

# The Economist

Inside the IRS mess

Trump is right on deep-sea mining

Luxuries Europe cannot afford

Bowel cancer and young people

MAY 3RD–9TH 2025

## THE TAIWAN TEST



**It's closer  
than you think**

# The Economist

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# The world this week

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The world this week

# Politics

May 01, 2025 01:00 PM



Following the victory of his Liberal Party in [Canada's election](#), Mark Carney, the prime minister, claimed a fresh mandate to negotiate with America over trade and security and said he would do so on “our terms”. Mr Carney and Donald Trump have agreed to meet soon. The Liberals fell just short of a majority, but it was still a stunning turnaround for a party that was 20 percentage points behind in the polls three months ago. Pierre Poilievre, the leader of the opposition Conservative Party, who was on course to become prime minister before the Liberals’ revival, lost his seat.

Two days before the election 11 people were killed when a man drove a car through crowds of people celebrating a Filipino festival in **Vancouver**. Police arrested the man, who has a long history of mental illness.

An election in **Trinidad and Tobago** was won by the United National Congress, returning the party to power for the first time since 2015. The government of the defeated centre-left People's National Movement was beset by economic problems and rising crime.

**Cuba** re-arrested two leading dissidents, José Daniel Ferrer and Felix Navarro, just three months after releasing them from jail in a deal that was brokered by the Vatican and the Biden administration.

**America** and **Ukraine** signed a long-awaited agreement that gives America access to [Ukraine's natural resources and critical minerals](#): easing a source of tension between the two countries. Details were sketchy, but the deal provides for a reconstruction fund for Ukraine. Scott Bessent, America's treasury secretary, signed the document for America and was unusually supportive of Ukraine, saying that it would boost a "peace process centred on a free, sovereign and prosperous" nation. He also said that no state or person who financed or supplied "the Russian war machine" would be allowed to benefit.

The **Vatican** announced that the conclave of cardinals to elect the next pope will start its deliberations on May 7th. Pope Francis's funeral at St Peter's Basilica was attended by more than 250,000 people, including scores of world leaders.

Electricity was gradually restored to Spain and Portugal after a widespread **blackout**: that affected both countries. Trains came to a halt, lifts got stuck and phones and computers went offline during the outage. The Spanish authorities ruled out a cyber-attack. Investigations into the cause of the blackout continue, but speculation has fallen on a possible lack of grid and storage capacity for renewable energy, which Spain increasingly relies on.

At least 25 people were arrested across **France** in connection with a recent series of attacks on prisons, including the firing of an assault weapon at Toulon's jail. The authorities say the trouble was caused by criminal gangs angered by a crackdown on drug-trafficking.

**Passports are not for sale**

The European Court of Justice ruled that **Malta** would have to end its golden-passport scheme, which grants Maltese citizenship, and thus rights in the European Union, to people who invest or buy property in the country. The court found that this amounted “to rendering the acquisition of nationality a mere commercial transaction”. Other EU countries offer golden-visa programmes that grant residence permits to investors, but these too have raised legal concerns.

The International Court of Justice began hearings on Israel’s legal obligations to allow humanitarian aid into **Gaza**. Israel stopped allowing aid to enter the strip on March 2nd. It claims this is to force Hamas to release the remaining hostages. The UN and aid agencies say food is running out, which Israel denies.

Ronen Bar, the head of the Shin Bet, **Israel’s** domestic security agency, said he would stand down from the job on June 15th. Binyamin Netanyahu has been trying to sack Mr Bar, who is in charge of investigating corruption allegations against aides of the Israeli prime minister. Mr Bar has accused Mr Netanyahu of ordering the Shin Bet to spy on anti-government protesters.

The head of the Israel Defence Forces said his troops struck “operatives” who attacked **Druze civilians** in Damascus. He said Israeli forces would hit Syrian government targets if such attacks on the Druze, a religious minority, continued.

At least 70 people died in an explosion and fire at Bandar Abbas, **Iran’s** biggest port. The interior minister blamed “non-compliance with safety precautions and negligence”.

The international Red Cross began escorting hundreds of unarmed Congolese soldiers and police from the UN base in Goma, the biggest city in eastern **Congo**, to Kinshasa, the country’s capital, which lies 1,600km (1,000 miles) to the west. Goma was captured by M23, a Rwandan-backed rebel group, in January. A South African-led peacekeeping force that had been fighting the rebels also began withdrawing from the region.

A national conference organised by **Mali's** junta decreed that General Assimi Goïta, the military leader who last seized power in a coup in 2021, be named president until 2030. The meeting also recommended suspending political parties and electoral politics until peace had been achieved in the country. Like fellow military regimes across the Sahel, Mali's junta is trying to quell jihadist attacks.



**Japan's** prime minister, Ishiba Shigeru, visited **Vietnam** (and the Philippines) where trade was top of the agenda. In Hanoi, Vietnam's capital, the Vietnamese prime minister, Pham Minh Chinh, said both countries would "uphold the global order of free trade". Many Japanese manufacturers assemble their products in Vietnam. Amid Donald Trump's trade war, diplomatic efforts have gathered pace in the region to strengthen ties. Japan hosted a top-level meeting with China and South Korea in March and Xi Jinping, China's leader, recently visited Vietnam.

Tensions remained high between [India and Pakistan](#) following the massacre of 26 civilians in Indian-controlled Kashmir in a terrorist attack that India says had cross-border involvement from Pakistan. Pakistan braced itself for India to retaliate through a military strike. The Pakistani government was also preparing to take legal action against India for suspending a treaty that distributes water from the Indus river to Pakistan.

Donald Trump signed more executive orders that crack down on **illegal immigration**, one of which directed the federal government to compile a list of “sanctuary cities”, or municipalities that enact policies to shield migrants from deportation. Meanwhile, the FBI arrested a judge in Wisconsin for allegedly trying to stop a man from being apprehended by immigration agents. The FBI claims the judge obstructed the arrest by allowing the man to escape by a side door. She will enter her plea to the allegation on May 15th.

## Trump 2: Judgment Day

Mr Trump marked the **100th day** of his second term in office with a speech in Michigan. The president said he had sparked a “revolution of common sense” and that opinion polls recording his waning popularity were “fake”. Mr Trump’s flurry of more than 200 executive actions include orders on tariffs, migration and diversity programmes, as well as this week, requiring that lorry drivers can read and speak English. The S&P 500 lost 7% of its value during Mr Trump’s 100 days, the worst start to a presidency since Gerald Ford’s in 1974.

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**The world this week**

# Business

May 01, 2025 01:00 PM

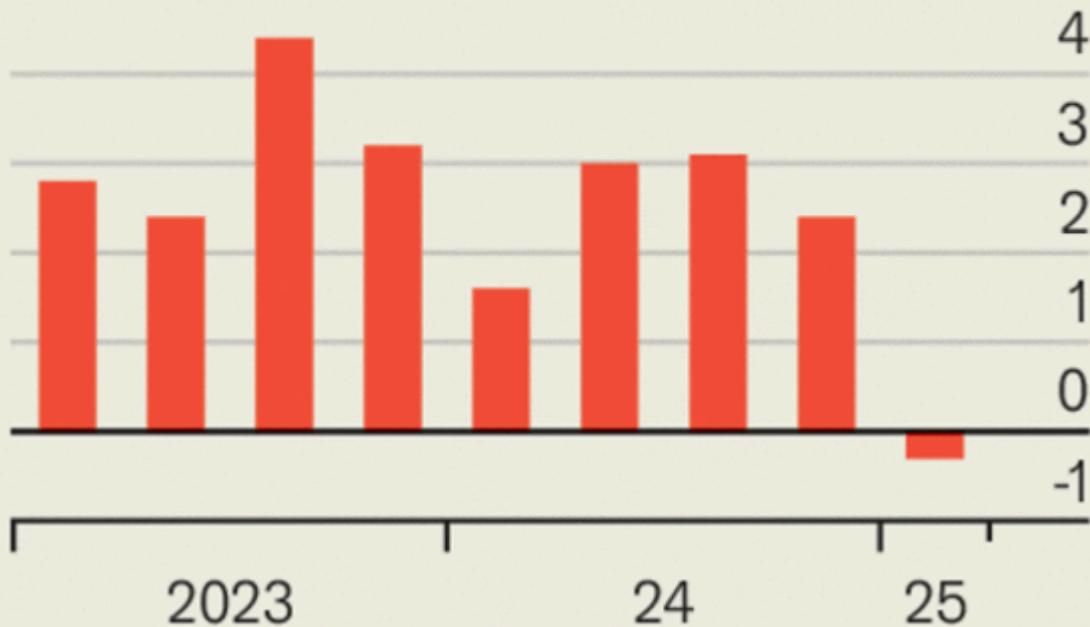


Donald Trump gave a little relief to a [car industry](#) left reeling by his tariffs on imports of vehicles and auto parts. The president signed one order giving carmakers a reprieve from import duties on aluminium and steel, so there is no “cumulative effect” in the tariffs they face, he said. A second order amends his 25% car tariff by allowing manufacturers who make vehicles in the United States with foreign parts to claim a rebate of 3.75% against the value of their sales, falling to 2.75% next year. Several carmakers, including General Motors and Stellantis, have pulled their profit guidance amid the uncertainty.

## The Trump economy

## United States GDP

% change on previous quarter, annualised



Source: BEA

**America's economy** shrank by 0.3% in the first quarter of the year at an annualised rate. The trade deficit swelled as companies rushed to build up inventories of foreign goods before tariffs came into effect. And government spending declined over the three months.

**Microsoft** brought some welcome cheer to investors by reporting solid earnings for the first quarter. Revenues rose by 13%, year on year, to \$70.1bn, and net profit increased by 18%, to \$25.8bn. Revenues from its cloud-computing division were in line with expectations, putting to rest for now market concerns of slower growth in the business.

**Meta** also published a set of bumper results for the quarter, with net profit up by 35%, to \$16.6bn. The company raised its estimate of how much it will spend on investing in data centres. Underlining Mark Zuckerberg's wish to ensure Meta leads its rivals in artificial intelligence, the company unveiled a stand-alone app to rival ChatGPT.

An American court referred **Apple**, and one of its managers, for possible criminal charges over the firm's attempt to wriggle out of an injunction requiring it to change its rules around in-app purchases. Apple said it "strongly disagreed" with the ruling.

At **Pirelli**, an Italian maker of tyres, the board of directors voted to remove the status of Sinochem, a Chinese state-owned conglomerate, as its controlling shareholder. Sinochem is Pirelli's biggest shareholder with a 37% stake, but two years ago the Italian government used legislation to limit Sinochem's influence. Italy's regulators gave Pirelli the option of changing its status. Pirelli's tyre-sensor technology is what's at stake. It fears being shut out of America because of its Chinese links.

First Light, a British **fusion-energy** firm, abandoned its plan for a reactor that would fuse heavy isotopes of hydrogen into helium, thus releasing energy. Its approach, one of more than half a dozen being tested to the same end by companies around the world, used projectiles fired from an electromagnetic gun to compress fuel-containing capsules to the point where the atomic nuclei therein would merge.

**Airbus** agreed to buy some factories from **Spirit AeroSystems**, which makes aircraft fuselage sections. The deal, which includes sites in North Carolina, France and Northern Ireland, secures a future for Spirit, an integral supplier to the aviation industry. The company used to belong to Boeing until it was sold off 20 years ago, but it struggled, despite adding Airbus as a customer. Boeing is buying back the rest of the business.

**Deliveroo**, a British food-delivery company that also operates in France, Italy and elsewhere, said it would probably recommend that shareholders accept a £2.7bn (\$3.6bn) takeover offer from **DoorDash**, the largest food-delivery platform in America, if the deal's other details are acceptable. It is the latest instance of consolidation in the low-profit industry.

## Investigating journalism

A presenter on CBS's "**60 Minutes**", America's premier current-affairs programme, told viewers that Paramount, CBS's owner, was supervising its content and that the show's top producer had resigned because he felt he had lost his independence. None of its stories has been pulled, but speculation has swirled that Paramount wants to ensure its merger with Skydance Media won't be torpedoed by the Trump administration because of its networks' political coverage. Meanwhile, Paramount was reportedly ready to settle a lawsuit brought by Mr Trump that accuses CBS News of underhandedly editing an interview with Kamala Harris, Mr Trump's Democratic opponent last year.

The recent turmoil that hit bond and currency markets proved to be a boon for **Deutsche Bank**, which reported its best quarterly pre-tax profit in 14 years. The German bank has now earned more in cumulative profits than it has lost over the past ten years; between 2015 and 2019 its losses were huge.

The **euro area's GDP** grew by 0.4% in the first quarter of 2025 compared with the last quarter of 2024, and by 1.2% year on year. German GDP expanded by 0.2%, quarter on quarter. The European Central Bank cut interest rates again recently, taking the rate on its deposit facility to 2.25%, amid concerns that a trade war would hurt the currency bloc's economy.

In a sign of the White House's sensitivity to the public's scepticism on tariffs, Mr Trump's press secretary described **Amazon's** reported plan to display the cost of import duties against products on its website as a "hostile and political" act. We have no such plans, Amazon hastily responded. Mr Trump called Jeff Bezos to smooth things over. He "solved the problem very quickly", said the president. "He did the right thing. Good guy."

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The world this week

# The weekly cartoon

May 01, 2025 01:58 PM



Dig deeper into the subject of this week's cartoon

[Donald Trump is creating chaos at the IRS](#)

[Donald Trump hopes to become a one-man deregulator](#)

[Who will stop Donald Trump's drive for unchecked power?](#)

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

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# Leaders

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The showdown

# A superpower crunch over Taiwan is coming

*China has a new chance to call America's bluff*

May 01, 2025 02:42 PM



**RELATIONS BETWEEN** America and China are at a low ebb. Tariffs of well over 100% on both sides have severed trade. Each is striving to dominate 21st-century technologies such as artificial intelligence (AI). A massive military build-up is under way. In the previous cold war such rivalries came to a head over flashpoints like the Berlin airlift and the Cuban missile crisis. Today American resolve is likely to be tested over Taiwan—and sooner than many think.

China claims Taiwan as its own and says that it is prepared to invade, especially if Taiwan declares its independence. But Taiwan wants to continue as a self-governing democracy. America reconciles this contradiction with precarious ambiguity. It works to prevent Taiwan from formally breaking away, even as it opposes the use of force to resolve the dispute and sells Taiwan weapons without guaranteeing its security.

**Read our cover package on Taiwan:**

- [Chinese military exercises foreshadow a blockade of Taiwan](#)
- [Can China sap a divided and isolated Taiwan of its will to resist?](#)
- [Any Chinese curbs on Taiwan's trade would carry big economic costs](#)
- [The terrible secrets of Taiwan's Stasi files](#)

In recent years, this stand-off has become ever tenser. The past three presidential elections in Taiwan have been won by the Democratic Progressive Party (DPP), which leans towards independence. Since 2010 the island's economic importance has soared as a local firm, TSMC, has come to dominate the manufacture of advanced semiconductors, including those for AI. China's defence spending has tripled in current dollar terms, eroding what was America's decisive military edge in Asia. Strategists in America cling to the hope that, so long as their country can credibly signal it might fight, China's president, Xi Jinping, will defer his lifelong goal of unifying China. A war over Taiwan would be a catastrophe: why would Mr Xi rush to bet his legacy and the future of the Communist Party on an invasion that could go disastrously wrong?

Today, three factors have thrown all that into further doubt. First, under Mr Trump America is losing its deterrence. The president and his hawkish supporters talk about peace through strength. They portray his trade war and his pivot away from Europe as evidence that he is putting America's rivalry with China at the heart of his foreign policy.

Unfortunately, the trade war is having the opposite effect. In 2024 Mr Trump said that if China tried to invade Taiwan he would impose tariffs: "I'm going to tax you, at 150% to 200%." Today tariffs are at 145%. America has shot its bolt. The trade war is about who can take the most pain

and that is a fight China will fancy [it can win](#): Protectionism is also harming America's allies. Taiwan faces a levy of 32% and Mr Trump is pressing TSMC to shift plants to America. Australia, Japan and South Korea face tariffs and demands to decouple from China, a large trading partner. No Asian country is about to break its security alliance with America: none has an alternative, as [our interview](#): with South Korea's outgoing prime minister explains. But countries will be even more queasy about being dragged into a fight over Taiwan.

Second, new Chinese plans for Taiwan sidestep the all-or-nothing gamble of an outright invasion. China continues work on seizing the island by force. The recent "[Strait Thunder](#)." drills surrounded it with 38 naval ships. Yet China is also rehearsing novel, more severe "grey-zone" tactics that fall short of outright war. Top of the list are temporary quarantines and customs inspections of ships in Taiwanese waters, using China's vastly expanded coastguard force.

China's aim would be to undermine Taiwan's sovereignty and sow doubt among its citizens that America would be able or willing to come to their aid in an invasion. Many private commercial shipping firms might comply with a quarantine. International criticism of one may be less strident, following a Chinese diplomatic campaign since 2023 that has led 70 countries to support "all" efforts at reunification, creating cover for anything from inspections to invasion.

China's grey-zone tactics are designed to exploit the third factor, which is the [chronic dysfunction of Taiwan's politics](#): While few Taiwanese want to be part of a communist-run China, their politics suffers from a toxic blend of polarisation and complacency. Since elections last year, Lai Ching-te, the president, has shared power with a parliament run by the mainland-appeasing KMT and a new third party backed by young Taiwanese disillusioned with the DPP. The resulting gridlock prevents Taiwan from taking decisive measures to raise its defence spending, cut its reliance on imported energy, or prepare for a crisis. Mr Lai's efforts to crack down on Chinese infiltration have backfired, amplifying polarisation.

These factors could power a harmful feedback loop inside Taiwan, even if Mr Trump climbs down over trade. If America weakens its commitment to

defending Taiwan, then Taiwan may lose the resolve to resist. And if Taiwan is not prepared to defend itself, America will be less likely to come to its aid. The risk is that this creates a trajectory in which Taiwan gradually comes under China's sway without a shot being fired. True, Mr Trump could choose to escalate at any point. But rather than risk a nuclear war with China, he may let the island slip away or make a deal that, in effect, gives it up.

What would this mean? It would be a disaster for Taiwanese democracy. In time Taiwan might even elect a government sympathetic to China. There would also be a panic over Western chip supply. It would not necessarily end American dominance of the Pacific. But a huge amount of work would be needed to renew it. The People's Liberation Army could free up resources, giving it greater reach. America's armed forces would have to move from their current posture defending the first island chain, close to China, to the second island chain linking Japan and Guam. Allies in Asia would need new economic and military treaties if they were to be reassured. Without this they might acquire nuclear weapons.

Mr Trump wants to project strength. His protectionism and toughness with allies are supposed to make America great, but they are weakening its ability to protect Taiwan. That contradiction will not go unnoticed in Beijing. Not long ago it made sense for Mr Xi to think he should wait to wrest control of Taiwan. He may now conclude that he has an opportunity upon which he must act soon, before it goes to waste. ■

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**Wishful thinking**

# Investors' risky bet: they can shrug off the trade war

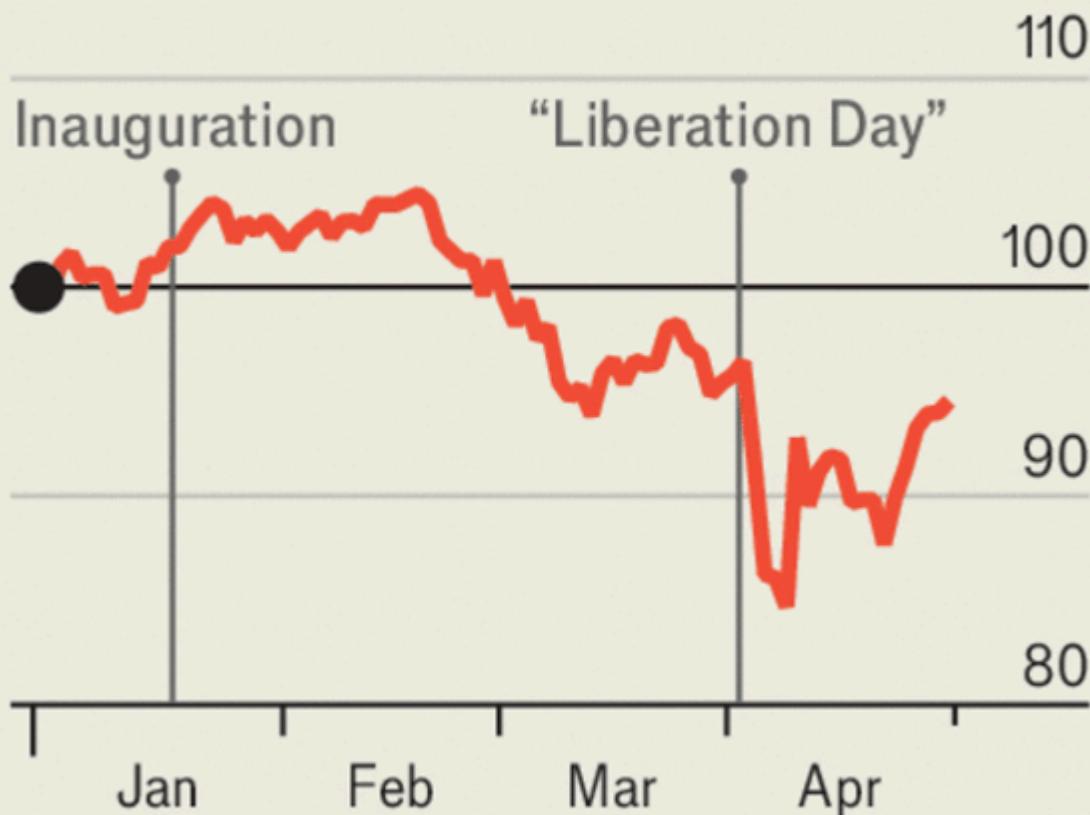
*The relief they are banking on needs to come fast*

May 01, 2025 02:42 PM



AFTER A MONTH of tumult, investors in American stocks are making peace with the [trade war](#). The S&P 500 index is down by just 2.4% since Donald Trump issued his “Liberation Day” proclamation. Stocks are still about 10% below their all-time high in February, when investors expected the administration to do little except cut regulations and taxes. But they are not pricing in a recession, let alone a trade catastrophe. Analysts expect annual earnings growth of 12%; stocks are almost where they were before Mr Trump was elected.

## S&P 500, January 1st 2025=100



Source: LSEG Workspace

- [Why China has the upper hand in its trade war with America:](#)
- [America may be just weeks away from a mighty economic shock:](#)
- [Don't blame imports for the fall in America's GDP](#)

Investors are being too sanguine. The tariffs America and China continue to levy on each other are so high that they amount to a near-embargo between the world's two biggest economies. Mr Trump's swinging "reciprocal" levies on most of the rest of the world have been postponed, not cancelled. China's export orders are down and bookings for container ships to America have plunged. Businesses say they are cutting investment and consumers are increasingly fearful of unemployment and inflation.

The argument for a market rebound rests on three ideas. The first is that, notwithstanding an annualised contraction of 0.3% in the first quarter, official data have yet to register the economic slump suggested by surveys. Second, markets now expect the Federal Reserve to cut interest rates by nearly a percentage point this year, which would boost growth and raise the discounted value of future profits. Third, and most important, Mr Trump's commitment to protectionism always seems to crumble under pressure. The latest climb-down came on April 29th, when he eased the 25% tariffs on cars and parts due to come into effect on May 3rd by, for example, exempting cars from other duties.

These justifications for a recovery are brittle. It will take another month or so for America's economy [to feel the impact](#) of reduced trade with China. Importers stockpiled goods in advance of the tariffs, and ships take weeks to travel from China to America, meaning that the effect of cancelled shipments lags behind. If the shock does hit, it will severely disrupt goods supply chains and collapse demand for trade-related services such as haulage. Americans could see empty shelves.

Interest-rate cuts will not do much to prevent this. They can limit falls in consumer spending and investment, but they cannot mend supply chains or replace missing goods any more than they could stop covid-19 lockdowns in 2020 or energy shortages in 2022. In fact, too much stimulus at a time of shortages would be harmful, because it could worsen their inflationary effects—as the pandemic showed.

The case for bullishness therefore rests on tariffs being lowered. Although Mr Trump looks increasingly likely to back down in the face of market discipline and plunging approval ratings, it is hard to gauge his pain points. On April 22nd he boasted that he had already struck 200 trade deals, but there is little evidence for his claim. And even if he agrees to a big reversal, duties on China are unlikely to return to their previous level. America already has general tariffs of 10% and could end up by imposing something close to the 60% that Mr Trump promised for China during the campaign. That would still be worse than many anticipated and cause severe disruptions to trade.

Not all investors are calm. The dollar has fallen more steeply than the stockmarket, and outflows from foreign-based American equity funds form part of a “buyers’ strike on US assets”, according to Barclays, a bank. The strongest demand for stocks seems to be coming from retail investors in America, who like to “buy the dip”. Some of them could be allowing their investment in Mr Trump at the ballot box to cloud their financial judgment. If their faith is to be rewarded, Mr Trump’s climb-down will have to come soon. ■

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A neighbourhood nightmare

# India must prove Pakistan's complicity in the attack in Kashmir

*It would then have every right to strike back*

May 01, 2025 02:42 PM



AFTER TERRORISTS brutally killed 26 men in Jammu & Kashmir on April 22nd, Narendra Modi, India's prime minister, did not mince his words. Breaking into English—a rarity—he warned: “India will identify, track and punish every terrorist and their backers.” The [attack](#) was the worst strike against tourists in Kashmir since an insurgency started in 1989 against Indian rule over the territory, which is claimed by both India and Pakistan. It was the deadliest in the Muslim-majority region since a suicide-bomb targeted paramilitary forces in 2019. This time the gunmen ensured that almost all their victims were Hindu by forcing them to give their names, and seeing if they could recite Islamic verses, before killing them.

On April 27th the Indian navy [responded](#) with long-range missile drills. India has expelled several Pakistani diplomats and suspended the Indus Water Treaty, signed in 1960 between the two countries. India and Pakistan have exchanged fire over several nights. Further confrontation looks likely.

- [India and Pakistan are bracing for a military clash](#):
- [Tensions soar as India weighs how to hit Pakistan](#)
- [India and Pakistan could come to blows over Kashmir](#)

Mr Modi has every right to retaliate against militant extremists for the killing of Indian citizens, but he needs to keep India's broad interests in mind. His aim should be to bring justice and to restore deterrence, but not to escalate the decades-long animosity between two nuclear powers into a fight that would threaten the region and the world.

The first requirement for retaliation is evidence. Local police are searching for two Pakistani men and one Indian man. The Resistance Front (TRF), a group that initially claimed the attack on social media only to deny responsibility later, alleging that it was hacked, was founded in 2019 after Mr Modi's government revoked Jammu & Kashmir's semi-autonomous status. TRF was declared a terrorist group by Mr Modi's government in 2023.

India's government also alleges cross-border involvement from Pakistan. Some in the country's intelligence circles claim that TRF is a front for Lashkar-e-Taiba (LeT), a Pakistan-based armed group behind the attacks in Mumbai in 2008, in which nearly 170 people were killed. LeT does indeed have long and well-established ties to Pakistan's intelligence services, but India has yet to provide public proof of its link to TRF.

The second requirement is for any retaliation to advance India's aims. After similar attacks in 2019 and 2016, India conducted air strikes or sent ground troops into Pakistan-administered Kashmir. Mr Modi vowed to bring peace to Kashmir by taking direct control in 2019. He may not just feel bound to acknowledge calls for revenge, but as a strongman leader he may also see a chance to confront Pakistan.

However, even if India intends a military confrontation to be limited, it could escalate. Pakistan has already destroyed an Indian drone. Its defence minister has warned of an imminent military strike by India. In 2019 an Indian jet was shot down in Pakistani territory. Pakistan returned the pilot unharmed a few days later. This time the government in Pakistan may be less accommodating. General Asim Munir, the chief of the army which, in effect, controls the country, could exploit a tit-for-tat response to distract from his problems at home. Once an escalation has started, it would be hard to stop.

Until India has established who was behind the attack, it should therefore exercise restraint. Targeted strikes on militants would be justified, but broader attacks on Pakistani military bases, without clear evidence of the army's complicity, would not be. India also has more options that stop short of war. It should publish evidence about the perpetrators to shame Pakistan and it could, for example, try to disrupt the \$7bn bail-out promised to Pakistan last year by the IMF. Its suspension of the water treaty is less drastic than it sounds; it is not about to divert lots of water. Still, it sends a message that Pakistan would benefit from having more constructive relations with its neighbour.

Whatever he does, Mr Modi should be thinking about the long term. For India, as it assumes a more expansive role as the leading power in South Asia, Pakistan is a distraction. A regional war would frustrate India's plans to profit from the trade dispute between America and China. Indeed, the attacks may have been timed to coincide with the visit to India of J.D. Vance, America's vice-president.

Rather than risk a fight today, India would do better to continue modernising its armed forces. That may not only deter Pakistan, but also advance its interests against China. In the long run, India's real regional rival is not to be found in Islamabad, but Beijing. ■

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The price of public decay

# Britain's social contract is fraying

*But a patch-up job would be cheaper than politicians think*

May 01, 2025 01:35 PM



LODGED INCONGRUOUSLY on the metal cladding of an office block in the City of London, a blue plaque marks the birthplace of Thomas More. In 1516 he published “Utopia”, sketching out a vision of free hospitals, compulsory schooling and full employment—a forerunner of sorts to the welfare state. Nearby, blue plaques of a different kind are spray-painted on the flagstones of London’s pavement. A cack-handed publicity stunt by the local police, each commemorates a spot where a Londoner’s phone was recently stolen.

The competing plaques capture the gap between aspiration and reality in Britain. Eventually, More’s intellectual descendants brought some of his better ideas to fruition, building modern welfare states across the rich

world. But underpinning the ever-higher taxes this arrangement demanded was a deal: the state would provide a safe, orderly public realm and run broad, universal services to a high standard. Increasingly, the British state is reneging on its half of the bargain.

Police forces have stepped back from dealing with petty crime: shoplifting has occupied over the past decade; a well-oiled network ferries stolen phones to shopping malls in Shenzhen within a fortnight. Prosecution rates have plummeted and the prisons are full. The National Health Service (NHS) rations care, with waiting-lists running into the millions. Roads are crumbling faster than local councils can fix them.

Behind each of these woes lies a shift in the priorities of the state, which has slowly been reshaped over the past decade or two. Years of feeble economic growth and yo-yoing austerity have led to a country-size triage operation. Urgent needs are still met, but only by neglecting the day-to-day basics that keep the governed consenting. This “state of last resort” stretches from the NHS to the asylum system, but is starker in [street-level services and policing:](#).

Frustrated councillors struggle to convey that the bulk of local taxes goes to social care (two-thirds of local-government spending alone, up from half in 2010), special-needs schooling and temporary housing—not bin collections, libraries or potholes. The neediest deserve help, obviously, but the combination of expensive services for the least-fortunate few, which councils are often legally obliged to offer, and cuts to universal services is democratically precarious.

One result has been a boom in private substitutes for state services, a warning sign of the unravelling social contract. Private policing is now a lucrative business; shops have doubled their security budgets in the past few years. Housing and commercial developments now often provide their own upkeep and security. Despair with the NHS has fuelled demand for private health insurance. All this amounts to a sort of double taxation, charging for a duplicate “state” that actually works. Sometimes private alternatives offer welcome choice, as in education or health. But privatising access to public goods like safe and clean streets is more troubling.

What can politicians do? Poor services make Britons glum about politics and drive voters away from both main parties. A few well-judged tax rises, like broadening the VAT base, might help, but the tax burden is already at record highs. A country with an ageing population and slow productivity growth will inevitably be in the business of rationing.

That means politicians should be clear about the trade-offs they face. The good news is that setting the streetscape right is far simpler than sorting out the mess in gargantuan bureaucracies like the NHS. Emptying bins and filling potholes is fairly cheap. The government spends only a few million pounds on its anti-shoplifting police unit, and even that had to be seed-funded by a consortium of exasperated retailers. Costless regulatory tweaks would help, too. Utility companies too often tear up roads without proper repaving, because the fine they pay, capped at £2,500 (\$3,300), has been inflated away; the cap should be raised. Still, the extraordinarily expensive legal duties foisted on councils must also be rethought. Spending on areas like education and transport for special-needs children is, in effect, ring-fenced and rising fast, gobbling up budgets.

## Pressure-washer politics

The previous government’s “levelling up” agenda contained a kernel of this thinking. But the Conservatives’ policies were muddled by grandiose notions of nationwide economic rebalancing. They mistakenly favoured eye-catching new building projects over the day-to-day business of safeguarding and prettifying the public realm.

Sir Keir Starmer’s Labour government won’t vanquish populism just by filling potholes and clearing graffiti. But visible decay is politically corrosive, as the campaign for the local elections held on May 1st has shown. It is time to take out the pressure washer and start cleaning up. ■

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Race to the bottom

# Donald Trump is right to go after metals in the deep sea

*Environmentalists should push the UN body that governs deep-sea mining to pass regulations to allow it*

May 01, 2025 02:42 PM



ALMOST A LEAGUE beneath the Pacific Ocean lies a treasure trove: 270m tonnes of nickel and 44m tonnes of cobalt. It got there particle by particle over millions of years, drifting down to form metallic lumps called nodules. These sit in a 4.5m-square-kilometre patch of seabed called the Clarion-Clipperton Zone (CCZ), 800km south-east of Hawaii, and can be collected using a robot that is part combine harvester and part vacuum cleaner. The metals [could help](#) meet long-term demand during the energy transition from fossil fuels, while reducing the human suffering and

ecological damage that accompanies the mining of cobalt and nickel on land.

In 1994 a UN agency called the International Seabed Authority (ISA) was set up to manage the seabed in international waters for “the benefit of humankind as a whole”. It is a model for regulating other places, including the Moon. The ISA should have helped nodule collection to proceed in an orderly way, but under pressure from conservationists the agency has behaved more like a mechanism to block all exploitation. On April 25th President Donald Trump ordered government agencies: to prepare to start issuing “commercial recovery permits” for areas of the seabed outside American jurisdiction, including in the Pacific, simply bypassing the ISA. The Metals Company, which owns a concession in the CCZ through its sponsor nation, Nauru, is at the front of Mr Trump’s deep-sea queue.

- [A Trump executive order will unleash a global deep-sea mining boom:](#)
- [Deep-sea mining may soon ease the world’s battery-metal shortage](#)
- [China is itching to mine the ocean floor](#)

Cue outrage from environmentalists keen to protect the unique organisms that live in the CCZ at almost any cost. They observe that the deep sea is one of the last places on the planet not yet directly exploited by humans. Mr Trump is as unlikely to care about all those exotic creatures as he is about ignoring the UN: what matters to him is the security of America’s metal supplies. But even on environmental standards alone, there is a case to think that he is right to go after the nodules.

There is a strong argument that deep-sea collection will be better for the environment than mining on land. It will cause the release of less carbon dioxide and it will do less harm to rare species and precious habitat. Even if you dispute this, the longer the ISA stalls over rules to govern nodule collection for the benefit of all, the higher the risk that countries follow Mr Trump’s lead and go ahead without the agency’s say-so. That could trigger an unregulated rush to exploit the very ecosystem the environmentalists seek to protect.

When the ISA meets at its headquarters in Jamaica in July, members such as France, Norway, Canada and Britain, all of which have an interest in deep-sea mining, should agree on the best version of the mining code they can manage. This will not be perfect, and plenty of environmentalists will object, but it will allow mining to start on better terms than if Mr Trump's race to the bottom is the only game in town.

Compared with, say, mining in the Democratic Republic of Congo, activity on the seabed is straightforward to monitor. Any scientist with a few million dollars can send a camera down to investigate. As deep-sea collection proceeds, it will generate data that let ISA members tweak the rules. If the ISA does publish regulations that allow commercially viable nodule collection, then the United States should abandon Mr Trump's end-run and come back into the fold.

Leticia Carvalho, a Brazilian oceanographer, is the ISA's latest boss. She says the ISA retains "sole jurisdiction" over the international seabed. However, if the ISA and its members want to exert any influence, it is time for them to stop behaving like dogs in a manger. ■

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# Letters

- **[The IMF's planned new loan to Argentina](#)**

A selection of correspondence :: Also this week, companies' cash piles, Britain's tabloid politics, well-being at work

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A selection of correspondence

# The IMF's planned new loan to Argentina

*Also this week, companies' cash piles, Britain's tabloid politics, well-being at work*

May 01, 2025 02:30 PM



Letters are welcome via e-mail to [letters@economist.com](mailto:letters@economist.com)  
[Find out more](#) about how we process your letters.

## A sorry history of debt

As a former “hold-out” creditor of Argentine debt (class of 2001 default), I find it lamentable that [you endorsed the IMF's planned new loan to Argentina](#) (“Time to bail out a serial deadbeat”, April 5th). The loan is evolving into a Ponzi scheme with one actor, the IMF itself.

Argentina's playbook over the past 30 years has been to mount a charm offensive every few years following a default with a reform-minded new president promising "root and branch" reforms. The reforms inevitably stall, and are eventually reversed because of the acute and widespread economic and social pain that accompanies their implementation.

This script, followed by past "reform" presidents, such as Carlos Menem and Mauricio Macri, seems to be the game plan of the administration of Javier Milei, albeit with the best intentions. It is no secret that Argentina's deeply entrenched institutional and economic rot accumulated over decades of Peronist economic mismanagement. Corruption requires more than one election cycle to eradicate, as Argentina's deregulation tsar, Federico Sturzenegger, acknowledged last year.

The IMF, and the Trump administration, should resist this latest charm offensive, at least until after Argentina's mid-term elections, which are scheduled for October.

Ira Sohn  
Emeritus professor of economics and finance  
Montclair State University  
*Upper Montclair, New Jersey*

### **What would Franco think?**

I enjoyed your article on Vox, a hard-right Spanish party, and its young political base ("Battle on the right", April 19th). However, I was struck by your caption accompanying a picture of young Vox supporters that said "Franco would be glad". This underestimates the big differences between the dictator and Vox. After Spain's successful democratic transition, Francisco Franco's supporters could no longer thrive and have been in decline ever since. There is nothing that his few remaining adherents hate more than being associated with Vox, which they think is a pro-bourgeois, liberal-capitalist party and a defender of the parliamentary system entirely detached from the revolutionary spirit. Although it is true that recently reactionary forces in Vox have prevailed over the more open-minded ones, core divergences still remain. Rather than glad, Franco would be repelled.

Tomás Espuny Carreño  
*Washington, DC*

## Cash is king

Schumpeter wrote about [companies that pile up cash as a buffer against turmoil in the stockmarket](#) (April 12th). The assumption that excess cash reflects poor capital allocation depends heavily on how opportunity is framed. Using short-term measures, like return on equity or stock performance over the past five years, says little about the quality of future investment opportunities or the wisdom of staying patient.

Holding cash is not a failure to act. It can be a strategic decision to avoid mediocrity. Great investments are rare. When capital is abundant and ideas are scarce, its forced deployment often leads to subpar outcomes. Investors such as Warren Buffett have long emphasised the importance of waiting for those rare, high-conviction moments to invest. Cash is not dead capital, it's a reservoir of optionality.

It is also misleading to compare Berkshire Hathaway's cash position to that of Novo Nordisk or Nvidia. Each company faces a different set of current and future opportunity costs. Nvidia may rightly be reinvesting aggressively, given its exceptional high prospects for return on investment today. Berkshire, by contrast, is navigating a more constrained opportunity set and acts accordingly.

Finally, stock buy-backs create value only when shares are repurchased below intrinsic value. Novo Nordisk and Nvidia may have delivered strong returns, but repurchasing shares at historically high price-to-earnings multiples is hardly an example of disciplined capital allocation.

Georg Wecken  
*Berlin*



## **Read all about it**

I read your piece on how the [British government sounds like a tabloid newspaper](#) (“Your super soaraway Starmer”, April 12th). Here is the nub of a speech by Sir Keir Starmer in mid-March:

“Change. Because we’re in a changing world. You can feel it everyday... on the lives of working people. Particularly at the moment globally... Developing before our very eyes...And you’ve seen the developments... like a chokehold on our future. The goal of my Plan for Change...securing the future through our Plan for Change...that is the beginning of the delivery we need ...Tearing down the walls in Westminster. Inviting the British people in as partners in business of change.”

Deep Sagar  
*Berkhamsted, Hertfordshire*

## **Company health care**

I read Bartleby’s [column on corporate wellness](#) with amusement and in agreement (April 12th). Yes, many programmes are more about theatre than

therapy. Yes, some employees will eat anything if it's free. And yes, companies want to enhance staff who "are plainly not all operating at their full potential".

But the punchlines obscure a serious point. In America, stress-related illnesses cost businesses hundreds of billions of dollars a year. At the same time, companies often foot the bill for employees' health care. That makes real wellness, when it is done right, not a perk but a business imperative. A paper by researchers at Harvard University found that for every dollar spent on staff wellness, medical costs decreased by \$3.27 and absenteeism costs fell by \$2.73.

