket ownership is remarkably concentrated. Some 40% of Americans hold no stocks at all; many who do invest do so through vehicles that already offer lower tax contributions, such as pensions. What is more, precisely since taxes on capital gains are levied in a progressive manner, rising with the size of the gains in question, the ability to escape them will disproportionately benefit investors in higher tax brackets. A paper by Nathan Sosner of AQR Capital Management and co-authors suggests that returns achieved by high-net-worth individuals can exceed those of retail investors by as much as 1.4 percentage points a year. For its part, Vanguard quotes different tax-savings estimates for ultra-high-net-worth clients and merely high-net-worth ones.

Although retail investors unquestionably benefit from the tax efficiencies of ETFs, the case for moving into more advanced strategies is less clear. Many tax-aware funds charge higher fees than their passive peers—often 0.3-0.5 percentage points more of the portfolio a year. That may seem modest but, in perpetuity, it represents as much as a 5% haircut on a portfolio's value. Add to that the tracking error when straying from an index, along with the complexity of pairing gains with losses, and many investors are better off sticking with a passive ETF. And as investors harvest losses to offset capital gains, they leave a large tax bill for the future, having deferred, not avoided, levies.

For years, most financiers viewed investment taxes as a fixed cost to be paid, rather than as an active force that shapes markets. The recent explosion of strategies and vehicles drastically changes the picture. Many have come to see taxes as an important constraint when constructing a portfolio. As Charlie Munger, the former vice-chairman of Berkshire Hathaway, a mighty conglomerate, once quipped: “Show me the incentive, and I will show you the outcome.” It does not take as astute an investor as

Munger to see the connection between the desire to avoid tax and the shape of the modern market. ■

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A large hump

Jane Street’s sneaky retention tactic

It involves the use of an obscure, French programming language

Jun 26, 2025 04:34 PM

HEDGE FUNDS will go to great lengths in pursuit of profits, whether it is by counting cars in satellite photos of parking lots or shipping gold across the Atlantic. Building a compiler—a piece of software that turns human-written code into programs a computer can execute—for your homegrown language? That still raises eyebrows.

Jane Street is the quant shops’ quant shop, and it does just that, with great success. Last year its trading revenue almost doubled, to $21bn, putting it on a par with giants such as Citigroup and Morgan Stanley. And the goose that lays the golden egg is its tech system.

But it is what this system is built from that is really unusual. Other firms employ a hotchpotch of programming languages, allowing staff to choose the right one for the job. At Jane Street almost everyone works in an obscure tongue developed by French academics: OCaml. Ask a trader at the firm for its benefits and they will reel off a string of features, such as its support for static typing and functional programming, that make it hard to learn but powerful when applied to a problem. The company says the language helps “maximise the productivity of each person we hire”.

OCaml has other, less widely appreciated benefits, too; ones that the company’s communications department might not wish to publicise. Jane Street began to rewrite its core systems in OCaml in 2005. It has since become so addicted to the language that this month it announced its own variant, a fork called OxCaml (no reference to England’s great universities intended). The fork’s modifications make it easier to use the language for very precise coding, where efficiency has high importance.

Other languages may have bigger communities that provide open-source software on which to draw, but the smaller group of OCaml users imposes rigour on Jane Street’s coders. Rather than using off-the-shelf solutions, they must write a tool suited to the job at hand. And Jane Street’s influence on the community means that its tasks often take priority when resources are scarce.

There is one other advantage, darkly muttered about by traders. Jane Street is unusual in the lack of restrictions it imposes on departing staff. Other funds often prevent workers from signing on with competitors for two years after leaving—a length of time that is steadily creeping up. The trend is a boon for charity boards, university economics departments and the gardens of Connecticut and Kensington.

For Jane Street’s technical rank-and-file, particularly the many hired straight out of university, non-compete agreements may be surplus to requirements. A scan of jobs listed by Millennium, a rival fund that has recently clashed with Jane Street in court, shows the strength of the latter’s position in the job market. Millennium wants engineers experienced in C++, Go, Java and Python, languages that are commonly used across finance and tech. OCaml developers, it seems, are Jane Street’s to keep. ■

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Can’t live with them…

Politicians slashed migration. Now they face the consequences

Across the West the number of new arrivals is plummeting

Jun 26, 2025 04:34 PM

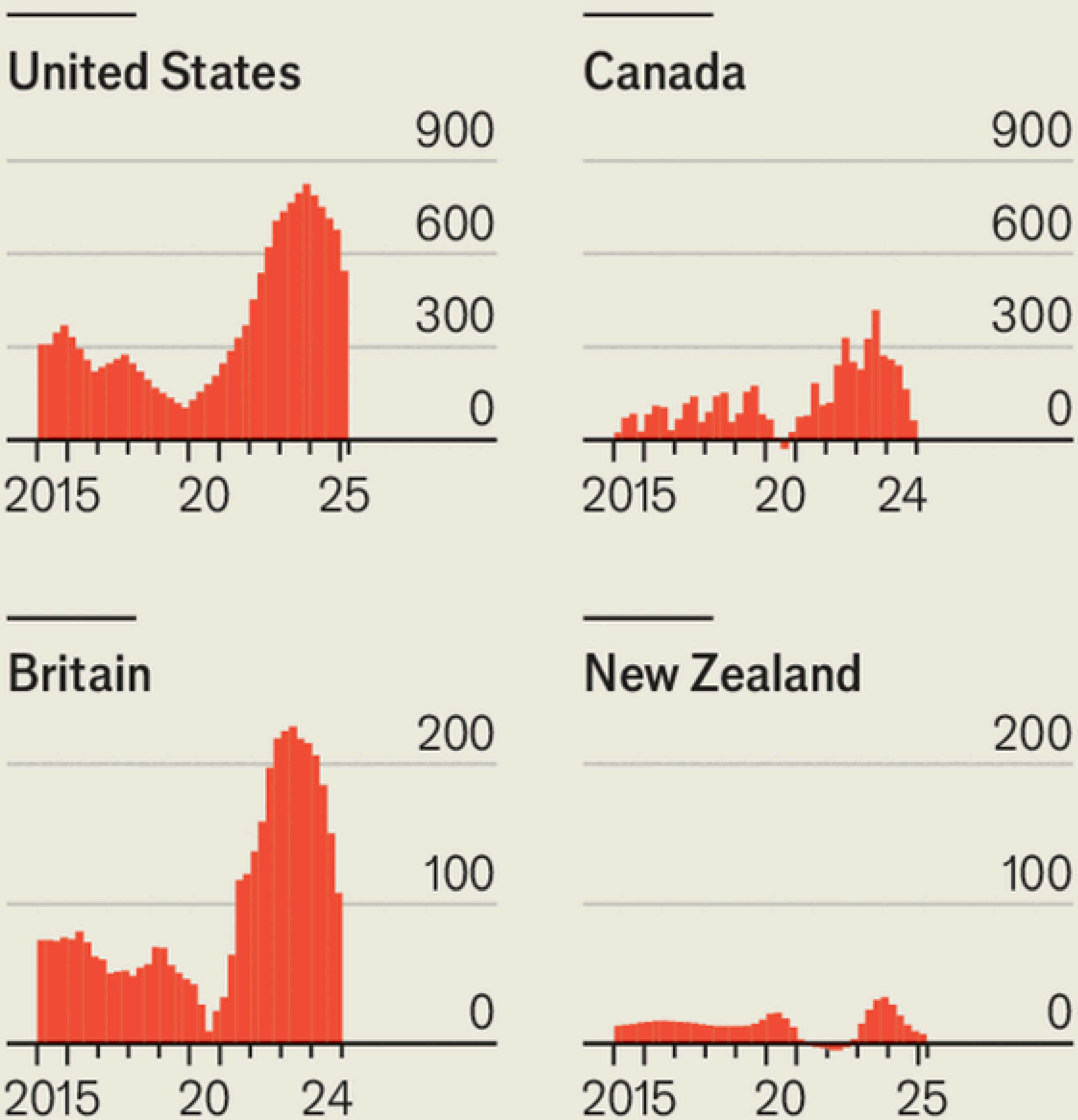
LAST YEAR net migration to Britain halved: the country’s population grew by just 431,000, down from 860,000 in 2023. In the final quarter of 2024 some 60,000 people, net, moved to Canada, a drop from 420,000 in mid-2023. In April net migration to America slowed to an annualised pace of 600,000, an enormous fall from 4m or so in 2023. In March net migration to New Zealand was down by 80% from its peak in late 2023.

Almost wherever you look across the rich world, you see a similar pattern. After a huge, indeed unprecedented, rise in 2022-23, migration to the rich world is plummeting (see chart 1).

The tide turns

1

International net migration, '000, quarterly



Sources: Goldman Sachs; BEA; CBO; ONS; Statistics Canada; *The Economist*

What will this mean for Western economies? Some of the decline was inevitable. The earlier surge in part reflected "catch-up" after a collapse in migration during the covid-19 pandemic, when governments everywhere closed borders. Labour shortages in the post-covid economy have largely disappeared, reducing the incentive for someone to move abroad in search of work. The humanitarian crisis in Ukraine, during which millions of people fled the country, has passed its acute phase.

Yet new policies are also playing a big role. The most radical are in America, where President Donald Trump has increased surveillance of the border with Mexico, through which millions of people have passed in recent years. Now almost no one makes the journey. The Trump administration has made it harder for foreigners to obtain visas. And the number of deportation flights is currently 25% higher than a year ago, suggest data compiled by Thomas Cartwright, an independent researcher. Would-be migrants will also be deterred by high-profile raids by Immigration and Customs Enforcement officers.

America is not the only place ramping up deportations. In the final quarter of last year governments in the European Union expelled 30,000 third-country nationals, up 30% year on year. In Hungary deportations tripled; in Ireland they rose from just 80 in the last quarter of 2023 to 465 in the first quarter of 2025. Policy changes in other countries are less extreme, but still significant. Britain is introducing new restrictions for would-be migrants, including stronger language requirements, and Sir Keir Starmer, the country's prime minister, is using a less welcoming tone. Mark Carney, Canada's new prime minister, wants to impose a cap on numbers.