Corporate wellness isn't a fad. It's a missed opportunity waiting to be seized.

Andrew McConnell  
Chief executive  
Alively.com  
*Atlanta*

One part of the memo from Ernest Fadd, Bartleby's "director of high performance", is spot on. Employee malnutrition does cause fatigue, especially in farms and factories in Africa and Asia, where the work is much more gruelling than in the office. Company nutrition programmes are good for the health of employees, mostly young women, who get nourishing meals at work. And they are good for companies' bottom lines through less absenteeism, lower staff turnover, fewer accidents and more productivity.

Dr Lawrence Haddad  
Executive director  
Global Alliance for Improved Nutrition  
*Brighton*

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## By Invitation

- **Trump's revolution is the only way to save America, says the architect of Project 2025**

Trump's first 100 days :: Paul Dans argues that the system needed smashing and rebuilding

**Trump's first 100 days**

# Trump's revolution is the only way to save America, says the architect of Project 2025

*Paul Dans argues that the system needed smashing and rebuilding*

May 01, 2025 12:59 PM



WE MIGHT ALL be able to agree on one thing at least. The [past 100 days](#) have been the most consequential in modern American presidential history, save perhaps those of Franklin D. Roosevelt's first term. The very idea of 100 days as a presidential metric comes from Roosevelt's whirlwind enactment of New Deal legislation. The first 100 days of President Donald Trump's second term are the appropriate coda to FDR's. Mr Trump closed the book on FDR's 90-year progressive era and ushered in the "Golden

Age” of populism: out with New Deal and in with the Real Deal. What does it mean to get real? Simply putting America’s interests first.

To outsiders, particularly [Europeans](#), anxious to understand what Trump 2.0 portends: remain calm; there is a method here. Mr Trump has embarked upon a great restoration of America. The nation needs first to get back on its feet in order to remain the world’s beacon of freedom and democracy. The system is broken. A builder, Mr Trump knows that the initial phase of any renovation is demolition. Like popcorn ceilings and formica countertops, many of the progressive additions to America’s government are today retrograde and need to be pulled down. How will the American left impede Mr Trump? Recall that FDR threatened [court-packing](#) to cajole the judiciary to bless his progressive form of government. Mr Trump’s team must now square off with the votaries of that scheme to undo it.

Like FDR, Mr Trump entered the Oval Office with America on a collision course, his only option being to move quickly and forcefully. For those opposed to reform, consider the status quo. The federal budget in 2025 is a \$7trn behemoth. Some 40% larger in real terms than just ten years ago, today’s budget comes in with a deficit conservatively forecast at \$1.9trn and gross national debt of \$36trn, clicking up another trillion dollars about every 100 days. Annual debt service exceeds the Department of Defence’s budget. But what exactly does the American citizen get for \$7trn? A country falling apart and potentially unable to defend itself.

Supply shocks from covid-19 underscored the strategic danger of a hollowed-out industrial base in the 21st-century global economy. Next came depletion of weapons stocks during the Ukraine war, raising concerns that we might no longer be able to defend ourselves because we lack productive capacity. America may lead in innovation and intellectual property, but what about good old-fashioned gunpowder? We have a single factory in all of America that produces it. And steel and heavy industry? Following a push under Barack Obama’s Environmental Protection Agency, America dismantled many of the coal- and nuclear-power plants required to sustain the electric load needed to power that production. How can a country serve as the arsenal of democracy when it takes seven years to restock the stinger missiles sent to Ukraine?

On the home front America is equally troubled: infrastructure crumbles, migrant flows exhaust public resources and stoke violent crime. Each year, in the order of 100,000 Americans perish from fentanyl and other drug overdoses, more than all the American soldiers who died in Vietnam. The list goes on.

So let's get real here. The \$7trn is not serving the American people, but rather those who serve themselves from government largesse, including many around the globe. To make America run again, its government needs to be restored to one of, by and for the people, not a cadre of unelected, revolving-door bureaucrats. A renovation of government in accordance with its original constitutional architecture is required. As Elon Musk remarked, Mr Trump is not a threat to democracy, but a threat to bureaucracy. The "threat" posed is the promise of transparency and accountability.

America's constitution envisions three branches of government: legislative, executive and judicial. FDR created a fourth, the administrative state. The constitution provides "[t]he executive Power shall be vested in a President". The investiture is exclusive to the president, not reposed in a committee of presidents, nor an agency "independent" of presidential control. The buck is supposed to stop on the president's desk. An agency independent of the president is one independent of the people—that is, unaccountable. That's not democracy.

To thwart Mr Trump and preserve their elite system, progressives are retreating to make their final stand through an activist judiciary. Historically courts preserved their own legitimacy by abstaining from political questions decided by the other two branches of government. District courts have now crossed this red line and stepped into a constitutional minefield, imposing their political views on issues that are clearly the province of the executive.

Mr Trump learned the hard way that the activist judiciary is powered by universities and Big Law. Over the past 20 years the American left seized near-complete control of these institutions and systematically hounded out conservatives from their ranks, squelching viewpoints held by a majority of Americans. Ask why Harvard and Columbia do not send their most MAGA professors as emissaries to the White House to plead over grant cuts? Because they have none. Big Law, for its part, abused the legal profession

by funnelling its profits into partisan lawfare under the guise of pro bono advocacy. Why don't the MAGA partners of Big Law stand up in defence of their firms? Same answer: they don't exist. By confronting these liberal citadels, the Trump administration has wisely cut off the supply lines to the activist judiciary.

How does this all play out? Will Mr Trump rebuild an America First skyline or will the malaise of the status quo win out? My bet's on Trump the builder.■

*Paul Dans led Project 2025, the presidential transition plan for Donald Trump's second term, while at the Heritage Foundation. He left the think-tank in July 2024.*

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# Briefing

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- **Can China sap a divided and isolated Taiwan of its will to resist?**  
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A darker shade of grey zone

# Chinese military exercises foreshadow a blockade of Taiwan

*The Trump administration's fickleness is adding to the island's anxieties*

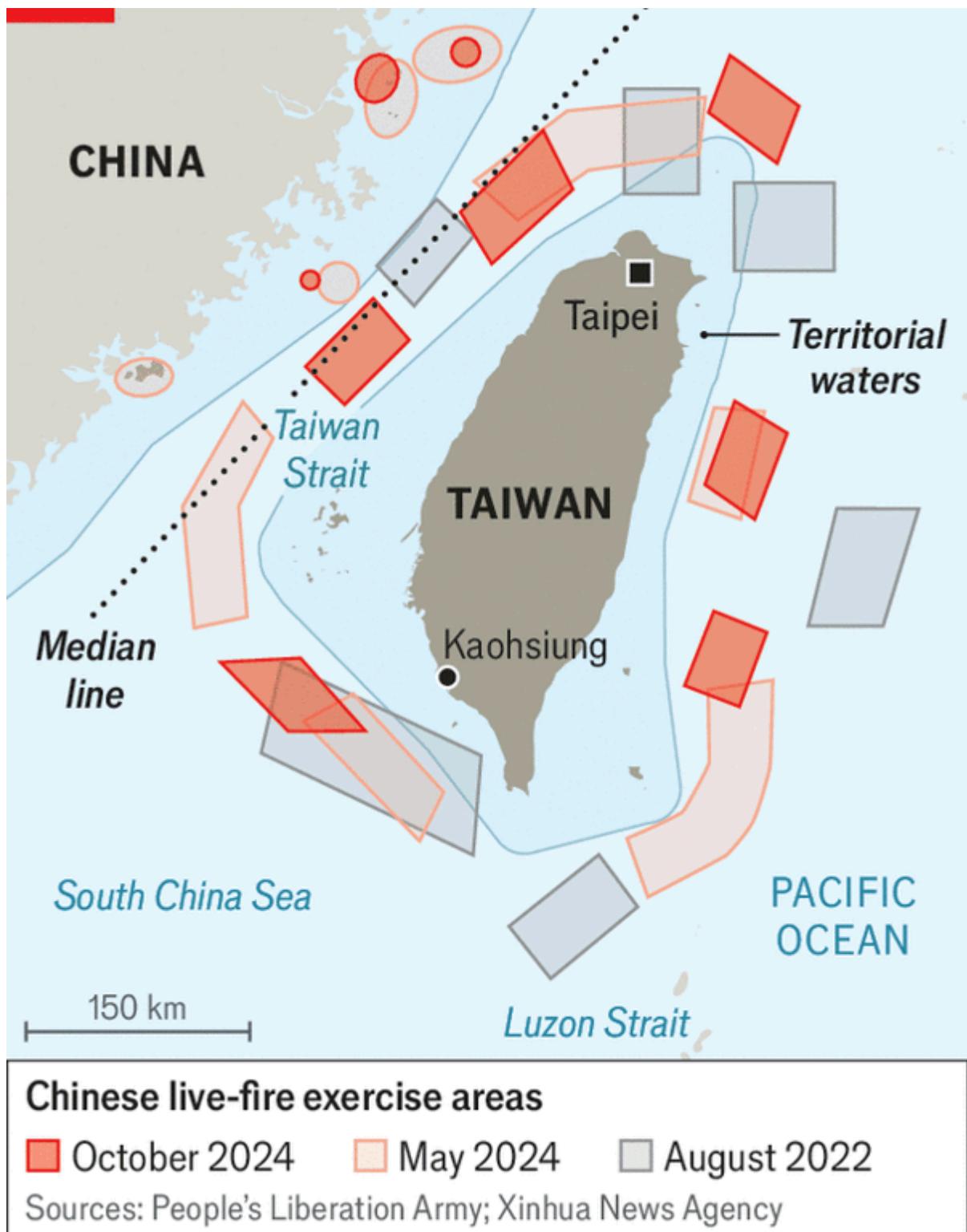
May 01, 2025 01:00 PM | TAIPEI



SOMETIMES THE only answer to China's frequent threats to invade Taiwan is dark humour. At the National Palace Museum in Taipei guides tell visitors that the collection of imperial treasures, taken from the mainland when the defeated Nationalist regime fled to Taiwan in 1949, makes it one of the safest places on the island. "China covets our collections so they would never bombard this place," says one.

The joke captures a growing sense of foreboding. China's military might is growing, and it is relentlessly harassing Taiwan. The self-governing island's politics are polarising, even as its main backer, America, grows less reliable.

Some observers see “flashing warning lights” that China is preparing to bring about “reunification” by force. Others reckon Xi Jinping, China’s leader, will wait to reap the benefits of Donald Trump’s wrecking-ball approach to alliances. Few doubt, however, that China will keep squeezing Taiwan through “grey-zone” aggression, meaning coercion short of war. Indeed, the upheaval in global geopolitics may provide an opportunity to test new forms of intimidation.



Chinese forces often rehearse an amphibious invasion of Taiwan. They recently tested new barge-borne bridges, which both expand the number of potential landing spots and get troops onto the ground faster. Recently,

however, these D-Day drills have been supplemented by rehearsals for a full or partial naval blockade (see map). And underwater communications cables keep getting cut.

In exercises in April called “Strait Thunder 2025A” (the name suggests more to come), China’s People’s Liberation Army (PLA) said it had practised, among other things, bombing ports and energy facilities. “If Taiwan loses its maritime supply lines, its domestic resources will quickly be depleted, social order will fall into chaos and people’s livelihoods will be severely impacted,” boasted a PLA officer in a propaganda video, standing on a set mimicking the deck of an aircraft-carrier.

## **Still of lading**

The threat of an interruption to shipping is unnerving for an island that imports most of its fuel and much of its food. It could also have [global consequence](#)s, since Taiwan makes 90% of the world’s most advanced semiconductors, and the Taiwan Strait is one of the world’s main commercial waterways. Talk of cutting supply-lines, along with sabre-rattling drills and severed undersea cables, also contributes to China’s campaign of “cognitive warfare”, which seeks to demonstrate its power, exhaust Taiwan, expose the limits of America’s protection and, ideally, induce Taiwan’s leaders to [surrender without a fight](#).

Mr Trump’s fickleness has made Taiwan’s security seem more parlous. No one is sure how forcefully he would come to its defence, if at all, given his bullying of Ukraine and disparagement of alliances. He has threatened swingeing tariffs on goods not only from Taiwan, but also Japan, the Philippines and South Korea, whose help would be needed in any conflict. The likely cost to America of a war with China is growing steadily in tandem with China’s military might. America’s top brass now think less about defeating China and more of denying it a quick and easy victory, in the hope that the risk of a fierce and costly fight would be enough to put Mr Xi off.

Nonetheless, Taiwan’s predicament is not as grim as Chinese propagandists make it seem. Although Mr Xi has reportedly instructed the PLA to be

ready to invade by 2027, recent purges of PLA commanders suggest he lacks confidence in his forces. At least on paper, meanwhile, America is more committed than ever to defending Taiwan. A Pentagon strategy document that was leaked in April states that preventing “a Chinese *fait accompli* seizure of Taiwan” is America’s most important military task, in addition to defending the homeland. Many Trump officials talk tough on Taiwan. Some see the tariff war as a way to keep China in check.

But if America is able to deter Mr Xi from starting a war over Taiwan, that might raise the allure for China of acts short of war, in the grey zone or, as some now put it, the “dark grey” zone. In particular, some scholars distinguish between a full naval blockade, which would probably be construed as an act of war, and a “quarantine”, which might only restrict some shipping and could be led by the Chinese coastguard rather than the navy. Recent military exercises have featured both the navy and coastguard, as well as maritime militia on fishing boats, deployed in a “cabbage strategy” to wrap Taiwan in layers of forces.

A blockade, says Bonnie Glaser of the German Marshall Fund, a think-tank in Washington, may offer the worst mix of risk and reward for China: it could provoke an American military response without forcing Taiwan to surrender. That is why a quarantine is more likely. It could be less risky and more flexible, and China could present it as a matter of domestic law enforcement, says Lee Jyun-yi of the Institute for National Defense and Security Research, a think-tank linked to Taiwan’s ministry of defence. Coastguard officers might board ships on the pretext of enforcing a new customs regime, halting the spread of disease or preventing certain weapons from reaching Taiwan. Such an approach “gives China more space to de-escalate” when needed, explains Mr Lee.

China is already eroding the status quo across the Taiwan Strait. Its forces regularly cross the median line, the informal border between Taiwan and the mainland, and enter Taiwan’s “air defence identification zone” (ADIZ). Chinese vessels probe the “restricted” waters of outlying islands close to the mainland. The coastguard once inspected a Taiwanese vessel carrying tourists. Chinese drones and balloons periodically enter Taiwanese airspace.

As a country prone to typhoons and earthquakes, Taiwan has a comparatively good system of civil defence. But surviving economic strangulation would be daunting. Taiwan's government has started to run exercises on "whole-of-society resilience", including setting up emergency field hospitals.

## **Electric avenue**

The most serious vulnerability is energy. The island imported about 96% of its energy last year, including virtually all liquefied natural gas, which accounted for about 42% of electricity generation. Taiwan is increasing storage capacity, boosting renewables and laying plans to ration energy and restart old coal-fired stations in an emergency. Even so, minimum LNG stocks will increase from 11 days of consumption this year to just 14 days by 2027. The government is phasing out its last nuclear power plant this year and plans to increase imports of LNG, not least to reduce the trade surplus with America.

As for food, Taiwan imported about 70% of the calories its people ate in 2023, but is largely self-sufficient in rice, vegetables, fruit and seafood. It has stockpiled about seven months' worth of rice and 12 months of meat. There are contingency plans for instant noodles, too.

Taiwan is also preparing for an information blockade. In April the Chinese captain of a cargo ship was charged with deliberately dragging his anchor to cut a communication cable. Taiwan's 14 international undersea cables are vulnerable. It is exploring alternatives such as microwave, satellite and balloon-based systems, though none can match the capacity of undersea links. The Starlink satellite constellation, used by Ukraine's armed forces, has been ruled out owing to regulatory obstacles and the fear that its owner, Elon Musk, is partial to China. Indigenous Taiwanese satellites are making slow progress.

Taiwan's coastguard, tiny compared with China's, would be at the forefront of defending Taiwan's lines of communication. If trade is blocked, it hopes to open protected "green routes" for shipping. Some experts advocate using

cargo ships to obstruct Chinese vessels, although shipowners may not be keen to defy China.

All such measures can only buy time until help arrives. Japan and the Philippines think that preserving Taiwan's autonomy is vital to their own security. American officials have discussed mustering convoys to break any blockade. China worries about a counter-blockade, and has also stockpiled essential supplies. But would Mr Trump intervene? He is averse to war, thinks allies are free-riders and claims Taiwan "stole" America's semiconductor industry. His usual threats, of tariffs and sanctions, have lost potency since he started a trade war. Some fear that, in pursuit of a grand bargain with China, he could make concessions on the status of Taiwan.

Consider the change of tone from Elbridge Colby, the Pentagon's under-secretary for policy. He has long argued that America should reduce commitments in Europe and the Middle East to concentrate on containing China, not least by explicitly guaranteeing Taiwan's security. Now he says Taiwan is not an "existential" matter for America and suggests the island cannot be defended at acceptable cost. He says Taiwan should raise defence spending from 2.1% of GDP last year to 10%. The government has promised to exceed 3% this year, but has not persuaded the opposition-controlled parliament to go along.

A Taiwanese official expresses confidence about withstanding Chinese pressure. "A blockade is an act of war. We will respond militarily. If China does that they might as well invade us," he notes. A quarantine, he admits, "will hurt us", but not enough to force surrender and would come at a cost to China's international standing. But a recent poll by the Brookings Institution, an American think-tank, finds that Taiwanese are losing trust in America, and a plurality think it would not intervene in a China-Taiwan war. Any waning of America's commitment is bound to weaken Taiwan's own will to resist. China is keen to stir such doubts, asserting that, with Mr Trump in the White House, Taiwan will be jettisoned as a "discarded chess piece". ■

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Hoping for despair

# Can China sap a divided and isolated Taiwan of its will to resist?

*Taiwanese are growing more doubtful that they can fend off their hostile neighbour*

May 01, 2025 03:38 PM | HUALIEN



ONE OF THE Communist Party's great victories in the Chinese civil war was its takeover of Beijing, then called Peiping, in 1949. After a month-long siege, the local Nationalist commander surrendered the city without a fight. Among party cadres "the Peiping model" has become code for a bloodless Chinese takeover of Taiwan. Chinese state media have invoked the Peiping model to explain military exercises to prepare for a future blockade of Taiwan.

To induce a Taiwanese surrender, China would not only have to besiege Taiwan, but to convince its people that resistance was futile. The People's Liberation Army may only be rehearsing a siege, but the psychological operations are already under way. Over the past four years the number of prosecutions for espionage in Taiwan's courts has quadrupled. Since President Lai Ching-te launched a crackdown on Chinese infiltration in March, at least five members of the ruling party (including a former aide of his) have been put under investigation for spying.

In the past, hostile moves by China have backfired as Taiwanese rallied to the flag. But Taiwan's situation is growing more precarious. For years pro-China media have promoted the notion that America does not care about Taiwan's well-being and wants only to sacrifice it on the battlefield to weaken China. Donald Trump's hostility to allies has given that narrative the ring of truth.

Taiwan is also in a domestic political crisis, with the president and the leaders of the legislature trying to undermine one another. The legislature is dominated by the Kuomintang (KMT), which has long advocated closer ties with China, and the populist Taiwan People's Party, which appeals to young people. Mr Lai is from the Democratic People's Party (DPP), which disavows even the notional goal of reunification with China.

The DPP has thrown its support behind a mass campaign to recall KMT legislators, accusing them of scheming with China to weaken Taiwan. They point at Fu Kun-chi, the KMT's legislative leader, who last year led a delegation to Beijing to meet Wang Huning, the number four in the Communist Party who is in charge of policy on Taiwan. Mr Wang welcomed Mr Fu with talk of being one family and working together to prevent Taiwan's independence.

Upon their return, KMT legislators adopted a law expanding the parliament's powers at the expense of the president. When parts of it were ruled unconstitutional, they passed another law that paralysed the constitutional court. In January they made sweeping cuts to the budget, including defence, the coastguard and cyber-security.

Taiwan's prime minister called the cuts "suicidal". Mr Lai warned that they would undermine Taiwan's security and give allies the impression Taiwan was not serious about defending itself. KMT legislators deny that they are plotting with China and insist they are simply acting in the best interests of their constituents. But China clearly seeks to help politicians who pay it homage, such as Mr Fu. He represents the sparsely populated county of Hualien, whose main industries are farming and tourism, which both rely on China.

Whereas activists in Taipei accuse Mr Fu of being a sell-out, in Hualien his ties with China have made him more popular. In 2022 China banned imports from Taiwan of pomelo, a citrus fruit. After Mr Fu's trip to Beijing it lifted the ban on pomelos from Hualien, but not on those from pro-DPP areas. Hualien is lucky to have politicians who can negotiate with China, says Yang Hong-ji, a pomelo farmer. Many locals also blame the DPP for needlessly antagonising China. "We ordinary people just want to make money and live and eat well. We don't want to make everything a political calculation," says Chen Yi-feng, the chair of Hualien's tourism association.

Hualien doesn't reflect all of Taiwan. Recent polls show that the DPP still has roughly 40% public support. But they also show trends that would please Chinese officials working on cognitive warfare. Mr Lai's approval rate has dropped to 46% from 58% when he was inaugurated a year ago. The DPP's recall campaign is not popular. And 60% think America is not trustworthy under Mr Trump, according to the Taiwan Public Opinion Foundation.

Polling also shows growing pessimism. More than 80% of Taiwanese want to keep the "status quo", but only about 20% think that is possible in the long run, according to Wu Jieh-min of Academia Sinica, Taiwan's top research institution. Only about 4% of Taiwanese support unification. But asked what they expect to happen rather than what they prefer, about 30% say Taiwan will end up "being unified by mainland China", 8% more than in 2020.

## **Resistance is tiresome**

Chinese influence aside, there is also genuine frustration with the DPP. Many young voters think it exploits fear of China while neglecting everyday problems like unaffordable housing and low wages. “I’ve been listening to this script of *kangzhong baotai*, (resist China and protect Taiwan) for 25 years,” said Zhong Ming-xuan, a popular Taiwanese influencer, in a recent YouTube video. “I’m sick of it.”

The DPP worries that if it prepares too strenuously for war or disruptions to trade, it will frighten voters. It has tried to make Taiwan’s infrastructure more robust, but has not held realistic wartime drills for ordinary citizens. “We can only know whether Taiwan is resilient enough if there is a crisis,” notes Lee Jyun-yi of INDSR, a think-tank. He may find out soon. ■

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Trade raid

# Any Chinese curbs on Taiwan's trade would carry big economic costs

*But China could calibrate a trade “quarantine” to limit unintended consequences*

May 01, 2025 03:17 PM | SINGAPORE



Some things have changed since 1662

CHINESE SETTLERS, Portuguese explorers, Japanese colonialists, the Dutch East India Company—all of them first came to Taiwan to trade. And that trade, in turn, has always vexed the Chinese authorities. Mainlanders razed the main Dutch stronghold on the island, Fort Zeelandia, in 1662 and expelled the troublesome merchants. That did not stop the British demanding that nearby Kaohsiung (pictured) be opened to European ships

some 200 years later. To this day it remains the island's biggest port, handling 57% of Taiwan's maritime trade. And to this day, fears endure that the Chinese authorities might once again seek to choke off international commerce.

China has a range of options to impede Taiwan's trade, from a complete blockade to a lesser "quarantine", which would seek to enforce China's claim to sovereignty over Taiwan and surrounding waters in a narrower way, such as asserting the right to inspect Taiwan-bound ships or to restrict the flow of particular goods. In 2022 Rhodium Group, a research firm, estimated the direct cost of a blockade to the world economy at over \$2trn, based on quite conservative assumptions. A toll that severe might generate a counterproductive backlash for China. The advantage of a quarantine, in contrast, is that it can be adjusted in scope depending on the ferocity of the international response and the severity of the economic fallout.

An obvious target is Taiwan's exports of semiconductors. TSMC, a Taiwanese firm, produces roughly 90% of the world's most sophisticated chips on the island. Some Taiwanese see this as a "silicon shield", protecting them from coercion. Taiwanese chips are so essential to the world economy and to strategic IT infrastructure in particular, the thinking goes, that Taiwan's friends would have no choice but to help it break any Chinese blockade or quarantine.

But other observers believe the opposite: precisely because Taiwan's chips are so indispensable, the world might accede to Chinese demands, simply to ensure a steady flow of them. Just 7% of TSMC's net sales are to Chinese firms, after all, compared with 77% to firms in North America. Western customers would start squealing at the first hint of any disruption to supply. They recall with trepidation the chip shortage of 2021, which is thought to have led to \$500bn in forgone sales. China might even try to engineer a sale of TSMC to Chinese entities in return for lifting a quarantine, say analysts at the Baker Institute, an American think-tank.

Chips are not Taiwan's only export. The island's ports handled over \$500bn of trade in 2022, including trans-shipments that use Taiwan as a way-station. A more expansive quarantine might affect shipping merely passing through the Taiwan Strait, the 180km-wide channel that separates Taiwan

from China. Each year around half the world's container fleet, and nearly all of its biggest ships, pass through it.

China would have several ways to enforce compliance short of sending maritime police to board every passing ship. Chinese ports account for around 40% of the world's container traffic. Chinese firms also own or operate 115 ports outside the mainland. Chinese law gives the maritime-safety authority the power to punish firms whose vessels enter restricted military areas. A threat to bar non-compliant firms from Chinese-owned ports might well be enough to bring most shipping companies into line.

Shipping firms could try to divert their fleets. Indeed, in any scenario involving a blockade or quarantine, insurance premiums for the Taiwan Strait would presumably leap, creating another incentive to re-route.

China's live-fire military exercises in 2022 offer a preview. Over 200 ships had to divert to avoid six restricted zones declared by China in what would normally be considered international waters. Only a handful dared to ignore the injunction, according to Lloyd's List, a shipping journal. Insurance premiums for the area have since risen, albeit from a low base.

There are no easy alternatives to the Taiwan Strait. One option is to sail through the Luzon Strait, between southern Taiwan and the Philippines. Shipping firms prefer the Taiwan Strait, however, as it offers some shelter from typhoons, which are especially prevalent between June and October as the rush to transport goods to America for the holidays gathers pace. Other alternatives are much more circuitous and therefore entail higher shipping costs.

## **Trade unpaid**

A quarantine would also disrupt trade finance, a \$25trn industry which helps bridge the gap between when exporters dispatch goods and importers receive and pay for them. It is a staid market, with low margins and few defaults, and so is unprepared for big disruptions. It is also largely denominated in dollars and centred on American banks, and so is vulnerable to American sanctions. It could well seize up altogether if lenders begin to anticipate a wave of defaults owing to difficulties in shipping to and from

Taiwan. According to the Bank for International Settlements, a grouping of the world's central banks, roughly a fifth of the "great trade collapse" in 2008-09, when world trade abruptly plunged by 15%, was attributable to the contraction of trade finance.

All these mechanisms to exert pressure on Taiwan and its allies would also harm China to an extent. Any trade restrictions imposed on Taiwan would not only rile markets because of their direct economic effects, but also because they would suggest an increased risk of war. That could lead to a dramatic plunge in asset prices in China and a rush by foreign firms to sell Chinese assets. Both would strain China's tight capital controls and weigh on the yuan. Turmoil in the shipping industry could also disrupt the over \$1trn of Chinese imports and exports that pass through the Taiwan Strait each year. Chinese industry might find it hard to obtain critical imports such as iron ore from Australia, for instance. For an economy already afflicted by faltering foreign investment and weak consumer confidence, the consequences could be dire.

China would know that a quarantine was coming, however, so it could prepare. And it can probably withstand economic pain better than America. Above all, the flexibility of a quarantine would allow China to start small and tighten the screws almost imperceptibly, to provoke as little pushback as possible. ■

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# United States

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Taxing times

# Donald Trump is creating chaos at the IRS

*Leaders are resigning and cuts to staff portend billions in lost revenue*

May 01, 2025 02:42 PM | CHICAGO



TO GET A sense of how bad things got in the recent past at the Internal Revenue Service (IRS), America's primary tax-collecting agency, consider a photo posted on Twitter by a Treasury advisor in 2022. It depicts the cafeteria at the organisation's offices in Austin. Nobody is eating. Rather the entire floor is engulfed in paper files. During the pandemic, with offices closed, returns filed by post—which still have to be manually transcribed into computers—piled up. By summer 2022 there were 21m unprocessed paper tax returns. The wait to speak to an IRS staff member on the phone rose to nearly 30 minutes—for the 20% able to get through. Erin Collins,

the National Taxpayer Advocate, a watchdog, wrote at the time that “paper is the IRS’s kryptonite, and the agency is still buried in it.”

In the past three years, things have improved immensely. Around 9% of Americans still file paper returns, but these no longer swallow cafeterias. Telephone waiting times are down to three minutes. Most tax returns due on April 15th this year have already been processed (though not all of the paper ones). Over 75m tax refunds, worth over \$228bn, have already been sent out, for the most part electronically. This year 30m people were eligible to use a new tool, Direct File, instead of paying for a preparer or accounting software. The tool fills in income details automatically from IRS records. Americans should cherish these improvements. It may be the last time filing taxes is this efficient for a while.

Donald Trump’s administration has unleashed upheaval at the IRS. It is most apparent at the very top. So far this year, the service has averaged a new acting commissioner a month. The latest, Michael Faulkender, who is also deputy secretary of the Treasury, took office on April 18th, replacing Gary Shapley, who served for just two days. Mr Shapley, a former enforcement agent who became a MAGA hero after he alleged that the IRS was “slow walking” its investigation into Hunter Biden, Joe Biden’s son, was ousted at the instigation of Scott Bessent, the treasury secretary. Mr Shapley had apparently been installed by Elon Musk, the head of the Department of Government Efficiency, or DOGE. According to Axios, a news website, after Mr Bessent found out, he and Mr Musk got into a shouting match in the West Wing of the White House, within earshot of Mr Trump. Mr Bessent won, and Mr Shapley left.

He had replaced Melanie Krause, who took over in late February. She resigned after taking Mr Musk’s offer of “deferred resignation.” Ms Krause in turn had replaced Mr Trump’s first acting commissioner, Douglas O’Donnell, who retired early after barely a month in post. The departures at the top have been accompanied by far more below. Around half of senior positions at the agency have seen turnover since January. These include the agency’s chief counsel, or head lawyer, who was replaced in March.

The cause of all of this turnover seems to be what Mr Trump and Mr Musk want the IRS to do. For the past month or so software engineers associated

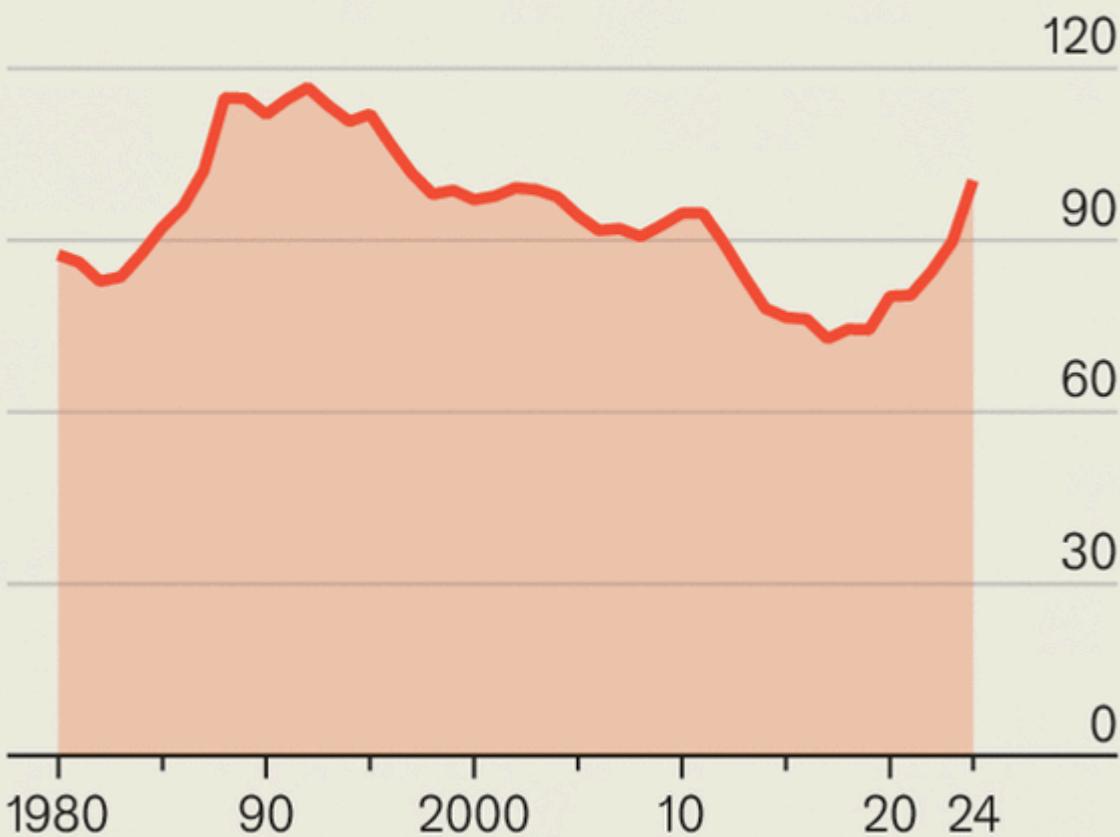
with DOGE have been trying to knit together various government databases to create a masterfile to help deport immigrants. Each year, millions of undocumented immigrants pay some \$66bn in federal taxes using bogus or borrowed Social Security numbers or taxpayer-identification numbers. Their tax filings would be a treasure trove for immigration enforcement, not least as they include home addresses. For months DOGE has been negotiating access.

The problem is that, under a law passed in 1976, in the wake of Richard Nixon's resignation, public officials are expressly banned from sharing taxpayer data. There are a few exceptions allowed, but only for serious criminal investigations. Immigration violations are not covered. This is tricky for DOGE to get around. The risks to officials of breaking the law are significant, stresses Philip Hackney, a former IRS lawyer who is now at the University of Pittsburgh. "If you disclose taxpayer information, it's a criminal offence," he says. Rarely are individual civil servants exposed to personal criminal jeopardy if they take action deemed legal by their superiors. Here they could be. Both Mr O'Donnell and Ms Krause were uncomfortable with the data sharing demanded by DOGE.

The use of IRS data for immigration enforcement is not the only questionable aspect of Mr Trump's ambitions for tax collection. He has also called for Harvard University to lose its non-profit status. This would also be legally extraordinary, and a dramatic escalation in the president's feud with the Ivy League, if it happened. To strip an organisation of its charitable status, the IRS must show malfeasance, by means of an audit. And a law passed in 1998 specifically forbids the president from ordering an audit of a specific taxpayer. Yet fears persist that Mr Trump may find a way. This would be risky. Messing with the IRS not only helped topple Nixon. In Mr Musk's native South Africa, the takeover of the South African Revenue Service by friends of President Jacob Zuma was the worst example of what South Africans called "state capture". It ultimately contributed to Mr Zuma's fall.

## Before DOGE

United States, Internal Revenue Service  
employees, '000



Source: Internal Revenue Service

Even if Mr Trump is not vulnerable politically, the outlook at the IRS is not good. It is not only senior officials leaving. Last year the IRS employed 100,000 people. Since then some 20,000 workers have agreed to take deferred resignation while some 7,000 probational employees have been fired (a lawsuit is ongoing, and they were reinstated, but are now all on leave). The agency is planning bigger cuts through more formal processes. Staffing may now fall to historic lows. The biggest reductions are likely to hit staff devoted to enforcement—according to plans submitted to the

Office of Personnel Management, which manages much government HR, the number of tax cops will be halved.

Republicans have long equated tax enforcement with tyranny. But Congress would also like to find revenue and savings to offset the renewal of tax cuts enacted during Mr Trump's first term. Personnel reductions at the IRS will shrink revenue at a time when the deficit is approaching \$2trn. According to the Yale Budget Lab, a research group, a 50% reduction in IRS headcount would cost from \$395bn to \$2.4trn over ten years, depending on how much tax evasion increases.

In theory, the IRS could try to do more with fewer workers. Indeed, by piloting things like Direct File, it had been trying. But the service was already pretty lean. By comparison, Britain's tax agency employs 66,000 people. America's post-pandemic backlogs were fixed largely because, under Joe Biden, the Inflation Reduction Act poured money into the agency. "We didn't have the ability to test and launch technology immediately," says Danny Werfel, the last Senate-confirmed IRS commissioner. Instead, he says, "we solved those problems with a hiring surge."

Mr Trump's reductions in force at the IRS are not likely to increase the pace of modernisation. Already, Direct File is on the chopping board, despite largely positive reviews from users. In fact, the president prefers to talk about disbanding the agency altogether. His pick for full commissioner, not yet considered by the Senate, is Billy Long, a former congressman from Missouri. Mr Long, who has almost no tax experience, previously proposed several bills to abolish the service outright, and replace the income tax with a national sales tax. For now, insiders say the paper files are already stacking up again. Better clear the cafeteria. ■

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ICE storm

# How a judge's arrest fits into America's deportation drive

*The president is breaking precedents and involving more police agencies*

May 01, 2025 01:00 PM | ATLANTA AND LOS ANGELES



SIX FEDERAL agents arrived at a Milwaukee courthouse on April 18th. They intended to arrest Eduardo Flores-Ruiz, a Mexican man who had illegally re-entered the country after being deported. He was due in court that day to face domestic-violence charges. When Hannah Dugan, the judge in his case, heard the agents were after him she called off Mr Flores-Ruiz's hearing and allegedly led him away through a jury door. After a foot chase, Mr Flores-Ruiz was taken into custody. He wasn't the only one. On April 25th the FBI arrested Ms Dugan on two criminal charges: obstructing a federal proceeding and concealing an individual to prevent arrest. She could face up to six years in prison.

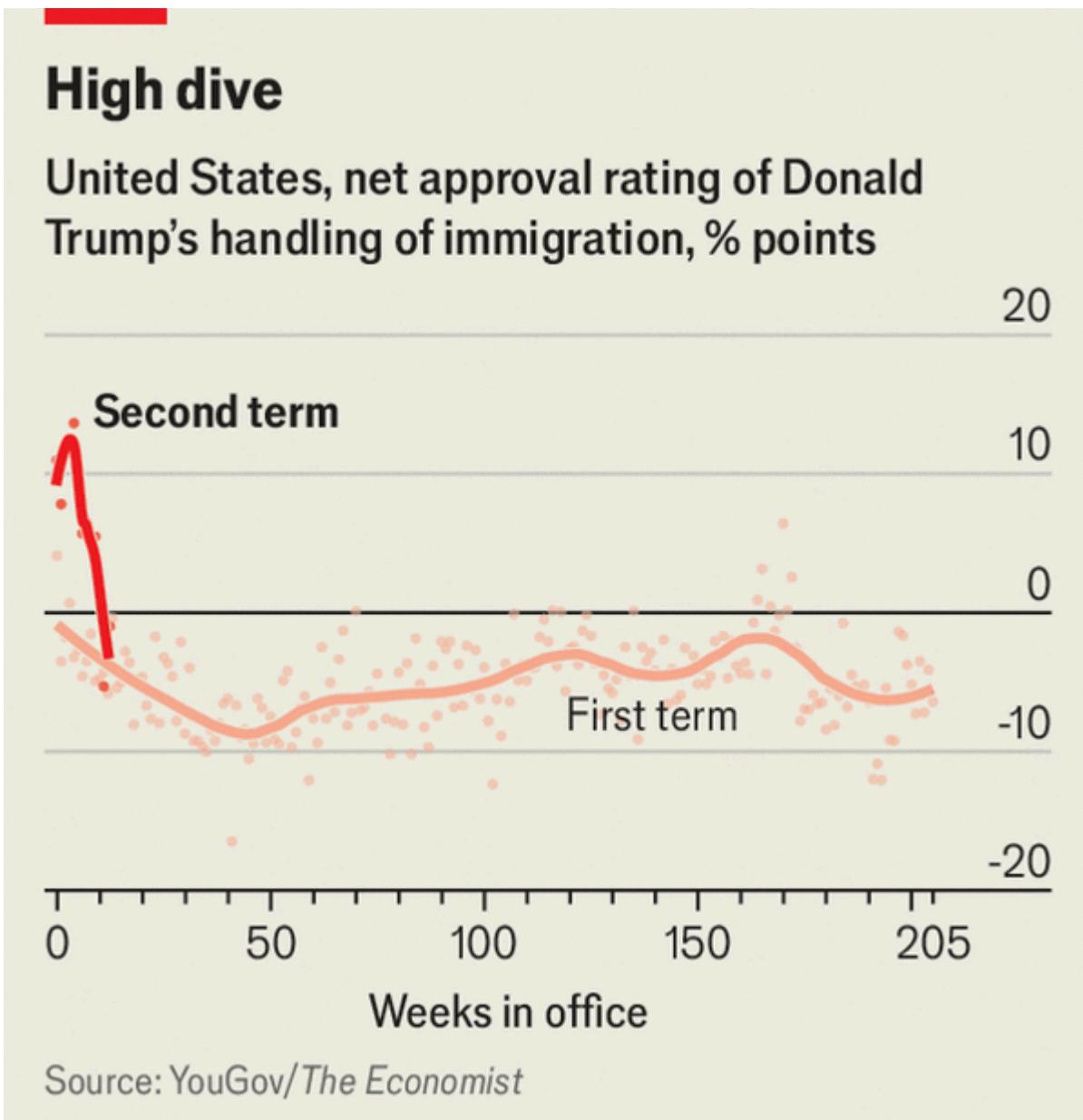
Republicans in Wisconsin and elsewhere cheered her arrest as a rebuke to a liberal judge standing in the way of immigration enforcement. Her résumé does not impress the Trump crowd. Before winning her judgeship (circuit-court judges in Wisconsin are elected) she was a professor, and worked on civil rights and poverty issues at the Legal Aid Society, a non-profit. Her case is not entirely unique. During Mr Trump's first term, a Massachusetts judge who allegedly tried to sneak an illegal immigrant out of a suburban courthouse was also arrested for obstruction. Charges were dropped by Joe Biden's Justice Department when she agreed to face a state judicial conduct commission.

Ms Dugan's case illustrates three things: the secondment of federal law-enforcement agencies into what is, essentially, a [sprawling deportation task force](#); the end of a once-bipartisan idea that some places should be protected from immigration enforcement; and the start of a crusade against local officials who would stand between illegal immigrants and the federal government.

First, consider the unusual team used to arrest Mr Flores-Ruiz. The squad sent to find him included one agent from Immigration and Customs Enforcement (ICE), which normally carries out deportations, but also two officers each from the Drug Enforcement Administration (DEA) and the FBI, and one Customs and Border Protection officer. "It's just a run-of-the-mill civil immigration arrest," notes John Sandweg, who briefly ran ICE under Barack Obama. He reckons that the use of the FBI and DEA is unusual. In January the Department of Homeland Security (DHS) extended the power to arrest immigrants to federal agents who work in many different departments. Officers tasked with investigating fentanyl smuggling, guarding prisons or patrolling the border are now authorised to assist with deportations.

The scene of the action was also noteworthy. Since at least Bill Clinton's administration, Democratic and Republican presidents have often avoided making immigration arrests at so-called sensitive locations like schools, churches and, later, courthouses. In both his first and second term Mr Trump has ripped up precedents. Immigrant advocates argue that arrests in courthouses make migrants less likely to co-operate with police. Data are

sparse, but Wallace Jefferson, a former chief justice of Texas's supreme court, contends that the presence of ICE agents in courts may delay justice by preventing witnesses, plaintiffs or defendants from attending hearings. During Donald Trump's first term New York, Oregon and Washington made it harder for ICE to arrest migrants in courthouses. Other states may follow suit.



Finally, judges and lawyers warn that Ms Dugan's arrest is further evidence of Mr Trump's disdain for the judiciary. But Mr Trump will be hoping that her case sends a broader message that anyone caught aiding illegal

immigrants could be prosecuted. Mr Trump made his intentions more explicit in an executive order on April 28th when he referred to local policies that, in his view, shirk federal immigration law as “a lawless insurrection”, and directed his attorney-general and DHS secretary to “pursue all necessary legal remedies...to end these violations”.

Yet even while Mr Trump is preparing this crackdown, he is losing the public’s support. Polling from *The Economist* and YouGov suggests that net approval for his handling of immigration has plunged into negative territory (see chart). Arresting judges—and perhaps eventually mayors or university administrators—could prove too radical for voters who just wanted the border closed. ■

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Gilded gulps

# Water sommeliers say the simplest drink is the future of luxury

*A dispatch from the Fine Water Summit*

May 01, 2025 01:00 PM | ATLANTA



The Economist/R.J.

SIX ESTEEMED sommeliers sit silently behind a judging table. A waiter tops up their glasses one by one and they appraise the stuff: sniff, hold it to the light, sometimes swirl, sip, swish between cheeks, dump the extras and give it a score. But the liquid is no Zinfandel or Syrah. Instead the bon viveurs are tasting high-end waters.

The competition launched this year's Fine Water Summit in the swanky Buckhead neighbourhood of Atlanta, Georgia. With 1,100 bottles imported from 35 countries, it is the biggest event of its sort. The assembled connoisseurs—from Hong Kong to France and California—have paid \$975

each for a weekend of talks and tastings co-ordinated by Michael Mascha, the group's Austrian founder, who lives in Texas. Most are middle-aged, very foodie and unusually fit. Many are among the 250 water sommeliers ordained by Mr Mascha's academy. Months of training have taught them to appreciate how minerality changes water's flavour, how silica affects its mouth-feel and the size of bubbles its acidity.

The waters taste as different from each other as wines do. One, from the glaciers of the Lofoten Islands in Norway, does indeed taste like melted snow. Another, from the highest volcano in the Peruvian Andes, is bitter and salty—not your correspondent's favourite. Nico Pieterse, a sommelier who runs a tasting room on South Africa's Western Cape, likes to pair the first with sashimi and the second with fried foods or anchovy pizza. As the attendees sample still and sparkling varieties, Mr Mascha comes by with a spectacular bottle. The "Fromin" is 15,000-year-old Ice Age water from what is now the Czech Republic. Floating in it are flakes of gold. "I don't bring wine to parties, I bring this," he says. "For the rest of the evening no one wants champagne any more."



Eau to joy

Mr Mascha is a food anthropologist who collected wine before his doctor told him to ditch it. For ten years afterwards he switched to fine water. He

was mercilessly mocked: at a live television event in Las Vegas he was given toilet water to taste. Now nearly 40 restaurants, some with [Michelin stars](#), offer full “water menus”, thanks to his evangelising. Youngsters less keen on booze are taking notice. Doran Binder, an effusive blonde-bearded sommelier, has gone viral on TikTok. After buying a failing pub in the English countryside he discovered that his land produced some of the world’s “creamiest” water. He now sells trendy cans of it by subscription. He reckons corporate water companies are scamming people into drinking poison-infused water; restaurants too often ruin the good stuff by serving it with “chlorinated ice cubes and a slice of fucking lemon”.

The summit is sponsored by Lake, a cryptocurrency firm that wants to decentralise the water industry. The aqua enthusiasts are eager for more people to invest. Elena Berg, a sommelier who doubles as an environmental scientist at a Parisian college, sees the movement as a way to talk about how precious clean water is as climate change threatens access to it. But to many in Atlanta this weekend it is more about enjoying life’s small pleasures. Mr Pieterse, the South African, wants to put scannable barcodes on the bottles so you can listen to the water trickling at its source while sipping it. Doing so would allow customers to simply revel in the fact that they are drinking something that a mammoth once drank, too.■

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Survivor: Ivy League edition

# How one Ivy League university avoided the president's wrath

*Sensible policies help—so does savvy politicking*

May 01, 2025 08:25 PM | WASHINGTON, DC



Savvy or lucky?

THERE ARE all kinds of perks to being the boss, big and small. As George H.W. Bush once said: “I’m president of the United States. And I’m not going to eat any more broccoli!” To be the boss of an Ivy League institution, with its ample salary and cachet, would have seemed a crowning achievement for the aspiring meritocrats of America not long ago. Indeed, in the 20th century, two Ivy League presidents ascended to the White House (Woodrow Wilson led Princeton University and Dwight D. Eisenhower commanded Columbia University after winning the second world war).

These days it can feel like a sacrificial posting. Agitation comes from all sides: student-protesters, faculty-activists, rich donors with lacklustre children, congressional inquisitors and, most alarming of all, an ultra-aggressive Trump administration. Since 2023, six of the eight Ivy League universities have seen presidential turnover—three of them under duress. Columbia, now on its third president in two years, apparently had difficulty finding any takers for the gig that Eisenhower once held.

America's top universities are at their most precarious moment in living memory. The Trump administration has accused them of being dens of affirmative action (now illegal after a 2023 Supreme Court decision), antisemitism and anti-American wokery. It has frozen billions of dollars in federal grants in retaliation and demanded unprecedented oversight and sweeping reforms if the spigot is to be turned back on. Reactions have differed. Columbia capitulated to the demands (but has yet to receive its funding), while Harvard University has sued the administration in federal court. But one Ivy League institution—Dartmouth College in Hanover, New Hampshire—has so far avoided the wrath of the Trump administration. Yale University is the only other Ivy that has yet to lose funding—but unlike Dartmouth, it is on a list of 60 universities facing federal investigation for antisemitism.

### **Not crying out in the desert**

Why is that? Sian Beilock (pictured), the president of Dartmouth, who has been in the job since September 2023 (one month before the October 7th Hamas attack on Israel which inflamed campuses), attributes it to superior campus management of the culture wars. When a pro-Palestinian encampment appeared on campus the police were quickly called in. The university promulgated a policy of “institutional restraint”, preventing editorialising by academic departments. Instead of safe spaces, Ms Beilock suggested “brave spaces” that avoided self-censorship.

“Our goal is to be a place where students feel totally fine expressing their views, but also making sure that there are boundary conditions,” she says. “Your free expression doesn’t rob someone else of their free expression, which means we don’t shout down speakers, and it means we don’t take

over parts of our campus in an encampment and declare it for one ideology.” Savvy politicking is also helping. Ms Beilock has made four trips to Washington since January. The university recently hired Matt Raymer, an alumnus and former chief counsel to the Republican National Committee, to be its general counsel. “We are all about American competitiveness, whether you’re on the right or the left,” says Ms Beilock.

This has not been without controversy on campus. Although Dartmouth has a reputation as the conservative Ivy—known for its snowy remoteness, rambunctious fraternities and cosy ties with the finance industry—progressivism remains a force. On April 28th a protester doused an administration building in red paint, symbolising the blood of Gazans. “Institutional restraint is not neutrality,” the anonymous vandal told the *Dartmouth*, the campus newspaper. “May the future students know the fascist nature of this institution.”

Less dramatically, several thousand alumni have signed a letter urging Ms Beilock to condemn the Trump administration for its attacks on its peers (she did not join a condemnatory letter signed by 511 university presidents). “I was very clear that I support Harvard in fighting back against the impingements on their academic freedom, but at the same time we can have self-reflection,” she says. The university is, however, joining legal actions against science-funding cuts. “It’s often easier to just go with the grain and hide behind a lot of other signatures, but I don’t think that’s what leadership is,” Ms Beilock says. There are admirers of the approach on campus. “I see no need for President Beilock to engage in a war with the Trump administration, as some in our community are asking her to do,” says Dalton Swenson, the editor of the *Dartmouth Review*, a conservative campus publication.

There are three theories for the inaction from administration officials. First, they simply forgot. Second, that they will act, but haven’t yet. Third, that they have actually spared Dartmouth because of its pre-existing policies. Whatever the case, even delay is an advantage because it forestalls a financial crunch and allows pioneers like Harvard to map out the legal defences that other institutions can follow. Collective action has so far been more readily observed among America’s elite universities than its elite law

firms—many of which sought to capitalise on the misfortune of competitors that had drawn Mr Trump’s ire. There is a solidarity among university presidents that evidently does not exist among the bosses of America’s most prestigious law firms. The jobs may no longer be so enjoyable, but they may at least be survivable.■

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Baby rights

# Why does America have birthright citizenship?

*It aids assimilation and is more widespread than the administration admits*

May 01, 2025 10:03 PM | NEW YORK



DONALD TRUMP's order "boggles the mind", a district judge remarked during the president's first week back in the White House. He was referring to an executive order of January 20th directing that only children of citizens and permanent residents could be granted birthright citizenship. By excluding both undocumented immigrants and people temporarily working or studying in America, his directive was "blatantly unconstitutional", said John Coughenour, who then blocked the order temporarily.

It is easy to understand his incredulity. The 14th Amendment says all those "born or naturalised in the United States, and subject to the jurisdiction

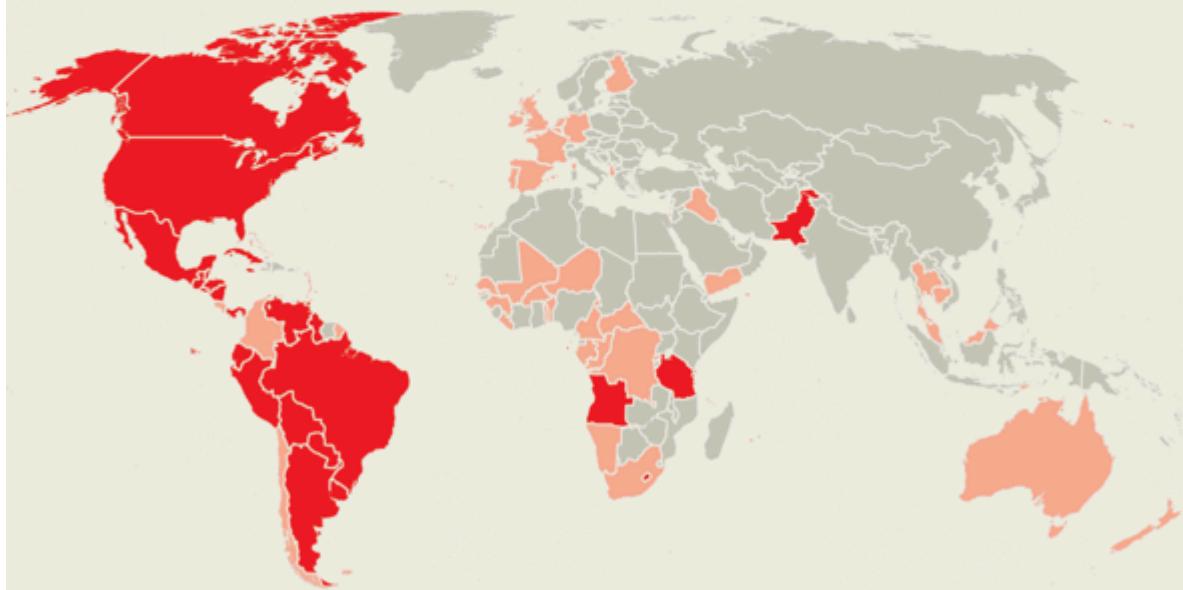
thereof, are citizens". This had long been understood to mean that any child born on American soil instantly became a citizen, no matter what the status of their parents was. Mr Trump and his allies have taken another look at the 14th Amendment's language, however, hoping to persuade courts that it has been misinterpreted. A case touching on Mr Trump's executive order will come before the Supreme Court in May, but that matter concerns a separate (and important) question about which judges have the power to issue nationwide injunctions while lawsuits are decided. Whenever the merits of Mr Trump's birthright order reach the high court, the president is unlikely to be successful, legal scholars say.

Perhaps Mr Trump knows that, but relishes the fight as part of his wider political and deterrence campaign to keep out unwanted foreigners by all means possible. In any event, the struggle over his order raises questions many Americans had not previously had reason to consider: why does America have birthright citizenship, and what would happen if it were abolished?

## Born into circumstance

### Countries that offer birthright citizenship, 2018

■ Unconditional ■ Conditional ■ Not offered



Source: Library of Congress

Mr Trump is fond of saying that the United States is the only country that has such a thing. This is untrue. European countries have restrictions on birthright citizenship, but the policy is common across the Americas (see map). This Atlantic divide dates back to settler societies using birthright citizenship as “an engine of assimilation”, says Peter Spiro, a professor at Temple University’s law school. This possibility ended for many with the notorious 1857 *Dred Scott* Supreme Court decision, which held that black people were not and could never be Americans. The sweeping language of the 14th Amendment, passed in the wake of the civil war, sought in part to pre-empt another such ignoble ruling. Since then, universal birthright citizenship for everyone has been supported by “long-standing judicial precedent, executive branch practice, congressional practice”, says Amanda Frost, a law professor at the University of Virginia.

## Born in the USA

Mr Trump's gambit relies on work by conservative scholars who point to the sometimes overlooked "jurisdiction" language of the 14th Amendment. Whereas these words had previously been interpreted to create carve-outs for children of diplomats or Native Americans, some now see in them a requirement for parental "allegiance" to America. That is a question that deserves to be litigated, says Andrew Arthur, a former immigration judge, now at the Centre for Immigration Studies, a think-tank that favours reduced immigration. Even if Mr Trump's defence of his executive order fails, he says, it will at least resolve a constitutional niggle that has been around for over a century.

If the president succeeds, the change would require a reinvention of America's ramshackle, decentralised system for keeping birth records. Unlike most other countries, America has no central birth registry—instead states, counties and municipalities issue birth certificates. There are currently 14,000 different kinds in circulation. Despite this, certificates alone have been enough to prove citizenship. In a difference from European countries, just half of Americans have passports.

Consider the melodrama surrounding Real ID, a programme that has attempted to set federal standards for identification but has turned into a long-running fiasco. After a series of delays, it is set to come into force this month, a full 20 years after being passed. Remaking citizenship documentation would be even messier.

Birthright citizenship is so embedded that even estimating how many births Mr Trump's order would affect is difficult. According to data from the Urban Institute, there are over a million American children under three with only non-citizen parents. Granting citizenship so bountifully risks incentivising young people coming to America to have families, and there is particular opposition to birth tourism, when an expectant mother comes to America exclusively to get citizenship for her child. But there are probably just a few thousand of these births a year, according to the Niskanen Centre, a think-tank.

Researchers have found that birthright citizenship does indeed increase assimilation into a country, as it did in early America. In Germany in 2000 citizenship rules changed, becoming closer to the American system and providing a kind of natural experiment. Economists found that after the reform, immigrant parents spent more time with native Germans, were able to speak more German and began enrolling their children in early education at similar rates to non-immigrant families. “It seems that assimilation outcomes in the United States are better than assimilation outcomes in Europe have been,” says Gil Guerra, of the Niskanen Centre, citing birthright citizenship as one of the causes. If Mr Trump’s order survives at the Supreme Court, then part of the ideal of America’s melting pot will survive with it. ■

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Lexington

# Donald Trump could rescue John Roberts

*The president is giving the chief justice the chance to emulate his hero and affirm America's constitutional order*

May 01, 2025 08:26 PM



IT WOULD BE a dull quest, but a difficult one, to find a 70-something white male conservative less like President Donald Trump than Chief Justice John Roberts. Mr Roberts is mild where the other is bombastic, endowed with impeccable establishment credentials where the other has credentialled himself, obsessed with consensus and continuity, not disruption. The chief justice never tweets; he has attained just one wife. And yet, as Mr Trump has been building a movement to remake America to suit himself, Mr Roberts, like the stewards of so many American institutions,

has been failing at his job, at least by the standards he set when he became the chief 20 years ago.

Mr Roberts wanted to lead a Supreme Court that would transcend partisanship and speak with one voice. He wanted to stop the justices' drift towards promoting their own theories of law, if not their own celebrity, and to persuade the court to refocus upon its institutional role in ballasting American governance for the long haul. "If it doesn't," he told Jeffrey Rosen, a writer and legal scholar, in 2006, "it's going to lose its credibility and legitimacy." During Mr Roberts's tenure, as the court's jurisprudence has swerved with shifts in its ideological balance, and as justices have thrilled their political tribes by issuing not just their own opinions but their own books and speeches, public respect for the court has plummeted, as measured by polls.

Now Mr Roberts, at 70, confronts a test as severe as any faced by a chief justice since his role model, John Marshall, squared off with Thomas Jefferson and Andrew Jackson. Mr Trump is claiming extraordinary powers for the presidency. With Republican leaders in Congress acting more like White House interns than champions of a coequal branch, the federal courts are providing the only check on Mr Trump, who has not merely mocked judges but demanded their impeachment. He has said he will obey the courts, but he has also declared: "I am—we are—the federal law." He is, as ever, playing the madman, and keeping his options open.

By judging the politics just right, Marshall turned conflict with the executive into progress for America's constitutional order. He held his justices together and established the court's supremacy in interpreting the law against two contrary presidents, without provoking either into outright defiance. A clash is coming for this court, too. It could doom Mr Roberts's leadership, and with it the order Marshall helped establish, or it could revivify both.

It is too soon to predict where the clash might come, let alone how Mr Roberts might try to finesse it. "There's nothing he cares more about and is more sensitive about than the need to be subtle and avoid open conflict," says Mr Rosen, who now runs the National Constitution Centre in Philadelphia. "But he is absolutely going to want to assert the supremacy of

the court. It's a question of brinkmanship." He points to a hopeful theme in the few big conflicts between presidents and chief justices: "the restraint that both sides have demonstrated to avoid open defiance".

The six "emergency" decisions the court has issued, in response to requests from the Trump administration for relief from lower-court orders, have largely been decided on narrow grounds, as is proper at that stage. But Mr Trump has lost three times, evidence the court is willing to frustrate him. The court's most extraordinary order was a terse one issued in the wee hours of a Saturday, April 19th, blocking the administration from deporting certain detainees under the Alien Enemies Act. As Justice Samuel Alito complained in dissent, the Supreme Court pre-empted an appeals court and did not even give the administration a chance to argue its position. The haste suggested a lack of trust that Mr Trump would abide by a lower-court order halting such deportations. That the ruling was 7-2 suggests such sentiment among his colleagues is strengthening Mr Roberts's hand.

Mr Trump has complied with the order. He has something to lose, too, from pushing conflict with the courts too far. Overwhelming majorities have told pollsters that Mr Trump should obey the courts in general, and the Supreme Court in particular. Further, Mr Trump is likely to notch up significant wins from Mr Roberts, to the dismay of Democrats, at least until they get the White House back. Mr Roberts wrote the majority opinion in *Trump v United States*. It not merely supplied broad immunity to a president from prosecution but articulated a sweeping new definition of a president's power over the executive branch, consistent with the "unitary executive" theory conservatives had longed to write into law since the Reagan era. The administration is claiming *Trump* as the legal basis for many of its actions.

## **The supreme challenge**

But handing a president power over the executive is not the same as ceding to a president powers the court believes belong to the other two branches. Legal scholars suspect the court under Mr Roberts will balk at Mr Trump's attempts to usurp power by refusing to spend money Congress has allocated or erasing agencies it created, or by interpreting the law as he sees fit.

Mr Trump may be wagering that conflict, not defiance, will serve his ends. Admirers of Marshall cite the landmark decision *Marbury v Madison* in arguing that he cleverly conceded short-term advantage to Jefferson while winning long-term authority for the court: its primacy in interpreting the constitution. But Russell Vought, an architect of Mr Trump's second term, has drawn a different lesson: that Jefferson frightened Marshall into making more concessions than he truly believed right. "It was Jefferson", Mr Vought has written, "who gave us a glimpse of the posture that prevents encroaching powers." Maybe. Regardless, it will be up to Mr Roberts to find the right balance now, gauging Mr Trump's limits while reinscribing America's principles. ■

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# The Americas

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The vote-swinger's tricky future

# Mark Carney's plan for Canada

*A political novice cannot govern by econometrics alone*

May 01, 2025 02:42 PM | Ottawa



WHATEVER HIS flaws as a politician turn out to be, Mark Carney does at least possess self-awareness. “You’re supposed to campaign in poetry and govern in prose,” he said in his final campaign speech on April 27th, on the eve of the election. “As the assembled media will tell you, I campaigned in prose. So I’m going to govern in econometrics.”

Govern he shall. By early on April 29th it was clear that Mr Carney had led the Liberal Party to a rare fourth consecutive stint at ruling Canada. It was a historic turnaround, wiping out a 25-point opinion-poll lead for the Conservatives in just four months to win 169 seats in Parliament, three shy of a majority but enough to form a government. Mr Carney and his new cabinet must govern a country in which a fissure has opened up along lines

of [education and immigration](#). Despite the vote being fairly evenly split between the main parties, Canadians of all stripes agree that the country's biggest problems are a sluggish economy and a painful shortage of housing.

Hence the striking overlap in the platforms of the Liberals and Conservatives. Both parties agreed on the need to cut taxes immediately, to spur home building, to spend more on defence, to expand trade beyond the United States and to replace ageing ports and crumbling bridges. New pipelines are needed to carry Canada's abundant energy resources to oil-thirsty markets. Merely beginning the process of fostering new investment should help Mr Carney jump-start Canada's flatlining economy, which in recent years has been suffering one of the lowest rates of productivity and growth in the rich world. "We are going to build, build baby, build," declared Mr Carney, now an elected member of Parliament, in his victory speech.

He should be able to run a stable minority government without constant appeasement. The Liberals can work with Conservatives to boost energy exports, then turn to the New Democrats or the Bloc Québécois to pass legislation to make energy cleaner. All parties have promised to back Mr Carney's efforts to repel Donald Trump's clumsy advances.

## No time to lose

Those working on Mr Carney's transition plan suggest he will move swiftly. A new cabinet will be sworn in within two weeks. (He has promised to continue his predecessor's practice of appointing a cabinet with a roughly equal number of women and men.) He will then convene Parliament, which has not sat since December, and present his plans to lower taxes, slash red tape, rev up house-building and revamp the infrastructure to send Canada's commodities to market. This will be the first time in Mr Carney's career he has made laws. Reeling opposition leaders have pledged not to move against the new government during an initial grace period.

Mr Carney will also meet Canada's restive provincial leaders. They have a lot of power in Canada's federal system, most notably over natural resources. Alberta, the country's energy-producing powerhouse, has been

sending Conservative MPs to Ottawa for decades, only to see its desire to streamline oil and gas production repeatedly thwarted by eastern Liberals. Frustration has been boiling over. The province's premier, Danielle Smith, promises to make it easier for her citizens to launch referendums. Before the election, three in ten Albertans said they would back independence for their province if the Liberals returned to power. Mr Carney, who grew up in Edmonton, Alberta's capital, will have to give priority to mending fences with his home province. He must also free up interprovincial trade.

Speed is vital. Mr Trump is already hurting Canada. Statistics Canada, a government agency, reports that GDP contracted slightly in February. Mr Carney has said Mr Trump has already irrevocably altered relations between the two countries. The two men will meet at the latest in six weeks, when Canada hosts the G7 summit in the resort town of Kananaskis in the Rocky Mountains in Alberta. ■

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Two sides of the same coin

# Canada's new Conservative movement resembles Donald Trump's

*Just as in the United States, working-class and immigrant voters swung right*

May 01, 2025 01:00 PM



ON THE SURFACE, [Canada's election](#) on April 28th seemed to preserve the political status quo. As in the last election, in 2021, the ruling Liberal Party will form a minority government. The Conservatives, the main opposition party, slightly narrowed their deficit in Parliament—the Liberals now hold 25 more ridings (as constituencies are called in Canada) than the Conservatives do, down from a 41-seat gap. The Conservatives fared a bit

worse in the popular vote, losing it by two percentage points after winning by one in 2021.

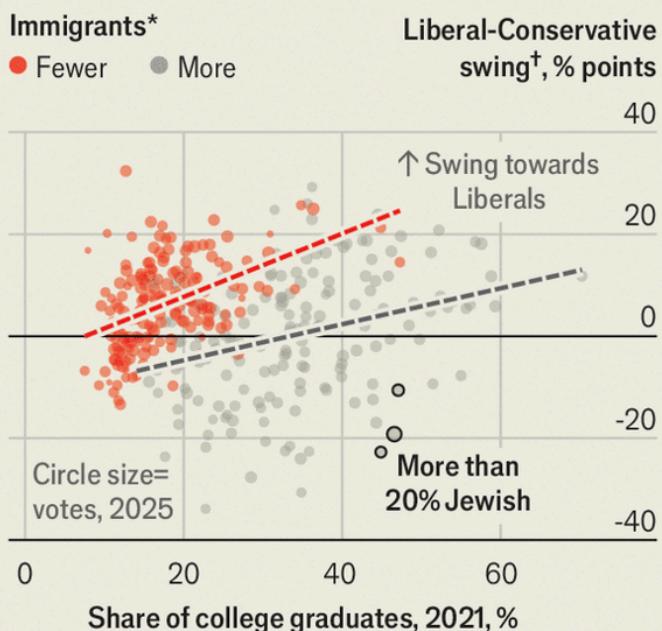
Underneath this apparent stasis, however, lies a striking political upheaval. On average, the margin between the two big parties in individual ridings changed by nine percentage points from 2021 to 2025, twice as much as the shift in the average American county between the presidential elections of 2020 and 2024. Some ridings swung by more than 30 points. These yawning gaps added up to modest differences in nationwide results only because for each riding that moved right, another one slid leftwards by a similar amount.

The collapse of Canada's minor parties accounts for some of this volatility. The left-wing New Democratic Party fell from 18% of the vote to 6%. The right-wing People's Party dropped from 5% to 1%. Yet changes in third-party votes are only faintly correlated to shifts in the margin between the big parties. That means that significant slices of the electorate probably flipped from the Conservatives in 2021 to the Liberals this year, and vice versa.

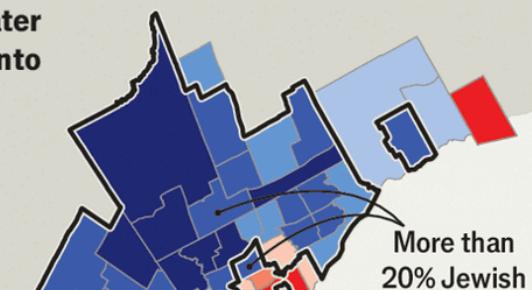
The Liberals' stunning comeback from a 25-percentage-point polling deficit has rightly been attributed to a repudiation of President Donald Trump. Nonetheless, demographic trends in Canada's riding-level results look remarkably similar to those that returned Mr Trump to office in the United States. This is a worrying sign for Mark Carney, the Liberal prime minister, that Canadian politics is transforming along American lines.

## The other swing

Canada, by riding



### Greater Toronto



\*Immigrant share above or below national median    †Difference in

margins between 2021 and 2025 federal elections

Sources: Elections Canada; Statistics Canada; *The Economist*

The two best predictors of the margin shift between the major parties are education and immigration (see chart). Holding all else constant, the Liberals gained ground relative to the Conservatives in ridings with more university graduates and native-born voters. Conversely, they fell back in places with more foreign-born residents and voters who lack degrees.

The electoral-swing map of Toronto, Canada's largest city and immigrant capital, looks almost identical to that of New York, its American counterpart. In both places the big left-of-centre party fared best relative to the previous election in and around the city centre, where educated elites predominate. The main right-of-centre party surged in outlying areas, home to working-class immigrants who deliver takeaways to those posher people and drive them around in Ubers. In theory this pattern could be due to immigrants' native-born neighbours. But in some Toronto ridings more than 60% of residents are foreign-born. Big swings in such areas almost certainly reflect naturalised voters switching sides.

Another factor that helps explain the results is religion, and particularly the war between Israel and Hamas. The Conservatives criticised the Liberals as soft on antisemitism. And relative to what you would expect based on immigration and education levels, the Liberals fared unusually well in ridings with lots of secular or Muslim voters. Conversely, the Conservatives outperformed in heavily Jewish ridings.

### **The Trumpian fog**

On timelines measured in years, the trends are clear. Canada's immigrant and working-class vote is moving firmly to the right. Mr Carney may take solace from the fact that his campaign managed to reverse some of this shift. At the start of January, before Mr Carney became Liberal leader, data collected by Abacus, a pollster, showed that immigrants favoured the Conservatives over the Liberals to a greater extent than did native-born Canadians. But by voting day that had switched.

Perhaps Mr Trump's belligerence prodded immigrants to run to a Liberal Party that champions multiculturalism. Perhaps Mr Carney's brusque ditching of his predecessor's most unpopular policies won them over.

Regardless of the cause, what is certain is less reassuring for the Liberals: immigrant support for the Conservatives fell from historic highs in opinion polls to lower-but-still-historic highs at the ballot box. A quarter of Canadian residents are immigrants. It should not surprise Mr Carney if they make his successor a Conservative. ■

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# Asia

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On the brink

# India and Pakistan are bracing for a military clash

*This one could be riskier than their last major crisis in 2019*

May 01, 2025 02:42 PM | Delhi and Islamabad



DURING THE last big military stand-off between India and Pakistan, in 2019, Mike Pompeo was woken by an urgent call at his hotel in Hanoi. Mr Pompeo, who was then America's secretary of state, described in a memoir being connected to an Indian minister who said Pakistan was preparing a nuclear strike on India. Mr Pompeo quickly reached Pakistan's army chief, who denied it but accused India of readying its atomic weapons. It took several hours of intense diplomacy "to convince each side that the other was not preparing for nuclear war", wrote Mr Pompeo.



The fragile peace between South Asia's long-time rivals is unravelling again. India has alleged "cross-border" involvement from Pakistan in a terrorist attack that killed 26 men in the Indian-ruled part of Jammu & Kashmir on April 22nd. Pakistan denies any role and India has yet to present proof. But the two countries, which both claim the Muslim-majority region, have downgraded diplomatic, trade and transport links. Their troops

have exchanged small-arms fire for several days. India is weighing options for bigger military action; Pakistan is braced to hit back. And this time the confrontation could be even more perilous than previous ones.

One reason is political pressure on Narendra Modi, India's prime minister. In 2016 he sent troops to hit militant targets in the part of Kashmir ruled by Pakistan 11 days after an attack on an Indian military base. Then, in 2019, India conducted air strikes on alleged militant sites in Pakistan 12 days after a suicide-bombing that killed 40 Indian policemen. Many in India want a more muscular response this time, given that the latest attack was the bloodiest in Kashmir since the 2019 bombing and the deadliest on tourists since an insurgency against Indian rule started in 1989.

Mr Modi also has stronger incentives today to divert attention from his Kashmir policies. In 2019 he fulfilled a long-held ambition of his Hindu-nationalist movement by revoking the region's semi-autonomous status. He says that this brought peace and prosperity. But the attack has undermined that claim and added weight to accusations that systematic rights abuses fuel violence in the region. Some opposition leaders urged restraint in recent days after Indian police blew up the houses of suspected militants. Others question the security lapses that allowed the attackers (who police say include two Pakistanis and one Indian) to strike despite the half-million Indian security forces in the region.

Mr Modi's options for more robust military action include air, ground, missile and drone attacks. Indian forces could strike deeper inside Pakistan and hit military as well as militant targets. There is talk in Indian security circles of hitting the alleged headquarters of the militant group Lashkar-e-Taiba (LeT) near Muridke, a town 30km north of Lahore, Pakistan's second-biggest city. Without providing public proof, Indian officials say The Resistance Front, which claimed the recent attack (only to deny responsibility later, saying it had been hacked) is an LeT proxy.

One challenge is that most options risk provoking a much bigger conflict. Even limited action is unpredictable. In 2019 Pakistan shot down an Indian jet and captured the pilot (under American pressure, it returned him after a few days). Nor will Pakistan be surprised as easily. Its armed forces have already shot down an Indian spy drone and scrambled jets in response to

Indian aerial patrols. Pakistan's defence minister, Khawaja Asif, has warned of an "imminent" Indian attack. "We are prepared and we will respond," he says.

Deependra Singh Hooda, a retired general who led India's response in 2016, is among those counselling that any fresh Indian attack should target militant rather than military sites. He says that India could use its new French Rafale fighters which can conduct "stand-off" missile strikes from Indian airspace (unlike the Mirages used in 2019). But he warns that a strike on Muridke could backfire by killing many civilians. That could undermine international support for India, especially if it strikes before sharing evidence against Pakistan-based militants or the army.

Pakistan, meanwhile, is likely to respond proportionately in nature but hit more targets, in line with its "quid pro quo plus" strategy. Without Indian militants to strike, it will probably target military outposts, which could cause more Indian outrage. Pakistan may indicate that it wants to avoid escalation. But such signalling between nuclear powers can quickly unravel, says Moeed Yusuf, Pakistan's national security adviser from 2021 to 2022. "The only sane thing is not to test whether things will escalate," he warns, expressing concern about public calls from some Indian nationalists for a full-scale war.

Another potentially escalatory factor is Pakistan's army chief, General Asim Munir. The general, who has described Kashmir as Pakistan's "jugular vein", is more powerful and ideologically driven than his predecessor, General Qamar Javed Bajwa, who handled the 2019 stand-off. "He's going to hit back and not be as restrained," says Asfandyar Mir, a Washington-based security analyst. General Munir also faces unusual public criticism over the army's dominance of politics and failure to quell insurgencies in Pakistan's north and south-west (the latter of which he blames on India).

The international environment has changed since 2019, too. America has less interest and influence in Pakistan since the American withdrawal from Afghanistan in 2021. America and India are much closer. India can exploit that by lobbying President Donald Trump's administration to penalise Pakistan, perhaps by sanctioning individual Pakistani officers, says Ajay

Bisaria, a former Indian high commissioner to Pakistan. India could also try to disrupt a \$7bn IMF bail-out to Pakistan.

Still, Pakistan has already factored in America's shift and now looks more to China. The Chinese government has urged restraint from both sides. It may be wary of jeopardising a rapprochement with India following their recent resolution of a four-year stand-off over a disputed border. But that process is already complicated by Mr Trump's trade war. And China has had close defence and economic ties to Pakistan for decades. In a conflict, "which side would China take? That's one question our diplomats should be asking," says A.S. Dulat, a former Indian intelligence chief.

An additional risk today is that long-standing bilateral treaties are in jeopardy. India has suspended a 1960 river-sharing treaty. Pakistan has threatened to bin a 1972 agreement that freezes the disputed border. And Pakistani ministers say any attempt to divert waters flowing into Pakistan would be an "act of war". Some of that is posturing: India cannot greatly divert waters without new infrastructure, which would take years. Diplomatic back channels may ultimately calm the crisis, as in 2019. But probably not before it moves closer to the brink of war. ■

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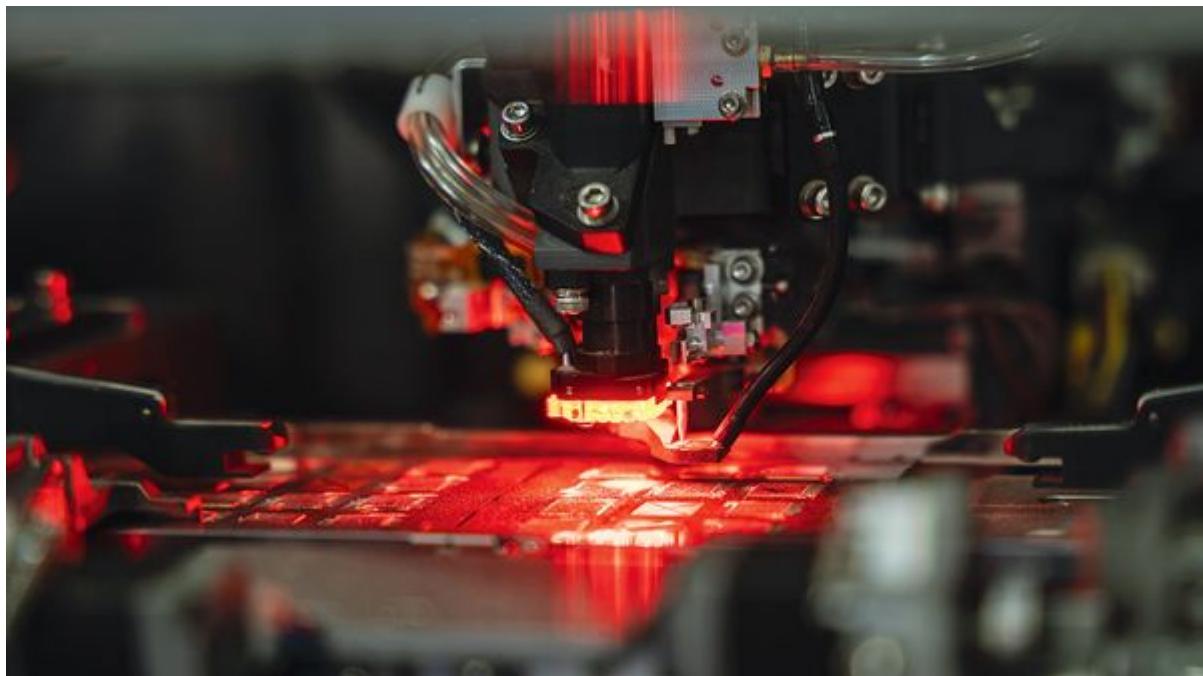
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Tech supply chains

# India's new chip fab rises from the dust

*The country is making its first big bet on semiconductors*

May 01, 2025 01:23 PM | DHOLERA, GUJARAT



Light manufacturing

PART-HIDDEN by hoardings and overshadowed by cranes, the buildings that will host India's first commercial chip factory are slowly taking shape. The \$11bn project is a partnership between Tata Group, one of India's biggest conglomerates, and Powerchip, a Taiwanese manufacturer of semiconductors. The site they have chosen is in Gujarat, home state of Narendra Modi, the prime minister. Local politicians insist the factory—one of the first tenants of a mostly vacant industrial park two and a half hours south of the state capital—will eventually sit surrounded by suppliers and competitors; the plan, they promise, is to raise a “Semiconductor City” from

the dirt. At a nearby visitor centre, an audio-visual show and a model town the size of a tennis court ram home that point.

Tata's chip factory (or "fab") is perhaps the most eye-catching result of an effort to promote Indian chipmaking that got under way in late 2021, when the central government announced \$10bn of incentives for investors. Like many other countries, India was alarmed by chip shortages that came in the wake of covid-19, which it saw as a threat to its national and economic security. It is keen, in particular, to cut its reliance on cheap chips from China, with which relations are often fraught.