Lots of politicians, as well as a handful of economists, argue that high immigration drags down living standards. It depresses wages, the argument goes, and raises the cost of housing. If true, then today's declining migration should be starting to boost workers' living standards. Developments in financial markets might give succour to nativist politicians. In recent months the share prices of American companies that are highly exposed to labour costs, such as consultancies and those in hospitality and retail, have underperformed the wider index—suggesting, perhaps, that investors believe wage growth will soon speed up.

But the early economic evidence tells a different story. Having won elections promising to cut migration, politicians across the rich world will now have to deal with the consequences of actually doing so.

Consider the labour market. According to a tracker compiled by Goldman Sachs, a bank, overall wage growth across advanced economies has fallen from a recent peak of 4.8% year on year to around 3.8%, which is precisely the opposite of what anti-migration types had expected (see chart 2). The average unemployment rate remains low, but is also inching up. In Canada unemployment has jumped by two percentage points from its recent low, one of the worst performances of any rich country. This is not consistent with the idea that immigrants had stolen jobs from their hosts. Indeed, it is more plausible that some of leaving immigrants had previously employed native workers.

We have examined American wage data, focusing on occupations where there is a high proportion of foreign-born workers. Such jobs include drywall installers and janitors. Immediately before Mr Trump came to office, average wage growth in these "immigration-exposed occupations" exceeded the overall average. But so far this year, as net migration has plummeted and competition for these jobs has in theory declined, wage growth has actually slowed. Now these occupations have weaker wage growth than the average.

Developments in the housing market tell a similar story. It is true that across the rich world from 2022 to 2024 housing markets behaved oddly. Rents soared and sale prices were steady, even in the face of rapidly rising interest rates, which made mortgages much more expensive. Research suggests that high immigration probably contributed to this state of affairs. A meta-analysis by William Cochrane and Jacques Poot, both of the University of Waikato, finds that a 1% increase in the migrant population of a city leads to a 0.5-1% rise in rents. J.D. Vance, America's vice-president, has drawn attention to this link.

Yet falling migration is so far not delivering cheaper housing. Rental inflation across the rich world is still high, at 5% year on year according to our calculations, and in recent months has fallen more slowly than overall inflation. In many of the countries where migration is coming down most quickly, including America and Britain, house prices are nonetheless rising fast. The housing market's robust performance is consistent with another idea from the academic literature: though migrants may at the margin raise the cost of housing, other factors matter a lot more.

Could the benefits of more measured migration be delayed? Perhaps. But then again migrants do not just impose costs—they also bring benefits. They demand their own goods and services, lifting employment for others. They tend to take jobs natives do not want, which research suggests allows their hosts to move into more lucrative professions. And they are a big source of labour in construction, which enables homes to be built. Western politicians have promised to toughen borders and raise living standards. They may now find themselves struggling to deliver on the second part of their vows. ■

Buttonwood

The dream scenario for prediction markets

Polymarket and Kalshi are soaring in popularity. With a few tweaks, they could really take off

Jun 26, 2025 12:43 PM

IF YOU COULD invent something to fulfill an economist's dream, it would look an awful lot like a prediction market. A world where every uncertain future can be priced, hedged and insured against? Kenneth Arrow and Gérard Debreu would approve. A market mechanism to co-ordinate the decentralised wisdom of crowds, ensuring the accuracy of such prices? Adam Smith and Friedrich Hayek sought just that.

In recent years, the fantasy has crept closer to reality. Platforms that allow users to speculate on current affairs and more have seen remarkable surges in volume and visibility. On Polymarket, the largest, traders wagered over $1bn last month, up from $63m a year before. In both the court of public opinion and the actual courts, exchanges have scored significant victories. Most important, their forecasts have held up: where opinion polls cast November's presidential election as a toss-up, prediction markets priced in a victory for Donald Trump. More recently, they did a better job than other sources at predicting Israel's strikes on Iran and the result of New York City's Democratic mayoral primary.

Yet despite having proved their worth as a way to discover information, prediction markets have further to go when it comes to fulfilling their full economic promise. That is true both in their ability to help financial institutions hedge and share risk, and as a meaningful addition to capital markets. Goldman Sachs, a bank, may cite prediction markets in its research, but active trading by institutions of its size remains virtually non-existent on the platforms.

The absence of serious capital reflects several factors. One is scale. Although presidential races draw widespread interest—some $3.7bn was wagered on Polymarket in the most recent—other events attract less action. Consider inflation, an important economic variable. The market for Treasury inflation-protected securities, which reflect investors' expectations for consumer prices, is worth nearly $2trn. By contrast, the most active financial market on Polymarket ("What price will bitcoin hit in June?") has welcomed wagers worth just $22m.

Low liquidity poses a number of challenges. The biggest investors may have hedging needs that exceed the size of the markets themselves. Moreover, thin markets are vulnerable to price manipulation by large traders, as has happened several times in prediction markets.

Traditional finance may not offer markets for all possibilities, but it comes closer than is often appreciated. Inflation swaps and federal funds futures forecast inflation and interest rates, respectively. Even non-financial events are well-priced by traditional markets. Commodity futures predict the weather; the price of Brent crude closely tracks geopolitical developments. For many in finance, prediction markets offer, at best, marginal improvements on existing tools.

If they are to take up this offer, financiers need a firmer regulatory footing. Polymarket is off-limits to Americans, having been accused of running an unregistered derivatives-trading platform. Kalshi, though approved, is mired in disputes over which contracts are legitimate futures and which are gambling. Wrinkles are to be expected as regulators confront hard questions, such as whether insider trading should be allowed to improve accuracy. Although regulators under Mr Trump have become more open to prediction markets, it is uncertain whether future administrations will follow his lead.

Some platforms are not helping their cause. They have, for instance, lobbied regulators to put sports betting and event contracts on an equal legal basis, which may boost revenues, but risks tying economically meaningful markets to more controversial retail offerings.

Because existing financial markets are so well-developed, platforms would need to prioritise underserved areas that align with financial institutions' hedging needs, rather than catering to niche or meme-driven speculation. Many real-world risks—ranging from surprise GDP readings and legislative outcomes to rare climatic events and the cost of compute for artificial-intelligence firms—could be emphasised. Doing so might mean curtailing other markets. Credibility suffers when contracts about future interest-rate cuts sit alongside such wagers as "Will Jesus Christ return in 2025?" (3%) or "Will the 'Smurfs' Rotten Tomatoes score be above 60?" (26%). What odds should you put on prediction markets taking these steps? Your columnist would say about 10%.■

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Free exchange

Why commodities are on a rollercoaster ride

Pity Tommy Norris. And his real-world equivalents

Jun 26, 2025 01:25 PM

ACCORDING TO TOMMY NORRIS—a tough oilman with a complicated love life, played by Billy Bob Thornton in “Landman”—the ideal price for a barrel of oil is $78. At that level, he explains, producers make a healthy profit and have spare money for exploration, while consumers are broadly comfortable. Today the price of Brent crude, the global benchmark, is $65. Not only is that too low for Mr Norris, it is also too volatile: in recent weeks prices have swung in response to missiles in the Middle East.

Most industries have to contend with long-running price trends. Consumer electronics, for example, have been getting cheaper in real terms for decades, as manufacturing productivity has improved. The real price of labour-intensive services, such as education and health, has generally risen, owing to Baumol's cost disease (the tendency of wage pressures to rise in line with earnings across the whole economy). By contrast, physical commodities, such as agricultural products, energy and metals, lack a clear long-run trend. They have an annoying tendency to overshoot ideal output during spectacular booms, and then to sink below it during equally striking busts. As Mr Norris is keen to point out, this matters since the raw materials are found in everything: "tennis rackets and lipstick and refrigerators and antihistamines".

Recent disturbances to the oil price—this time prompted by war—will be familiar to weary oilmen. For although oil has long been a tricky product, recent research from the World Bank suggests that, in recent years, things have become much worse. Today's boom-and-bust cycles are shorter and more extreme.

What has changed? The main driver of the commodity cycle used to be found on the supply side. Something has to be extracted from the earth or grown from scratch. That results in long lead times and requires lots of capital. An offshore oil rig can take years to get up; even the shale-extraction process lasts months, not weeks. The metaphor of "striking gold' is a little misleading: in reality, it is ten to 20 years from discovery to extraction. Thus supply struggles to respond to price signals, leading to over-investment during booms and persistent excess during slumps.

Inventory dynamics also contribute to the cyclical nature of commodities. In many cases, goods are either expensive to store or, in the case of agricultural commodities, perishable. Slim stockpiles mean that even short-term imbalances in supply and demand can cause large price variations. Financial speculation contributes, too, often intensifying a given market mood. More generally, demand for commodities is closely bound to the global business cycle. And there is always the possibility of a new war.

The World Bank's researchers used an algorithm to identify turning-points in the prices of 27 commodities from 1970 to 2024. On average each experienced 14 about-turns over the five-decade period. Slumps lasted for a little under four-and-a-half years on average; booms for just over three.

Although slumps tended to endure for longer, the size of the price move in both parts of the cycle tended to be similar. Individual commodities were in the same cyclical phase about two-thirds of the time, reflecting the impact of the global business cycle. Industrial metals and energy showed lots of correlation. Agricultural commodities, by contrast, tended to move independently, being subject to idiosyncratic, localised shocks such as weather disruption and disease outbreaks.

From 1970 to 1985 cycles were mostly driven by supply shocks, especially in energy. Then, between 1986 and 2001, markets became more stable, with longer cycles driven by technological advances in resource extraction, as well as a more liberalised global trading system. Volatility began to creep back into the picture in the 2000s. Since 2020, it has intensified. Booms now last an average of 24 months and slumps just 23 months. The peak-to-peak cycle has halved from 90 months to 45 months. As such, the World Bank identifies a new commodity regime.

Some of this shift has been driven by events, namely a combination of the covid-19 pandemic, the shock of Russia's invasion of Ukraine and large swings in monetary policy over the past five years. But longer-term structural changes also appear to be playing a role. The global energy transition, as governments across the rich world pour billions into green energy sources, is leading to much higher demand for critical minerals such as nickel and lithium. At the same time, more frequent extreme weather has raised supply risks, especially in agriculture. The increasingly fragmented nature of the global economy, with rising trade barriers, has also disrupted the commodities trade. Concentrated production, limited supply-chain diversification and low demand elasticity mean its markets are especially vulnerable to protectionism.