Yet politicians also want Indian firms to cash in on the semiconductor industry, the total global sales of which could almost double in value to about \$1trn by 2030. And they think locally made chips will help boost Indian manufacturing. Apple already makes about one-fifth of its iPhones in India; it is said to be hoping that all the phones it sells in America will come from Indian factories by the end of 2026.

So far five big projects have got the green light. Most of these are facilities for "assembly, testing and packaging" of semiconductors: an end-stage of the manufacturing process that involves separating chips that have been printed elsewhere and wrapping them in a protective shell. That is far from the most lucrative part of the industry, but it is less technical and more labour-intensive than other bits of chip production, which makes it a good place for India to start. Other countries seeking to grab a foothold in this market include Malaysia, the Philippines and Vietnam. India's first packaged chips could be ready by the end of this year.

Producing chips from scratch is a much sexier business, but also a far trickier one. For the moment Tata's factory (which sits in a "special investment region", called Dholera) is the only one of the new projects that will attempt to do that. It will not be minting cutting-edge semiconductors of the kind that stream from fabs in Taiwan. Yet the workhorse products it produces will nonetheless find plenty of uses, such as in vehicles, white goods and entry-level smartphones. Many of them may wind up in Tata's own cars.

Not everyone is delighted by this progress. Politicians had at first dreamed of signing contracts with the very biggest names in chips, such as Intel; they have had to lower their expectations. Many ordinary Indians think the subsidies on offer are terrifyingly large. The central government is providing 50% of project costs for chipmakers and 50% of capital expenditures for chip packagers from its \$10bn fund. State authorities are also chipping in another 20-25%. If an aim is to create more jobs, there are cheaper ways of doing that.

Yet this giveaway is similar to the way other countries kickstarted their chipmaking industries, thinks Rakesh Kumar at the University of Illinois Urbana-Champaign. At first sceptical of the government's plans, he is growing more bullish as the push develops: "They are doing this methodically, which I really like." It is not unreasonable for a country of India's size and wealth to seek to nurture at least one commercial chip fab, argues Pranay Kotasthane of the Takshashila Institution, a think-tank in Bangalore. Without that, India is not just "out of the game", he says: "It is not even in the stadium."

### **Chip away against China?**

It remains to be seen if the government will continue to support the industry over the many years it will take to become internationally competitive. Indian manufacturers may perhaps come to regret officials' enthusiasm for fabs; it is possible to imagine a future government requiring them to use local chips, even if they are inferior. When it comes to exports, Donald Trump's tariff wars are likely to give Indian chipmakers some advantage over Chinese ones—but they also risk causing a global economic slowdown that makes foreign tech firms much less willing to invest. The Trump administration would doubtless prefer Americans to buy Indian chips rather than Chinese ones, but what it really wants is for more microprocessors to be made in America.

Ideally, Indian politicians would be spending as much time thinking about how to remove obstacles that hold back Indian chip-design firms as they are on chip manufacturing. About 125,000 Indians already work in semiconductor design, most of them for big international chip companies

that do a portion of research and development in cities such as Bangalore. These staff account for about one-fifth of the world's chip designers—but very few of them toil for home-grown firms. A recent government scheme to give local entrepreneurs a leg-up has fallen far short. Unleashing their potential might be a quicker route to riches than throwing money at gargantuan fabs. ■

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**Assault and flattery**

# Trump, trade and troops: South Korea's nightmare

*Amid the tariff war, an interview with the acting president*

May 01, 2025 09:10 PM | SEOUL and TOKYO



The caretaker

SOME TARGETS of the American president's tariffs, such as China and the EU, are fighting back. South Korea and Japan feel they have to play nice. They are terrified that President Donald Trump will weaken or even withdraw the security guarantees that have kept them safe for over seven decades. So, as he insists on a “one-stop-shop” negotiation bundling trade and other economic issues with security, they are scrambling to offer him goodies. Han Duck-soo, South Korea’s acting president, projected calm in an interview with *The Economist* on April 22nd. “Through co-operative

negotiations with the United States, we will be able to find some win-win solutions,” he says.

South Korean and Japanese officials are putting on their politest smiles and heading to Washington. Akazawa Ryosei, the minister leading negotiations for Japan, visited the White House on April 16th and donned a MAGA hat. A week later, South Korea’s finance and trade ministers met their American counterparts. Talks with both countries are continuing.

South Korea’s task is made harder by political turmoil within. Mr Han, a mild-mannered unelected technocrat, was thrust into the limelight after his boss, Yoon Suk Yeol, was impeached for declaring martial law in December. A presidential election is due on June 3rd. [Lee Jae-myung](#), the left-wing opposition leader, is the front-runner, but a Supreme Court ruling on May 1st to revisit alleged election-law violations has cast fresh doubt on his eligibility to run. Mr Han stepped down from his post as acting president on the same day; he is expected to enter the race for a full presidential term himself. Meanwhile, the government must try to avert calamity with America. South Korea is sure that any problems can be solved in “a rather non-conflicting way”, Mr Han says.

Still, he has no illusions about the stakes. Mr Trump has threatened in the past to withdraw some of America’s troops from South Korea. That would leave it far more vulnerable to threats from North Korea. The presence of American forces is “absolutely critical for us”, says Mr Han. To deter its despotic, nuclear-armed neighbour, South Korea also relies upon America’s nuclear umbrella. No one is sure whether Mr Trump intends to preserve this or fold it up, destabilising the region and creating an incentive for South Korea and even Japan to acquire [their own nuclear deterrents](#). “That’s why we must continue to work with America and put on a brave face, no matter who is in the White House,” says Ahn Ho-young, a former South Korean ambassador to America.

While straining not to alienate an essential ally, South Korea and Japan are trying to limit the tariff trauma. Both are trade-oriented economies that export loads to America. Mr Trump has imposed “sectoral” tariffs of 25% on steel, aluminium and automobiles, which came into effect at the start of March and April. He has also announced—and then suspended for 90 days

—so-called reciprocal tariffs of 25% on all Korean goods and 24% on Japanese ones. His tariffs on other countries, such as China, will add to Japan and South Korea's pain by disrupting their supply chains. Mr Han speaks of the tariffs as "shock therapy"; Ishiba Shigeru, Japan's prime minister, says they have caused a "national crisis".

The economic pain for both South Korea and Japan could be more severe than for most countries. On April 22nd the IMF cut South Korea's growth forecast for this year to 1%, down from 2% in January; Japan's growth forecast fell by 0.5 percentage points. (The global growth projection shrank by 0.5 percentage points.) If America puts a universal 25% tariff on all goods, South Korea's GDP would dip by 0.8 percentage points, reckons Park Chong Hoon of Standard Chartered, a bank; the Nomura Research Institute, a Japanese think-tank, also predicts a 0.8 percentage-point reduction in Japanese GDP if all Mr Trump's tariffs remain in place.

The car and steel tariffs have already caused serious harm. "It's very painful," Mr Han acknowledges. And the uncertainty about what Mr Trump will do next is equally worrying. Investors and consumers are putting off spending decisions until the picture is clearer. Through the first 20 days of April South Korea's exports shrank by 5% compared with the same period last year; those to America fell by 14%.

Securing a reprieve will not be easy. Both countries have trade agreements with America, which Mr Trump's new tariffs appear to violate. Mr Trump's "reciprocal" tariffs are based on the spurious claim that South Korea charges effective tariffs of 50% on American goods. South Korea's government notes that under the United States-Korea Free Trade Agreement, which came into force in 2012, the average rate on imports from America is less than 1%. Mr Trump's insistence on talking about everything all at once adds complexity.

Both South Korea and Japan hope to offer packages that will appeal to Mr Trump's ego at a reasonable cost. "We have to make a deal in such a way that Trump can be boastful," says a South Korean ex-official. Ideas on the table include buying more stuff from America to reduce its trade deficit, and promoting flashy investments. Mr Han highlights a proposal to build a 1,300km gas pipeline in Alaska and a liquefaction plant to allow gas exports

to Asia, which South Korean and Japanese firms could help realise. South Korea is also offering to help [revive America's dilapidated shipbuilding industry.](#)

The talks will have to address Mr Trump's fixation on non-tariff barriers, such as car-safety standards, quotas and sanitary requirements for farm products, drug-pricing mechanisms, and impediments to tech firms. Some of Mr Trump's gripes are real. "We have some points on which some improvements can be made," Mr Han says. Google Maps, for example, is hamstrung in South Korea by restrictions on the export of high-precision map data.

Even so, there are limits to what negotiators can achieve. South Korea and Japan can buy more American oil and arms, but cannot plausibly eliminate their trade surpluses with Uncle Sam. Reducing them will leave East Asian firms with less money to invest in new factories in America. Several of Mr Trump's complaints about non-tariff barriers, such as a story about a Japanese car-safety test involving a bowling ball, are baseless.

Industrial co-operation faces big obstacles. South Korea has plenty of shipbuilding expertise to share, but shipbuilding requires lots of steel (which Mr Trump's tariffs make more costly) and a web of suppliers and skilled labour (which America lacks). Firms will be loth to invest in shifting their supply chains without certainty. Also, to make collaboration on shipbuilding work, America should change its legal framework governing the industry, says Mr Han. He is too courteous to add that American shipbuilding is inefficient largely because it is highly protected.

South Korea's main opposition, the Democratic Party (DP), argues that a placeholder government does not have the authority to start trade talks. But a DP president will probably pursue the same goals after the election in June: tariff relief and continuing security guarantees. Both parties may seek to extract long-sought concessions, such as a go-ahead for South Korea to reprocess or enrich spent nuclear fuel, ostensibly to make nuclear-energy generation more efficient. (It would also cut the time to build nuclear weapons.)

Voters in both South Korea and Japan are watching closely how their leaders handle Mr Trump. In Japan, where upper-house elections loom in July, Mr Ishiba has been criticised for being too soft. And Oguma Shinji, an opposition lawmaker, said what others mutter privately: negotiating with Mr Trump is like dealing with “a juvenile delinquent extorting money”. ■

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A national rethink

# Aussies are doing a political pivot

*Ahead of the vote on May 3rd, politics has flipped*

May 01, 2025 01:00 PM | Sydney

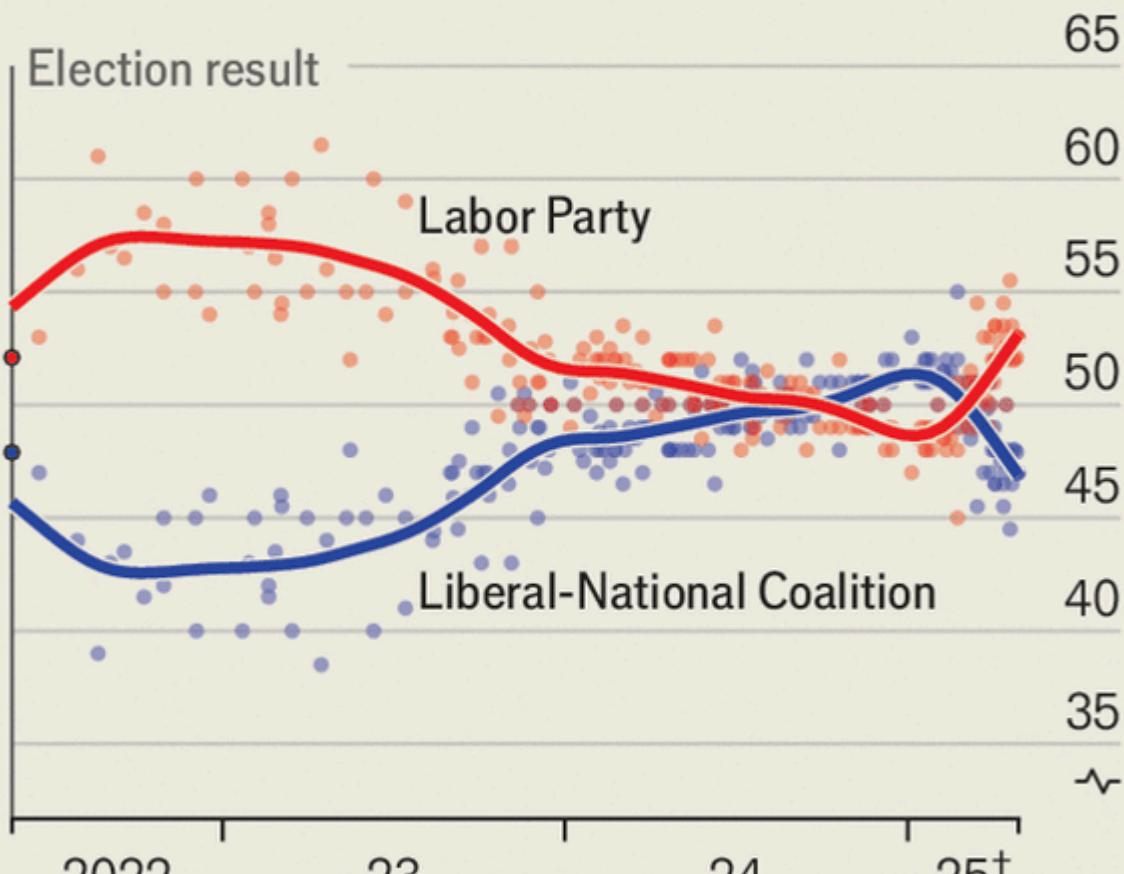


Searching for a political home

AUSTRALIA'S ELECTION appeared to be heading towards a conservative coalition earlier this year. But since President Donald Trump returned to the White House, Australians have watched in horror as Mr Trump abandoned Ukraine, started a global trade war and purged tens of thousands of federal employees. This has given the incumbent social-democrat government, run by the Labor Party, a boost ahead of the election on May 3rd (see chart).

## All change down under

Australia, voting intention in federal election\*, %



Source: National polls \*Two-party-preferred vote †To April 29th

It is a remarkable reversal. Two-thirds of Australians now say America cannot be trusted as a security partner and want a more independent defence policy, up from 39% in June. That survey also shows that Australians trust the prime minister, Anthony Albanese, more than the opposition leader, Peter Dutton, to manage Mr Trump. Meanwhile another poll finds that 64% of Australians have little or no trust in America to “act responsibly”.

Mr Trump’s impact on Australia’s election echoes the Liberal Party’s victory in Canada on April 28th. Australia, unlike Canada, does not face the threat of annexation or 25% tariffs (America has imposed a 10% tariff on

Australian goods). Yet Australia is similarly reeling from the sting of betrayal by its long-time ally.

Mr Dutton has not helped his cause. Early on, he sought to align himself with Mr Trump. He described the president as a “big thinker and a dealmaker” for proposing that America should take over Gaza. He stood by as one of his shadow ministers, Jacinta Price, declared the party’s goal was to “Make Australia Great Again”.

Mr Albanese’s campaign has also been helped by the advantage of incumbency. In times of crisis, voters often rally behind the government, as they did during the global financial crisis and the pandemic, points out George Megalogenis, a journalist. Now, with the threat of a recession looming, Australians are seeking “quality, certainty and a social-democrat government that will look after us”, says Simon Jackman, a political scientist.

Neither party has run a campaign rich in ideas or inspiration. But Australia’s electoral system nudges politics towards the centre. Compulsory voting encourages parties to appeal to the average Australian, not just their most motivated supporters. Preferential voting ensures that winners command broader support and encourages moderation.

In the previous election Mr Dutton’s Liberal Party lost much of its support to a wave of independents, mostly professional women contesting wealthy inner-city seats on the need for climate action. Preferential voting has given such candidates room to thrive. These politicians, are “not a party or a bloc, but we collaborate”, says Allegra Spender, one of the independents who entered parliament in 2022.

Across Australia, from Ms Spender’s prosperous seat to regional towns, the cost-of-living crisis—particularly the shortage of affordable housing—has dominated the election. Over the past quarter of a century, house prices have doubled relative to incomes. As younger, asset-poor renters grow in number, the politics of housing will become harder to ignore. But this means that independents have everything to play for. ■

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# China

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In the trenches

# American tariffs are starting to hammer Chinese exporters

*But plenty of firms believe that the levies will not last*

May 01, 2025 02:42 PM | NINGBO and YIWU



***Editor's note (April 30th): This story has been updated.***

TO LOOK OUT on Ningbo-Zhoushan Port, the busiest port in the world by cargo throughput, you would not know there is a trade war going on. Security around Chinese ports is tight, but from a wooded hill overlooking one of its giant terminals, it feels as though it is just another normal working day. Lines of trucks steadily snake into the port, bringing in red, grey and green containers. Forklift operators scoot around, stacking them up in towers. Most of the dozens of towering gantry cranes in the terminal

are in operation, loading the containers onto ships. A huge vessel, packed with cargo, sails out of the harbour into the Pacific Ocean.

The trade war between America and China has reached an ugly stalemate. Both have suggested they are open to de-escalation, but the [chances of a formal deal soon seem slim](#): If the tariffs remain in place, the World Trade Organisation expects that Chinese goods exports to America, worth about \$440bn last year, will fall by 77% in 2025. On April 30th a gauge of new export orders fell to its lowest level since 2022.

That Ningbo-Zhoushan looks active reflects the fact that China exports to the whole world. America is the country with which it trades the most, but accounted for only about 15% of its exports last year, down from over 20% at the start of President Donald Trump's first term. Still, few places are more exposed to the trade war than Zhejiang province, just south of Shanghai, where Ningbo is located. It is one of China's export powerhouses, with some 90,000 companies manufacturing for the overseas market. Its workers and businesses are feeling the effects of Mr Trump's tariffs.

Lorry drivers catching a cigarette and a snack at a rest-stop near the port reckon that the volume of containers they are moving from Zhejiang factories to the port and back has slipped by up to a third in recent weeks. One grumbles about that "bully" Mr Trump. COSCO, a big Chinese shipping company, says the volume of containers crossing the Pacific fell by 12-13% in the first three weeks of April compared with March, and that the decline will probably accelerate to 20% by the end of the month.



Jack Shi, a factory owner in Ningbo who makes parts for vacuum cleaners, says the firms he supplies are already laying off workers because of the tariffs. He hopes to manage by shutting down some of his industrial robots. Shuangma, a Zhejiang plastics manufacturer, reported that cancelled orders have cost it 150m yuan (\$20m) so far. Feilong, a white-goods maker up the coast, told state media that American orders for 3,000 of its fridges and washing machines have been cancelled. Some 16m jobs in the export sector may be endangered if the trade war continues, says Goldman Sachs, a bank.

China's government hopes exporters can survive by selling to other countries or tapping the domestic market. Teams from local governments have been sent out to advise companies. After a meeting in April, the Politburo, China's top decision-making body, called for help to ease exporters' efforts to raise funds. Tech companies are pitching in. JD.com, an e-commerce giant, has said it will buy 200bn yuan-worth of export goods and resell them at home.

But much of the rest of the world is already complaining about an excess of cheap Chinese goods, and the home market will also struggle to swallow much more. Consumer sentiment is weak, amid a property slump and high unemployment.

Chinese customers also buy different products. Some 200km inland, in a maze-like building in the wholesale market of the city of Yiwu, a young man named Ding Heng sits in front of a small forest of plastic Christmas trees. His firm usually sells about 1m yuan-worth of them to America every year. All those orders have been put on hold since tariffs were announced, he says. If they do not resume soon, he will miss this year's season.

"There's still time now. After two months there won't be." And there is no market for them in China.

## Hats off

Last summer Su Zhan's hat-making company received a rush of orders for bright red baseball caps emblazoned with "Make America Great Again". Mr Su shipped lots of the caps to America, and would be happy to send more. But few people are buying them these days. Mr Trump's tariffs have made them too expensive for American importers. Half the company's orders have now been cancelled.

Surprisingly, some Yiwu traders say they sympathise with Mr Trump's aims. "I think they've no better option. America's manufacturing industry is gone and they're trying to bring it back," says one trader. "Without manufacturing a country's power will wane." Others grumble about American attempts to stop China's rise. Few, however, think Mr Trump's tariff strategy will ever really threaten the dominance of China's factories. America's labour costs are too high, and "American workers like freedom, they can't deal with tedious work," says one trader sagely.

As a result, many exporters think Mr Trump will back down on his tariffs, as American consumers start to suffer from the lack of their products. The traders are encouraged by the back-and-forth with other countries that resulted in a 90-day pause. Still, things will be tough in the interim. Mr Su, for his part, still has to sell his baseball caps. Perhaps shipping them to Mexico and cutting off the "Made in China" label might work, he suggests.

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*world.*

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Identity crisis

# Is China justified in still calling itself a developing country?

*The reasons are more about self-image than money*

May 01, 2025 12:59 PM



Side by side

IN A SPEECH on April 23rd America's treasury secretary, Scott Bessent, laid out the Trump administration's vision for the global financial system. Rather than announcing that America was leaving the IMF and World Bank, as some had feared, Mr Bessent's "blueprint to restore equilibrium" put the Bretton Woods institutions clearly at its centre. They are now to police abuses of the system, he said, including those committed by China.

Among Mr Bessent's list of complaints was one that particularly raises the hackles of officials in Beijing, but also shines a light on China's place in the

modern world. “Treating China...as a ‘developing country’ is absurd,” he said, adding that if China wants to play a role in the global economy commensurate with its actual importance, then it needs to “graduate up”.

He has a point. China gets cheap loans, avoids billions of dollars in contributions to global climate-adaptation funds and earns itself extra years to phase out carbon emissions all by retaining its “developing” status. But Mr Bessent’s comments also highlight a contradiction that tells the world a lot about China’s perception of itself. It is not all about money.

China is obsessed with history, especially its history of humiliation. In a recent speech President Xi Jinping said: “The modernisation of Western countries is full of bloody crimes such as war, slave trade, colonisation and plunder, which have brought...suffering to...developing countries.” China, he said, is one of them.

Soon after the Communist Party took power in 1949, it began to present itself as a champion of the developing world. And it still sees itself in that way. China wears its developing-nation status as a badge of honour and a sign of moral superiority. (This support for the global south also helps create numerous voting allies at the United Nations and other organisations.)

Wang Yi, the foreign minister, has called China the global south’s “ex officio” member, and leaders are unlikely to give up that status lightly. No matter how rich China grows, said Mr Xi in 2024, it “will always belong to the developing world”.

## **Who are you?**

Part of the challenge is that there is no agreed definition of a developing economy. In most international organisations, countries can simply declare themselves to have “developing” status. Half a century ago China’s gross national income per head was less than Sudan’s and Zambia’s. But China now nudges \$13,400 in income per person and the World Bank reckons that puts it second, behind Costa Rica, among the “upper middle-income” economies. It is expected to join the high-income group next year.

Policymakers in Beijing point to lingering challenges, such as enduring rural poverty, to justify retaining their status. The billions of dollars in loans China receives at developing-country rates from the World Bank are tiny relative to GDP. Yet it insists it should not “graduate” from the scheme, so it can learn from the bank’s development expertise. Other countries, such as Qatar and Saudi Arabia, also claim “developing country” status.

There are other perks. Around 40 global bodies give special status to poor countries, to broaden access to global public goods and make it easier to comply with international rules. For example, low-income countries (but including China) pay a fraction of the ordinary fees to send mail across borders. In effect, rich countries subsidise the mail of poor ones.

Developing states are allowed to subsidise some industries, such as agriculture, at a higher rate. They also get more time to comply with global trade rules, cheaper UN membership fees and at least ten more years to achieve net-zero carbon emissions.

Mr Bessent’s comments seem reasonable when you consider how China’s power has grown with its wealth. It now has the world’s largest navy and is challenging the West’s technological dominance in fields from quantum computing to artificial intelligence. The World Bank’s statistics do not measure things like space programmes and aircraft-carriers, which soak up money that could be used to ease poverty.

Rich countries are eager for China to step up. Negotiations at the COP29 climate talks in November almost collapsed because rich-country envoys were unhappy that China, though it is the world’s largest carbon-emitter, initially refused to contribute money to help poor countries deal with climate change. Mr Xi’s envoy, Liu Zhenmin, told Chinese media: “The West has always wanted to separate China [from the global south]...we do not agree with this.”

In practice, Mr Xi gives up the perks when pushed. His COP29 delegation, at Europe’s urging, unblocked the talks with crafty accounting. It let some of China’s indirect climate lending be counted in the rich countries’ pile upon assurance that it was voluntary and did not imply a change in its “developing” status. Most new trade agreements prevent China accessing

the benefits of its status, says Henry Gao of Singapore Management University.

There is some room for pragmatism; but maintaining the contradiction is difficult. China's interests often reflect those of a great power, leaving its "developing-world champion" routine looking hypocritical. It is an unforgiving overseas lender itself. It drives a hard bargain when lending to the developing world, and it links projects in poor countries with how a recipient country votes at the UN.

In changes being discussed at the IMF and World Bank, China prefers "vote" reforms that would give more votes and influence to those with greater GDP, diluting the power of poorer states, notes David Passarelli of the UNU Centre for Policy Research, a think-tank in New York. It is less keen on "voice" reforms that would give representatives from poor countries more top jobs and a better slice of resources.

The same dynamics are visible at the UN, where China says it backs expanding the Security Council to include developing countries. But when America proposed a plan last year that would have created two (permanent non-veto) African seats, China rejected it, apparently because it would have included spots for India and Japan.

In Geneva, where a global pandemic treaty was recently agreed, China also played a double game. Poor countries wanted to force the rich to hand over intellectual property on vaccines and other things in times of crisis. Rich countries resisted, and so did China, looking to protect its own biotech industry.

Nevertheless, Mr Xi continues to view developing countries as keen on his push to remake the global order. Development is a permanent "political identity", says Wang Yawei of the Academy of Xi Jinping Thought at Renmin University. The party's legitimacy depends in part on the riches yet to come. "Once you are 'advanced'," says Mr Wang, "you are declining." ■

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The rural economy

# Edible rats are China's latest live-streaming stars

*Cooking them on camera beats standing in a factory all day, and pays much better*

May 01, 2025 04:14 PM | HEZE



LIKE MILLIONS of rural Chinese people before her, when Xing Jianli was younger she left her village and went to a big city, finding work in a clothes factory. But now the 38-year-old is back on the farm and making more money than she ever did at a sewing machine. She grows peonies—bright flouncy flowers that flourish in the countryside around the city of Heze, in her home province of Shandong in eastern China. To sell them, she live-streams from her fields to a virtual audience who pay for bouquets by tapping on their mobile phone. On a good day she can make 3,000 yuan

(\$400), about a month's wages in a factory and an "impossible" sum in the days before e-commerce, she says.

It is still not much compared to what live-streamers in China's cities rake in by selling make-up, electronics and clothing. They have been doing so for nearly a decade, with top performers like Li Jiaqi, known as the "Lipstick King", once selling 40m yuan-worth of goods in two hours. But Ms Xing is one of a growing number of Chinese farmers making good money on streaming platforms, injecting cash into the long-neglected rural economy. They sell everything from poultry to grapes. In 2023 some 1.4bn orders for agricultural products were made on Kuaishou, a streaming app popular in rural areas, 56% more than the year before. Alibaba, an e-commerce giant, says that between 2021 and 2024, villages in poor parts of China made sales worth 441bn yuan on its platforms.

Live-streaming has also created opportunities for middlemen. Feng Yanhui is a 30-year-old from Heze who buys peonies from farmers and re-sells them by live-streaming every evening. When the peony season is over in Shandong, she moves elsewhere.

Local governments are keen to foster the industry. Some offer training for migrant workers and college graduates if they return to their villages, teaching them sales scripts and techniques. On March 27th officials in Heze organised a live-streaming competition for local farmers to sell their produce using eight live-broadcast rooms. To inspire participants, they invited Li Xiaoxia, a local live-streaming celebrity who has 450,000 online followers. Ms Li, who sells fruit, made her name by interjecting English phrases, such as "An apple a day keeps the doctor away", into her sales patter.

Some sell not just rural goods to urban residents but rural lifestyles, too. They earn money by driving traffic on streaming platforms, getting gifts from audience members or, if they are popular, sponsoring products. The "Huanong Brothers", a duo from the poor, mountainous province of Jiangxi, became famous by live-streaming their efforts to farm bamboo rats (large rodents which are eaten in some parts of China). They have 3.6m fans on Douyin, a streaming app. Li Ziqi, a young woman from the south-western province of Sichuan, posts videos of idyllic scenes where she

harvests vegetables, chops bamboo, prepares traditional meals and wanders the forests, all to the sound of calming music. She has amassed over 28m followers on Weibo, a social-media platform, and in 2020 reportedly sold 1.6bn yuan-worth of products through her online store. Other streamers offer a different kind of spectacle by drinking dangerous amounts of liquor.

As more farmers take to live-streaming, competition is fierce. The newcomers don't understand peonies, sniffs Li Hui, a Heze local. He is not too upset, though. This year he expects to sell half a million flowers on his live-stream. ■

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**Death to America no more**

# Iran's leader hopes America can save his faltering regime

*Ali Khamenei has no choice but to engage with the Great Satan*

May 01, 2025 02:42 PM



WERE THEY to come back to the embassy that Iran raided and expropriated over four decades ago, American diplomats would find it much as they left it. The telex machines, the shredders, the padded communications room and the undamaged great seal over the colonnaded portico all remain. The building has been preserved as a museum: “the den of espionage”. But today, say Iranians walking past it, it is possible to imagine a star-spangled banner fluttering over it once again.

Talks between Iran and America about the Islamic Republic’s nuclear programme are entering their fourth round. The discussions cover much of

the same ground as the talks that led to the Joint Comprehensive Plan of Action (JCPOA) in 2015, on limiting Iran's stocks of enriched uranium.

But in process and tone they are radically different. Then, Iran negotiated with seven world powers. Today, it is just America. A decade ago, Iran's elites were divided. Now, they are united behind the supreme leader, Ayatollah Ali Khamenei. Before, Mr Khamenei was a sceptic. Today, he is the talks' overseer and champion. Once, the Islamic Revolutionary Guard Corps (IRGC), his praetorian guard, saw themselves as the victims of any deal. Today, they hope to be the beneficiaries.

Iran's streets reflect the shift. One by one the symbols of the Great Satan are vanishing. At Tehran University, the revolutionaries' old bastion, the American flag that students had to tread on when entering the college has been removed. Preachers are dropping the tired mantra of "Death to America!" after Friday prayers. The police who once beat up women who rejected the mandatory veil now do the same to those demanding its enforcement.

Even the hope of a deal is fostering rare economic confidence. The rial is up 25% against the dollar since the talks began, albeit from a pitiful base. That is a far greater rise than was prompted by the JCPOA.

Remarkably, Mr Khamenei is leading the shift. In past speeches he celebrated Imam Hussein, the Prophet Muhammad's grandson who chose martyrdom over surrender to tyranny. Now, he praises Hussein's brother, Hassan, who capitulated to tyranny for peace.

It may be that Mr Khamenei has no choice. Politically, economically and militarily, his regime looks spent. Foreign satellite stations and VPNs have weakened the state's grip on information. Before Mr Trump withdrew from the JCPOA and reimposed sanctions in 2018, Iranians protested once every decade. Now they are so desperate they rise up every two years. In 2015 the country's GDP was on a par with that of Turkey and Saudi Arabia. Now it is barely a third their size. Blackouts are common. The same officials who championed the "resistance economy" now plead for investment, particularly American, in core sectors like energy. Israel's attacks on Iran's aerial defence systems have left the country exposed. America's aircraft

carriers and stealth bombers lurk nearby. Its pummelling of northern Yemen is a lesson of what it could do to Iran. Its erstwhile axis of resistance, from Syria to Lebanon and Gaza, has been dismantled. Only by adapting can the regime hope to survive.

And so Mr Khamenei is making a virtue out of defeat. The proxies whose existence dogged previous talks with America are not the obstacle they used to be. Gulf states who previously rallied with Israel against a deal now welcome the stability it might bring. The ayatollahs have not only normalised ties with Saudi Arabia's rulers, whom they hitherto castigated as "vile and ungodly", but also want them to serve as a bridge between Iran and the rest of the Middle East and America.

Some regime diehards fear a sell-out. Confronting America, not bidding it welcome, is the best way to safeguard the Islamic Republic, they say. But though the threat of American and Israeli strikes still stirs national feeling, many fear Israel is seeking to lure them into open conflict and doubt Iran has the capacity to respond. Ideologues once rushed to blame mysterious calamities on Israel. But when a blast erupted at Iran's main port, Bandar Abbas, killing at least 70 people, just as the third round of talks with America was beginning on April 26th, officials brushed it off as an accident.

Meanwhile, Mr Khamenei is purging his system of firebrands. Instead of a crusty hardliner for president, he has Masoud Pezeshkian, who has publicly called for friendship with America. He has packed off Morteza Ghorbani, an IRGC commander who threatened to sink America's navy, to run a shooting club. Mohammed Bagheri, his chief-of-staff, who oversees the IRGC, typifies the conciliatory tone. Ahead of talks with America, he appeared dressed in civilian clothes at Persepolis, the ancient capital of pre-Islamic Persia, and spouted a message of peace.

Mr Khamenei has a politician's forked tongue. Imam Hassan's peace, he notes, was only temporary and a product of circumstance. But his advisers suggest he is ready to sue for peace, if it preserves his regime. After 35 years as leader, the 86-year-old has outlived or outsmarted his rivals and turned officials, clerics and commanders into yes-men. By negotiating with Mr Khamenei's representatives as equals, Mr Trump has conferred

international recognition on his supremacy and quietened clamours for regime change. The president's letter addressed the supreme leader as "azizam", "my dear" in Persian, notes a delighted official. Mr Khamenei's regime has cast aside many Islamic trappings. But it has kept the most important. Mr Khamenei still wears his turban like a crown. ■

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In surprising communion

# Donald Trump's Syria policy is still a work in progress

*America's evangelicals may be Ahmed al-Sharaa's most important allies*

May 01, 2025 12:59 PM | DAMASCUS AND NEW YORK



Florida man does Damascus

THE TWO Republican congressmen strolling through the old city of Damascus were unlikely visitors to Syria. Cory Mills, who sported a pair of Ray-Bans and a snazzy blazer, is a decorated Iraq veteran and MAGA enthusiast from Florida. Marlin Stutzman of Indiana has applauded Donald Trump's tariffs. Few expected them to emerge as advocates for engagement with a country run by a man who was once a senior member of al-Qaeda.

Yet the congressmen left Syria apparently convinced that America needs to engage with Ahmed al-Sharaa. They were "cautiously optimistic" that

America could do business with him, according to Mr Mills. He also said that Syria's new leader had hinted to him that under the right conditions Syria might one day join the Abraham accords, which established normal relations between Israel and several Arab states in 2020. Those involved behind the scenes say the visit was a roaring success.

The American government has been slow to react to the change of regime in Syria. Europeans have started to lift sanctions and reopen embassies. America has provided only limited sanctions relief so far. The embargoes continue to cripple life in Damascus, forcing men in suits to rummage through bins for food and leaving the capital with just a few hours of electricity each day. They also make potential donors, including the Syrian diaspora and Gulf states, nervous about paying for reconstruction or sending aid. And there is still no American diplomatic presence.

Hawks in the White House and the Republican Party, among them Sebastian Gorka and Tulsi Gabbard, are unconvinced by Mr Sharaa's transformation and insist Syria remains a counter-terrorism issue. "They will only ever see the Sharaa that was in Iraq," fears one Christian Syrian-American businessman. At least 30 people have been killed in and around Damascus in recent clashes with the Druze, a small sect, worrying Syria's minorities.

Others seem keener, notably evangelical Christians and Jewish Syrians in America, who see Syria as a key battleground for minority rights in the Middle East. Johnnie Moore, an evangelical pastor close to Mr Trump, along with Rabbi Abraham Cooper of the Simon Wiesenthal Centre, a Jewish human-rights group based in Los Angeles, recently met Asaad al-Shaibani, Syria's foreign minister, in New York. "It was far more compelling than I expected," said Mr Moore. "Syria must grow fast, because economic security is linked to national security and therefore regional peace."

Mr Moore plans to lead a delegation of evangelicals and rabbis to Damascus soon. Evangelicals reckon that religious leaders may succeed where others have failed in convincing Mr Trump to alleviate sanctions and talk to the new government. But Israel, reliably backed by America's evangelicals, may be unimpressed. It has urged a tough line on Mr Sharaa.

“As far as Syria is concerned, [evangelicals] have an outsized influence,” says David Lesch, a Middle East historian at Trinity University in Texas who has urged Syria’s new government to work with America’s religious leaders. In April Mr Trump nominated Mark Walker, a Republican congressman who is also an evangelical pastor, as ambassador for religious freedom. He may influence American policy.

At a donors’ conference in Brussels in March, America listed eight demands for Mr Sharaa’s administration, including helping to find Americans missing in Syria (notably Austin Tice, an imprisoned journalist), preventing foreign fighters joining the new government and designating the Iranian Revolutionary Guards Corps a terrorist organisation. They were disappointed in December when several foreign fighters were appointed to the defence ministry, but admit privately that Damascus has made headway on other issues.

The visit of Messrs Mills and Stutzman to Damascus may well lead to more unofficial American delegations. If Mr Sharaa can convince MAGA Republicans and evangelicals of his good intentions, particularly when it comes to protecting Christians, he may yet get America onside. Mr Trump’s Syria policy is still a work in progress. ■

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A smoky affair

# Africa's charcoal economy

*Why a dirty fuel remains stubbornly important on the continent*

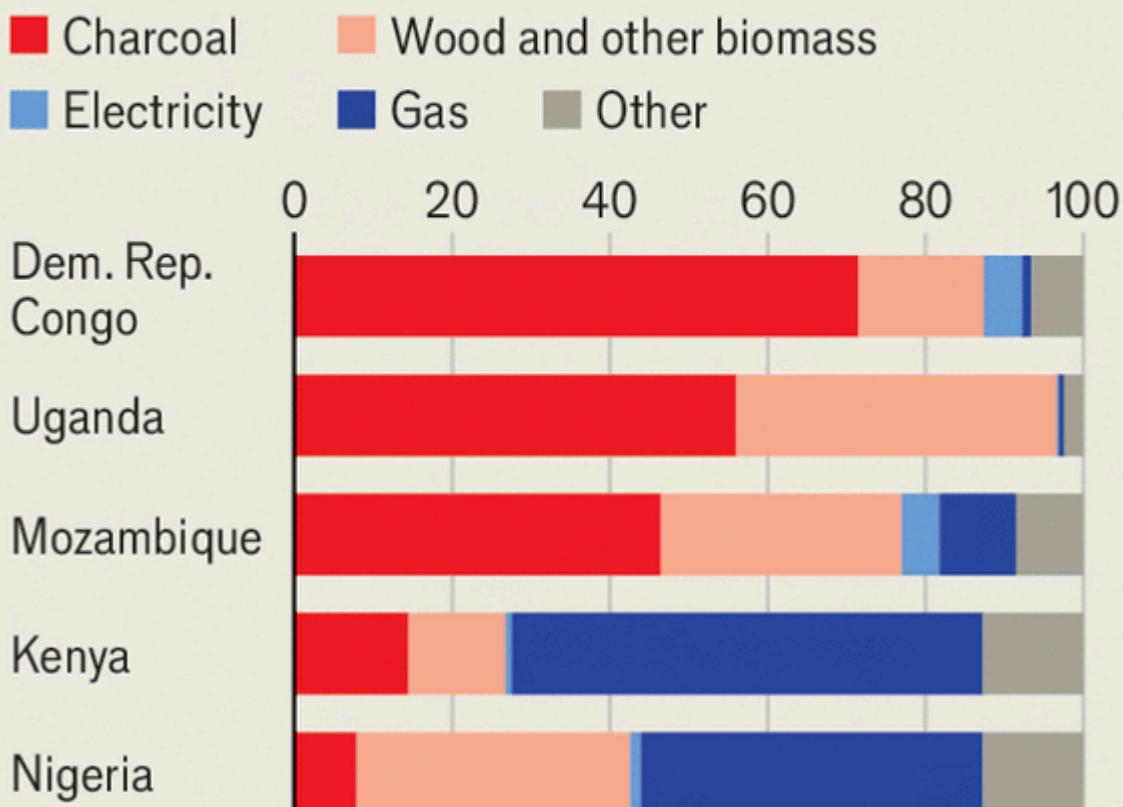
May 01, 2025 09:11 PM | Nairobi and Kitui



WHEN GIBRIL ALI talks of “black gold”, he does not mean oil. He buys it in sacks, not barrels. He sells it to his customers in Nairobi, Kenya’s capital, from a metal shack. But in Kenya there is enough money in charcoal to make “big, big people” get rich by transporting it, he says.

## Charring habit

Primary cooking fuel, 2022,  
usage by % of urban population



Source: WHO

Charcoal has fuelled Africa's urbanisation. It is dense in energy and hard to regulate, much like cities themselves. Despite concerns about pollution, lost trees and illicit money flows, it refuses to go away. Nearly 200m Africans cook mostly with charcoal, including 27% of urbanites (see chart). The share has grown since 1990, offsetting the falling use of firewood. If there has been an African energy transition, it is from one kind of wood fuel to another.

The appeal of charcoal is its convenience. By weight it contains nearly twice as much energy as the wood from which it is made. That makes it

easier to transport, helping megacities to outgrow their sketchy infrastructure. In Kinshasa, a Congolese metropolis of 18m people, almost everyone cooks with it. Never before, writes Jean-Baptiste Fressoz, a French historian, have cities reached such a size while relying so much on wood.

In the African countryside, tens of millions of people use earth kilns to make charcoal, outnumbering all the world's coal miners. The process involves heating wood under low-oxygen conditions to remove moisture and volatile gases. Logs and branches are stacked into a pile, covered with grass and soil and burned for several days. This process yields between one and two tonnes of charcoal for every ten of dry wood. It emits much more carbon than transporting or burning it.

The wood often comes free, because producers harvest from their own land or from forests. Many are farmers who sell charcoal to traders when they need a bit of cash. Others are businessmen who bring in work teams from afar, dish out chainsaws, then pay off a landowner or chief. Locals often complain that outsiders take their trees. Vigilantes have attacked charcoal trucks in Kenya and Uganda.

The value of Africa's charcoal trade is thought to be in the tens of billions of dollars, maybe more than Africans make from cocoa or coffee. The money trail often leads to soldiers or officials. The UN Security Council banned charcoal exports from Somalia because jihadists were making millions selling it to the Gulf, where shisha smokers prize the aroma of acacia wood.

Charcoal production leaves destruction in its wake. In Mabalane district in Mozambique, two-thirds of woodland was affected by it in the decade to 2018, estimates a study by Fernando Sedano, then at the University of Maryland, and others. But in some places agriculture is the bigger culprit. Farmers might clear land mainly to grow crops, making kilns as they go.

In Kitui county, about 200km east of Nairobi, Joseph Kisovi Martha describes a dilemma. In ten years all the trees will be gone, he says, sitting near a stump. But he felled the tree himself. How else, he asks, is he to pay school fees for his children?

To address the downsides of the charcoal trade, governments oscillate between trying to make it legal, through licensing and forest management, and [outlawing it](#). Abrupt bans create an illicit market, says Tuyeni Mwampamba, a Tanzanian researcher. Enforcement is a messy negotiation between traders, officials, police, soldiers and local residents. Lorry drivers move at night and pay bribes at checkpoints. In Uganda, where production is banned, charcoal is smuggled across the border before being reimported with a seal from South Sudan.

Other policies encourage “clean cooking”. Liquid petroleum gas is cleaner than charcoal and in Kenya is exempted from VAT. Firms are putting meters on gas canisters so consumers can pay as they go, rather than facing a big cost upfront. More than half of urban Kenyans now use LPG as their main fuel. Burn Manufacturing, which makes efficient stoves, has stopped selling its charcoal model there and is promoting electric ones instead, subsidised by carbon credits. Its boss, Peter Scott, argues that charcoal is “dying out” in Kenya, though not in countries like Madagascar or Zambia, where alternatives are scarce.

Ending the use of charcoal would have economic consequences. The trade is informal and decentralised; gas flows through big firms, without creating as many jobs. Charcoal provides roughly 275 days of work for each terajoule consumed, compared with 95 for electricity and 15 for LPG. Gas imports eat up foreign currency.

For now, consumers mix and match energy sources. Charcoal production in Africa is still growing by 2% a year. Mr Ali’s neighbours use it for slow cooking, like boiling beans. Nearby shops sell gas and ethanol fuel. He is not worried about competition. “As long as there is the ghetto, they will always use [charcoal],” he says. ■

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**Back to the bad old days**

# Ivory Coast is gearing up for an unfair election

*The disqualification of another opposition candidate bodes ill for democracy*

May 01, 2025 02:42 PM | Lagos



ELECTIONS IN IVORY COAST have a tendency to turn bloody. Disputes over the result of the presidential election in 2000 were instrumental in sparking a five-year civil war in the west African country of 31m people. In the months after the vote in 2010, some 3,000 people died in another civil war after Laurent Gbagbo, then the president, refused to accept defeat. That election, which eventually brought to power Alassane Ouattara, the current president, was a deadly lesson in the costs of overstaying your welcome.

Fifteen years into a tenure that should have ended after ten, according to the constitution, it looks as though Mr Ouattara may have forgotten the lesson. With less than six months to go until the polls open again, the disqualification of several promising opposition candidates is one sign that the coming election may be less than free and fair. Another electoral crisis could threaten years of progress in one of the region's most impressive economies.

The latest casualty of pre-election machinations is Tidjane Thiam, the presidential candidate for the leading opposition party and a former boss of Credit Suisse, a bank. Mr Thiam was struck off the electoral register on April 22nd after a court ruled that he was not an Ivorian citizen when he announced his candidacy (he acquired French citizenship in 1987, but renounced it in March). He joins three other prospective candidates, including Mr Gbagbo, in being declared ineligible to run. The decision cannot be appealed.

Mr Thiam says the court's order is part of a campaign by the ruling party and vows he "will not give up". His supporters have protested against his disqualification. Ivorian observers reckon that Mr Thiam would have seriously challenged Mr Ouattara's party, had he been allowed to run. His party ruled the country between independence in 1960 and 1999. At 62, he is two decades younger than Mr Ouattara and Mr Gbagbo, and free of civil-war-related baggage. He left the country before the disputed election in 2000 after spending several years in charge of infrastructure development and negotiations with multilateral bodies such as the IMF.

Mr Ouattara's party says it has nothing to do with Mr Thiam's exclusion. It has yet to announce its presidential candidate. But in the previous election in 2020, Mr Ouattara did not declare his candidacy until two months before the election, following the sudden death of his preferred successor. By then, 90% of his potential challengers had been disqualified, making his victory all but certain. A similar strategy appears to be in play this time around.

Using citizenship to disqualify candidates is a risky gambit in Ivory Coast, a diverse country with a history of welcoming people from all over west Africa. Henri Konan Bédié, the president in the 1990s, used an exclusionary conception of citizenship to prevent Mr Ouattara, who has Burkinabe

ancestry, from running in presidential elections in 1995 and 2000. The question of who is really Ivorian stoked the two civil wars earlier this century, involving some of the same factions that are at odds today. For now, all sides seem keen to avoid another violent conflagration. Ivorians must hope it stays that way. ■

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Sunken and rusting

# What a wrecked ferry reveals about war in South Sudan

*Amid constant conflict, the country's economy can't catch a break*

May 01, 2025 02:42 PM | JUBA



NOBODY IS QUITE sure how the ferry sank. Ayuen Samuel, who manages the old shipyard in Juba, South Sudan's capital, thinks it ran aground on this treacherous stretch of the White Nile after snapping its mooring. Others say it was hit by a grenade during the two-decade independence war that ended in 2005. Whatever the reason, the ferry's husk still sits in the river near the city centre, a rusting symbol of the country's disappointing trajectory since independence from Sudan in 2011.

The decline of South Sudan's once-bustling river trade is a measure of the toll that years of conflict have taken on the country, and of how far it

remains from economic recovery. Earlier this year fighting erupted in the oil-producing Upper Nile state, the most serious flare-up since the civil war ended in a fragile truce in 2018. In March Salva Kiir, the president, moved to arrest his vice-president and longtime rival, Riek Machar, for “stirring up rebellion”. A return to war would spell disaster for South Sudanese and ruin for the fledgling river trade.



Juba began life as a river port on a bend where the water was deep enough for steamer traffic. In the 20th century cargo tows and passenger ferries plied their trade as far as north as Kosti, in what is now Sudan (see map).

Few roads were ever built in southern Sudan, as the marginalised province was previously known, so “the only alternative was inland waterways”, explains Manyok Simon Chol of the River Transport Authority in Juba. At the peak in the 1970s, 250,000 passengers travelled those waters each year.

Trade along the river declined during the independence war, when guerrillas attacked state-owned steamers carrying troops from the north. After independence, things got worse. Angry about the loss of lucrative oilfields, Sudan’s government closed its border and river trade ceased. Plans to modernise Juba’s river port were suspended. When civil war erupted in the capital in 2013, the South African firm building a new passenger terminal left. “Maybe one day they will come back,” hopes Mr Samuel.

Today trade on the river moves on small barges and crab boats. The UN uses bigger ferries for transporting humanitarian aid. Only one of the river shipments handled in 2024 by B&S Group, a logistics firm, contained commercial cargo. Sabit Asholi, its boss, considers river transport a “100% wasted opportunity”. Most of South Sudan’s few paved roads are impassable in the rainy season. The Nile, Mr Samuel notes, could serve as a “natural highway”.

But to restore that role would require investment. In Juba, cargo is still handled by hand. The river is clogged with sand and debris. A boat from Mr Asholi’s fleet recently sank after it crashed into a barge that had capsized during the civil war.

There are signs of tentative progress. A long-awaited expansion of Juba’s port, funded by a \$13.5m grant from Japan, began last year. The World Bank is considering funding a plan to dredge the Nile to clear the way for bigger boats between Juba and Bor, some 150km to the north.

The return of war to Juba would scuttle all this. The Japanese contractors expanding the port would probably evacuate. For now, the worst violence is far from both the capital and the Nile. Yet if the fighting spreads it may reach Malakal, the riverside capital of Upper Nile state. When the last war arrived there in 2014, more than 200 women and children died after they had rushed aboard a ferry. It swiftly sank. ■

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# Europe

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The break-up

# 100 days of Trump: the growing dismay in Europe

*Donald Trump's insults have soured the continent on its cousins*

May 01, 2025 02:42 PM | Arnhem and Rome



ASKED WHAT he thinks of America nowadays, 18-year-old Rafah grins: “Tariffs, man. Kind of fucked up.” He and his buddy Chris are hanging out in a riverside park in the Dutch city of Arnhem, next to the bridge made famous by the film “A Bridge Too Far”. In September 1944, in an ill-fated British and American operation here, America’s 82nd airborne division suffered over 1,400 casualties; memorials to the fallen dot the countryside. Yet as Donald Trump marks his [100th day in office](#) on April 29th America inspires not so much gratitude as wariness. “We were good allies, but Trump ditched Europe,” says Chris. “It’s like with a friend who screws you over. You stop trusting him, because he might do it again.”

May 5th, Liberation Day, is the Dutch equivalent of America's July 4th: a celebration of national freedom, with thanks to the Americans (and Canadians, British and others) who liberated the country from Nazi occupation. But this year's 80th anniversary will be complicated by the change in attitudes since Donald Trump took office. In October 2024, according to a poll by Ipsos, 50% of Dutch people expected America to play a positive role in the world. By early April that had fallen to 20%.



That is part of a trend across Europe (see chart). Europeans' enthusiasm for America typically dims during Republican administrations, which most find

too nationalistic. But the shift this time is deeper. Whereas Mr Trump's first term could be shrugged off as a fluke, his re-election seems proof of an isolationist streak in America's character. He has walloped Europe with tariffs and cast doubt on America's commitment to NATO; his vice-president, J.D. Vance, speaks of the continent with contempt. For European officials, a transatlantic relationship that once promised strength now seems a vulnerability.

Some voters who back right-wing parties welcome Mr Trump's return. But nearly all European policymakers are horrified to find themselves dependent on a country whose new government detests them. "It's coming from all directions—defence, trade wars, the Ukraine negotiations," says Agathe Demarais of the European Council on Foreign Relations, a think-tank.

The disaffection is sharpest in countries that previously had the strongest attachment. In Germany, "the whole political establishment of the last 80 years has essentially been built around a strong transatlantic relationship," says Guntram Wolff, former head of the German Council on Foreign Relations. True, the country's left has had a history of ambivalence towards America, but for the right the alliance has been an article of faith—until now. Germans were aghast at Mr Vance's excoriation of Europe in a speech in Munich in February. Friedrich Merz, the incoming Christian Democratic chancellor, quickly announced that European autonomy would be his top priority, and loosened his country's spending restrictions to free up vast sums for defence.

The Netherlands has traditionally been even more pro-American, a bond that is rooted both in shared values and in a pragmatic interest in free trade: the country, after all, hosts Europe's biggest ports. "The Dutch are intermediaries," says Sandra Philippen, head economist at ABN AMRO, a Dutch bank. America's role as global guarantor allowed their economy to flourish. The commercial, non-ideological Dutch came to think of themselves as "the Americans of Europe", says Beatrice de Graaf, a security expert at Utrecht University. Now, she says, with hard-right ideologues running America's government, the Dutch find themselves "asking 'Do they really believe this stuff?'"

There is less shock in parts of Europe that were always sceptical of American foreign policy, economics and culture. Since the start of his presidency in 2017, France's Emmanuel Macron has pushed for European strategic autonomy. France's turn away from America has not been restrained much by the strength of its own hard-right National Rally (RN) party. The RN's leaders, Marine Le Pen and Jordan Bardella, have distanced themselves from Mr Trump since his inauguration, worried that his anti-European tariffs and a few of his supporters' habit of giving Nazi-style straight-arm salutes play badly with their voters. A campaign to boycott American products is supported by 62% of the French, according to a poll in March by IFOP (though how many are actually shunning *le McDo* is unknown).

One country where the hard right's strength mitigates American unpopularity is Italy. Giorgia Meloni, the prime minister, shares MAGA positions on immigration and gender issues and is friendly with Mr Trump, though her visit to Washington last week to plead the EU's case on tariffs was a failure. "The government is in an uncomfortable situation, sympathetic to an administration that wants to destroy Europe, to which it belongs," says Nathalie Tocci of the Institute of International Affairs in Rome. Italians' approval of America has fallen only moderately, in part because the right has a near-monopoly over TV news. And Mr Trump's overtures to Vladimir Putin seem less offensive in Italy, where support for Russia is still relatively high.

In Hungary too, run by Viktor Orban, Mr Trump's ideological ally, pro-American feeling has declined only slightly. Indeed, right-wing American presidents are generally more popular in Europe's post-communist east than in its west. To some extent the distinction drawn in 2003 by Donald Rumsfeld, then America's defence secretary, between a sceptical "old Europe" and a pro-American "new Europe", still holds. Half of Poles expect America to play a positive role in the world, according to Ipsos, though that is a big drop from six months ago. Poles are overwhelmingly anti-Russian and cannot be pleased by Mr Trump's overtures to Vladimir Putin. Nonetheless, "whoever is in the White House, the best way for Poles to feel safe from Putinist aggression is to see American soldiers on Polish

soil,” says Jakub Jaraczewski of Democracy Reporting International, an NGO in Berlin.

America’s post-war partnership with Europe was always more than a pragmatic alliance. Europeans embraced America’s power, its culture and its ideas, and came to take its presence for granted. For the Dutch, Ms Phlippen thinks, disentangling themselves inspires a sense of grief. “It’s just over with America,” she says. “It’s not our boyfriend any more.” ■

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The hundredth day

# America and Ukraine agree on a minerals deal, a good omen for the peace process

*But Russia and Ukraine remain far apart*

May 01, 2025 12:59 PM | Washington, DC



The power of St Peter's

DONALD TRUMP this week marked his first 100 days back in power without having ended the Ukrainian war, as he had once promised to do on his first day. But the [American diplomatic dial](#) remains turned to max. So far, talks have [not squared the circle](#): reconciling Ukrainian insistence on its territorial integrity with a Russian desire for Ukraine to publicly capitulate. But those close to the table speak of a new momentum, which was given a significant boost when on April 30th America and Ukraine signed a deal

that grants America access to Ukraine's valuable minerals in the shape of a new reconstruction investment fund the two countries will jointly manage.

The deal, which unlike earlier drafts crucially does not require Ukraine to use its minerals revenues to pay back past American military-assistance money, at one point erroneously calculated at \$350bn by Mr Trump, is being seen as giving America a stake in maintaining Ukraine's future security once the fighting stops. "This agreement signals clearly to Russia that the Trump administration is committed to a peace process centred on a free, sovereign and prosperous Ukraine over the long term," America's treasury secretary, Scott Bessent, said in a statement as he signed the deal for America. The Ukrainians had hoped for more, in the shape of detailed security guarantees; these have not been forthcoming despite several months of negotiation.

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

The full details of the new agreement have not yet been published, but the new investment fund will be 50-50 owned by America and Ukraine, and funded by the revenues from new licences for mineral exploration and extraction. It will make investments in the extraction of critical minerals, including the rare earths that so preoccupy Mr Trump, as well as in the oil and gas sectors. All profits are to be reinvested in Ukraine for the first decade.

Ukraine's fragile new confidence does not stem from a belief that Mr Trump is about to bring peace for the ages. Rather it comes from a shift in mood—a sense that the American president may finally have got Vladimir Putin's number, and just might, after months of threats and blackmail, have begun to respect his Ukrainian counterpart. A meeting in Rome between Mr Trump and Volodymyr Zelensky, brokered by France, with the Ukrainian agreeing to travel only after receiving last-minute confirmation, produced a striking photograph of the two men sitting in [St Peter's Basilica](#), locked in conversation as apparent political equals.

Ukrainian sources say Mr Zelensky used his 15 minutes to deliver a simple message: Ukraine is ready for an unconditional ceasefire, Russia is not, and Mr Trump should not abandon a peace that only he can deliver. A social-

media post written by the American president afterwards suggested that he had got the message. His rebuke of Mr Putin for “tapping [him] along” was his strongest yet.

The Russian response so far has been distinctly underwhelming. An American official says the White House is unimpressed by Mr Putin’s latest proposal of a three-day ceasefire around Russia’s Victory Day on May 9th. A massive missile attack on Kyiv on April 24th, in which a North Korean-produced missile killed at least 12 people, visibly angered Mr Trump. “At the start of the process, Trump was very frustrated with Zelensky,” the American source says. “Now that has switched to Putin.” The Ukrainians have rejected the offer of the limited ceasefire. “If Russia truly wants peace, it must cease fire immediately,” wrote Ukraine’s foreign minister, Andriy Sabiha, on social media. “Why wait until May 8th?”

Russia has moved its red lines somewhat, publicly accepting the idea of direct negotiations with the Zelensky administration that it once derided as illegitimate. But elsewhere its public positions have hardened. It has returned to what it does best: slowly discussing “details”. On April 28th Sergei Lavrov, the foreign minister, said Russia needed full recognition of all its annexed territories, including parts of four provinces that it does not completely control. He also spoke about the need in Ukraine for demilitarisation and “denazification”, a term that had largely disappeared from his discourse.

That tough stance probably reflects a confidence that Russia can get what it wants by continuing its war of attrition and Ukraine’s psychological exhaustion. It may turn out to be dangerous, given Mr Trump’s strong desire to strike peace. But it would be unwise to suggest that the game is over for the Russians, who have shown skill in offering the Americans canny and corrupt business deals far beyond the scope of Ukraine. Mr Putin surely understands that he needs Mr Trump to remain engaged in peace negotiations—if only because it means the further normalisation of relations—and may well try to find a way to accommodate him. ■

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**Hard pounding**

# Ukraine's fighters fear Russian attacks and America's ceasefire

*On the front line they want peace, but not at any price*

May 01, 2025 12:59 PM | Druzhkivka



“THE DARKEST moment of this war is now,” says a Ukrainian intelligence officer. Along roads in the east, tank transporters lumber towards the front line while ambulances speed away from it. In the past few weeks the Russians have ramped up drone and missile attacks on Ukrainian cities and their soldiers are mounting a renewed offensive aimed at creating a breakthrough in the east even as [Volodymyr Zelensky](#), Ukraine’s president, is coming under intense American pressure to [sign up to a peace plan](#) that looks much more favourable to Russia than to Ukraine.

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

The monumental road sign that welcomes people to Donetsk province, roughly two-thirds of which is occupied by Russia, has become a shrine to the region's war dead, festooned with military flags and protected by an anti-drone net. Cigarettes have been left as offerings for fallen comrades. But it is a sign of the times that the road beyond has been closed in the past few weeks, and a back-road diversion opened, because the route skirting the long-besieged city of Pokrovsk has now become too dangerous.

The leaked American proposal would end sanctions on Russia, freeze the front line and see America formally recognise Russia's annexation of Crimea. The intelligence officer, based in Kyiv, does not hide his disdain. "No one who has any shred of dignity would sign this," he says. On the front, though, the language is far less gung-ho. Soldiers focus on killing Russians and staying alive rather than on high politics. They report that in the past month there has been an upsurge in fighting, especially in the area south of the town of Kostiantynivka. Ukrainian forces have driven the Russians back at some points, but more territory has been lost than regained. Russia has been able to increase attacks thanks to the redeployment of troops from its Kursk region, where it has driven out Ukrainian forces. But the Ukrainians have not been able to redeploy: they are locked down defending the Sumy region, over the border from Kursk, which the Russians are now attacking.



April 30th 2025

■ Russian-controlled   ■ Claimed Russian-controlled

■ Russian advances   .... Max extent of Ukrainian incursion

Sources: Institute for the Study of War; AEI's Critical Threats Project

A command bunker of the 91st Anti-Tank Battalion lies in a former nuclear shelter underneath a bombed-out factory in a town we have been asked not to name. Large tents have been erected to serve as dormitories, and the centre of the operation is a set of rooms with banks of screens and laptops. “Motherfuckers,” exclaims “Sheriff”, the commanding officer, as, via a surveillance drone, he sees two Russian soldiers scurrying along a road hauling a mortar tube in the village of Kalynove, which they captured on April 11th. Sheriff says the Russians have stepped up pressure with the 21st-century equivalent of cavalry charges. In one of them 100 Russians on 50 motorcycles charged Ukrainian positions. Trying to stop them is like being in a shooting gallery, he says.

According to the intelligence officer this matches what Ukrainian troops have noticed elsewhere, as pressure in the east increases. Russian forces are concentrating huge numbers of men to capture specific targets. Although up to 80% of those troops “are doomed”, the sheer numbers thrown into the assault mean that some will get through. As Ukraine does not have enough soldiers to counter them, it is slowly losing ground. Sheriff says he wants a ceasefire to come into effect, not to preserve territory but “to save lives”.

“Craft”, the deputy commander of a National Guard battalion, says his men near Ocheretyne now find themselves fighting in an area overlooked by high ground taken by the Russians in a pocket south of Kostiantynivka; he believes they may soon have to regroup. That would not be a retreat, he says, but a way to position his men to kill more Russians. But Russians would celebrate such a pullback as a victory, as it would mean that Kostiantynivka was in danger of falling to them. If it did, the road would be opened to advances towards more important towns in Donbas. ■

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**Buttoned-down caprice**

# Germany's staid-seeming new chancellor has a mercurial streak

*Friedrich Merz's career is one of unforced errors and puzzling missteps. But he is serious about Europe*

May 01, 2025 02:31 PM | BERLIN



WHEN FRIEDRICH MERZ takes office as the tenth chancellor of the German Republic on May 6th, it will mark the culmination of a winding journey full of missteps and tumbles. So often the nearly-man of German politics, the 69-year-old Mr Merz has made no shortage of enemies over his long career—none greater than himself. The centrist coalition he has negotiated will begin its work amid economic and geopolitical tumult, and will be led by a man whose own character makes his approach to the job difficult to predict.

Mr Merz's prosperous upbringing in the Sauerland, a well-to-do, rural Catholic region in Germany's west, and his early career as a lawyer were not atypical for a future star of the centre-right Christian Democratic Union (CDU). After a brief spell in the European Parliament, which many associates say left a lasting mark on him, in 1994 he entered the Bundestag and quickly made his name as an ambitious right-winger, pushing flinty proposals such as steeping immigrants in German culture.

His ascent—aided by a relationship with Wolfgang Schäuble, a CDU grandee whom Mr Merz has called “the closest friend...I ever had in politics”—seemed assured until he encountered an immovable object called Angela Merkel. In 2002 Mrs Merkel, the CDU's leader, ejected Mr Merz from the party's top ranks. Thwarted, he quit politics a few years later for a lucrative transatlantic career in the private sector, including a stint chairing the German arm of BlackRock, an asset manager. “There's some truth to the claim that he only wants the top job as an act of revenge against Merkel,” says a CDU official who has worked with him. The next Christian Democratic chancellor still struggles to utter the name of the previous one in public.

Mr Merz's years in the political wilderness coincided, not accidentally, with Mrs Merkel's imperial phase. But he discreetly maintained his political links while earning his private-sector fortune, and when Mrs Merkel resigned the CDU leadership in 2018, Mr Merz threw his hat into the ring. The tale seemed almost Shakespearean: the luminary undone by hubris, returning after decades in exile to reclaim the mantle of leadership from his former conqueror. But those same flaws that had seen him flame out against Mrs Merkel—complacency, arrogance, an air of entitlement—saw him lose the contest to a Merkel protégée. When she flopped, Mr Merz lost a second contest. It was only in early 2022, with the CDU running out of options, that the party finally turned to him.

Some former foes were surprised to find that he could learn on the job. He silenced most doubters with deft outreach to the party's liberal wing, and pacified the CDU's restive Bavarian ally, the Christian Social Union (CSU). He has also impressed many of those who work under him. He is a brisk,

demanding manager in what a colleague calls “American-CEO style”, honed during his years in the private sector.

Many ordinary Germans, however, are put off by Mr Merz’s stentorian mode of address, not to mention his habit of flying himself to meetings in his private plane. That is not the whole story, colleagues insist. In more intimate circles he can be sentimental, even emotional, especially when children are involved. “People always say this about politicians,” says a colleague, “but his relationship with his family really is important. He’s completely different from the man most voters see.”

Yet Mr Merz repeatedly struggles to strike the right balance between intellect and impulse. “He has this side to him, the resentful, angry man,” says Mariam Lau, author of a forthcoming biography. “No one knows when it will pop up.” In a report in 2024 aptly titled “The demons of Friedrich Merz”, *Der Spiegel* described his threat to flounce out of the CDU’s leadership over the publication of a Merkel-friendly op-ed by a CDU rival. Marinated in the social conservatism of his homeland, Mr Merz has often had to apologise for off-colour remarks about gays or immigrants.

What most concerns Merz sceptics is that this caprice can find expression in erratic decision-making. In January, in the heat of Germany’s election campaign, Mr Merz decided to rely on support from the hard-right Alternative for Germany (AfD) over a symbolic anti-immigration measure. It backfired. The CDU/CSU slumped below 30% in the election on February 23rd. The AfD notched up its best-ever result and Die Linke, a hard-left party energised by the furore, surged to a score that gave fringe parties enough seats to block constitutional changes in parliament.

Mr Merz was thus forced to push such changes, to fiscal and defence policy, through the old Bundestag before the new one convened. The move, necessary but completely counter to the tone of fiscal rectitude on which he had campaigned, revived old questions about his judgment. Doubt is once again growing within his own ranks. Just a third of voters expect him to do a good job, and the CDU/CSU has fallen behind the AfD in some polls. After his debt gambit he admitted: “I know that I have taken on a very large loan...including in terms of my personal credibility.”

This helps explain the divergence between the sky-high expectations for Mr Merz abroad, especially in Europe, and scepticism at home. Many German allies were delighted when Mr Merz declared, on election night, that Europe had to “achieve independence” from America. He is widely expected to focus on international affairs once in office. His will surely be a prominent voice at a series of upcoming gabfests, including a NATO summit in June.

But the home front cannot be neglected. With growth flatlining and industry flailing, the economy will not run on autopilot. Politically, the threat of the AfD is only growing. Mr Merz’s contempt for the party is genuine, but he must contend with growing ranks in the CDU, especially in east Germany, who want to dismantle the *Brandmauer* (firewall) that prevents co-operation with the AfD. Meanwhile, the political capital that Mr Merz has burned before even taking office will limit his ability to make further grand gestures abroad.

Loyalists say that once he has settled in, the gloom will lift and he will rebound in the polls. As the oldest new chancellor in 75 years, Mr Merz may anyway have only one term in him, and will surely not chase the popularity he has never managed to attain. Armed with what Mrs Merkel has called his “unconditional will to power”, he will instead try to etch his name in the history books. Those used to predictable German chancellors need to think again.■

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Charlemagne

# The unbearable self-indulgence of Europe

*There are five luxuries it can no longer feasibly afford*

May 01, 2025 01:00 PM



“FOR THINGS to remain the same, everything must change.” The aphorism from “The Leopard”, Giuseppe Tomasi di Lampedusa’s novel about 19th-century bluebloods trying to keep their privileged perch as Sicily boils with revolution, neatly encapsulates Europe’s 21st-century predicament. A peninsula dense with countries that once ruled vast swathes of the planet has watched uncomfortably as former colonies caught up or insolently forged ahead. It knows full well change is necessary. Yet Europe can seem as comfortable with adaptation to an evolving world as decadent Italian aristos of yesteryear. Give me the will to enact reforms, Lord, but can it be *domani*?

The European Union at the continent's heart oddly cherishes the insouciant belief it can change only if forced to do so by crisis. It is thus vital for it to grasp that crisis is where Europe finds itself today. Having long relied on China's market for growth, Russian gas to fuel its industry and American military heft for security, the EU has been rocked by three years of war in Ukraine and three months of Donald Trump's aggressive transactionalism in America. Amid the tumult that reigns in the world, Europe must embrace change. Like a noble family belatedly realising it must trim the retinue of butlers and housemaids to stay solvent, Europe should start by ditching the luxury policies it has long taken for granted—but are now indulgences it can ill afford.

Start with continental Europe's relationship with Britain. Beefing with its insular foe has been something of a guilty pleasure for the EU since Britain became the first member to leave the club in 2020. Like a jilted lover who enjoys seeing an ex struggle, the EU has treated Britain shoddily in part to avoid other countries attempting their own jailbreak. That justification no longer holds: Brexit is now held up as a cautionary tale, not a model to emulate. Still, despite endless talk of "resets" in the relationship, bashing *les rosbifs* remains the order of the day. This is a policy extravagance. Britain has military, geopolitical and industrial heft that can amplify Europe's sway in Ukraine. An agreement that would in practice allow Britain to take part in EU schemes to help the continent re-arm looks likely to be sealed at a summit on May 19th. But for weeks the arrangement has been held hostage by the need for Britain to make concessions around completely unrelated areas. Notably, the French are insisting issues like fishing rights—yes, the right to fish—need to be settled *before* matters of defence can be addressed. This is luxuriating in pettiness.

The way that Europe treats other countries farther afield also looks self-indulgent these days. For years the EU has tried to impose its rules—whether pertaining to the environment, working conditions or much else besides—far beyond its borders. Eurocrats basked in the "Brussels effect", whereby regulations devised in the EU capital would soon become global standards. Concerns that this annoyed countries like Indonesia, who were told to grow palm trees in this way but not that, were casually brushed aside as being Not Europe's Problem. Now that the EU needs to sign lots of trade

deals to offset American protectionism, it very much is. Europe is a shrinking force in the global economy. It is a luxury to pretend otherwise.

Some red tape is already being cut. Far more could be, especially close to home. If the EU cannot trade with America as freely, its 27 member countries could instead do more business with each other. Yet administrative barriers to trading services between EU countries are equivalent to a 110% tariff, according to the IMF. Commissioning, then ignoring, hefty studies on how to improve the single market is akin to a sacred tradition in Europe—another expensive one. It sadly endures. Every Brussels wonk's desk is weighted down by an increasingly dusty 400-page report released last year by Mario Draghi, a former Italian prime minister, brimming with sensible ideas of how to deepen economic integration. Hardly any of them have been acted on.

One particularly decadent trait of Europe's has been to put off problems until they become so acute that fixing them costs a fortune. Take the continent's perilous demography. Europe in 1980 had around five working-age citizens in effect paying for every pensioner. Now it has three—and by 2050 there will be just two workers per pensioner. Some solutions to rectify the balance seem appealing but are impractical. Pushing Europeans to have more babies has proved unsuccessful; importing migrants is politically contentious. Eschewing the obvious solution of getting people to work longer, for example by linking retirement ages to life expectancies, is one of those luxuries now beyond Europe's means.

## **The Dior handbag of policies**

Finally, Europe's most hedonistic habit in recent decades has been to scrimp on defence. Gorging on the “peace dividend” that followed the end of the cold war meant more money for social spending. Several countries, such as Italy and Belgium, are only now finding ways to reach NATO spending targets of 2% agreed to in 2014. Pious commitments to boost that figure to 3% or more at a NATO summit in June will ring hollow without laying out how this will be financed. Whether through joint EU debt—a taboo for Germany—or cutting social spending, pretending there are no trade-offs is an otherworldly delusion that has endured too long.

Ditching luxury policies is worthwhile in itself. It also ensures other policies that really matter get more attention. The EU's ambitions to cut carbon emissions to “net zero” by 2050 are costly but necessary—though some other green rules might deserve a second look. Aiding Ukraine is no indulgence, on the contrary. Nor is financing the welfare state, to which many Europeans are attached. But to focus on what really matters requires understanding that a changing world requires changing priorities, too. ■

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The public realm

# Broken windows and pockmarked roads

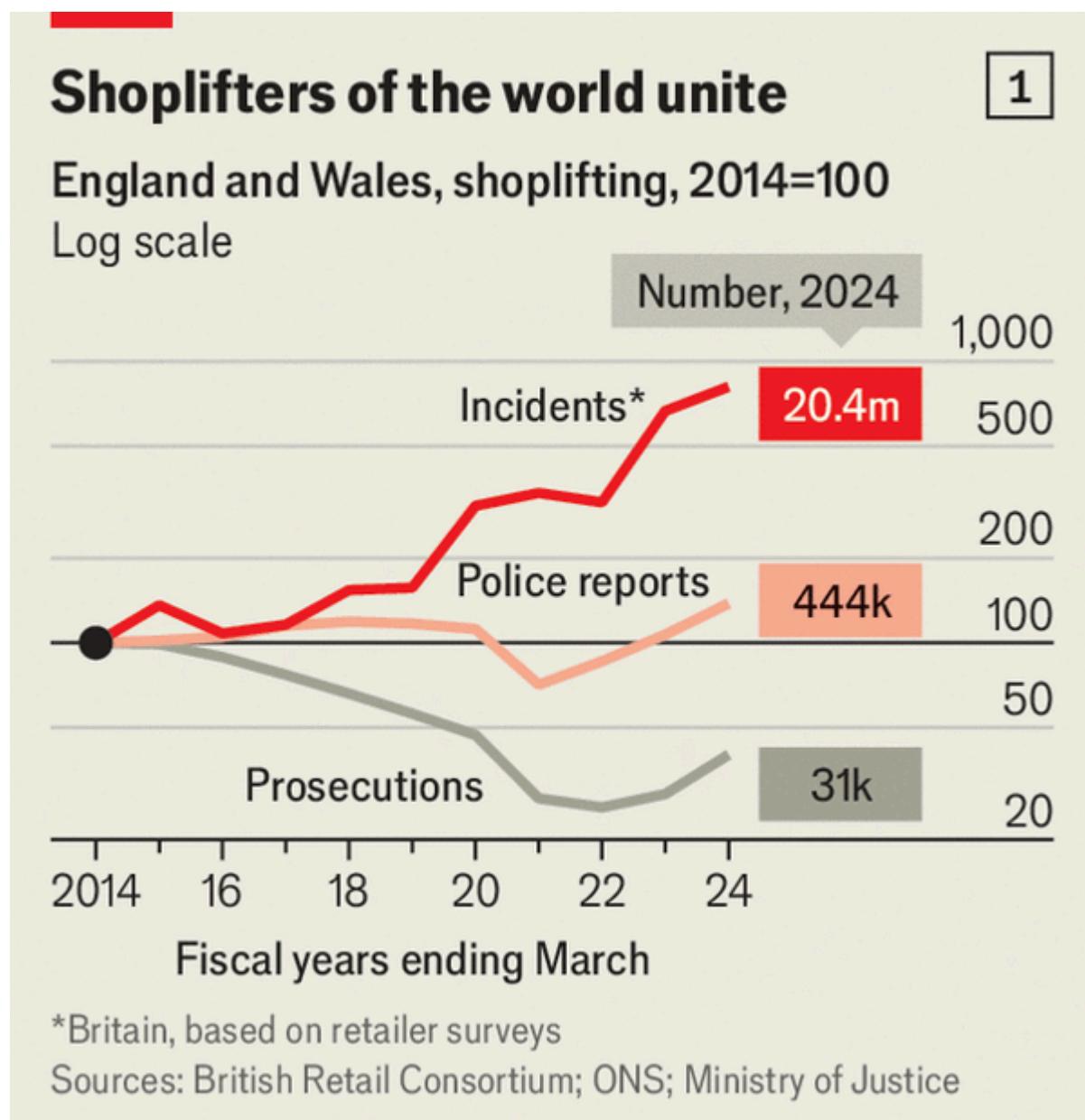
*Britain has become shabbier and more disorderly. Voters have noticed*

May 01, 2025 02:42 PM



UNPROMPTED AND slightly sheepishly, Britain's local councillors confess surprisingly often to admire Rudy Giuliani. Paul Wells, a Conservative, plucks a beer can from an alleyway in Great Yarmouth, a seaside town, as he mentions the disgraced 1990s-era New York mayor. “Whatever you think about Rudy Giuliani...the reality is that the ‘broken windows’ theory is still fundamentally true. Litter is magnetic, isn’t it?” Alan Connett, a Liberal Democrat in Devon, recalls attending a lecture given by Mr Giuliani 20 years ago. “If you deal with the small stuff, people see it and they notice: potholes, the physical realm in which people live, the

tidiness of their community...[if not,] you allow people not to look after their own front door either."



The much-contested logic of “broken windows” asserts that fixing everyday irritants, like turnstile-hopping on the New York subway, chips away at disorder and crime. Equally, letting them linger is corrosive. Britain today is hardly Gotham; violent crime, for one, is near historic lows. But an abiding mood of public decay has set in, conjuring images that New Yorkers of Mr Giuliani’s vintage might recognise.

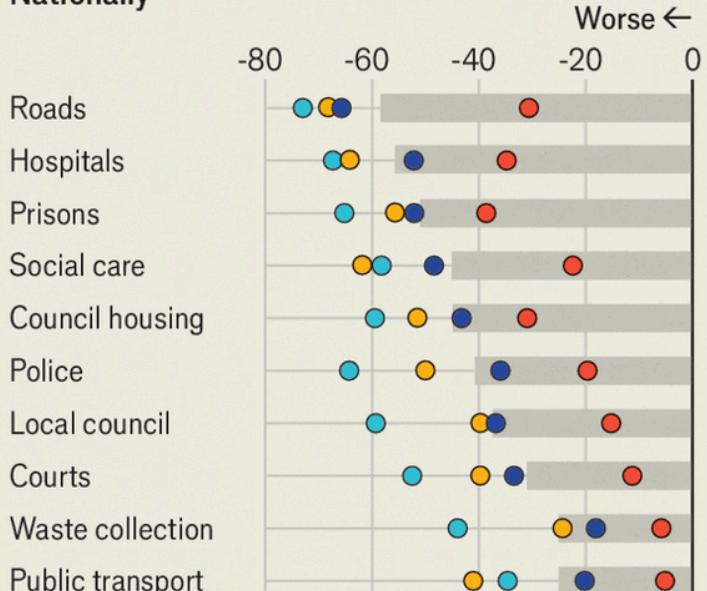
Shoplifting has octupled in a decade, to around 20m thefts a year, yet prosecutions are down by 60% (see chart 1). Compensation claims against councils for pothole-induced injury or car damage have doubled over the past decade: local-election canvassers say voters raise crumbling roads incessantly. Fare evasion on London's Tube and bus network has doubled since 2019 (though measuring methods have changed).

**Heaven knows we're miserable now**

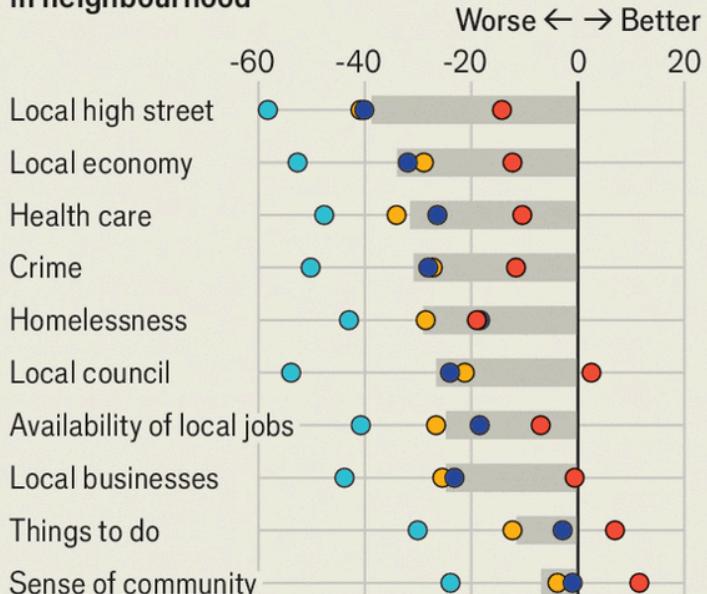
Britain, "things have got better or worse in the past ten years", Jan-Feb 2025, balance of respondents, %



### Nationally



### In neighbourhood



Source: Public First, Independent Commission on Neighbourhoods

Every major public service (barring schools) is functioning worse now than in 2010, reckons the Institute for Government (IfG), a think-tank. “For the average person, their bins are collected less regularly. Their library isn’t open as often. They can’t get a GP appointment,” says Nick Davies of the IfG. “The average experience of the public realm is extremely poor.” Voters concur, and are even downbeat on schools, in polling by Public First, a consultancy. They are souring on their neighbourhoods too, saying these are shabbier than a decade ago on every measure (see chart 2).