When hammer hits hand

This has implications for governments around the world. According to the World Bank, two-thirds of emerging-market and developing economies rely on commodities for a significant share of their exports, fiscal revenues and economic activity. A more volatile cycle is a headache for these countries' policymakers, lowering the chance that they will be able to achieve solid growth.

It is also a challenge for rich-world central bankers. Historically, they have “looked through” commodity-driven price movements, instead preferring to concentrate on core measures of inflation, which mostly exclude energy and food. Given that commodity booms and busts between 1970 and 2020 usually saw price movements of a similar size, that made sense. However, if the upswings are now larger than the downswings, as appears to be the case, things become much more complicated.

Mr Norris, and his real-world counterparts, will also be wincing. The change in the dynamics of the commodity market means that the oil price will spend even less time in its sweet spot. ■

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Science & technology

- **Distrust in public-health institutions is not just an American problem**
  Beyond doubt :: Across the rich world politics is driving scepticism
- **Do longevity drugs work?**
  Well informed :: Animal studies suggest rapamycin is as effective as long-term fasting

Beyond doubt

Distrust in public-health institutions is not just an American problem

Across the rich world politics is driving scepticism

Jun 26, 2025 02:38 PM

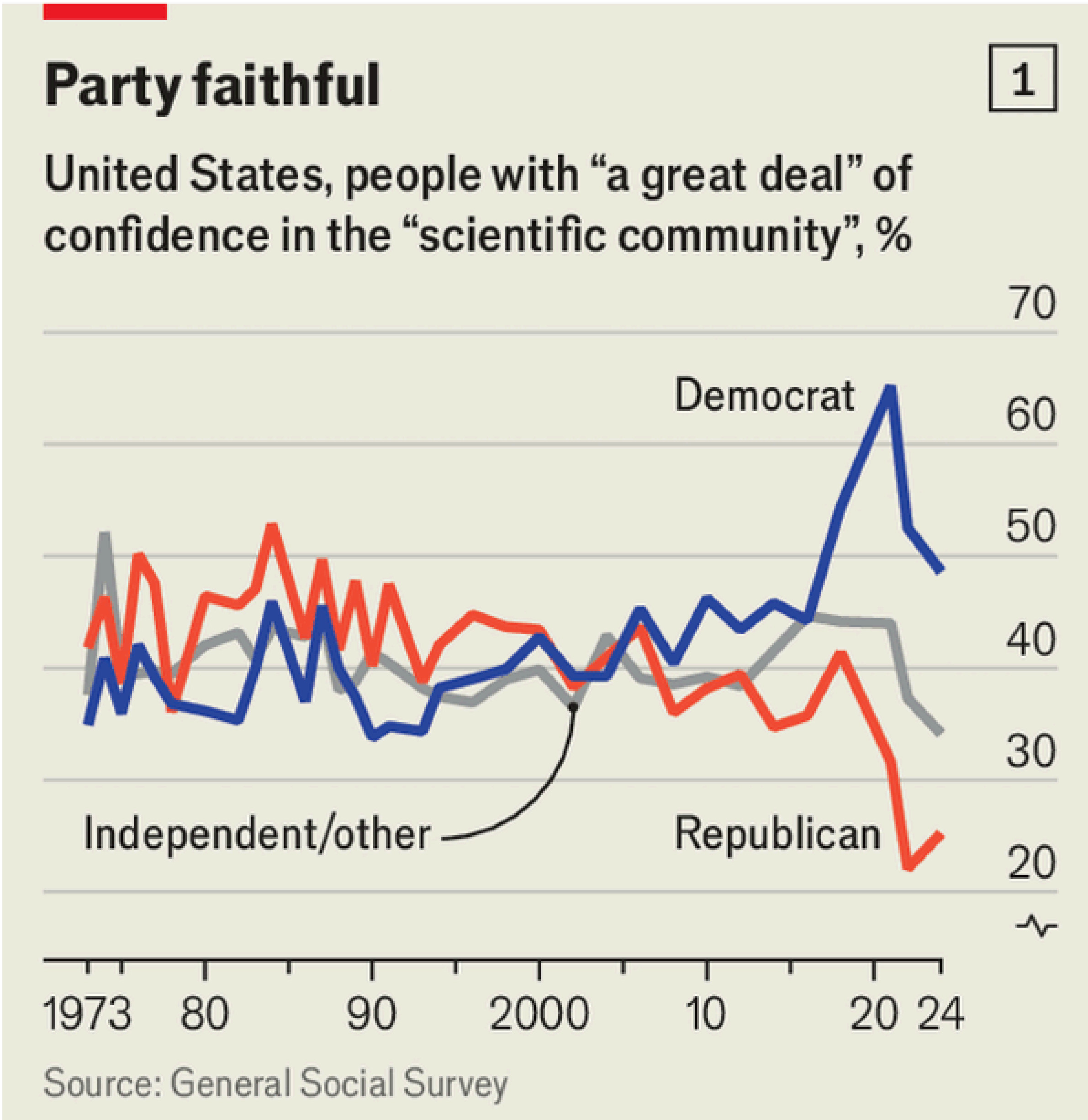
EARLIER THIS month, Robert F. Kennedy junior, America's health secretary, removed the panel of 17 experts who decide the country's vaccination guidelines. He later replaced them with eight of his own picks (one has since withdrawn), several of whom are vaccine sceptics and scientists without expertise in the field of vaccine research.

Mr Kennedy justified the move as a way of rebuilding trust in the nation's public-health institutions. Is he right to raise these concerns? At first blush, the data seem equivocal. The share of people who place “a lot” of trust in scientific institutions has increased since 2019 in countries like America, Britain, Canada, France, Germany and Spain. But, over the same period, the share who say they have no trust at all has also risen starkly, more than doubling in some places.

The latter trend is worrying. For one thing, people who distrust science are less likely to follow public-health advice. “A lack of confidence in vaccines is an early warning that a drop in vaccine uptake is likely to follow,” says Heidi Larson, director of the Vaccine Confidence Project and professor at the London School of Hygiene and Tropical Medicine.

Dodging jabs is not just risky for those who shun them. If too few people are protected, viruses can spread quickly throughout populations. Three people have died of measles in America this year, and in 2024 cases in Europe hit their highest levels in decades thanks to falling childhood vaccination rates. In America alone it is estimated that between January 2021 and April 2022, around 318,000 people died as a result of either postponing or refusing their covid-19 vaccinations.

The covid-19 pandemic represents a turning point in attitudes towards science globally. Although the pandemic initially gave trust in science a boost, according to two long-running surveys, confidence dropped in the aftermath. A paper published in *PLOS Global Public Health* this week finds that Americans’ confidence in their public-health institutions has still not recovered to pre-pandemic levels. It is not hard to understand why. Throughout the pandemic, prestigious institutions made mistakes (for instance, at the beginning of 2020 the World Health Organisation said that covid-19 was unequivocally not an airborne disease) and governments used science to justify poor policy decisions. At the same time, however, scientists were also making huge advances, not least in immunology and biotechnology, as they raced to develop vaccines in record time.



A key determinant of how people experienced these events was their political affiliation. Many on the political right tend to frown on government interference in their lives, for example, whereas those on the left think it is right for scientists to work closely with politicians to shape policy. In America the pandemic inspired more confidence in science among Democrats, at least temporarily, while the views of Republicans soured (see chart 1). In Europe, too, the gap between left and right has widened. In 2010 left-leaning Europeans, surveyed as part of a Eurobarometer study—a regular poll conducted by the EU—were five percentage points more likely to say that understanding science is important for everyday life than those who leant right. In the 2024 survey the gap had widened to 12 points.

In a survey of 72,000 people in 68 countries published in the journal *Nature Human Behaviour* earlier this year, aspects of an individual's ideology were among the strongest predictors of their level of trust in science. Globally, people who leant conservative were slightly more likely to distrust science. In Europe and America the difference was much larger. An even stronger predictor was people's so-called "social-dominance orientation"—the degree to which people believe that some groups are inherently superior to others—a mindset that researchers have linked to support for populist parties.

The rise of anti-science politicians has exacerbated matters. Jon Miller, a political scientist at the University of Michigan who has surveyed the American public's views of science for decades, points out that many people do not follow science closely. If political parties turn against science, or particular scientific practices, then so too do many of their supporters. "The degree to which believing health misinformation is now about political identity is astounding," says Timothy Caulfield, a professor of law at the University of Alberta.

While America's anti-science fringe makes global headlines, mistrust is also high elsewhere. Europe, for example, is home to plenty of anti-science sentiment—in France, even lefties are less trusting than American conservatives (see chart 2, next page). Overall, trust appears to be lowest in places like Albania, Kazakhstan and Russia, reflecting low trust in institutions of all kinds, and highest in developing countries like Nigeria and India.

One consolation is that, for now at least, the sceptics remain a minority. The *Nature Human Behaviour* study also found that, globally, 75% of people agreed scientific methods were the best way to evaluate truth. Overall, no country distrusted scientists on net. In surveys scientists, in particular medical ones, are consistently ranked as the most trusted institutional leaders (though this may be because other leaders are so despised). This week's study in *PLOS Global Public Health* found that confidence in local doctors in October 2024 was close to what it was in May 2020.

Confidence tricks

Nonetheless, scientists are thinking hard about how to improve the situation. Naomi Oreskes, a science historian at Harvard, says that scientists need to step outside the laboratory and explain to the public the benefits their work has for society. Dr Caulfield, meanwhile, emphasises the importance of clearly defining the scientific consensus: communicating what scientists agree on and where there is uncertainty. And where there is hesitancy about vaccines, Dr Larson points out there are often local issues at play.