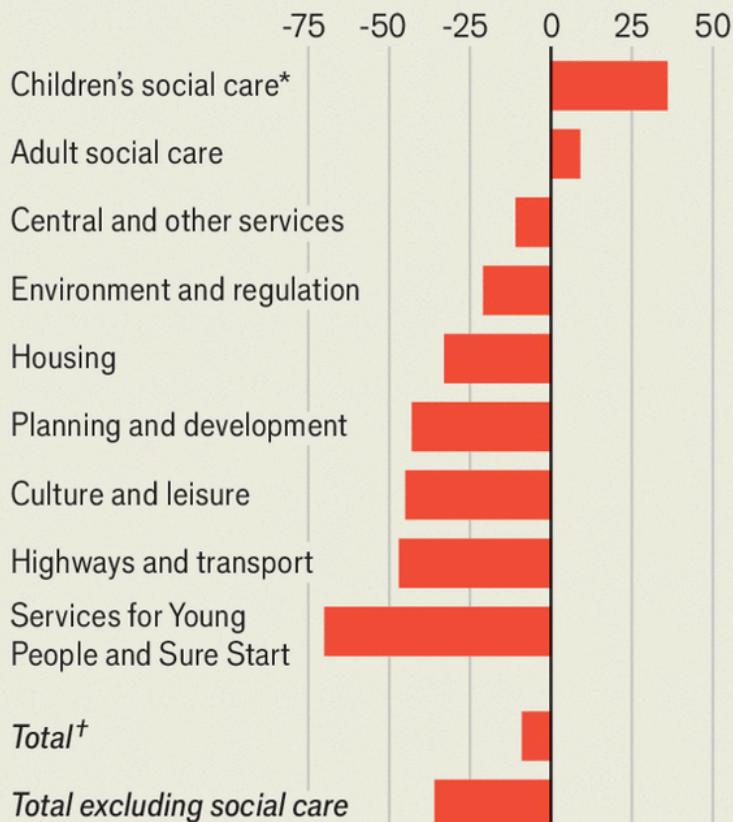
A griping electorate is hardly new. But the coarsening of the public realm and street-level services amounts to a visible step-change. It is aggravated by crises in less-discussed bits of government: local councils and policing, courts and prisons.

## Selective austerity

3

England, local council day-to-day spending  
Fiscal years ending March

% change 2011-24



2023-24, £ per person, 2024-25 prices



\*Excluding Services for Young People and Sure Start   <sup>t</sup>Excluding public health, education (including special-needs), policing and fire  
Source: IFS

Take councils first. Cuts in the 2010s clobbered them, though budgets have lately been a bit more generous. More consequential has been a vast shift in what they spend money on. Most Britons assume their council clears bins, paves roads, runs libraries and offers some social housing. In many other countries that would be right. But in Britain, local councils have long had responsibilities for social care, special-needs education (SEND) and temporary housing for those at risk of homelessness.

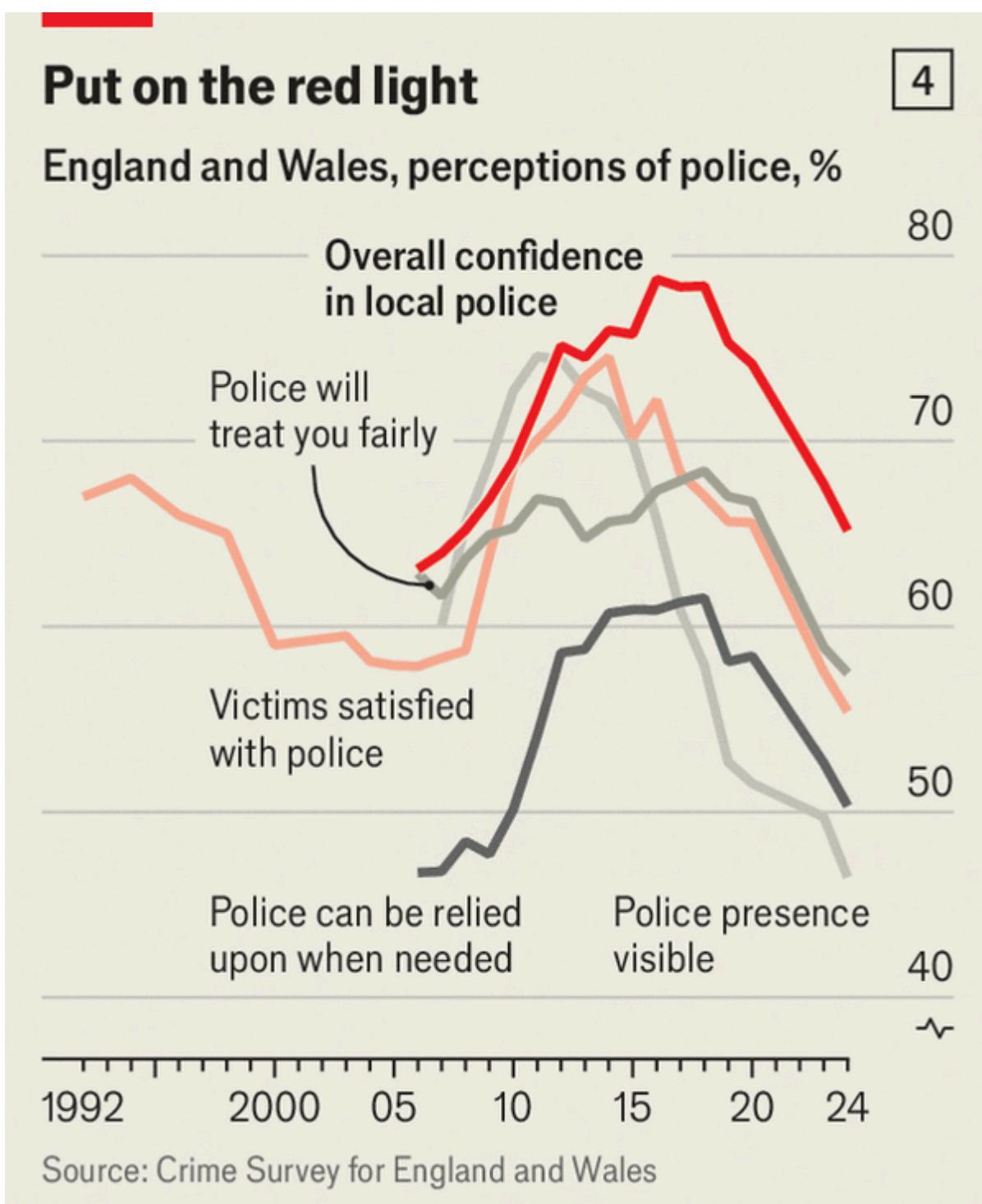
None of that comes cheap. Recently the bill has ballooned. Social care alone takes up two-thirds of local-government spending (excluding public health and education), reckons the Institute for Fiscal Studies (IFS), another think-tank, up from half in 2010. Some 140% more pupils have SEND plans than in 2015. Councils have over 1,000 “statutory duties”, functions they are legally obliged to fulfil. But only some duties are tightly defined, creating a sort of dual-track budgeting: cash for acute need is waved through, the rest is scrutinised and salami-sliced. Spending on roads and transport, the category that covers potholes, has fallen by half per person in inflation-adjusted terms since 2010. Overall, local-government spending excluding social care is down by 36% on that basis (see chart 3).

“There’s a huge problem, a democratic problem, that we levy the most visible tax there is [council tax], which then goes mainly on services which are very important but serve a small number of people,” says Roger Gough, the council leader in Kent. “If you legislate for gold but you can never afford anything more than silver, then you’re always going to be in the business of rationing,” says Max Caller, a veteran council crisis-manager.

## **Crime and lack of punishment**

The second driver is the justice system. Nearly every measure of confidence in policing has fallen by ten to 20 percentage points over the past decade (see chart 4). Trust in police is the lowest in western Europe. Concern about crime is approaching 20-year highs. Overall, crime is still low. But the police response is often languid. Charge rates, the share of crimes resulting in a charge or summons, have fallen by more than half in a decade. Highly visible crimes like phone-snatching and shoplifting have boomed, assisted by online marketplaces that make selling stolen goods simple. Trade-body

figures imply that shops now report only 2% of thefts, versus 10-15% in the 2010s. Just 0.17% lead to prosecutions. Even when staff are abused, shops report only a third of incidents, down from over half.



What's gone wrong? Partly, the see-saw of austerity. Real-terms per-person spending on public order and safety, which covers policing, the courts and prisons, fell by a quarter in the first half of the 2010s and is still 8% below pre-austerity levels. That has brought churn: cutting around 20,000 officers, then rehiring 25,000 less-experienced ones a few years later. A botched effort to update police IT hasn't helped.

When criminals are caught, the courts struggle to cope. Since the pandemic, cases take over 40% longer on average in crown courts and over 20% longer in magistrates' courts. Worse, Britain is nearly out of prison spaces. "Even if you did want to go guns blazing to clear the court backlog, you might struggle if you were out of places to put the people who you find guilty," says Ben Zaranko of the IFS.

Policing and local government mirror an emerging pattern in Britain: towards a state of last resort, which focuses on screamingly urgent priorities —the nastier sort of violent crime, or complex social-care needs—to the near-exclusion of day-to-day or preventative work. An ambulance will still usually arrive in under ten minutes for a heart attack; anything urgent but not life-threatening could easily take hours.

One increasingly appealing option is to sidestep the state altogether. Dysfunction in the National Health Service has made private medical insurance more popular. Private policing and security are booming. Retailers spend some £2bn (\$2.7bn) a year on security, twice what they did in 2022.

Jason Towse of Mitie, a security company, charts the "exponential" growth of its client base: 3% of retailers in 2016, 13% by 2020, 26% in 2023, 40% today. For several customers, he offers a 70-person control room with 24/7 monitoring of CCTV feeds and live radioing with staff on the ground. Prolific offenders are identified, and evidence packs compiled for the police. Another outfit, My Local Bobby (MLB), offers private policing for homes and businesses. "All we have done is reinvented the wheel, put a uniformed presence back on the street," says the founder, David McKelvey, a former senior detective in the Metropolitan Police. MLB charges households £30-150 a month and will not help non-customers unless the situation is life-threatening.

Local-government services are harder to privatise, but not impossible. Some leafy housing developments or purpose-built commercial districts like King's Cross in London charge residents for cleaning, security and maintenance. "The residents in these places effectively get double taxed, but people want local-government services so much that the existence of the private government still increases property values," marvels Samuel Hughes, a researcher.

## Pay or dismay

The politics get harder-edged for those unable to pay. Reform UK voters are especially angry about the public realm. Meanwhile, promises to fill potholes have become a tired political cliché. The last government's "levelling up" plans represented a similar impulse on a grand scale, and met a similarly disappointing end. High-minded aspirations struggle to survive contact with cash-strapped realities.

That's a pity, says Rachel Wolf, a political consultant who co-wrote the Tory manifesto in 2019: politicians need places where they can deliver quick, visible and cheap change. "There aren't many areas where they can do that; one of the few is the public realm." Setting the streetscape right could, she says, be "a version of [the] 'broken windows' theory for politics". Mr Giuliani's unlikely fan club is growing.■

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Immigrants' earnings

# Britain's Poles now earn more than the natives

*Possibly because the least successful migrants have left*

May 01, 2025 12:59 PM



**PAWEŁ LABAJ** moved from Poland to Britain in 2005, one year after the country opened its labour market to eastern Europeans. He found work as a cleaner, then in a warehouse. Today, after “a lot of sweat and commitment”, he is a manager at Echo Personnel, which places workers in the sort of manual jobs that he used to do.

Poles accounted for more than half the people who moved to Britain from eastern Europe and the Baltic states after their countries joined the EU in 2004. Many took jobs in agriculture and hospitality, two industries that are hungry for workers, unfussed about language skills and not generous with

pay. Other Poles, adhering to a prevalent stereotype, were self-employed builders and plumbers.



They earned little. Payroll data from the tax office show that, in 2014, people who received national-insurance numbers as adults and identified themselves as Polish earned 15% less than people who grew up in Britain. But something remarkable has happened since then. The median wages of employed Poles are now slightly higher than those of Britons (see chart).

One probable reason is that their skills have sharpened. The 2021 census of England and Wales counted 743,000 people born in Poland, of whom 637,000 reported that they speak English at least well. Mr Labaj deliberately looked for jobs where he would be surrounded by English-speakers, then asked his colleagues to explain the lyrics of songs by Westlife, a boy band.

Others clawed their way back into the professional realms they had occupied before they migrated. Marta Kalemba, whose first job in Britain was in a chicken factory, eventually got her Polish qualifications recognised. She now runs an accounting practice in the West Midlands.

Poles seem to be leaving Britain: the number on payrolls has declined by almost a quarter since 2017. Ms Kalemba suggests that people like her, who have joined Britain's middle class, might be sticking around, whereas some manual workers have concluded that they can now do almost as well in their increasingly rich homeland. Since 2004 median wages in Poland have risen from 52% of the British level to 71%, at purchasing-power parity. If working-class Poles are disproportionately leaving, that would pull up the average wage of Poles still in Britain.

The tax data are silent on that issue. But, certainly, the people who moved from eastern Europe after 2004 were part of a huge migrant wave that has broken. Since Britain left the EU in 2020, the government has treated Poles the same as Pakistanis and Paraguayans for immigration purposes, demanding that they clear salary thresholds. Just 1,200 Poles were issued with a work permit last year.

That could be another explanation for their rising pay, suggests Christian Dustmann, an economist at University College London. Other groups, such as British natives and immigrants from outside the EU, are constantly being replenished by young people. Because the young are paid less, that restrains average wages for their groups. Britain's Poles are ageing, learning English and gaining experience en masse; their British-born children are usually classified as natives in the tax data.

The Poles reveal a fundamental truth about the immigrant experience in Britain. In general, migrants learn English and climb from job to better job.

This process is often hard to see, as newcomers who do not know the language or the ropes keep arriving. With the Poles, you can see it.■

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Lairds and the land

# Scotland's outdated land laws threaten the future of rural towns

*But progress in reforming them is sluggish*

May 01, 2025 12:59 PM | Applecross



Unsplendid isolation

**BEALACH NA BÀ**, Gaelic for “Pass of the Cattle”, is a series of chilling hairpin bends winding through the Applecross peninsula, in the Scottish Highlands. As the road descends to the coast, it passes sites of settlements dating back as far as 9,500 years. At sea level the sleepy community of Applecross spreads along the bay. Locals wander past a grand home with a walled garden. Along the high street—if it may be called that—stand a primary school, a doctor’s surgery and several inns for tired drivers. But Applecross has a problem. Locals are leaving it. Despite the expansive countryside behind it, there is not enough land to build houses on.

Land ownership in Scotland is among the most concentrated in the rich world. Just 0.025% of the population owns 67% of rural private land (in England, by comparison, 1% of the population owns half the land). Much is owned by seasoned lairds. Foreigners and corporations have been buying estates to minimise their tax, offset carbon emissions and gallivant. Scotland's largest landholder is a Dane with over 80,000 hectares. Next is the Buccleuch Estates; Gresham House, a global asset manager, is the third-largest.

Meanwhile rural towns are depopulating rapidly. Second-home buyers and short-term lets drive up property prices and gobble up housing stock. In many places, including Applecross, only half the homes are owned by locals. And with most of the surrounding land owned by large estates, very little is available for housing of the sort locals can afford.

The Scottish government hopes land reform will help. A bill introduced to the Scottish Parliament last year aims to help local communities buy land to build homes on. It will also give ministers the authority to chop up large estates when they come on the market. On March 26th MSPs voted to move the bill through to amendment stage. Critics note the thresholds for a “large landholding” are so high that few fall within the bill’s scope. And these measures come into force only at the point of sale. Many large estates have been in the same hands for over a century.

### **Make way for the sheep**

Scotland fully abolished feudalism only as recently as 2004 (England did so in 1660). Under feudalism, land was granted to local clan chiefs and powerful lords, in return for loyalty and services to the king. Scots who lived and worked on the land had to pay duties to the landowner, or laird, and could be forced off it. In the 19th century the Highland Clearances displaced tens of thousands of people so that lairds could make room for sheep farming. When sheep prices tanked in the 1880s, estates were converted into deerstalking and grouse moors. The abolition of feudalism made it easier for community companies to buy up land for development, though still only 3% of rural private land is owned in this way.

Megan MacInnes, development manager of the Applecross Community Company, says finding land for affordable housing is her priority. The local estate, Applecross Trust, owns 95% ( 26,000 hectares) of the peninsula. The population has fallen from 800 at the start of the 20th century to just over 250. The community company was able to buy 2.3 hectares from the estate in 2021 to build 16 houses and four business units. Demand for the homes exceeds supply by four to one. They will need more land soon, Ms MacInnes says. She doesn't see the proposed bill having a real impact. It is "a massive disappointment", she says, "completely inadequate".

Owning land opens up revenue streams for locals. A study by Community Land Scotland, a body that helps such landowners, looked at 12 land trusts that had been in community ownership for five years or longer, with 141 plots released for housing development. Over £2.5m (\$3.3m) had been fed back into the local economy in the form of jobs and business contracts, a five-fold increase compared with when the land was under an estate's management. Revenues had increased from £1.7m at acquisition to £6.1m over the five years, with profits all being reinvested in the area.

But opponents of splitting up large estates and enforcing community ownership defend the benefits of scale. Anders Povlsen, the Dane who is Scotland's largest landowner, is leading the charge in the trendy "rewilding" movement. Many large estates are planting native forests. Big isn't always bad. ■

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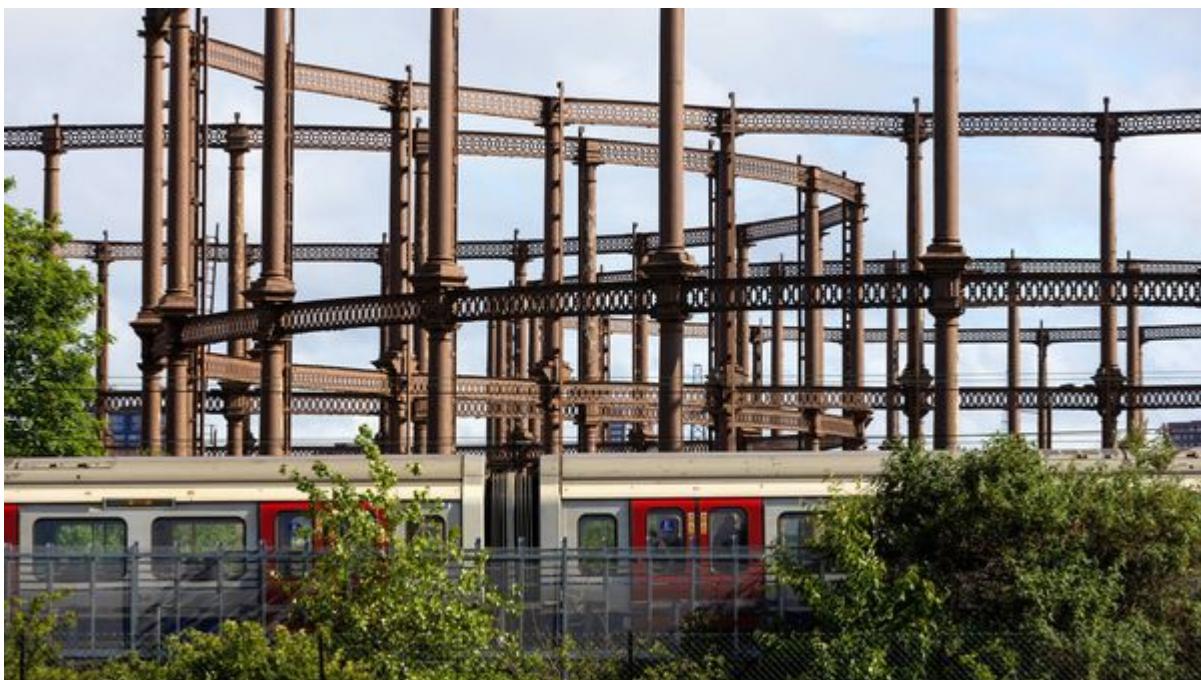
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**City limits**

# Why building anything in London is so hard

*Brownfield projects are bogged down by bewildering bureaucracy*

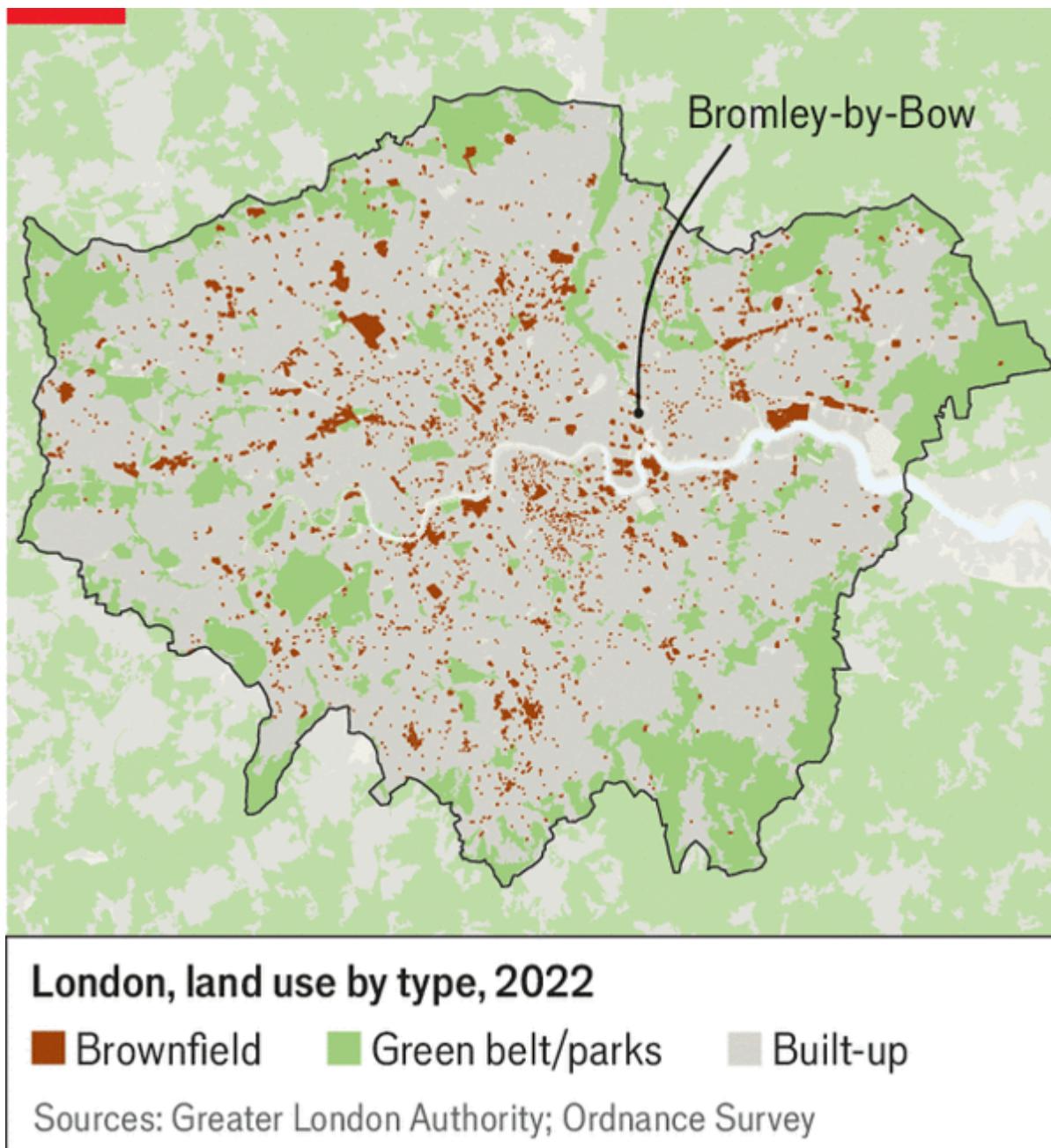
May 01, 2025 01:00 PM | Bromley-by-Bow



THE SEVEN giant cast-iron gasholders were once a proud symbol of Victorian engineering. Now brambles cluster around them; the site's rusty gate has long been padlocked. Having once heated London's East End, the Bromley-by-Bow gasworks have a prized site: a stone's throw from Hackney Wick, the city's hipster frontier, and just over two miles from Canary Wharf, its modern financial district. Until recently it was going to seed.

Britain's cities contain large tracts of brownfield (ie, underused, previously developed) land, thanks to rapid deindustrialisation at the end of the last

century. London alone has some 3,500 hectares (8,650 acres). That is around 25 times the size of Hyde Park, and enough space for more than 400,000 homes (London has a target of around 80,000 new homes a year). Clustered by the canals and rivers that were once industrial arteries, the sites are pretty much the only available land in a city with one of the rich world's worst housing shortages.



And yet few are being taken on by developers. Building work for just 1,200 new private housing units started in London in the first quarter of 2025, the lowest since 2009 and just 5.5% of the city's quarterly target, according to Molior, a consultancy. Several inner-city boroughs, including Hackney, Haringey and Lewisham, are on track to complete almost no new private homes in 2027 and 2028, despite the government's aim to boost housebuilding.

A tour of the former gasworks helps show why. In March St William, a developer, secured permission to build 2,150 homes on the 23-acre site. That came after four years of work with organisations including Newham Council, Historic England, the Greater London Authority and the Environment Agency. Dean Summers, the company's cheerful managing director, says he hopes to have spades in the ground next year and homes to sell by 2029.

Most projects don't make it this far because they're squeezed beyond viability. Many borough councils, which largely wield permit power, insist that as many as half of homes in a given development are "affordable", which immediately rules out smaller sites. At the same time developers are hemmed in by height restrictions and minimum room and unit sizes. From 2026, any building over seven storeys will have to have a second staircase.

Around half of London's brownfield sites have planning permission, but nearly all for designs and affordability ratios that proved unviable. Some sites, like the former gasworks, require extensive remediation. St William managed to agree on a lower ratio, partly in return for spending £72m (\$96m) to restore the Grade-2 listed gasholders and create a public park. Often councils don't budge, leaving seemingly suitable sites stuck in a "viability gap".

Ironically, a big problem with ex-industrial plots is biodiversity. Left to go wild, they can be home to "mosaic habitats", which have to be ripped out to clean up contaminated soil. Developers must prove that existing biodiversity levels will be increased by 10%, and maintained for 30 years. The former gasworks had a very high baseline score, including 70 trees with a "tree protection order". Despite proposing a park, a reservoir, planting beds, several insect hotels and ten tree varieties, St William's

design scored a paltry “-40%”. One idea, putting green roofs on the flats, was objected to by nearby London City Airport, which fretted about nesting birds.

Such rules illustrate how incentives are skewed. Brownfield developers must go to great lengths to raise the ecological value of derelict, inaccessible sites, often by offsetting. Meanwhile, less environmentally friendly greenfield developments in the suburbs face far lower hurdles.

The Labour government says it wants to make building easier. But it has focused on the green belt and shiny new towns rather than where it would be most beneficial: the rusty bits. ■

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Trans rights

# Women win legal clarity—but Britain’s gender wars intensify

*The Supreme Court’s ruling on sex was the easy part. Implementing it will be harder*

May 01, 2025 01:00 PM



IT WAS A landmark decision. On April 16th Britain’s Supreme Court ruled that, for the purposes of the Equality Act of 2010, the country’s main anti-discrimination law, “man” refers to a biological man and “woman” to a biological woman. The judgment ended years of legal uncertainty about such matters. Since sex is a protected characteristic under the act, it means a space or service that excludes men, such as a women’s bathroom, can also exclude all transgender women (biological males). The next day, the British

Transport Police announced it would now conduct strip searches on the basis of biological sex, rather than how a person identifies.

Transgender people were devastated; “gender-critical” feminists, who saw their views reflected in the judgment, rejoiced. Sir Keir Starmer, the prime minister, thanked the court for providing much-needed clarity. Yet two weeks on, the hope that this would swiftly resolve one of Britain’s most polarising issues has faded. Victory in one legal battle, even a landmark one, is not the end of the gender wars.

The judgment itself was definitive. Although Britain’s highest court was not the first in the world to rule on this question, it has been the clearest. Until now, the predominant interpretation of the Equality Act was that “woman” could mean either a biological woman or a trans woman with a gender-recognition certificate (GRC), a document held by around 8,500 people in Britain, which allows them to legally change their sex on their birth certificate. The act protects against sex discrimination in the workplace, schools and services open to the public, such as hospitals, shops or restaurants. It also covers justified exemptions—for example, in single-sex bathrooms, competitive sport, and associations and charities. The five judges unanimously found that interpreting “sex” as including “certificated sex” made the act incoherent, particularly in areas like pregnancy provisions and lesbian rights.

Critics claim the ruling was flawed. The judges failed to define “biological sex”, they argued, and no trans voices were heard during the case. Yet the court noted that the term “biological sex” is used widely to describe the sex of a person at birth. And no trans groups applied to speak at the hearing. Even the Scottish government, whose ministers had contested the case, accepted the judgment without protest.

Now comes the harder part. The ruling needs to be implemented in organisations such as the National Health Service, which has for years based ward placement on gender presentation—dress, names and pronouns. It is already facing internal resistance. On April 26th a wing of the British Medical Association, the doctors’ union, condemned the Supreme Court’s verdict as “scientifically illiterate”, arguing that sex and gender are complex. Several other unions and charities have spoken out against it, too.

Refuge, a domestic-abuse charity supporting both biological and trans women, said it would continue to welcome trans women to its shelters.

## **The fight goes on**

The Equality and Human Rights Commission (EHRC), the regulator which enforces the Equality Act, has floated the idea of separate “third spaces” for trans people. In a (non-binding) update, it suggested that in some circumstances, trans people could also be excluded from the facilities of their biological sex. Clarification on these and other thorny practical questions will come when the EHRC issues binding guidance this summer. Gender-critical campaigners insist the law is settled. “Ignorance of the law is no excuse,” says Naomi Cunningham, an employment barrister and the chair of Sex Matters, a gender-critical charity. But those mandated to provide sufficient single-sex toilets and changing rooms, such as employers, gyms and pools, will probably wait with any retrofitting until official guidance arrives.

The judges were at pains to stress that trans people still have protections: “gender reassignment”, like “sex”, is a protected characteristic. Other rights conferred by a GRC—such as marrying according to one’s acquired gender, or being recorded as such on a death certificate—are unchanged. For many trans people this is cold comfort. They feel that in balancing rights the court struck a blow to a vulnerable minority. “I regard this as an act of cruelty,” says Robin White, a barrister who is transgender.

To some Britain looks as if it is rolling back trans rights, even as countries including Ireland, Malta and Spain increasingly allow rights based on gender self-identification. Plenty of people also worry that the ruling could lead to a rise in discrimination. To many, however, the court’s decision reflects a desire to protect women’s rights rather than a dislike of trans people. While half of Britons think people should be able to transition socially, only 34% think they should be allowed to change their legal gender, according to YouGov, a pollster. Asked about the recent ruling, some 59% of Britons agreed with the court and 18% disagreed, found Electoral Calculus, another pollster.

Among activists the ideological trenches seem only to be deepening. Both sides are gearing up for further court battles. Gender-critical feminists have vowed to push for rapidly implementing the ruling in prisons, hospital wards and lavatories. Trans activists will try to get their cases to the European Court of Human Rights. “This is gender apartheid,” says Jane Fae of TransActual, a trans-advocacy group. “There will be no giving way.” ■

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Bagehot

# The strange success of snooker

*Immigration, agglomeration and amorality keep the sport going*

May 01, 2025 01:00 PM



SNOOKER HAS been dying for decades. “It just feels boring,” said Ronnie O’Sullivan, the most talented man to play the game, in 2009—the equivalent of Roger Federer opening a press conference with “Tennis sucks.” The days of the 1980s, when one in three Britons would watch the final of its world championship, are gone. By the 2000s a cottage industry lamenting its demise had emerged. In 2010 the *Guardian* predicted snooker would be an amateur sport by 2020.

Five years beyond that cut-off, on a sunny Friday afternoon in 2025, every seat is taken at the Crucible Theatre in Sheffield, which has hosted the Halo World Championships for almost five decades. Zhao Xintong, a Chinese hope for the title, strides out to soul music and takes a seat beside the 12ft-

by-6ft table that will be his focus for the next eight hours. His opponent is a countryman, Lei Peifan. Forget the sport's inveterate declinism. Snooker is a strange, and very British, story of success.

True, the audience in Sheffield is hardly a picture of youth. ("We've got a birthday," says the compere whipping up the spectators. "Tony is *eighty-four* today.") But viewing figures are growing again, particularly when international audiences are included. Anywhere between 3m and 4m tune in for the final. If a Chinese player features, the numbers multiply. TikTok views for the sport have gone from tens to hundreds of millions this year.

There is, after all, nothing else like it. As a spectacle, snooker is akin to being locked in a sensory deprivation tank. Each frame lasts about 30 minutes; come the final, up to 35 of them will be played. The world is reduced to two men in waistcoats circling a green table, while a referee-cum-butler replaces balls and keeps score. The only noise is the gentle collision of balls, applause, groans, the odd titter, and commentators whispering hyperbolic criticism ("It's early days, but he will be *disgusted*"). It offers ASMR in a world of ADHD.

Each of the Chinese players on show honed his craft in Sheffield. There may be more snooker halls in Beijing than in all of England; yet the best China has to offer end up in the city. Mr Lei plays out of the Ding Junhui Snooker Academy in central Sheffield, just above a B&M, a chain of discount stores. Mr Ding, a Chinese former world number one, opened it in 2020. Victoria's Snooker Academy, where Mr Zhao trains alongside another stable of Chinese players, is a ten-minute walk away. Hidden in the knackered centre of a declining manufacturing city, an elite service economy thrives.

Agglomeration is a strange thing. Alfred Marshall, a Victorian economist, focused on Sheffield's steel industry when writing about the topic. "The mysteries of the trade become no mysteries, but are as it were in the air," he wrote. What was true for steel is true for snooker. "Go on, Zhao," cheered one man, in thick south Yorkshire. A local hero is still a local hero, even if he is Chinese.

And even if, like Mr Zhao, he is coming back from a 20-month suspension after a betting scandal. Ever since its invention by bored colonial soldiers in British India, snooker has been associated with gambling. After tobacco sponsorship was banned, it should be no surprise the sport turned to gambling companies and, now, crypto-hawkers for funding. In Britain, vice finds a way. The country's tobacco, booze and gambling companies are among the world's largest. Puritanism has a cost. It is one Britain as a whole can barely afford—and one snooker refuses to pay.

Jacking up the prize money is the best way to keep the sport clean and its quality high. When snooker was in the doldrums, total prize money was £3.5m (\$4.7m). This year professional players compete for £19m. The world championships alone dish out £2.4m, including £500,000 for the winner. Judd Trump, the world number one, drives a Lamborghini, notes Simon Brownell, the chief executive of the World Snooker Tour, which runs the tournaments. There has to be an upside. Otherwise why spend all day above a B&M?

If snooker only follows the money, then the sport will slowly leave Britain's shores. Saudi Arabia pays a premium for any sport to visit the kingdom, whether boxing, golf, football or snooker. The players are happy to take it. Mr O'Sullivan is setting up an academy in the country. They are professional sportsmen and the first word comes before the second. If BAE Systems, a British arms manufacturer, can offer its services in Saudi Arabia, so can a few men in waistcoats.

To compete, Britain must offer more than money. Tennis provides a blueprint for how a sport can thrive, even without infinite wealth. Wimbledon offers a fairytale of English life—of immaculate lawns and staff in neat uniforms. The Crucible offers humdrum reality. Hospitality may cost £400 a ticket, but no amount of champagne stops it from resembling a regional theatre. Because it is. Negotiations are going on with Sheffield City Council to keep the competition in the city beyond 2027, when the current contract ends. "I'm too old for brinkmanship," says Barry Hearn, the sport's impresario, engaging in brinkmanship.

## A certain romance

Only a strange, almost irrational romance can keep the sport in the city in the long term. Mr Zhao cruised into the semi-finals on April 30th, taking another step to becoming the first Chinese men's world champion. If Sheffield retains its place as the heart of snooker, it will be in part due to Chinese players who are Sheffield-based rather than Sheffield-bred. Another peculiar quirk of a peculiar sport. Most likely, though, Sheffield will have to share the title. Those who love the game face the same question that comes up repeatedly in British society: would they rather be a big part of something small, or a small part of something big? ■

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# International

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- **The UN could run out of cash within months**

Deadbeats united :: America and China are pushing it to the brink of financial collapse

- **Donald Trump picks the wrong trade fight with China**

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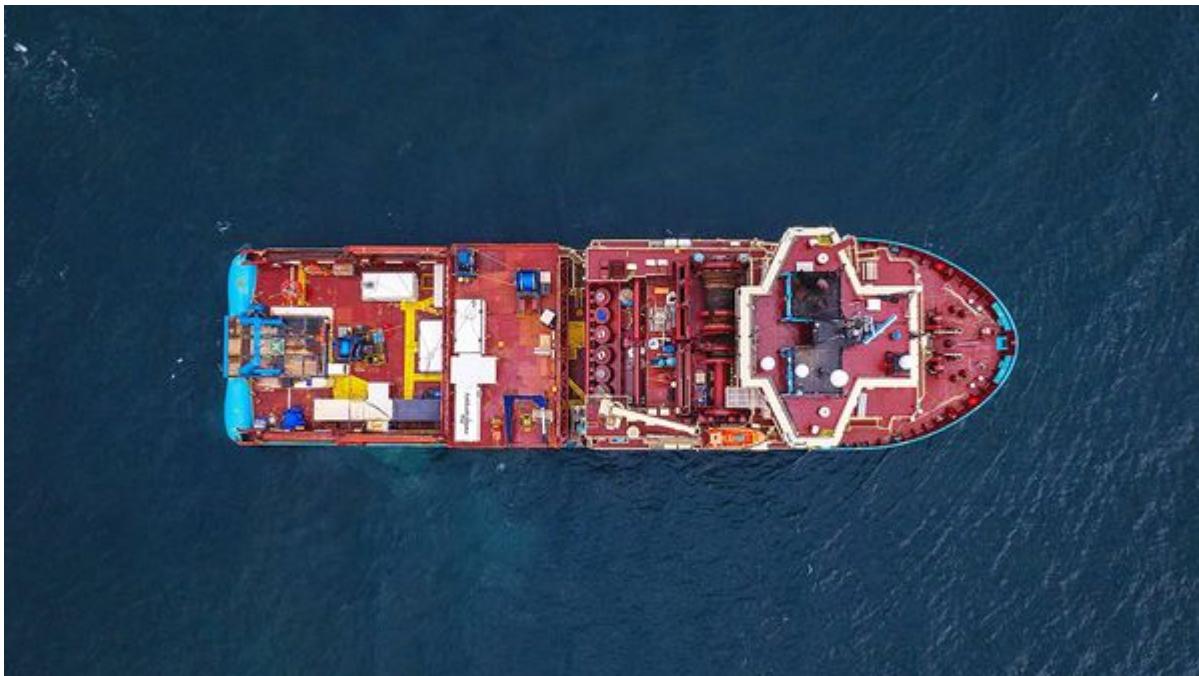
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The last mining frontier

# A Trump executive order will unleash a global deep-sea mining boom

*It will galvanise international co-operation over writing rules for the ocean bed*

May 01, 2025 03:16 PM | LONDON AND WASHINGTON

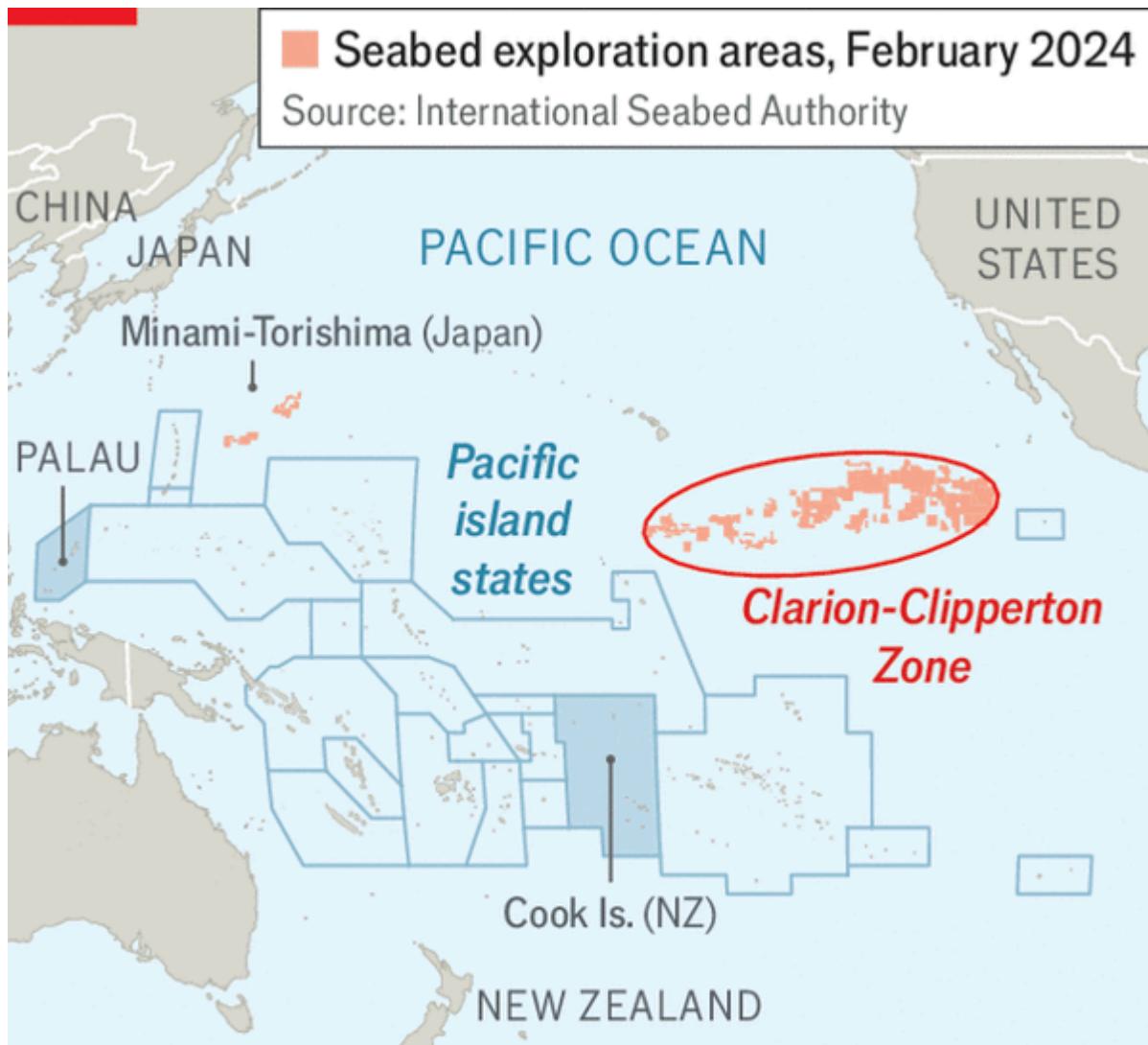


WHEN PRESIDENT Donald Trump signed an executive order on April 24th authorising seabed mining for critical minerals, he meant to free American companies from international constraints and license their roving hands to search for precious stones on the bottom of the deepest oceans—Earth's last mining frontier. The order was a bombshell. Though America has never ratified the UN Convention on the Law of the Sea (UNCLOS), under which the regulation of seabed mining sits, it had long accepted its

provisions as customary international law. And the International Seabed Authority (ISA), created under UNCLOS, currently forbids mining.