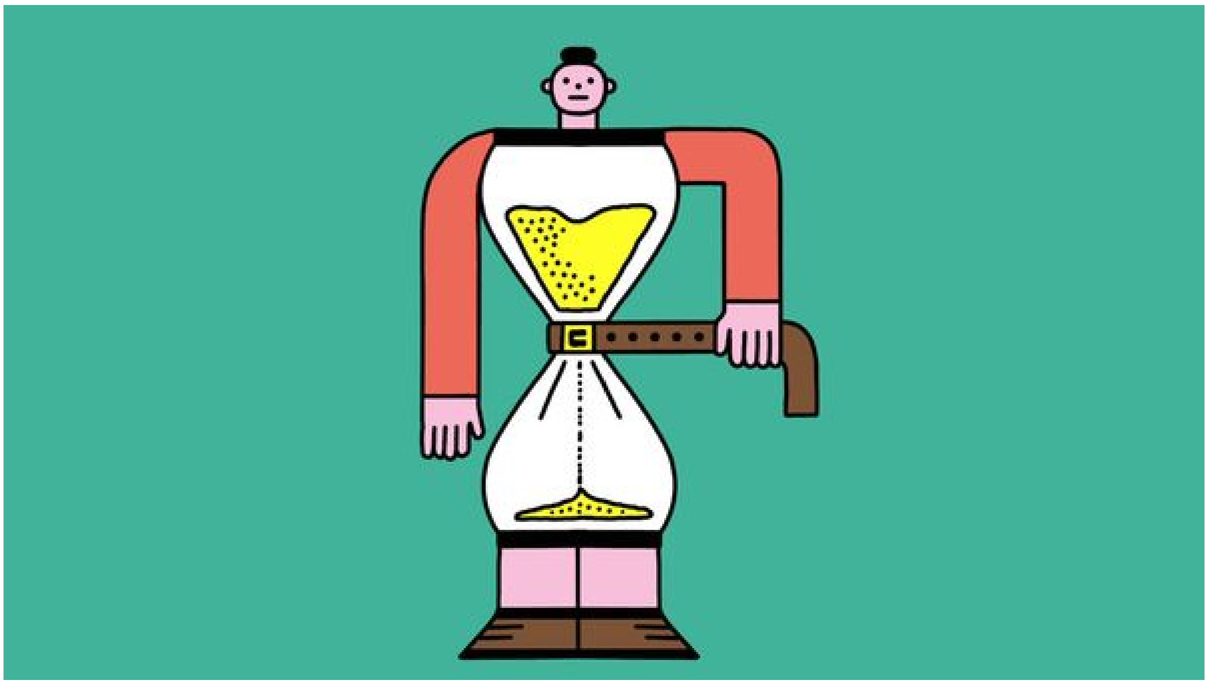
Unfortunately, Mr Kennedy's moves to "restore trust" risk making things worse. Experts expect they will confuse the public, undermine confidence in health institutions and increase polarisation. "He started the fire and now he's fired the firefighters," says Dr Caulfield. The public appears to share his concerns. A poll conducted by Pew just before Mr Kennedy dismissed the vaccine panel showed almost twice as many Americans strongly disapproved of his actions than strongly approved. That mistrust may be infectious. On June 23rd, the Republican senator responsible for Mr Kennedy's nomination said the new panel should be staffed with "more robust and balanced representation", and called for its first meeting to be postponed. They met all the same. ■

Well informed

Do longevity drugs work?

Animal studies suggest rapamycin is as effective as long-term fasting

Jun 26, 2025 04:34 PM



AS ELIXIRS OF life go, long-term fasting is a surprising candidate. Yet it seems to work. Experiments on species from nematode worms to rhesus monkeys show that near-starvation prolongs lifespan. And, though no long-term experiment has been conducted to prove the same is true in *Homo sapiens*, short-term ones suggest similar physiological changes happen.

Mysteriously, however, most people are loth to trade three square meals a day in the here and now for the promise of a longer retirement, so the search has been on for chemical alternatives to fasting. Two molecules in particular have attracted attention: rapamycin, an immunosuppressant used to stop the rejection of transplanted kidneys, and metformin, an antidiabetes drug. June 19th saw the publication of a paper summarising the evidence of their effectiveness in animals, compared with fasting.

Both rapamycin and metformin have drawn the attention of the “live for ever” brigade because they inhibit what is known as the mTOR pathway (indeed, mTOR stands for “mechanistic target of rapamycin”). Overactivation of this in old age is associated with hallmarks of ageing such as inflammation. Conversely, fasting suppresses mTOR activity. That promotes autophagy, a phenomenon in which cells clear out their accumulated crud, which is reckoned lifespan-enhancing. Moreover, both substances also have the advantages of having undergone safety trials as part of approval for their on-label uses, and of being off-patent, and therefore cheap.

Being off-patent, however, cuts both ways. It means commercial sponsors for human clinical trials are hard to find, since they cannot monopolise sales. As a result the Targeting Ageing with Metformin (TAME) trial, a proposal sponsored by the American Federation for Aging Research, a charity, and approved by the Food and Drug Administration in 2015, remains in abeyance for lack of funds. Rapamycin, by contrast, has been tested in what is known as the PEARL (Participatory Evaluation of Ageing with Rapamycin for Longevity) trial, which began in July 2020. But this found no strong evidence that it worked.

Animal tests have proved more definitive. The new paper, published in *Aging Cell* by Edward Ivimey-Cook of Glasgow University and his colleagues, gathers all the vertebrate-trial evidence that the authors could find. This amounts to 167 studies on eight species, ranging from fish to monkeys. The answers seem clear-cut. To no one’s surprise, calorie restriction works. So, to a pretty-much equal extent, does rapamycin. But metformin does not.

That is a blow to those, their number unknown but probably amounting to thousands, who have twisted their doctors’ arms to get an off-label prescription of it for life extension. But it is a boost to those who have opted for rapamycin. These include Vinod Khosla, one of Silicon Valley’s best-known venture capitalists, and, until recently, Bryan Johnson, another Californian techie, who has made a second career out of his quest for immortality. Mr Johnson, however, dropped rapamycin in 2024 because of its side-effects (abnormal lipid and glucose levels, elevated heart rate and increased risk of skin infection).

All of which is interesting. But for mere mortals who want a long and healthy life without the risk of rapamycin's side-effects the advice remains the same: eat wisely, drink moderately, exercise regularly, sleep well. And stub that cigarette out. ■

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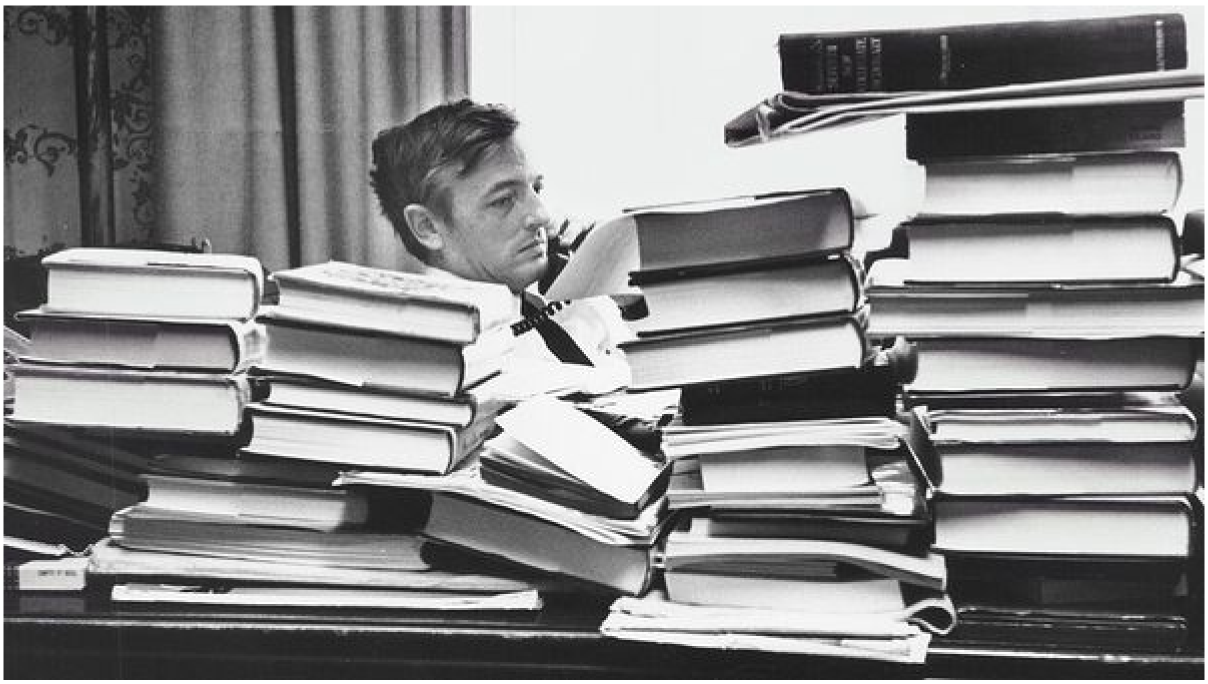
Standing athwart history, yelling stop

William F. Buckley, the man who put the charm into conservatism

He was the 20th century's most influential journalist

Jun 26, 2025 12:44 PM



Buckley: The Life and the Revolution That Changed America. By Sam Tanenhaus. *Random House; 1,040 pages; $40 and £33*

READY TO FEEL lazy and unaccomplished? William F. Buckley wrote his first bestseller when he was 25. Over the next 57 years, he would write more than 50 books, including 20 novels. When he was 29, he founded the *National Review*, a magazine. When he was 40, he created "Firing Line", a public-affairs TV show; he would go on to host 1,505 episodes. Buckley wrote and edited thousands of articles, made thousands of public speeches, and once, quixotically, ran for mayor of New York. (He won 13% of the vote.)

The most influential American journalist of the 20th century, Buckley poses a challenge to a biographer: how to say something new about someone so widely known who said so much? Sam Tanenhaus, an American historian who spent more than a quarter of a century working on this superb biography, meets that challenge through judicious curation of the public record and workmanlike digging into the private one. The result is a clear, humane portrait of Buckley and his influence on the American right.

He was born in 1925, the sixth of 11 children in a devoutly Catholic family. His father was an oilman from Texas, his mother a socialite from New Orleans. Buckley had a peripatetic childhood: he was brought up between America, Britain, France and Mexico. This left him with a languid mid-Atlantic drawl that he used to great effect on radio and television.

He stepped onto the public stage in the wake of Franklin Roosevelt's presidency, which had left American conservatives reeling and rudderless. America's emergence as a world power after the second world war frustrated the isolationists. Roosevelt's New Deal did the same to its doctrinaire laissez-fairists. America's two political parties were not as ideologically polarised as they are today, and the election of Dwight Eisenhower in 1952 signalled the triumph of the Republicans' liberal wing.

"The so-called conservative," Buckley wrote while an undergraduate at Yale, "uncomfortably disdainful of controversy, seldom has the energy to fight his battles." But he relished the cut and thrust of public debate, on the page and in person. Buckley's mission was to gird the right for battle—to stand "athwart history, yelling 'Stop'", as he wrote in the first issue of the *National Review*.

Unlike its coevals, the *National Review* was designed for persuasion, not choir-preaching, and also, through Buckley's sparkling prose, to delight. It was sceptical of state power and gleefully ready to fight consensus liberalism. It was also staunchly anti-communist. Though that led to some unsavoury alliances—Buckley ardently supported Joseph McCarthy, a senator prone to making unsubstantiated accusations of communist sympathy—it put Buckley on the right side of the greatest ideological battle of his lifetime.

Waging that fight in print was one thing; finding a politician who was both uncompromising and—unlike the charmless McCarthy—appealing to voters was another. The first viable presidential candidate Buckley championed was Barry Goldwater, a plain-spoken senator from Arizona who embodied the nascent libertarian wing of the Republican Party. He lost all but six states to Lyndon Johnson in the presidential election of 1964, but shifted his party rightward.

The seed that Goldwater's candidacy planted came to fruition 16 years later, when Ronald Reagan won the presidency. (Much of the right, including Buckley, never really warmed to Richard Nixon, who had made peace with communist China.) Reagan was a regular reader of the *National Review*. In the first editorial after Reagan's victory, the *National Review* boasted—in jest, but not incorrectly—that it had assumed "a new importance in American life". Anyone looking for humour, the editorial joked, would have to look elsewhere: "We have a nation to run." Reagan offered Buckley the job of ambassador to the United Nations, but he declined: it would have been less lucrative and fun than writing and editing.

Fun does not imply frivolity; it was instead central to Buckley's success. He was warm, generous and had a gift for friendship. He had passions outside politics: travel, music and, above all, sailing, about which he wrote four books that contain some of his finest writing.

He became, as a profile on "60 Minutes" put it, "a kind of national character" and "the conservative man for all seasons". His television work broadened his audience. He was engaged, sceptical and courteous, even to his political opponents. (Gore Vidal—a writer as waspish and eloquent as Buckley—was a notable exception; their debates inspired a play of 2021 called "Best of Enemies".)

Buckley's views evolved over time, particularly on race. As a young man he defended Southern segregationists, stating that "the white community…is the advanced race." But by the late 1960s he argued for criminal-justice reform and said: "We need a black president." And when a right-wing third party made Lester Maddox, a former governor of Georgia, its presidential candidate in 1976, Buckley called him "a semi-literate segregationist" and said the party had wandered "into the fever swamps of the berserk right". Near the end of his life he defended federal intervention to enforce civil-rights legislation.

Buckley broke with his party over the Iraq war and died in 2008. Though he would have been impressed by Donald Trump's ability to command attention (and would have been no fan of today's identity-obsessed, soft-on-socialism Democrats), he was no Trumpist *avant la lettre*. He would have been appalled at Mr Trump's vulgarity, ignorance and use of state power to target personal and political enemies. He would have relished the fight for American conservatism. The country's politics is worse, and drearier, without him. ■

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Infectious storytelling

How zombies explain Brexit: the satire of “28 Years Later”

In a post-apocalyptic horror sequel, monsters and mockery co-exist

Jun 26, 2025 04:34 PM

Taking back control

THE ZOMBIES in “28 Days Later” are not actually zombies, as any horror aficionado will tell you. In the film of 2002, the ravenous monsters are simply people who have contracted a “rage virus” which turns them into homicidal maniacs. True, these swarming fiends are as mindlessly brutal as any zombie, but, as they have not died and been reanimated, they do not meet the traditional criteria.

That did not stop the rage virus from going viral in another way, and unleashing a zombie horde which has been shambling across the landscape of popular culture ever since. Written by Alex Garland and directed by Danny Boyle, “28 Days Later” is widely credited with bringing zombies back from the dead and into the mainstream: its influence can be detected in subsequent films, games and television series with such lively titles as “Dawn of the Dead”, “Shaun of the Dead”, “The Walking Dead” and “The Last of Us”.

Zombies, which are rooted in Haitian folklore, have bite in the 21st century. They capture something of the us-versus-them attitude that has taken hold in countries across the world. In today’s polarised environment, many viewers may fancy themselves as brave insurgents fighting off aggressive, braindead opponents. Visions of societal collapse are also spookily appealing at a time when the social contract seems to be tattered in many places.

Messrs Boyle and Garland did not lead the movie’s sequel, “28 Weeks Later” (2007), but they have reunited for “28 Years Later”, released in America and Britain on June 20th. What is impressive is that, even though the zombie epidemic has been raging on screen for more than two decades, the new movie is startling and distinctive.

The film-makers have said that they were inspired by the covid-19 pandemic (which the shots of deserted streets in the first movie eerily anticipated), as well as by their belief that Brexit has cut Britain off from its neighbours. In the new film, the country is jingoistic and violent. The rest of the world is now free of the rage virus, but Britain is still plagued by it. The mainland is quarantined—NATO patrol boats make sure no one escapes—but there remains a small tidal island in the north-east of England on which no one is infected.

Members of this agrarian community must cross a causeway to the mainland and shoot the infected with bows and arrows. When a father (Aaron Taylor-Johnson) takes his 12-year-old son (Alfie Williams) on his first hunting trip, the boy spots a fire in the distance and hears a rumour that the fire is tended by a doctor (Ralph Fiennes). Perhaps, the boy thinks, his gravely ill mother (Jodie Comer) could be saved.

"28 Years Later" is not just a barrage of breathless chases and grisly deaths—although it is certainly that—but a clever state-of-the-nation satire. Mr Boyle and Mr Garland seem to be asking whether this is the Britain that many of its citizens want: militaristic, isolated and with a simpler lifestyle redolent of an earlier century. Indeed the post-civilisation countryside in "28 Years Later" is not a barren wasteland, but an overgrown idyll where deer roam free. It is a green and pleasant land—if you ignore the savage monsters everywhere. ■

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The Economist reads

The best novels published in the second quarter of 2025

American and Irish writers dominate the list

Jun 26, 2025 12:45 PM

AT THIS TIME of year, many in the northern hemisphere will be gearing up to wind down on a summer holiday. A reprieve from work provides an opportunity to relax—and read. If you are looking for a novel to pack in your suitcase, consider one of these titles. Those stuck at home, or in a cold country, may also escape reality in their pages.

Among Friends. By Hal Ebbott. *Riverhead Books; 320 pages; $28. Picador; £18.99*

This elegant debut novel features two wealthy families who come together to celebrate a birthday at a country house in upstate New York. Misdemeanours and cutting comments cause tensions; a harsh betrayal puts longstanding friendships to the test. A tale of charmed lives and strained loyalties.

The Director. By Daniel Kehlmann. Translated by Ross Benjamin. *Summit Books; 352 pages; $28.99. Riverrun; £22*

This novel recreates the life of G.W. Pabst, an Austrian film director, in the 1930s and 1940s. When Austria becomes part of the Third Reich, Pabst is forced to make films for the Nazis. His decision to collaborate with the regime has a profound impact on his family and his reputation. Blending fact and fiction, this tale is a study of art and complicity.

Fox. By Joyce Carol Oates. *Hogarth; 672 pages; $32. Fourth Estate; £18.99*

When Francis Fox, a charismatic boarding-school teacher, goes missing, Horace Zwender is brought in to investigate. As the detective builds a profile of the mysterious Fox, he starts to uncover a catalogue of shocking crimes. This sprawling yet immersive novel is rich in suspense, diabolical secrets and psychological insight.

Fulfillment. By Lee Cole. *Knopf; 336 pages; $29. Faber & Faber; £18.99*

Emmett is an "unloader" at a distribution centre who aspires to become a screenwriter. His half-brother, Joel, has achieved success as an author and academic, but his marriage is on the rocks: his wife, Alice, yearns for a different kind of life. When the siblings are reunited at home in Paducah, Kentucky, tensions mount and a love triangle takes shape. A riveting tale about hope and desire.

Great Black Hope. By Rob Franklin. *Summit Books; 320 pages; $28.99 and £16.99*

Smith, a young black man, is arrested for the possession of cocaine in the weeks after the tragic death of his room-mate. His wealthy parents in

Atlanta offer him guidance, but he opts to follow his own path—one that may lead to destruction or redemption. Revolving around a well-drawn protagonist, this is a sharply focused debut novel.

Let Me Go Mad in My Own Way. By Elaine Feeney. *Harvill Secker; 320 pages; $19.99 and £16.99*

Claire O'Connor returns to the west of Ireland from London to care for her dying father. But when she comes into contact with an old flame, Tom Morton, her attempt at a new start in life is hampered by memories of past pain. Claire's story opens out into a multigenerational drama about love, reinvention and the lasting impact of trauma.

Ripeness. By Sarah Moss. *Picador; 304 pages; £20. To be published in America by Farrar, Straus and Giroux in September; $28*

In the summer of 1967, Edith travels to Italy to help her sister, Lydia, through the last stages of her unwanted pregnancy. In the present day, an older and wiser Edith is troubled by her friend Méabh, who is keen to welcome her unknown American half-brother to their Irish village, but opposed to the presence of African refugees. This novel weaves together two narratives to examine family ties and national identity.

The Wildelings. By Lisa Harding. *HarperVia; 368 pages; $28. Bloomsbury; £16.99*

With echoes of Donna Tartt's "The Secret History", this propulsive novel follows Jessica and her friends as they fall under the spell of Mark, a fellow student at a university in Dublin. When Jessica acts in Mark's play, she becomes even more in thrall to him; soon he is directing her not just on stage, but off it, too. His manipulative games lead her into dangerous territory. This is dark academia at its most gripping. ■

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Frame of mind

A new Dutch museum tackles migration through art

Fenix, in Rotterdam, lets visitors make up their own minds

Jun 26, 2025 12:44 PM | ROTTERDAM

WITH NATIVIST political parties riding high all over the world, it is not an easy time to celebrate immigrants. The Netherlands has had a reputation for welcoming refugees since the 16th century, but in the 21st it has been riven by arguments over Islam and multiculturalism. The Party for Freedom, led by Geert Wilders, a xenophobic rabble-rouser, came first in the most recent election; earlier this month Mr Wilders brought down the government in a spat over asylum-seekers.

Amid this furore, the Fenix museum has opened in Rotterdam. It is the first institution in the world to explore migration through art. That may sound like an odd approach: why use art when there are so many fascinating archival materials? Given how pretentious some artists are, their works might need long written explanations for visitors to understand how they relate to the theme.