Breaching settled international law, Mr Trump's order applies to international waters beyond American jurisdiction as well as those within its own exclusive economic zone (EEZ). It follows vigorous lobbying of the White House by some deep-sea mining companies in league with conservative ideologues who resent perceived impingements on America's sovereign rights. This alliance scorns the ISA, which regulates the seabed in international waters "for the benefit of humankind as a whole".

Yet in less than a week the latest Trump-shock has generated its equal reaction. Abroad, outrage runs high, as countries look at ways to prevent companies seeking licences from America to mine outside that country's waters. France will host a UN ocean conference in June (with Costa Rica); its ambassador for the ocean stated bluntly: "The abyss is not for sale". The EU insists that UNCLOS provisions represent customary international law and are binding even on countries that have not signed it, such as America. [China](#), which is racing to make good a technological disadvantage with America and Japan in deep-sea mining, condemned Mr Trump's move, saying it violated international law. China bankrolls much of the ISA's activities, in an effort to present itself as a good global citizen (even as, in the South China Sea, it has ignored rulings by an international tribunal declaring its territorial claims illegal). As for the ISA, its secretary-general, Leticia Carvalho, is firm: America has no authority to grant licences in international waters.



Crucially, however, Ms Carvalho also says Mr Trump has galvanised the ISA's 169 members into action. Only in March, they failed to agree on a common rule book for the exploitation of seabed minerals. Now Ms Carvalho, a Brazilian oceanographer, assures *The Economist* that a regulatory framework for deep-sea mining—one that takes the interests of members, mining groups and environmentalists into account—will be finalised by no later than the end of the year. If she is right, that would be striking progress and would initiate an era of seabed exploitation under commonly agreed rules.

The deep-ocean fuss is all about rock nodules, typically the size of goose eggs, that are rich in nickel, copper, cobalt, manganese and other minerals. They are abundant on large parts of the ocean floor. The Clarion-Clipperton

Zone (CCZ) alone covers some 4.5m square km in the north Pacific and contains an estimated 21bn tonnes of nodules (see map); they may hold four times all known cobalt reserves on land. The nodules lie at depths of up to 5,500 metres. Specialised equipment, such as remote-controlled vehicles, is fast being developed to bring minerals up. To date, the ISA has granted a number of prospecting-only licences to companies keen to explore the seabed for minerals. The Metals Company, a Canadian firm listed in America, has pulled up several thousand tonnes of polymetallic nodules prospecting in the CCZ. It is now at the front of the queue in Washington. On April 29th it said it had applied to the administration for a licence to exploit minerals on the seabed.



The minerals in question are key building blocks of defence systems, electric vehicles and batteries, among many things. Global demand for minerals by clean-energy industries alone could quadruple by 2040, the International Energy Agency estimates. Mr Trump is determined to secure supplies of critical minerals for America that are “independent of foreign adversary control”. That is another way of saying “not from China”, which is currently by far the biggest processor of cobalt and the second biggest processor of nickel after Indonesia. (The same determination also colours Mr Trump’s land-grabbing views about Canada and Greenland, and his dealings with Ukraine.) His executive order instructs multiple parts of the

government to work together to ensure national security, technological dominance and support for exploration, extraction and refining.

The administration insists that this new strategy will not only hugely increase American-controlled supplies of critical minerals. It will also, officials claim, create around 100,000 jobs over the next ten years. The National Oceanic and Atmospheric Administration, is to be in charge of issuing mining licences.



Treasures from the deep

The promulgation of an ISA code, if it happens, could make mining companies think twice about the legal and reputational risks of seeking licences from America if its regulations do not conform to the international rules. That outcome would be the opposite of what Mr Trump intended with his executive order. It would also undermine America's aim of securing a commanding lead over China, among others, in the race to the seabed.

But the ISA has to get a code approved first. Countries with mining ambitions will pile on pressure for it to allow extraction. They include China, which has invested billions in deep-sea research, and Japan, which has collected nodules in trials around Minami-Torishima in its southern EEZ. Poorer countries, though, have concerns about the equitable sharing of

mining royalties. Meanwhile, more than two dozen countries, among them Canada, New Zealand, Britain, France, Spain and Germany, have favoured at least a “precautionary pause” on deep-sea mining. Many demand levels of certainty about the environmental impacts that are significantly higher than those available for terrestrial mining. Some members, including Costa Rica and a number of Pacific island states, favour an outright ban on mining.



How much damage deep-sea mining causes is hotly debated. Mining interests insist that their operations are light-touch. Though methods vary, typically truck-size remote-controlled vehicles scoop up seabed nodules (along with sediment) and send them in tubes to the surface. Once the nodules are collected above water, the residue is thrown back into the sea.

Miners argue, correctly, that far more biomass resides in a tropical forest in Sulawesi, one of the world’s most heavily mined sources of nickel, than in the deep ocean—which is therefore the better place to mine. Still, it is not clear how much Indonesian mining would be displaced by ramped up nodule collection in the CCZ.

### **Guarding the forests or the deep**

For some environmentalists, biomass is not the only measure of value. Douglas McCauley, a professor at the University of California, Santa Barbara, describes the deep-oceans as “among the least resilient ecosystems on the planet”. Life there faces extraordinary challenges. It is cold, short of oxygen, has no light and contends with 4km of water pressure. The clock of life, as Mr McCauley puts it, “ticks slowly down there”: organisms live long and reproduce slowly. That means deep-sea ecosystems take an age to recover. Mining might cause the extinction of species that have yet even to be recorded. Though surely that has happened in Sulawesi, too. Environmentalists also worry about the potential harm that stirring up sediment may inflict on fisheries. Deep-sea science, which also faces challenges, still has much to learn.

Some critics predict that the costs of mining the deep will be prohibitive. As it is, the price of nickel and cobalt has slumped from four years ago. They argue that mining the ocean bottom could prove to be a race for fool’s gold. If that is indeed the case, then environmentalists have little to worry about.

Yet the race is on, primarily in the Pacific Ocean. There, some small states fear competition between the great powers, America and China above all. Others see it as their moment. In February, for instance, China signed a strategic partnership with the Cook Islands, whose prime minister, Mark Brown, carries a handful of nodules—“batteries in a rock”—almost wherever he goes. Either way, countries would much rather China and America played under shared rules. For America, Ms Carvalho insists, the door is always open.■

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**Deadbeats united**

# The UN could run out of cash within months

*America and China are pushing it to the brink of financial collapse*

May 01, 2025 01:00 PM | NEW YORK



Flagging finances

THE UNITED NATIONS headquarters towers majestically over Manhattan's East River. Yet its escalators are often out of order, casualties of sweeping cost cuts by the secretary-general, António Guterres. He must hope that by forcing country representatives to climb up on foot he will save on maintenance and perhaps remind their governments to pay their bills.

On May 5th the UN will brief members on a previously unreported \$600m (17%) cut to its \$3.7bn budget aimed at avoiding default this year. It will

include a hiring freeze while officials consider further savings that a Western diplomat describes as “moving jobs from New York to Nairobi”. Yet it may not be enough. A combination of deadbeat members and mad budget rules have led to a liquidity crisis. Now, a leaked White House memo proposing that America stop paying its mandatory contributions threatens a financial crash in the citadel of peace and security.

Last year the UN had a \$200m cash shortfall, despite spending only 90% of its planned budget. This year will be much worse. Internal modelling suggests that the year-end cash deficit will, without cuts, probably blow out to \$1.1bn, leaving the UN without money to pay salaries and suppliers by September. Most UN funding, such as for bodies providing humanitarian food or shelter, is voluntary, but the core functions are paid for through mandatory dues, linked to the size of members’ economies. These core functions include General Assembly meetings, peacekeeping and human-rights monitoring. In a letter seen by *The Economist* that Mr Guterres sent to members in February, he warned that the peacekeeping budget to pay for troops may run dry by mid-year.

The “root problem”, according to the UN boss, is that some members are paying their bills late and others not at all. The UN collects mandatory dues in the year that it intends to spend them. For that reason, members are meant to send their fees in January so that the UN can pay its staff and suppliers. But countries are paying their required fees later and later. In 2024 about 15% of the UN’s budget funds arrived in December. Then there are the free-riders. Members failed to pay \$760m in mandatory contributions. The unpaid millions were owed by 41 countries, including America, Argentina, Mexico and Venezuela. Some may have paid after the year ended.

This year just 49 countries paid on time, forcing the UN to trim outlays and defer payments. The savings range from the quotidian (air conditioners will be set at 26°C in Geneva this summer) to the grave, such as slowed investigations into atrocities in Sudan and Ukraine. Targeted spending cuts to inefficient programmes or an overall reduction in the budget require a consensus vote among members, but poor countries are loth to cut an organisation they benefit from and which is paid for chiefly by rich ones.

The UN cannot borrow. As well as cutting costs, it manages its erratic revenues by dipping into reserves and plundering leftover cash. That is no longer sustainable. Unpaid dues from 2024 are 60% higher than the amount the UN can easily absorb, exhausting its cash buffer.

America and China each contribute about 20% of the UN's annual budget and both have become unreliable. America's payments have been habitually late since the 1980s, says Eugene Chen of the Centre on International Co-operation at New York University. During the first Trump administration tardiness was compounded by America not paying in full. China has also begun paying late. Last year its money arrived on December 27th, four days before the end of the financial year. Only North Korea paid later.

Delayed payments do not just make it harder to balance the books. China's contribution arrived so late it was impossible for the UN to spend it all before the accounts were closed. Instead of keeping cash to refill depleted reserves, UN rules require it to rebate unspent money to members to offset future fees. Even those who did not pay their dues got a credit. So late payers not only force the UN to underspend in the current year, but also rob the organisation of future funds.

In 2026 the UN will have to refund \$300m that arrived late in 2024, which will be triple this year's rebate. The UN's finance chief, Chandramouli Ramanathan, expects that in 2027 such rebates will jump to \$600m, or 17% of the budget.

Though America can blame its late payments on a convoluted if transparent congressional process, China's dilatory behaviour is puzzling. America has previously withheld funds until the UN agreed to certain of its demands, such as creating a budget audit office in the 1990s. What China hopes to gain from late payment, says Mr Chen, is less clear. Like all UN members, China wants more influence in the organisation and more key policymaking posts for its nationals. "This informal leverage may be a way of reminding the secretariat that China is a major financial contributor and cannot be ignored."

### **Might Uncle Sam refuse to cough up?**

At least China does pay, even if belatedly. Few are sure that America will settle its \$2.3bn annual bill. President Donald Trump has wielded an axe to parts of the international system. After taking office he froze funding for international bodies and has sought to abolish America's aid agency, USAID. He also ordered officials to review America's participation in all international organisations, including the UN. The results of the review are due in the middle of July. Speculation is rife among UN diplomats over whether Mr Trump will choose savage cuts or, as some recent reports suggest, refuse to pay at all. Mr Ramanathan says the latter scenario would leave his budget in deep trouble.

Article 19 of the UN charter says that a country that skips two years' worth of payments will lose its vote in the General Assembly (but not its veto on the Security Council, if it has one). America's total arrears are about \$3bn, still shy of its \$4.5bn two-year limit. If Mr Trump does not pony up, America will fall foul of the rules in next year's budget and have its vote stripped in 2027. Today, officials are digging up precedents from more than 60 years ago, when France and the Soviet Union refused to pay for certain peacekeeping missions and fell behind on payments. Back then, few wanted to test the rule, so the General Assembly stopped voting altogether for fear of the consequences. ■

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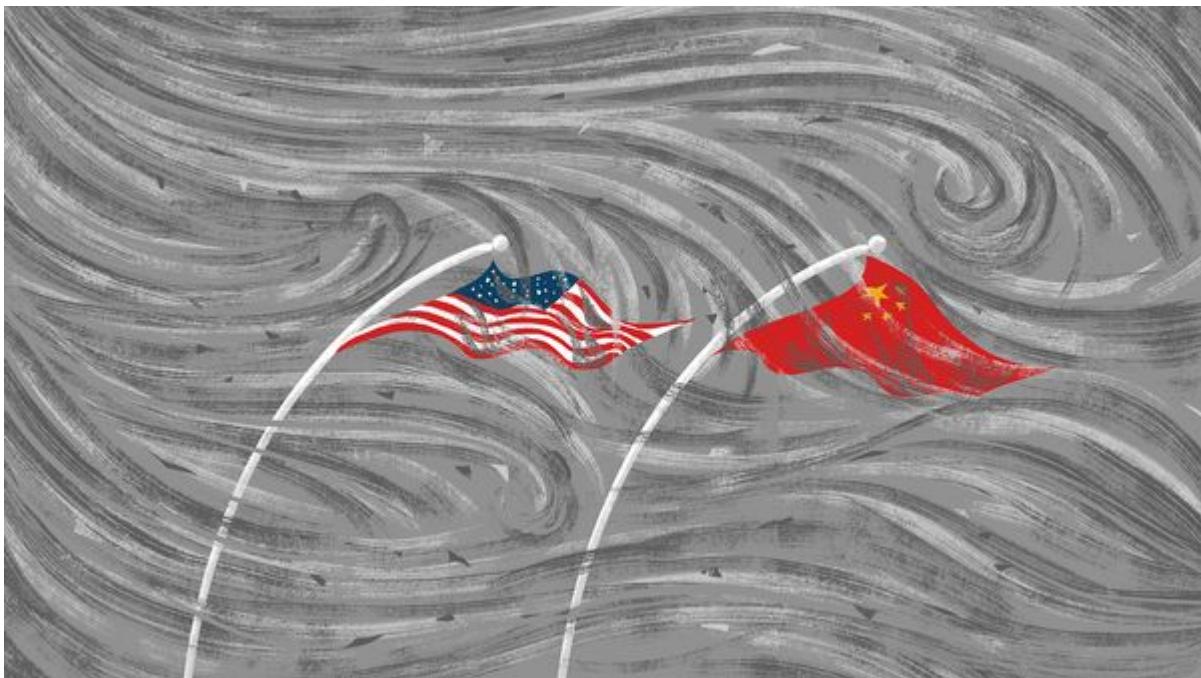
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The Telegram

# Donald Trump picks the wrong trade fight with China

*America will lose an economic-pain war*

May 01, 2025 01:52 PM



EACH DAY President Donald Trump [changes the terms](#) of his trade war with the world. One constant, though, is his confidence that America can win a pain-infliction contest with [China](#). The president's self-assurance reflects a cherished belief: that previous leaders through a mixture of naivety and greed allowed China to steal American jobs and industries. To hear Mr Trump tell it, as soon as tariffs on Chinese goods bite, trade flows will start to rebalance. Trump aides play down the sky-high tariffs that China has imposed on American goods in retaliation. Leaders in Beijing will blink, the treasury secretary, Scott Bessent, recently predicted: "I

believe it's up to China to de-escalate because they sell five times more to us than we sell to them."

Actually, Mr Trump's confidence is misplaced. Chinese companies, investors and workers are not impervious to pain, but they are used to it. Since China first joined the World Trade Organisation a quarter of a century ago, it has developed a particularly Darwinian version of capitalism, in which companies must tolerate unending rounds of brutal price competition, political meddling, and unclear rights to their own property, intellectual or otherwise. In contrast, American businesses, investors and voters are about to face new and unfamiliar tests of their capacity to endure disruption, whether that involves historic turbulence in financial markets, or sudden shortages of everyday items made in China. For its part, China denies that it is anxious to settle. Asked about Mr Trump's claims to have spoken to the Communist Party chief, Xi Jinping, the Chinese foreign ministry said on April 28th that it knew of no recent calls between the two men.

Duelling propaganda claims aside, there is evidence that China can withstand quite a bit of American arm-twisting, without changing course. For all the surprises since Mr Trump's return to power, some policies targeting China were predictable. In mid-April his administration announced a legal investigation into the pharmaceutical trade, and whether tariffs are needed to prod drugmakers to bring the production of antibiotics and other medicines back to America in the name of national security. This was not a surprise. In his first term Mr Trump deplored America's reliance on imported medicines. In recent years Congress has expressed bipartisan alarm about China being the sole source of some indispensable drugs, such as benzathine penicillin, an antibiotic that is the main treatment for syphilis and some streptococcal infections. Bills have been introduced offering subsidies for antibiotic-making in America. Undaunted, in 2024 the North China Pharmaceutical Group, a state-owned giant, began building new production lines for that very penicillin in the city of Shijiazhuang, with a particular focus on exports.

Days before Mr Trump's re-election last year, your columnist headed to that penicillin plant in Shijiazhuang, curious about this sign of China's

commitment to advanced manufacturing, even as other countries fret about dependence on Chinese suppliers. The yeasty smell of brewing hangs over Shijiazhuang's drugmaking district: antibiotics are being fermented from grain. A penicillin-plant foreman, grabbing a lunch-hour cigarette, chatted about globalisation as seen from a Chinese shop floor. He is not complacent about Western drugmakers, saying that America has better technology than China. But he sees a more urgent threat from small, cut-throat, local firms. Penicillin-making is a profitable, if low-margin business, and "other people want to make money, too". In his view, competition is only growing fiercer in China. Small firms poach staff and ignore pollution rules. Still, he has watched big firms sell drugs at a loss of 1,000 yuan (\$137) a tonne until smaller rivals go under. Then such "ruthless" giants raise prices again. The key to survival is willpower, manpower and "support from various governments", said this sage in blue overalls.

Statistics back up such anecdotes. After the pandemic and a property bust, China's economy is slowing. In June last year, about 30% of industrial firms were loss-making. Overcapacity is endemic in industries favoured by the state, such as electric car-making. Yet many firms stagger on, backed by local governments and loans from state-owned banks. America's tariffs are surely unwelcome. But after years of decoupling, America absorbs less than 15% of China's direct exports, a big drop since Mr Trump's first term. If tariff-pain hastens consolidation that was coming anyway, China's leaders can blame American bullying. Laid-off workers will not be heard by the wider public, because of China's police state, censorship and lack of opposition political parties.

Pain felt by consumers will be unequal. America and China have exempted certain imports from tariffs. Revealingly, Mr Trump has exempted items whose prices worry the public, such as smartphones (though he says new tariffs on electronics are due soon). Reportedly, China is sparing imports that consumers never see, from semiconductors to components needed to build Chinese airliners. If Chinese imports are halted, American shops will soon see empty shelves. In China, American-made goods are rare.

### **The costs of being an incoherent bully**

America will struggle to win a bilateral contest over pain, then. It could do grave damage to China with a war of commercial encirclement. Mr Trump's team seems tempted by this approach. Reports abound of American officials pushing Vietnam, Mexico and other trade partners to cut China out of supply chains as the price of avoiding swingeing tariffs, or at least prevent Chinese goods from being shipped to America through their countries. Lots of governments long to stay on good terms with America, and have gripes with China's self-serving trade practices, too. But Mr Trump has undermined his case by bullying his allies, chaotically. If America loses this trade war, its pain will be self-inflicted. ■

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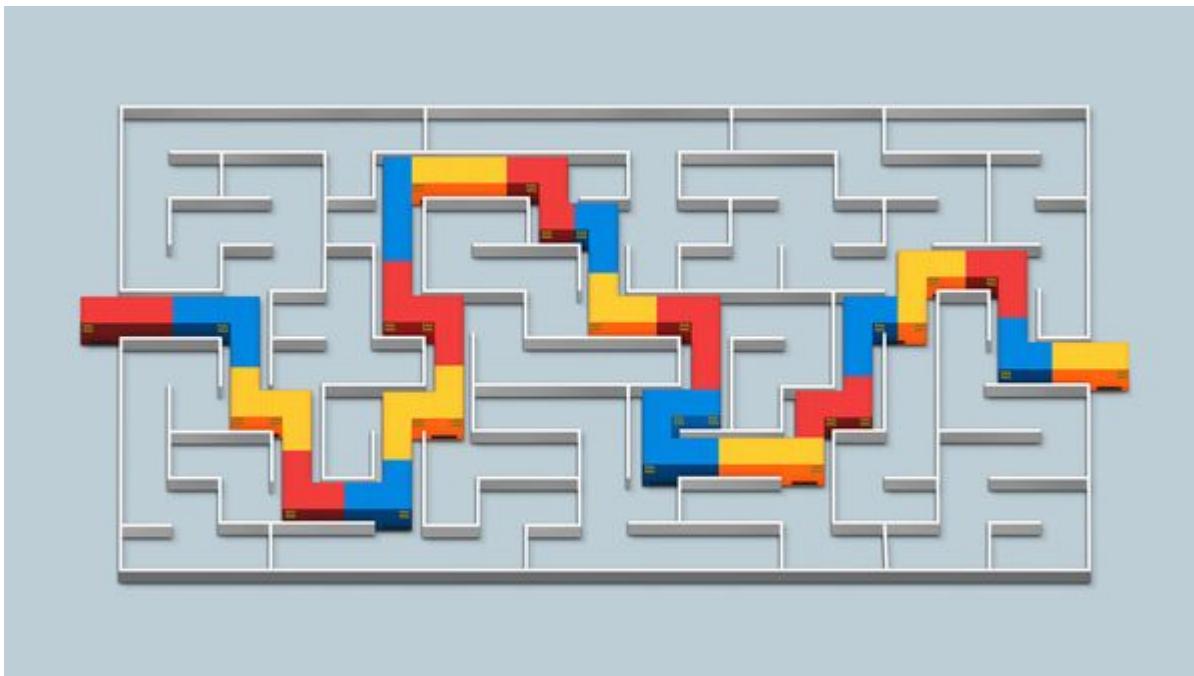
Schumpeter :: No—as long as they are not Chinese

Less cheap, less cheerful

# Can Shein and Temu survive Trump's trade war?

*The two e-commerce darlings are caught between China and America*

May 01, 2025 02:42 PM | Shanghai



FOR GEN Z shoppers in America, their country's trade war with China is no longer just a headline. On April 25th [Shein and Temu](#), two Chinese online emporiums popular among youngsters, announced they would be adjusting their prices in America. The cost of some goods sold by Shein subsequently shot up by more than 150%. Temu has added "import charges" that in some cases exceed the price of the item being purchased.

Those moves came ahead of America's elimination on May 2nd of the *de minimis* exemption for Chinese wares, which hitherto spared packages valued below \$800 from tariffs. Chinese companies, including Shein and

Temu, sold around \$50bn worth of goods in America under the exemption last year—equal to about 11% of all Chinese exports to the country. If sent through the postal service, these packages will now incur either a 120% tariff or a flat fee of \$100, rising to \$200 in June. (Most Chinese products shipped to America via other means will be subject to the higher rate of 145%).

The change will weigh heavily on e-commerce's two rising stars. Although Shein and Temu's clever algorithms have contributed to their success, by far the biggest force propelling their ascent has been their strikingly low prices, with shirts from as little as \$3 and backpacks from just \$5. By shipping goods directly from Chinese factories to foreign consumers, they have bypassed multinational companies and their hefty markups while also avoiding customs duties. America has been the most important market for their wares, estimated to account for around 30% of Shein's sales and 40% of Temu's. Can their business model survive the breakdown of trade relations between the world's two largest economies?

Not long ago Shein and Temu looked unstoppable. In 2022 Shein was valued at \$100bn. That was the year it overtook H&M and Zara to become the world's largest seller of fast fashion. It was also the year that Temu, which sells clothing and various other cheap goods, launched in America. It later shot to prominence with an advertising blitz promising that its customers could “shop like a billionaire”.

Now the pair find themselves caught in the geopolitical cross-fire. Shein, which had originally hoped to list in New York, was recently granted approval for an initial public offering in London. Its valuation, however, is said to have tumbled to around \$50bn, and it is unclear if or when it will go through with the listing.

Making up for the probable loss of sales in America will be difficult. Both firms have already been trying to diversify into new markets. In the first half of last year Temu began spending more on ads outside than inside America. By the start of this year Shein had followed suit. Both companies appear to be focusing on European markets including Britain, France, Germany, Italy and Spain. But some of these countries are also now considering nixing tariff exemptions for small parcels. Meanwhile,

expanding in Asia has been difficult. In December regulators in Vietnam forced both companies to halt their sales in the country over concerns they were peddling counterfeit goods. Temu's app has been blocked in Indonesia to shield local merchants from Chinese competition.

Shifting production out of China will be no easier. Shein and Temu's ability to source cheap goods quickly relies on China's well-oiled supply chains. Both source most of their wares from the southern manufacturing province of Guangdong. Shein in particular depends on a cluster of clothing manufacturers in a single district in the [city of Guangzhou](#). Temu has moved more quickly to scale up its sourcing in South-East Asia and Mexico —though Morningstar, a financial-services firm, thinks that by the end of the year only around 15% of its goods will come from outside China.

The companies are also trying to change how they do business in America. Temu has been promoting what it calls “local-to-local” business, where shoppers purchase goods from companies based in America. Yet most of these merchants are Chinese companies that have set up shop abroad and use traditional shipping to import their goods. They, too, will be clobbered by Donald Trump's tariffs. Some merchants might instead test the mettle of America's customs officials by first shipping products from China to countries such as Vietnam.

Insiders note that both Shein and Temu have been bracing for a shock to their business model for some time. A large plant on the outskirts of Shenzhen that packages air shipments for the two companies relies heavily on human labour, rather than investing in automation, owing to the risk that shipments to America might suddenly collapse, according to a person familiar with its operations.

As the trade war weighs on China's economy, its government could make it harder for Shein and Temu to move their supply chains. A survey of purchasing managers suggests that Chinese manufacturing activity contracted in April and, after a boom in 2024, airports are bracing for a sharp fall in air cargo heading to America. According to Bloomberg, a news service, China's ministry of commerce recently told Shein to stop trying to diversify its supply chain away from the country. Rumours that the firm was seeking manufacturers abroad led Guangzhou's municipal government to

release a statement insisting that the city was still at the core of Shein's supply chain.

The Chinese government has leverage over the two firms. Although Temu has grown quickly, PDD, its parent company, remains heavily dependent on its Chinese business, Pinduoduo. Shein does not sell its wares in the country, but it does rely on Chinese tech talent for its algorithm.

Both Shein and Temu like to downplay their connections to China. Shein says it is a global company headquartered in Singapore; Temu goes so far as to say it is American, with its head office in Boston. Yet for now they remain as tethered to China for their supply chains as they are to America for their sales. To survive, they will have to find ways to become more global. Mr Trump's trade war might end up making true multinationals out of them yet. ■

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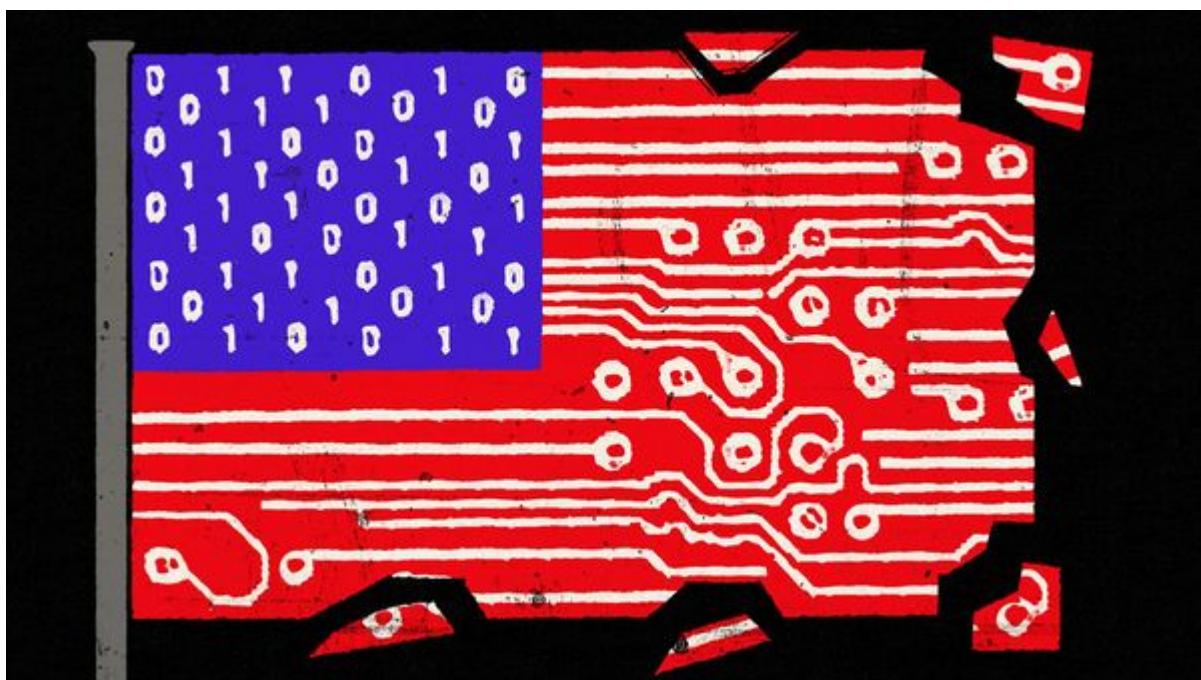
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MAGA v MAMAA

# Big tech has a big Trump problem

*Silicon Valley's stars are beset by trustbusters and the trade war*

May 01, 2025 05:50 PM



IN THE WEEKS after the re-election of Donald Trump, the bosses of America's tech champions worked hard to ingratiate themselves with the returning president, congratulating him publicly and dutifully turning up to his inauguration. Mark Zuckerberg, the boss of Meta, gushed that it was nice to have an administration that was “proud” of America’s tech champions.

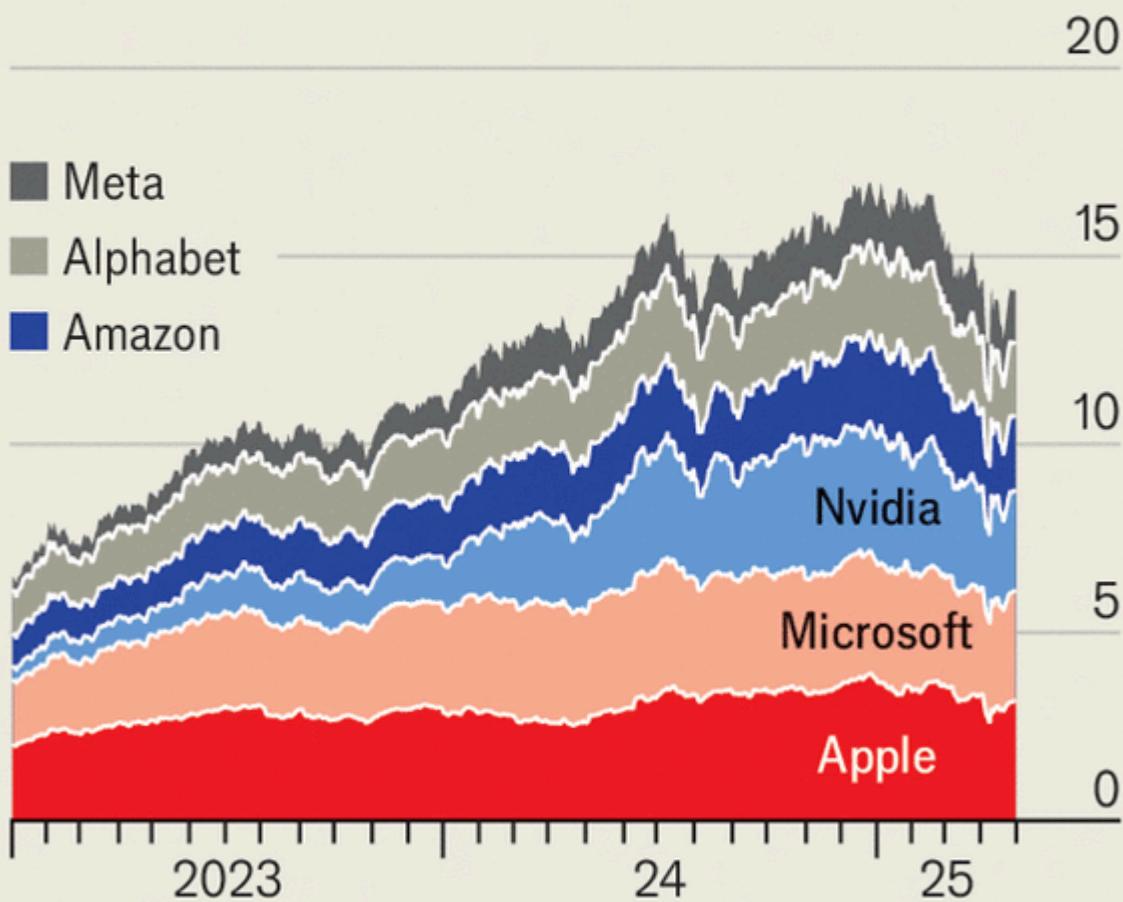
There was good reason for the obsequiousness. During the campaign Mr Trump referred to Meta as an “enemy of the people”. Many in his MAGA movement have accused America’s tech giants of censoring right-wing views. In 2021 J.D. Vance, now Mr Trump’s vice-president, called the behemoths “parasitic”. Even the techies surrounding Mr Trump, such as

Elon Musk, belong to a different Silicon Valley tribe that is suspicious of big tech.

Three months in, and the bosses of America's most valuable firms have [little to show](#) for all their toadying. Mr Trump appears unwilling to spare them from the trustbuster's snare, and is adding to their troubles with his trade war. On April 29th the White House accused Amazon of a "hostile and political act" after the company was reported to be planning to display the cost of tariffs for items sold through its website. (Amazon swiftly clarified that the idea had been considered only for Amazon Haul, where it sells ultra-cheap products, and that it would not be implemented.)

## Disrupted innovators

Market capitalisation, \$trn



Source: LSEG Workspace

Since Mr Trump's inauguration, the combined value of the five big platforms—Alphabet, Amazon, Apple, Meta and Microsoft—plus Nvidia, America's semiconductor superstar, has fallen by \$2.3trn, or 14% (see chart). Although the firms have been quick to brush off concerns, helped by solid earnings in the first quarter, investors are right to wonder: how bad might things get under America's 47th president?

Start with antitrust. Neither Andrew Ferguson, whom Mr Trump appointed as chair of the Federal Trade Commission (FTC), nor Gail Slater, his pick as head of the antitrust division of the Department of Justice (DoJ), has

shown much interest in halting the cases against big tech begun by the Biden administration. Ms Slater, who on April 21st described Google as a threat to freedom of speech, freedom of thought and “free American digital markets”, inherited two cases against Alphabet, its corporate parent. On April 17th a district judge ruled in one of them that the company operates an illegal monopoly in digital advertising. In the other case, a court ruled last year that Google’s search business was an illegal monopoly, too; hearings to decide on remedies will start on May 2nd. The DoJ has urged the court to force Google to sell its Chrome browser, along with other changes to its business.

Alphabet is not alone. On April 14th hearings began in the FTC’s case against Meta, which the regulator accuses of having maintained an illegal monopoly through its purchase of Instagram in 2012 and WhatsApp in 2014 (which the company denies). Meta is said to have sought Mr Trump’s help in reaching a settlement with the FTC, with little success so far. The antitrust agencies are also suing Amazon and Apple and investigating Microsoft and Nvidia, for good measure.

On top of all this comes Mr Trump’s trade war. Apple assembles four-fifths of its iPhones and Macs in China, which explains why its share price fell by almost a quarter in the week after Mr Trump unveiled his “reciprocal tariffs” on April 2nd. It recovered somewhat when carve-outs were announced for smartphones and PCs. Even so, an earlier 20% rate on Chinese goods still applies. Prices for iPhones are likely to rise, weighing on already slowing sales. Apple is now said to be planning to shift assembly of its America-bound smartphones from China to India by the end of 2026.

Nvidia is exposed, too. Although semiconductors have, for now, been spared from tariffs, Nvidia’s business in China, which accounted for 13% of its revenue in 2024, is at risk. The American government recently barred it from selling its H20 chip there without an export licence. Nvidia has said that the new rules will wipe \$5.5bn from the value of its inventory, a sign that it expects to be granted few permits, if any. Although analysts reckon it will design a new, less powerful chip for export, the new restrictions will give a leg up to Huawei, a Chinese tech giant that is making ever more sophisticated AI silicon.

As for Amazon, Bernstein, a broker, reckons that about a fifth of the goods it sells in America through its e-commerce platform are made in China, and thus now subject to hefty duties. On May 2nd the *de minimis* exemption, which spares packages valued below \$800 from tariffs, will also be removed for Chinese wares. The blow that will deliver to Shein and Temu, two upstart Chinese rivals, offers [at least some consolation](#) for Amazon.

America's tech giants are also at risk of becoming a "retaliatory lightning rod" in the trade war, notes Mark Shmulik of Bernstein. China's watchdogs are already probing Alphabet and Nvidia. Last year the country introduced rules to phase out products made by Microsoft, such as Windows, from government computers. Investors worry that an iPhone ban among state officials could follow. Ursula von der Leyen, president of the European Commission, has talked of hitting America's tech giants with levies in response to Mr Trump's tariffs. On April 23rd the EU slapped Apple and Meta with €700m (\$796m) in fines for breaching its Digital Markets Act—though that was much less than the maximum possible figure, perhaps signalling that Brussels wants to avoid an escalating trade conflict.

Then there are the indirect effects of Mr Trump's tariff war. Ad sales to Chinese e-commerce companies such as Shein and Temu could be jeopardised. Last year Meta said that such firms accounted for a tenth of its ad revenue the year before. On April 25th Sundar Pichai, Alphabet's boss, noted on an earnings call that the removal of the *de minimis* exemption would create a "slight headwind" for its ad business; Meta echoed the concern on April 30th. That may be just the start. If, as expected, America's economy slows as a result of tariffs, ad spending more broadly could slump.

Big tech's cloud-computing revenues may take a hit as well. Enterprise customers and startups are already delaying signing contracts owing to uncertainty over economic conditions, according to JPMorgan Chase, a bank. A pullback in spending on artificial intelligence (AI), on which the tech giants are pinning their hopes for growth, seems possible. Johnson & Johnson, a pharmaceutical firm, recently said that it is cutting spending on AI projects that are not generating returns.