Yet Fenix manages to be accessible without being dogmatic. Confronted with Red Grooms's "The Bus" (1995)—a life-sized New York City bus and its ethnically diverse passengers, made of fabric, foam and wood—the visitor draws the connection to migration instantaneously. A film by Adrian Paci shows people waiting for an aeroplane that, like Godot, never comes. "We're really focusing on the emotions of migration: homesickness, saying farewell, starting a new adventure," says Anne Kremers, the museum's director. "We ask questions. We will not tell you how you should think."

Fenix is located in a former warehouse of the Holland America Line, a cruise-ship company, and backed by a foundation established by the family that owns the firm. Around the turn of the 20th century the company's steamships ferried hundreds of thousands of European emigrants to America. The Maas river waterfront was full of transit hotels where passengers fresh off the train from eastern Europe underwent health inspections before setting off for the new world. Today it is a chic gallery district full of modernist high-rises.

Rotterdam is Europe's biggest port. The majority of its 650,000 inhabitants have immigrant backgrounds, many from former colonies in Indonesia and the Caribbean, others from North Africa and Turkey. Fenix's ground floor hosts a maze constructed of old suitcases collected from travellers who passed through Rotterdam: hold a device to a tag on the handle and it tells the suitcase's story. The initial plan was to devote half of the museum to such personal artefacts. But as the project developed, the art came to dominate.

Despite the unpopularity of the topic in many quarters, there are an increasing number of migration museums, all shaped by their countries' histories. The one in Paris occupies a hall built in 1931 for ethnological exhibitions, and looks at immigration to France from its former colonies and other countries. The museum on Ellis Island in New York tells the stories of the millions for whom it served as America's port of entry. EPIC, an emigration museum in Dublin, covers Ireland's global diaspora.

Focusing on art makes sense in the homeland of Rembrandt, Mondrian and van Gogh. But it is also a canny way to bypass polarised debates. The *European Conservative*, a hard-right magazine, took umbrage at the Fenix museum for failing to denounce mass immigration. Yet reviews have been mostly positive. *Elsevier Weekblad*, a conservative Dutch weekly, praised Fenix for eschewing trigger warnings and letting viewers decide what to think.

As Fenix shows, migration is an enduring subject: photos by Robert Capa from the Spanish civil war and James Nachtwey from Ukraine use identical motifs of processions of refugees, as do a 19th-century relief by Honoré Daumier and ancient Roman friezes. By choice or not, people have always been on the move. ■

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Back Story

How to hear a Hollywood star sing, for free

Rachel Zegler's streetside "Evita" reveals a lot about fame and London

Jun 26, 2025 12:44 PM

THE FAMILIAR chords strike up and the leading lady appears. She flashes a brilliant smile, presses a palm to her heart and sings: "Don't cry for me, Argentina, the truth is…" When the tune ends, she raises her arms to the heavens. Spectators whoop and clap.

With that, Rachel Zegler turns and heads back into the theatre. For in the new production of "Evita" at the London Palladium, she performs the most famous number on a balcony overlooking the street, rather than on stage. The audience inside sees a live-stream; outside the impromptu crowd gets the real thing. The six-minute cameo is a clever marketing ruse. It is also a snapshot of modern stardom, trends in theatre and the age-old character of London.

The musical, by Andrew Lloyd Webber and Sir Tim Rice, is based on the short, eventful life of Eva Perón, whose dramatic rise to become Argentina's first lady irked lots of bigwigs. Ms Zegler is "a bit like Evita", reckons a Dutch fan, standing outside the Palladium for a recent matinée. "She's getting so much heat, she's blamed for every problem in the world, but she keeps going." This is a reference to a ruckus over comments she made about the Middle East, among other online skirmishes.

Ms Zegler is famous enough to have hordes of defenders, and to draw hundreds to her al fresco turns. (It's all a bit of a nightmare, sighs a steward, struggling to keep a path clear for nearby shops, and the local pickpockets are on to it.) But hers is the kind of 21st-century fame that gathers at warp speed, in Ms Zegler's case largely on the basis of starring roles in a remake of "West Side Story" and Disney's widely panned live-action "Snow White". She is the sort of star whom millions adore while millions of others have never heard of her. An elderly gentleman among the onlookers says he joined them out of curiosity, but has no idea who she is or why they're here.

Ms Zegler was a hit on the pavement. "Fabulous" and "fantastic" rave a pair of drama students. "I felt like I made eye contact with her," says a wowed American. One paying punter left at the interval and skipped the second half to watch. "It was worth it," she insists. "That's the best song anyway." For that reason, some ticket-holders have been miffed, grumbling on social media that they didn't hear it live.

You can see why, given that top-whack tickets cost nearly £300 ($405). It is possible to get affordable seats at this and other West End hits; but they sell out fast, and the upscale ones are now punishingly expensive, thanks partly to "dynamic pricing". It's worse on Broadway, where tickets to see Denzel Washington in "Othello" nudged $1,000. Miss the bargains in this bifurcating market, and for many the best hope of glimpsing a star—besides Ms Zegler—is at the stage door.

Then again, the live-stream technique is hardly a surprise. Video screens are common in contemporary theatre, used to show actors in close-up, replay recorded footage or relay offstage sequences, so expanding the action and jazzing up the audience's experience. Jamie Lloyd, director of this "Evita", is a devotee of the technique. Sometimes it works, as when, in his recent "Romeo & Juliet", Romeo scored his poison in an alleyway. Sometimes it is annoying.

For "Don't Cry for Me Argentina", a title that spawned a thousand headlines for football reports, it fits the story. Evita, a charismatic populist, is supposedly addressing working-class supporters from the balcony of a palace in Buenos Aires. "I have taken these riches from the oligarchs, only for you," Ms Zegler declares in a snippet of dialogue before she darts inside. The "songs of glory" are "for all of us", she tells the real, ticketless crowd. "I guess we're the peasants," grins another American.

It is set in Argentina and features a Hollywood A-lister, yet this is a very London scene. The city loathes pretension but likes celebrities, who in bygone times were less sequestered from the masses. In the Victorian era, after curtain calls at the opera house in Covent Garden, divas would rattle across town in carriages to sing in raucous East End music halls. Some of that down-to-earth spirit lingers outside the Palladium.

And for all the hype, the spectacle retains the air of insouciance and shrugging indifference that are London's enduring keys. Passing boys take sarcastic bows. Office workers and shoppers heaving bags from nearby Oxford Street stride past obliviously. When Ms Zegler withdraws, the fans lower their mobile-phone cameras; stewards clear away the safety barriers. The show goes on. ■

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Pitt stop

“F1 The Movie” is a very expensive promotional film

Will it rev up new fans for the motorsport?

Jun 26, 2025 12:44 PM | NEW YORK

HOLLYWOOD HAS not always been kind to the world’s most popular motorsport. In “Talladega Nights” (2006), a dimwit comedy, Formula One (F1) was personified by a French driver who brags that his countrymen “invented democracy, *existentialisme* and the blowjob”. F1, in this telling, was pretentious and it was foreign: an interloper in NASCAR-loving America.

No longer. “F1 The Movie”, released in cinemas this week, reflects how the sport has accelerated in ambition and scale in the past two decades. It is reportedly one of the most expensive films ever made (with a reputed budget of more than $300m). One of the producers is Jerry Bruckheimer, who, in "Black Hawk Down" and "Top Gun", brought thrillers involving choppers and fighter jets to screens. And, crucially, its protagonist is not a pompous European but a hunky American, played by one of the country's most bankable heart-throbs, Brad Pitt (pictured).

The plot of "F1 The Movie" is made up—Mr Pitt plays a retired driver who decides he has more fuel in the tank—but it strives for verisimilitude. The movie was made in collaboration with F1. To understand how to get viewers' pulses racing, the film crew attended fixtures and Mr Pitt learned to drive at 300 kilometres an hour. Lewis Hamilton, a driver who is also a producer of the film, makes a cameo.

F1 has done a better job of marketing itself on film and television than any other sport. "Drive to Survive", which goes behind the scenes and behind the wheel at the World Championships, has won the sport legions of fans globally. According to Parrot Analytics, a data firm, the docuseries brought in $290m in revenue for Netflix in 2020-24. (Other sports have since tried to copy the format, with mixed results.) In May Netflix released "F1: The Academy", which focuses on woman drivers, to cater to the sport's growing female fanbase.

Hot wheels

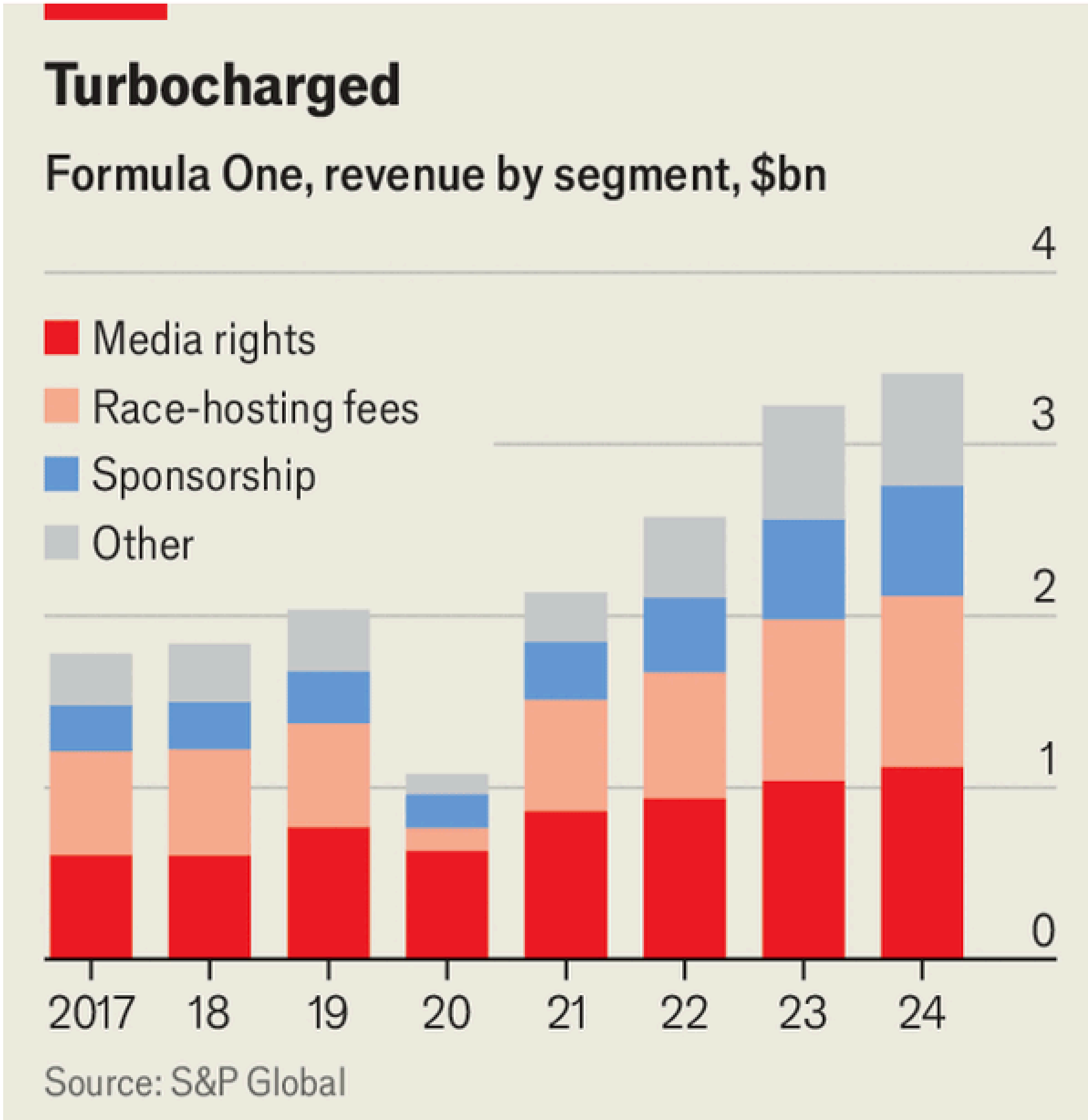
In some ways, this is surprising, as the sport itself can be tedious. For many, watching cars noisily circle a track for two hours is duller than wiping a dipstick. Yet when Liberty Media acquired F1 in 2017, the firm shifted gears. It booted out Bernie Ecclestone—who had professionalised the operation but was later convicted of tax fraud—and introduced a new way of thinking. The late Teddy Mayer, former head of McLaren, a British team, had once likened drivers to lightbulbs: screw them in and the vehicle does everything else. Liberty saw drivers as electric in their own right.

Derek Chang, Liberty's boss, has described F1 not as a sport but as a "content producer". The league introduced F1 TV Pro, a streaming service offering bonus coverage, and a suite of podcasts. It produced videos on social media for the sorts of fans who, according to Mr Chang, do not care about braking stability yet do care "what drivers are eating for breakfast, what they're eating for dinner".

It is telling that Ian Holmes, F1's chief media-rights officer, refers to the league's 20 drivers as its "cast". The drivers travel to glitzy locales on five continents and spray magnums of Moët on the podium. Add some interpersonal squabbles and you have the makings of a reality-TV show.

Indeed "Drive to Survive", now in its seventh season, has proved to be addictive TV. James Vowles, who leads Williams, one of ten teams in the championship, calls the show "transformative". Viewers are introduced not only to the drivers, but to the engineers, mechanics and corporate sponsors who power each car. Some think the show is simplistic and even deceptive. Pierre Gasly, a driver, has said that the drama was "kind of made up".

Maybe so, but the format has sent adrenaline and ratings soaring. According to Nielsen, a research firm, in 2022 some 360,000 Americans started tuning in to Grands Prix after watching "Drive to Survive". The show captures the high stakes of the sport: a mistake on the track, unlike on a court or a pitch, can lead to fatalities. (That is emphasised in "F1 The Movie": Mr Pitt's character was initially forced to retire after suffering a terrible crash.)



Liberty wants more growth in America, hence the Hollywood treatment. Alongside Austin, it has added Grands Prix in Las Vegas and Miami; next year Cadillac, an American team, will join the grid. Average race viewership on ESPN has more than doubled since 2018, to 1.3m, raising the price of its broadcast rights in America from $5m a year in 2019-22 to a reported asking price of between $150m and $180m.

Nonetheless, F1 is some way off catching up with NASCAR, not to mention American football and basketball. Mark Gallagher, who worked in the sport for decades, reckons F1 needs a homegrown superstar—a Mario Andretti for the 21st century—if it is to truly gain pace in the country. F1, in other words, should try to make its own movie a reality. ■

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Economic & financial indicators

- **Economic data, commodities and markets**
  Indicators ::

Indicators

Economic data, commodities and markets

Jun 26, 2025 12:44 PM

Economic data

	Gross domestic product % change on year ago: latest		quarter*	2025†	Consumer prices % change on year ago: latest		2025†	Unemployment rate %	
United States	2.1	Q1	-0.2	0.5	2.4	May	3.2	4.2	May
China	5.4	Q1	4.9	4.4	-0.1	May	-0.3	5.0	May‡§
Japan	1.7	Q1	-0.2	0.6	3.4	May	3.2	2.5	Apr
Britain	1.3	Q1	2.9	1.0	3.4	May	3.4	4.6	Mar††
Canada	2.3	Q1	2.2	0.7	1.7	May	2.3	7.0	May
Euro area	1.5	Q1	2.5	0.9	1.9	May	2.1	6.2	Apr
Austria	-0.5	Q1	0.6‡	0.1	3.0	May	2.7	5.6	Apr
Belgium	1.1	Q1	1.6	1.0	2.8	May	3.0	6.4	Apr
France	0.6	Q1	0.5	0.6	0.6	May	0.9	7.1	Apr
Germany	nil	Q1	1.7	0.3	2.1	May	2.3	3.6	Apr
Greece	1.8	Q1	0.2	2.2	3.3	May	2.6	8.3	Apr
Italy	0.7	Q1	1.1	0.5	1.7	May	2.0	5.9	Apr
Netherlands	2.2	Q1	1.5	0.9	2.9	May	3.6	3.8	May
Spain	2.8	Q1	2.3	2.6	2.0	May	2.3	10.9	Apr
Czech Republic	2.2	Q1	3.0	1.9	2.4	May	2.0	2.5	Q1‡
Denmark	4.0	Q1	-2.0	2.6	1.6	May	1.8	2.9	Apr
Norway	-0.4	Q1	-0.3	1.3	3.0	May	2.3	4.3	Mar‡‡
Poland	3.2	Q1	2.8	3.0	4.0	May	4.0	5.0	May§
Russia	1.4	Q1	-2.3	1.1	9.9	May	8.6	2.3	Apr§
Sweden	1.0	Q1	-1.0	1.8	0.2	May	2.2	9.7	May§
Switzerland	2.0	Q1	2.1	1.3	-0.1	May	0.1	2.9	May
Turkey	2.0	Q1	4.0	2.9	35.4	May	32.8	8.5	Apr§
Australia	1.3	Q1	0.8	1.7	2.4	Q1	2.1	4.1	May
Hong Kong	3.1	Q1	7.9	1.5	1.9	May	1.6	3.5	May‡‡
India	7.4	Q1	9.8	6.2	2.8	May	4.0	6.9	May
Indonesia	4.9	Q1	4.8	4.7	1.6	May	1.5	4.8	Feb§
Malaysia	4.4	Q1	5.1	4.2	1.2	May	2.0	3.0	Apr§
Pakistan	4.8	2025**	na	3.0	3.5	May	4.8	6.3	2021
Philippines	5.4	Q1	4.9	6.1	1.3	May	1.8	4.1	Q2§
Singapore	3.9	Q1	-2.6	1.7	0.8	May	0.5	2.1	Q1
South Korea	-0.3	Q1	-0.9	0.6	1.9	May	1.8	2.8	May§
Taiwan	5.5	Q1	7.2	3.8	1.5	May	1.8	3.3	May
Thailand	3.1	Q1	2.8	1.9	-0.6	May	0.2	0.8	May§
Argentina	5.8	Q1	3.4	5.7	43.5	May	41.1	7.9	Q1§
Brazil	2.9	Q1	5.7	1.9	5.3	May	5.4	6.6	Apr§‡‡
Chile	2.3	Q1	2.8	2.8	4.4	May	4.3	8.8	Apr§‡‡
Colombia	2.7	Q1	3.2	2.3	5.1	May	4.9	8.8	Apr§
Mexico	0.8	Q1	0.8	-0.2	4.4	May	3.8	2.6	Apr
Peru	3.9	Q1	5.1	2.8	1.7	May	1.7	5.7	May§
Egypt	4.3	Q4	0.8	3.2	16.9	May	16.9	6.3	Q1§
Israel	1.5	Q1	3.7	3.1	3.1	May	3.2	3.1	May
Saudi Arabia	2.0	2024	na	3.4	2.2	May	2.6	3.5	Q4
South Africa	0.8	Q1	0.4	1.1	2.8	May	3.6	32.9	Q1§

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

	Current-account balance % of GDP, 2025†	Budget balance % of GDP, 2025†	Interest rates 10-yr gov't bonds latest, %	change on year ago, bp	Currency units per $ Jun 25th	% change on year ago
United States	-3.7	-6.0	4.3	6.0	-	
China	1.8	-5.9	1.5 §§	-47.0	7.17	1.2
Japan	2.7	-4.8	1.4	44.0	146	9.6
Britain	-2.9	-4.5	4.4	32.0	0.73	8.2
Canada	-0.3	-1.9	3.3	-6.0	1.37	-0.7
Euro area	3.0	-3.3	2.6	16.0	0.86	8.1
Austria	1.6	-4.5	3.0	-1.0	0.86	8.1
Belgium	-0.1	-4.4	3.1	13.0	0.86	8.1
France	-0.1	-5.7	3.2	13.0	0.86	8.1
Germany	5.3	-2.6	2.6	16.0	0.86	8.1
Greece	-5.9	-0.2	3.3	-33.0	0.86	8.1
Italy	0.8	-3.6	3.5	-43.0	0.86	8.1
Netherlands	8.4	-2.4	2.8	3.0	0.86	8.1
Spain	2.4	-3.2	3.2	-11.0	0.86	8.1
Czech Republic	0.5	-2.4	4.3	7.0	21.3	9.0
Denmark	12.9	1.6	2.5	5.0	6.42	8.6
Norway	14.1	9.4	3.9	37.0	10.1	4.4
Poland	0.1	-6.1	5.5	-23.0	3.66	10.1
Russia	2.1	-2.6	15.0	-16.0	78.2	12.2
Sweden	5.8	-1.4	2.3	7.0	9.51	10.6
Switzerland	6.3	0.6	0.4	-23.0	0.81	11.2
Turkey	-1.7	-3.6	30.4	344	39.7	-17.1
Australia	-0.9	-1.8	4.2	9.0	1.54	-1.9
Hong Kong	11.6	-5.4	3.0	-46.0	7.85	-0.5
India	-0.4	-4.4	6.3	-70.0	86.1	-3.1
Indonesia	-0.8	-3.3	6.7	-35.0	16,290	0.5
Malaysia	1.9	-3.9	3.6	-30.0	4.24	11.1
Pakistan	-1.5	-5.2	12.4 †††	-167	285	-2.2
Philippines	-3.1	-5.4	6.3	-39.0	56.7	3.6
Singapore	16.7	-0.2	2.3	-89.0	1.28	5.5
South Korea	2.9	-2.3	2.8	-47.0	1,363	1.8
Taiwan	13.8	nil	1.4	-27.0	29.4	10.3
Thailand	1.8	-5.8	2.1	-48.0	32.7	12.2
Argentina	-1.0	0.4	na	na	1,172	-22.4
Brazil	-2.5	-7.1	13.8	189	5.55	-2.0
Chile	-1.9	-2.0	5.7	-24.0	936	0.7
Colombia	-2.7	-7.2	12.2	159	4,070	0.7
Mexico	-0.2	-3.5	9.2	-66.0	18.9	-3.9
Peru	2.1	-2.8	6.4	-80.0	3.57	6.7
Egypt	-5.1	-7.7	na	na	49.9	-3.0
Israel	4.1	-4.9	4.3	-64.0	3.41	10.0
Saudi Arabia	-3.0	-4.0	na	na	3.75	nil
South Africa	-1.4	-4.8	9.9	7.0	17.8	2.2

Source: Haver Analytics §§5-year yield †††Dollar-denominated bonds

Markets

In local currency	Index Jun 25th	% change on: one week	% change on: Dec 31st 2024
United States S&P 500	6,092.2	1.9	3.6
United States NAS Comp	19,973.6	2.2	3.4
China Shanghai Comp	3,456.0	2.0	3.1
China Shenzhen Comp	2,051.9	2.0	4.8
Japan Nikkei 225	38,942.1	0.1	-2.4
Japan Topix	2,782.2	-0.9	-0.1
Britain FTSE 100	8,718.8	-1.4	6.7
Canada S&P TSX	26,566.3	nil	7.4
Euro area EURO STOXX 50	5,252.0	-0.3	7.3
France CAC 40	7,558.2	-1.3	2.4
Germany DAX*	23,498.3	0.8	18.0
Italy FTSE/MIB	39,319.1	-0.3	15.0
Netherlands AEX	917.9	0.1	4.5
Spain IBEX 35	13,811.8	-0.8	19.1
Poland WIG	101,221.0	1.3	27.2
Russia RTS, $ terms	1,124.3	0.6	25.9
Switzerland SMI	11,880.1	-0.7	2.4
Turkey BIST	9,418.5	2.4	-4.2
Australia All Ord.	8,779.9	0.3	4.3
Hong Kong Hang Seng	24,474.7	3.2	22.0
India BSE	82,755.5	1.6	5.9
Indonesia IDX	6,832.1	-3.9	-3.5
Malaysia KLSE	1,519.8	0.5	-7.5
Pakistan KSE	122,761.6	1.9	6.6
Singapore STI	3,926.0	0.1	3.7
South Korea KOSPI	3,108.3	4.6	29.5
Taiwan TWI	22,430.6	0.3	-2.6
Thailand SET	1,107.7	1.2	-20.9
Argentina MERV	2,024,392.7	-1.3	-20.1
Brazil BVSP*	135,767.3	-2.1	12.9
Mexico IPC	56,933.2	0.4	15.0
Egypt EGX 30	33,002.9	7.0	11.0
Israel TA-125	2,973.5	4.7	22.5
Saudi Arabia Tadawul	10,974.0	3.6	-8.8
South Africa JSE AS	95,311.3	0.3	13.3
World, dev'd MSCI	3,957.8	1.5	6.7
Emerging markets MSCI	1,211.8	1.5	12.7

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	100	95
High-yield	363	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

The Economist commodity-price index

2020=100	Jun 17th	Jun 24th*	% change on month	year
Dollar Index				
All items	133.7	131.9	-2.1	nil
Food	150.7	146.9	-3.9	3.1
Industrials				
All	119.6	119.5	-0.2	-2.9
Non-food agriculturals	122.6	120.7	-3.6	-11.8
Metals	118.8	119.2	0.7	-0.4
Sterling Index				
All items	127.1	124.5	-2.8	-6.9
Euro Index				
All items	132.5	129.8	-4.4	-7.9
Gold				
$ per oz	3,385.7	3,302.1	0.1	42.1
Brent				
$ per barrel	76.4	67.3	4.9	-21.5

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

- **Violeta Chamorro was a mother first, a ruler second**
  The woman in white :: The first female president of Nicaragua died on June 14th, aged 95

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The woman in white

Violeta Chamorro was a mother first, a ruler second

The first female president of Nicaragua died on June 14th, aged 95

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HER LIVING room was full of dark wood furniture, like a shrine. And that was what Violeta Chamorro intended. The walls were covered with photographs of her husband, Pedro Joaquín: alone, with the family, at work. A glass cabinet held one of his shirts; it was caked with blood. On display too, and bloodied too, were his glasses, the coins from his trouser pocket and the floor-mat from his car. The car itself, restored from the attack, was propped on blocks outside. It was a blood-red Saab.

They had been married for 27 years before, on January 10th 1978, he was shot dead. The order was presumably given by “Tachito” Somoza, the third in the line of dictators who had ruled Nicaragua since the late 1930s. As editor of *La Prensa*, the Chamorro family's highly respected newspaper, Pedro had ceaselessly attacked them. He was nothing if not persistent. He had kept chasing her even when she insisted she didn't like him, or his city ways (she being the daughter of a rancher). She refused to go to the beach with him, but reluctantly one day went with him to mass. He carved a heart into the pew. And it was entirely because of him that she became the first female president of Nicaragua.

She never had the least desire to go into politics, until he died. In macho Nicaragua a girl like her, educated at posh Catholic boarding schools (including in Texas and Virginia) did not need to bother her head about men's business. Her future when she married was to support her man and bring up children. And that was all Violeta wanted. Being married to Pedro also meant enduring long spells when he was jailed, tortured or exiled for his scathing editorials, but she learned to cope with that. When in the 1970s people began to discuss the Sandinista rebels, who were gathering to oust the Somoza regime, she assumed they were just another band of grumpy young socialists. Pedro was unimpressed for a grimmer reason: they were too Marxist. *La Prensa* was not much kinder to them than it was to the *somocistas*.

This meant that when, a year after his death, the Sandinistas swept into power, they were not her friends. At the start she joined the junta, a demure middle-class woman flanked by four scruffy men, but after nine months she said she was ill, and left. It was not quite a lie, because their Cuban-flavoured militarism made her sick. She would not be called "comrade". They also suggested, at one point, that she should help with the coffee harvest. What, her pick coffee? There were workers to do that kind of thing!

Besides, having taken over *La Prensa* now, she would not have her views dictated, as Pedro never would. During this decade, with Sandinistas locked in war with right-wing contra rebels, the paper was closed five times. Each time it sprang up defiant. Both it, and she, became symbols of resistance, though without any s*omocista* connection; so that when an eventual peace agreement mandated free elections in 1990, and four candidates lined up to oppose Daniel Ortega, the Sandinista president, she was suddenly the best bet: the martyr's widow. She won 55% of the vote.

So there she was, an elegant, silver-haired housewife, in charge of a devastated country. Not only a decade of war, but decades of despotism before it, had reduced its people to despair. Some 40% of the workforce was unemployed, and inflation was more than 13,000%. Since she did not pretend to know what to do, she handed day-to-day governing to her son-in-law, Antonio Lacayo, who patiently and astutely turned policy towards free markets. That improved things to some degree. She could assist by charming presidents in Washington to restore American aid. But her principal task as president of Nicaragua was to *be* Pedro; to bring about his dream of democracy, reconciliation and peace.

She did so with a mother's common sense. To her, rebels of any stripe were just boys; she would make them sit down and talk to Doña Violeta about what they really wanted out of life. Before a meeting with Salvadorean guerrillas she kindly sewed on a button for one of them. The contras, whose cause had been backed illegally by the United States, she also called *mis muchachos*, and persuaded them to disarm in exchange for houses and land. Automatic rifles from both sides were buried under concrete; conscription was scrapped, which reduced the army by more than half. Controversially, because she thought it would avert future violence, she left Sandinistas in charge of the army and police. She also freed from jail the men who had mown Pedro down.

Many people (mostly men) thought she was not up to the job. She strongly objected. She was Violeta Barrios de Chamorro; her family had already produced two presidents of Nicaragua; nobody governed her, and she made the first decision and the last. She had campaigned in white, and wore it later, for a reason: to show she was politically pure, and was dedicating herself to bringing Nicaragua, her family, lovingly together.

That task began at home. Two of her four children, Pedro junior and Cristiana, strongly supported the contras; the other two, Carlos and Claudia, were active Sandinistas (Carlos even running the official Sandinista paper, *Barricada*). She made sure they came to dinner with her most Sundays, leaving their politics outside. But she did not try to change their minds. At the end of her term she handed power graciously to Arnoldo Alemán, only the second time in Nicaragua's history that one elected president had succeeded another. In 2007, however, Mr Ortega and his gang of thugs returned to power. Pedro junior and Cristiana were expelled and in 2023 she too, now very frail, left for Costa Rica.

She was still the most popular public figure in Nicaragua. But she had not achieved anything on her own. Besides God, who illuminated her, and Antonio Lacayo, her mainstay, there was Pedro. Persistent as ever, he had advised her all through. Her photos of him and his bloodied relics gave her strength. After she stepped down, she placed among them her framed presidential sash. ■

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