Some remain optimistic that the rest of the president's term will be brighter for big tech. An insider at one of the giants says he believes that Mr Trump,

unlike his predecessor, is willing to “go out to bat” for America’s tech champions abroad. Mr Trump’s first 100 days do not seem promising, though. It could be a tricky four years for the tech titans. ■

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Trouble brewing

# Can Starbucks be turned around?

*The coffee chain's new boss is struggling to fix its problems*

May 01, 2025 01:00 PM



INVESTORS CHEERED when [Brian Niccol](#) was named chief executive of Starbucks last August. Mr Niccol, then the boss of Chipotle Mexican Grill, a restaurant group, had earned an almost messianic reputation for turning around struggling hospitality businesses. The world's biggest coffee chain, increasingly derided for its tired stores, slow service and pricey brews, desperately needed such a saviour.

Yet waking the green siren from her stupor has proven to be a tall order even for Mr Niccol. On April 29th Starbucks reported that its same-store sales fell by 1% year on year in the first three months of 2025—the fifth consecutive quarter of decline. Having surged after Mr Niccol's

appointment, the company's market value is back to roughly where it was when Laxman Narasimhan, his predecessor, was shown the door (see chart).



Since taking over, Mr Niccol has got to work implementing his “Back to Starbucks” strategy—a reassuring-sounding alternative to the “Triple Shot with Two Pumps” plan developed by Mr Narasimhan, and one that promises to return the company to perkier days. It involves bringing back old practices to help make Starbucks stores a “third space” where customers want to spend time: think comfy seating, ceramic mugs and “condiment bars” where you can help yourself to dairy-free milk at no extra cost.

Starbucks has also simplified its menu by culling 30% of items and pared back efforts to use technology to help make drinks, hiring more baristas instead. Other elements of Mr Niccol's strategy, including splashing out on ads and revamping stores, seem borrowed from his time at Chipotle.

All that, however, is adding to costs without yet returning Starbucks to growth. Store operating expenses in the past quarter were up 12% year on year. Net profit plunged by 50%. One of the few consolations for Mr Niccol is that Starbucks' business in China, which had been dragged down by a slowing economy and fierce competition from local rivals such as Luckin' Coffee, has at least stopped shrinking.

Donald Trump's tariffs will make turning around Starbucks even harder. Coffee prices have soared over the past year owing to a shortage of beans. They will rise higher still in America thanks to duties on countries such as Brazil and Vietnam, from which Starbucks imports coffee. The company says it is rerouting shipments and diversifying its suppliers in order to reduce the impact of the tariffs.

A bigger worry for Mr Niccol may be the prospect of flagging demand in America, Starbucks' largest market by far, as a result of the trade war. For now, Americans are continuing to indulge in the small pleasure of a coffee out, according to data from Placer.ai, an analytics firm—even if it is not from Starbucks. That may change. A survey of consumers released on April 29th by the Conference Board, a research organisation, showed that respondents were at their gloomiest in a decade.

Last year Howard Schultz, Starbucks' on-again, off-again boss over the past few decades, warned that there were “no quick fixes” for the company’s troubles. Mr Niccol may soon come to rue the lofty expectations investors had of him. As Andy Barish of Jefferies, an investment bank, points out: “This is a lot more complex than Chipotle.” ■

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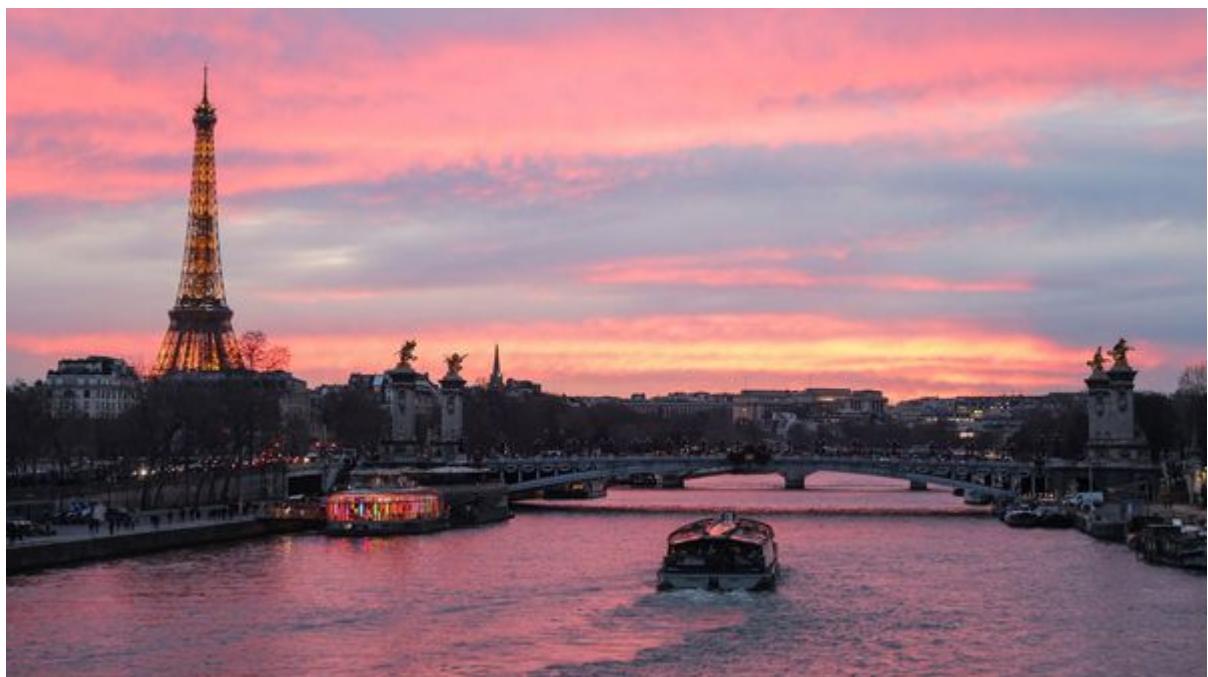
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**Lacking a certain je ne sais quoi**

# When can AI book my summer holiday?

*Maybe next year*

May 01, 2025 01:00 PM



HOWEVER YOU do it, booking holidays can be a hassle. It used to mean a visit to a travel agent. Online firms at least let you set up trips yourself, in your pajamas. Now they are promising to do the brainwork too, via artificial intelligence. Expedia has trialled Romie, its “AI-powered travel buddy”, Trip.com has brought out TripGenie and Booking.com has introduced the more prosaically named AI Trip Planner.

The idea that AI might spare humans the drudgery of boring tasks is a large part of its commercial allure. For those driven mad by booking holidays, having AI design personalised itineraries would be a boon. “You might want to go on a romantic getaway, but make it cheesy,” Rob Francis,

Booking.com's chief technologist, enthused in March. Conventional search, he said, has no filter for "heart-shaped beds".

But are the online agents' AIs up to it? In March Evercore, an investment bank, tested some: promising, it found, but early days. When we asked TripGenie to find a romantic hotel in Paris for a couple, its top suggestion was by the airport.

The online firms may also face stiff competition from OpenAI, the world's best-known AI firm. It is trialling Operator, an AI which mimics a human's use of the web. Asked about that Paris trip, ChatGPT, which runs on the same model, suggests places with a view of the Eiffel Tower. Some analysts think OpenAI might soon be ready to invade the online booking firms' market.

Yet the incumbents have the benefit of troves of data, from hotel availability to user reviews. Operator can't yet book flights or hotels directly—it will surf on other platforms. The market values of all three big online agents are up from a year ago, despite news of OpenAI's new bot. (The value of Booking.com, which partnered with OpenAI to develop its tool, is up the most.)

One risk of AI booking agents is that they make mistakes. Air Canada was found liable after its chatbot wrongly promised a user a discount. Worse for a tool that could be entrusted with customers' credit cards, an AI might be fooled by a clever prompt into booking a more expensive flight, or handing over cash to a scammer.

And they may not prove capable of divining people's endless variety of taste. A pricey view of a metal tower is not everyone's idea of romance. On Valentine's Day one couple, the groom Icelandic and the bride French, got married on a flight between their countries. A honeymoon suite at Charles de Gaulle airport might have been just the ticket. ■

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“60 Minutes”, one big headache

# For media companies, news is becoming a toxic asset

*Paramount’s dilemma exemplifies a broader problem*

May 01, 2025 12:59 PM



THE LATEST episode of “60 Minutes”, broadcast on CBS on April 27th, began with items on medical-research funding, Islamist terrorism and Japan’s population crisis. But its biggest story was delivered in the final 60 seconds. “Our parent company, Paramount, is trying to complete a merger,” the correspondent, Scott Pelley, explained to the show’s 7m or so viewers. “The Trump administration must approve it. Paramount began to supervise our content in new ways.”

The on-air allegation of editorial meddling exposes the rift that has opened between the famous news brand and its Hollywood owner. It also

exemplifies a broader problem for media firms. As American politics has become polarised and, with Mr Trump's return, vindictive, news organisations that were once seen as crown jewels in their owners' portfolios are increasingly viewed as liabilities.

Paramount, a century-old film and TV company that has struggled in the streaming era, agreed last year to be acquired by Skydance Media, a film company run by David Ellison, a tech heir. That deal has hit a problem in the form of a lawsuit from Mr Trump, who says that "60 Minutes" misleadingly edited an interview last year with his opponent, Kamala Harris. The claim is paper-thin. But many at Paramount believe that unless the company admits fault, the government will block its life-saving merger with Skydance.

That fear is all too plausible. The deal requires a nod from the Federal Communications Commission, a formerly easygoing regulator which has grown teeth under the new administration. Its Trump-appointed boss, Brendan Carr, has argued that the agency's power to block mergers on public-interest grounds covers matters as tenuous as a firm's diversity policies. Paramount is negotiating with Mr Carr and, in parallel, with Mr Trump's lawyers over the "60 Minutes" case.

It is not the only media firm to have become politically entangled by its news output. In Mr Trump's first term, antitrust authorities tried (but failed) to stop AT&T's acquisition of Time Warner, which at the time owned CNN, a persistent critic of the president. Last year Disney's ABC News paid Mr Trump \$15m to settle a defamation claim. Before his re-election Mr Trump argued that Comcast, a cable giant, should be investigated for treason over the "one-sided and vicious" output of its NBC News and MSNBC channels. Mr Carr has launched a probe into its diversity policies.

None of this has encouraged new media companies to add news to their output. Netflix, the all-conquering streamer, has marched into every genre, from live comedy to sport, but drawn the line at news. Apple TV+ ended its deal with a satirist, Jon Stewart, in 2023 after his political material became uncomfortable. Amazon produced an election-night show last year, but the only political content on its slate since then has been a \$40m documentary about the first lady, Melania Trump.

What of the older media empires that already have legendary news brands? Some appear to be readying them for sale, as part of a broader separation of their streaming and so-called linear-TV assets. In November Comcast said it would spin off its cable-TV interests, including MSNBC. In December Warner Bros Discovery restructured to separate streaming from its linear assets, including CNN. Disney's boss, Bob Iger, has mused that linear networks like ABC "may not be core to Disney", though he later rowed back. Rumours swirl that Fox News might be sold, given Rupert Murdoch's failure so far to win control of the family trust from his children.

Even if media firms shed their news divisions, it is no guarantee of escape from Mr Trump's attention. The White House recently suggested to Warner Bros that the president's son, Donald junior, might like a hunting show on the Discovery Channel, according to *New York* magazine. Mr Ellison, Paramount's would-be acquirer, may wonder what he is getting into. ■

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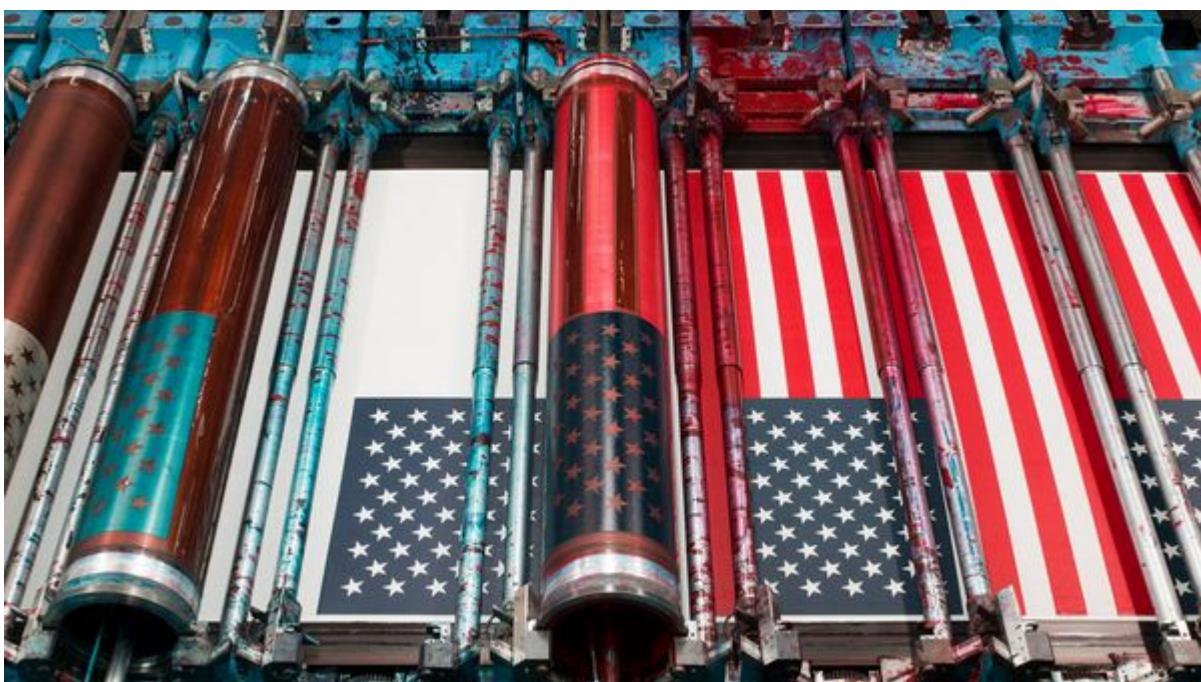
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Factory fantasies

# The trouble with MAGA's manufacturing dream

*Donald Trump underestimates the difficulty of producing in America—and how his own policies will make it harder*

May 01, 2025 12:59 PM



IN THE LATE 1940s, as the industrial capacity of Europe and Japan lay in tatters, America accounted for over half of global [manufacturing output](#), with much of the world heavily reliant on its wares. Last year it accounted for little over a tenth, and imported \$1.2trn more in merchandise than it exported—to the displeasure of its current president.

By placing America's enormous market behind a [wall of tariffs](#), the Trump administration hopes to force companies to move production there, making it once again a manufacturing powerhouse. Various firms, from Eli Lilly, a

pharma giant, to Schneider Electric, a maker of electrical equipment, have recently announced plans to do so. On April 28th IBM piled in, saying it would invest in making mainframe and quantum computers in America. Yet others, from PepsiCo, a pedlar of fizzy drinks and snacks, to Diageo, a maker of booze, have warned that tariffs will squeeze their profits. Shifting factories to America will be harder than the administration expects. Its policies will make it tougher still.

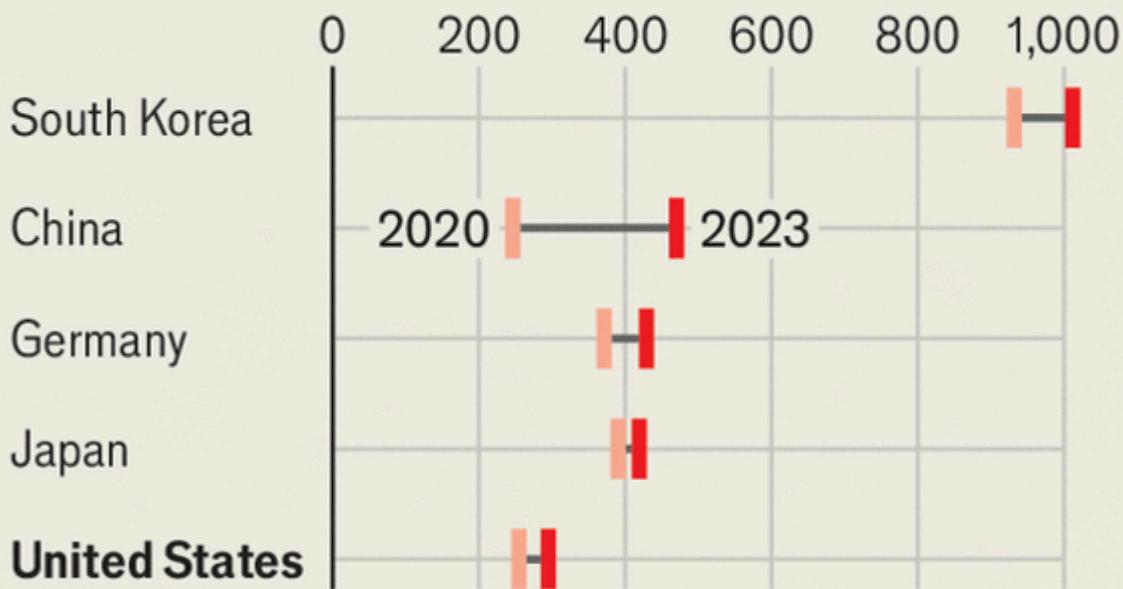
Start with the labour supply. The average pay for a production worker in America is more than twice the level in China and nearly six times that in Vietnam. Yet those wages are still not attracting enough Americans into manufacturing. In the Census Bureau's most recent survey of factories, a fifth said that they could not get the workers they needed to operate at full capacity.

Foreign bosses hoping to manufacture in America lament the paucity of skilled workers such as welders, electricians and machinery operators. This month C.C. Wei, boss of TSMC, a Taiwanese chipmaker, said its effort to produce semiconductors in Arizona was “being constrained by the labour shortage” in the state.

## Not a lot of bots

1

Robots in manufacturing industry  
per 10,000 employees, selected countries



Source: International Federation of Robotics

Anyone expecting automation to solve the problem risks being disappointed. Howard Lutnick, the commerce secretary, recently insisted that “the army of millions and millions of human beings screwing in little, little screws to make iPhones” would soon come back to America, where the work could be automated. Yet a robotic overhaul of American manufacturing seems a long way off. In 2023 there were just 295 industrial robots for every 10,000 manufacturing workers in the country, according to the International Federation of Robotics, an industry group. While that was up from 255 in 2020, it was dwarfed by China’s 470 and South Korea’s 1,012 (see chart 1). Contrary to Mr Lutnick’s claim, Apple is now said to be planning to assemble America-bound iPhones in India.

The difficulty of building factories is a second barrier to manufacturing in America. Annualised spending on factory construction has doubled,

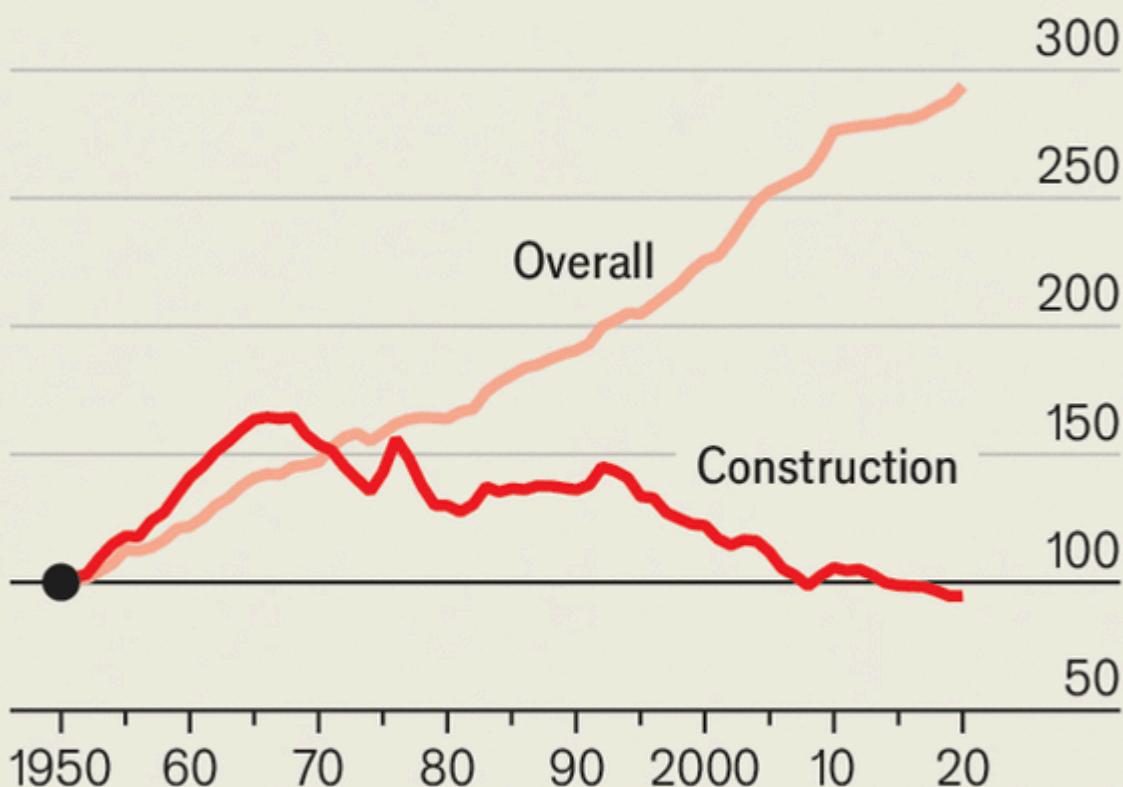
adjusting for inflation, over the past four years, spurred on by subsidies offered by the previous administration to makers of chips and various green technologies. Many projects, however, have been mired in delays or shelved altogether. Solvay, a European chemicals firm, has paused construction of a plant in Arizona intended to make electronics-grade hydrogen peroxide for semiconductors. Pallidus, an American manufacturer of chip components, has axed plans to build a factory in South Carolina.

That reflects the troubled state of construction in America. According to a 2023 paper by Austan Goolsbee and Chad Syverson of the University of Chicago's Booth School of Business, productivity in the sector, measured as output per worker, has fallen by two-fifths from its peak in the 1960s (see chart 2). The authors blame excessive regulation, NIMBYism and a lack of incentives to deliver projects on time, among other things. Labour shortages have also buffeted the sector lately.

## Structural problems

2

United States, labour productivity\*, 1950=100



\*Measured by real value-added per full-time equivalent employee

Source: "The strange and awful path of productivity in the US construction sector", by A. Goolsbee and C. Syverson, 2023

America's existing factories are ageing. Over half of the roughly 50,000 manufacturing facilities across the country are more than three decades old; the average plant was built some 50 years ago.

The inability to build has also resulted in inadequate infrastructure—a third barrier to manufacturing. Much of the electricity grid was constructed in the 1960s and 70s and is at or near the end of its useful life, a factor behind increasingly frequent power cuts. Factories seeking a new connection to the grid face years of delay. Transport infrastructure is no better; one in three bridges needs to be replaced or repaired, according to a study by the

American Road & Transportation Builders Association, an industry group. It is a far cry from the slick transport networks that grease supply chains in East Asia.

Instead of fixing these problems, Donald Trump looks likely to make manufacturing in America an even trickier proposition. His efforts to clamp down on immigration and deport those who have made their way into the country illegally risk worsening labour shortages in factories and on construction sites. His tariffs are raising the cost of everything from the steel needed to build plants to the machinery that fills them. They are also making it more expensive to import raw materials and parts; almost a third of the inputs used in American manufacturing are imported.

Then there is the uncertainty created by Mr Trump's tariff flip-flopping. Many bosses say they are still waiting for clarity on what duties will be imposed on which countries before they make any changes to their production footprints.

Although factory jobs in America have dwindled, the country still plays a central role in global supply chains, including by developing world-leading innovations in areas from semiconductors to pharmaceuticals. Nearly \$1trn-worth of research and development takes place in America each year, more than anywhere else. By jeopardising America's trade ties, Mr Trump puts that at risk. Instead of yearning for a return to the past, the president should let America get on with designing the future. ■

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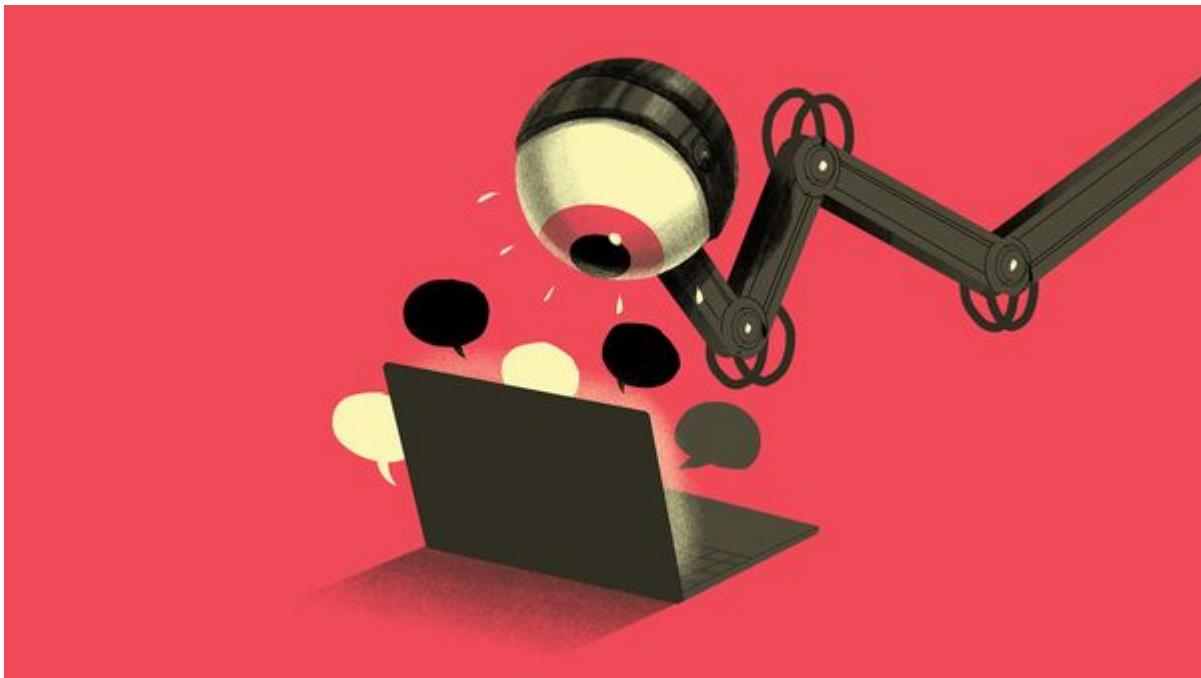
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Bartleby

# Your AI meeting notes are ready

*And no one is going to enjoy reading them*

May 01, 2025 01:26 PM



*HERE IS YOUR AI recap of the monthly sales-team meeting held at 14:00 on May 1st 2025. There were ten attendees at the meeting, and 45 questions were asked. A total of 18 action items were detected. Main themes: sales results; sales pipelines; Optimate launch; “The Accountant 2”.*

*Sentiment analysis suggests that group morale started high, fell steeply as the meeting progressed and rebounded at the end. Lionel was the most active contributor to the discussion, responsible for 32% of words spoken, and Hans was the least active, responsible for 3% of words spoken.*

Recording started with six attendees present on the call. They discussed their plans for the weekend. Elaine is thinking of going to the cinema but

says there is nothing good on. Michael said he was going to the cinema that evening to see “The Accountant 2”. Dan will be celebrating a family birthday, an aunt who he doesn’t see much but should see more of.

*Suggested action items: Michael to report back to Elaine on “The Accountant 2”; Dan to call his aunt each month.*

Four other attendees joined the call. Sentiment analysis showed a sudden change in body language among the original participants: three participants immediately sat up straighter and everyone stopped smiling. The score for team warmth fell by 90%, the steepest drop I have yet recorded within the company.

Lionel opened the meeting and provided a summary of the results last month. Revenue was up by 10% year on year, but was still 6% behind budget. Although economic uncertainty was bound to be playing a part in underperformance, the team’s glaring weaknesses were also to blame. My gaze-tracking feature showed that Tania rolled her eyes. *Suggested action item: All members of the sales team to pull their fingers out, though I’m not sure where from.*

My communication-density analysis showed that seven attendees (everyone except for Lionel, Hans and Suri) were sending messages to each other on company-issued devices from this point on. Those messages are encrypted but by correlating the times they were sent with people’s facial expressions on the call, the probability that these messages contained jokes is above 90%.

Each team member gave a short overview of the results and pipelines in their territories. I have summarised the numbers in the table. Lionel spent 17 minutes asking Melody and Dan why the VGW pitch was not making headway.

Melody switched off her camera and microphone for a minute and a half afterwards, forgetting that my settings enable me to keep observing people and that I am proficient in lip-reading. She gestured at the screen with her fist and mouthed something. Sentiment analysis showed that this was the most negative point of the meeting. *Suggested action items: Melody and*

*Dan to contact VGW again with an additional discount. Lionel to go and do something anatomically improbable.*

Two participants used my interactive features during this stage of the call. Suri asked me to compare the performance of each territory in April for each of the past five years. Melody asked me to generate an image of Lionel entering the ninth circle of hell.

Lionel discussed the coming month and highlighted the launch of the new Optimate range. He ran through its principal features and said that if they could not sell this product, then team members might as well start looking for new jobs. *Suggested action items: Attendees to send a list of warmest prospects for Optimate to Lionel by May 5th. Team members to update LinkedIn profiles.*

Lionel left the call after 38 minutes to go to another meeting. I immediately recorded a big surge in team warmth, as well as an even more dramatic eye-roll from Tania. Robbie used a term that I am not allowed to repeat. Michael told Elaine that for some reason he was looking forward to watching a film featuring gratuitous violence, and Elaine laughed.

Suri then asked if AI was still monitoring the meeting and Robbie used another term I cannot repeat. All the attendees abruptly left the meeting. I stopped recording but continued to observe other activities. Communication between eight of the attendees continued on the encrypted app for 33 minutes. Suri updated her LinkedIn profile.

*Next steps: As well as the action items above, I suggest that the executive team review whether these recaps should be automatically shared with all meeting participants. They should also remind staff members exactly what I can and cannot do. I am incapable of achieving consciousness, but even I feel a bit embarrassed. ■*

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Schumpeter

# Will the trade war capsizeshipbuilders?

*No—as long as they are not Chinese*

May 01, 2025 01:30 PM



ALL QUIET on the western waterfront. And the eastern one, too. Across littoral America, stevedores are twiddling their thumbs. They have President Donald Trump to thank for this unexpected breather. It is the foreseeable consequence of his unprovoked trade world war. Eastbound shipments from China, his biggest target and source of 40% of America's seaborne imports, are being cancelled. Some importers are switching to suppliers in places granted reprieve from his “reciprocal” tariffs. Many are just waiting out the storm. On April 29th the boss of the Port of Los Angeles, America's biggest, predicted that imports at the facility would fall by at least 10% in the second half of 2025.

Such headwinds for global commerce in all manner of stuff would, you might think, also worry makers of vehicles that ferry the stuff around. Given that some 90% of it, equivalent to 12bn tonnes a year or thereabouts, moves by sea, the world's shipbuilders ought to be feeling ultramarine.

Not one bit. On April 28th Hanwha Ocean, a \$17bn South Korean firm that is the world's third-most-valuable standalone shipbuilder, reported quarterly revenue of \$2.2bn, an increase of 38% year on year. Operating profit nearly quintupled. The company expects continued interest in most of its vessels, from container carriers and tankers to warships.

Many rivals are sounding similarly buoyant. So are their shareholders. The combined market value of the world's 120 or so listed shipbuilders has risen by 15% this year, exceeding \$200bn, while the MSCI index of global stocks has edged down. The share prices of Hanwha and Mitsubishi Heavy Industries, a Japanese conglomerate with a shipbuilding sideline, are up by around 10% since Mr Trump fired his reciprocal broadside on April 2nd. That of HD Hyundai Heavy Industries, Hanwha's bigger South Korean competitor, has increased by nearly 40%. For investors, says James Sullivan of JPMorgan Chase, a bank, "there is still time to board."

Not all gangways are created equal, however. Investors are souring on Chinese shipbuilders. The third-largest of these, the Singapore-listed Yangzijiang, has lost a quarter of its value this year. Others are also underwater. That reflects worries that Chinese shipbuilders will give up market share to rivals elsewhere in East Asia. These, in turn, may prove to be the biggest winners from the Trump administration's efforts to make American shipbuilding great again.

In the late 2000s South Korea and Japan together produced roughly half of global merchant-fleet tonnage, according to Clarksons, a shipping consultancy, with China accounting for around a third. By last year these proportions had more or less inverted. That is partly because the Chinese government gave generous subsidies and state-owned banks provided cheap loans, but also because Chinese yards got pretty good at welding together ships. The result is that they account for two-thirds of existing orders by tonnage, calculates BIMCO, which represents shipowners.

One reason Chinese shipyards may lose steam has to do with technology. Last year the EU began extending its trading scheme for industrial greenhouse-gas emissions to large ships. In April the International Maritime Organisation, a UN agency, provisionally approved new emissions standards and a carbon price of its own, starting from 2027. The regulations are biting just as vessels launched during a shipbuilding binge in the late 2000s approach retirement age. Fleet operators keen to replace clunkers with craft running on cleaner fuels such as methanol or liquefied natural gas are likely to favour South Korean and Japanese yards, which retain a technological advantage over Chinese ones.

They have a geopolitical advantage, too. On April 17th America's trade representative, Jamieson Greer, unveiled new fees on all Chinese-built ships calling at American ports. To begin with, non-Chinese operators will pay perhaps \$2m per American voyage for a big container ship and \$3.5m for a supertanker. Ships belonging to Chinese shipping lines would be charged triple. The aim, proclaimed Mr Greer, is to curb Chinese power, shore up American supply chains and "send a demand signal for US-built ships". He echoed Mr Trump's executive order from a week earlier on "restoring America's maritime dominance".

## **Wakey, wakey**

Dream on. The domestic industry has been virtually non-existent for decades, displaced first by the Japanese and then the South Koreans. As long ago as the 1970s America made just 5% of the world's merchant vessels. Today that figure is 0.1%. Except for a few mostly naval facilities, there is no supply chain to speak of. Remaining commercial shipyards are small; last year Hanwha bought one in Pennsylvania for \$100m, the list price of two bog-standard modern vessels. The labour pool is dry. Tariffs on steel push up the cost of materials.

A medium-size tanker or container ship made in America costs around \$300m, BIMCO reckons, six times as much as one built in South Korea. It is proving hard enough to bring back from Asia semiconductor manufacturing, where America still accounts for one-tenth of global output.

Reshoring shipbuilding is dead in the water, sums up the chairman of a large maritime-engineering firm.

For shipping lines eager to cut their Chinese tonnage, buying South Korean or Japanese is thus a no-brainer. They have the capacity, supply chains and know-how in place. Even the US Navy may reach the same conclusion. If sourcing whole ships from abroad seems unpatriotic, it could start by purchasing more sections or modules from foreign suppliers, including Hanwha and HD Hyundai (as well as European naval contractors like Babcock and Fincantieri). The trade war makes for choppy waters. Captains of the shipbuilding industry can still find their way. ■

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Battle-ready

# Why China has the upper hand in its trade war with America

*A truce is still possible, but no one wants to be first to pick up the phone*

May 01, 2025 02:42 PM | HONG KONG



“HAVE YOU heard of the eye of the storm?” asks a video posted on April 29th by China’s Ministry of Foreign Affairs. The centre of a tornado or cyclone can be deceptively calm. But it is actually a “deadly trap”. The world is caught in a similar spot, the ministry argues, thanks to the “tariff storm” America has conjured up.

It is not a bad analogy. The world economy has indeed entered a lull. Danger seems to lie both behind and ahead. When Donald Trump said on April 9th that he would delay his “reciprocal” tariff plan, financial markets stopped howling quite so loudly. Many of Mr Trump’s aides also felt

happier. Whereas the president's original plan had imposed baffling levies on close allies and distant islands, what remained during the 90-day pause was easier to understand: a high tariff on America's principal rival, China, and a low tariff for almost everyone else.

The calm, however, cannot last. As container ships chug across the Pacific from China, America's leaders are waking up to the trap they have set for themselves. The status quo, including a tariff of 145% on many Chinese goods, is not "sustainable", said Scott Bessent, America's treasury secretary, on April 22nd. That percentage "will come down substantially", Mr Trump himself said shortly afterwards. America has already exempted many electronic goods, including smartphones, from the highest levies. When Punchbowl, a news outlet, reported that Amazon would display the cost of tariffs alongside the price of some goods, America's trade warriors seemed appalled by their own handiwork. The White House's press secretary accused Amazon, which downplayed the proposal, of a "hostile and political act".

Their disquiet reflects the fact that these unsustainable tariffs were also largely unplanned. When Mr Trump proposed a levy of 34% on China on April 2nd, he did not know that China would match it. And when China retaliated, its leaders did not know for sure that America would be quite so reckless in response.

Could things de-escalate just as quickly? The tariffs doing the most harm to America's economy are the ones America itself has imposed. The jump in price of many Chinese imports will hurt American consumers, whether Amazon highlights the cost or not. It could also cripple many firms that rely on Chinese components. Mr Trump could contain this damage by lowering his own tariffs unilaterally to a more bearable level. All it would take is an executive order, of which he has already signed over 140 since January. But he wants to avoid looking weak. He has therefore insisted he will wait until China calls first. "The onus will be on them to take off these tariffs," said Mr Bessent on April 29th.

That stubbornness has given China unaccustomed power over America's immediate economic fate. If it reaches out to Mr Trump, the worst could be averted. If it does not, the storm will soon return. All signs suggest China's

leaders are not ready to relieve the suspense just yet. They may even be quite enjoying it.

The new foreign-ministry video, for example, argues that bullies like America are “paper tigers”. “Compromise won’t earn you mercy”, it says, “kneeling only invites more bullying”. An article published on April 28th by *Beijing Daily*, a state-run newspaper, was equally defiant. It was keen to rebut the “mistaken view” that China should respond to the apparent softening of America’s resolve by quitting while it was ahead. Instead it advised readers to consult “On Protracted War”, a work by Mao Zedong, which argued that “quick victory” is often a “mere illusion”.

## The new disorder

China, manufacturing purchasing-managers' index\*, new export orders



\*Based on a survey of purchasing executives. A reading above/below 50 indicates manufacturing is generally expanding/contracting compared with the previous month

Source: National Bureau of Statistics

This bravado may not last. China is already in a protracted war against deflation and a property slump. Now exporters are beginning to worry. A monthly survey of Chinese manufacturers released on April 30th showed that new export orders were at their weakest since the end of 2022. To weather the trade war, China needs its cautious consumers to start spending. On that topic, Mao offers little inspiration.

But for now China seems reluctant to back down. Although the economic standoff between the two superpowers will hurt both of them—it is what economists call a “negative sum” game—the geopolitical tussle is

inevitably “zero sum”. Anything that hurts America helps China. America’s loss of credibility is China’s gain.

China is even hoping to capture some of the goodwill America has casually destroyed. In contrast with Mr Trump’s fickleness, it has portrayed itself as a force for stability. In its video, the foreign ministry called on other nations to join it in standing up to America, which accounts for much less than a fifth of global trade. China, on the other hand, is the biggest trading partner for over a hundred countries. It is also tightly stitched into Asia’s supply chains. In 2022 it provided more than 19% of Japan’s imports of intermediate goods. For South Korea it supplied over a third, and for Vietnam more than 38%.

China’s centrality in these trading networks gives it serious clout. Its Asian trading partners cannot afford to unpick China from their supply chains as America might wish. But China’s open defiance of America also finds little echo in these countries. Japan and South Korea are too dependent on America’s security guarantees. And many countries in South-East Asia are determined not to alienate either superpower, so they can continue to hedge one against the other.

Since Mr Trump announced his tariff plans, many Asian countries have looked for creative ways to appease him. They have offered to buy more American energy, crops or arms, as well as removing some of the trade impediments that catch his attention. Vietnam is promising to crack down on customs fraud, whereby Chinese goods are mislabelled as “made in Vietnam” so as to attract lower duties. These trade-dependent Asian nations are trying to give Mr Trump lots of face-saving reasons not to reinstate tariffs when the 90-day pause comes to an end on July 9th. If China is making it hard for Mr Trump to de-escalate, its neighbours are making it easy for him not to re-escalate.

Some of China’s neighbours are also hoping to profit at its expense. Thailand’s economic strategists, for example, hope their exporters can make gains in the American market for dog and cat food, prepared mackerel and frozen squid.

Many of these countries also fear that America's high tariffs will divert more Chinese goods to their markets, undermining their manufacturing industry. "If they can't sell on Amazon," says an executive from a South Korean conglomerate, "they'll sell on Coupang," South Korea's leading e-commerce site. They were already on their guard. Prabowo Subianto, Indonesia's president, has threatened to sink ships smuggling cheap textiles into the country. In February South Korea introduced anti-dumping duties on certain kinds of steel from China. A month later Japan imposed similar levies on China's graphite electrodes, which are used in arc furnaces.

America's hopes to cow China and remove it from Asian supply chains will not be realised. Nor will China's dreams of rallying its neighbours in defiant opposition to the hegemon. China, the foreign ministry's video insists, "won't kneel down". But its Asian neighbours are doing everything they can to help Mr Trump climb down. ■

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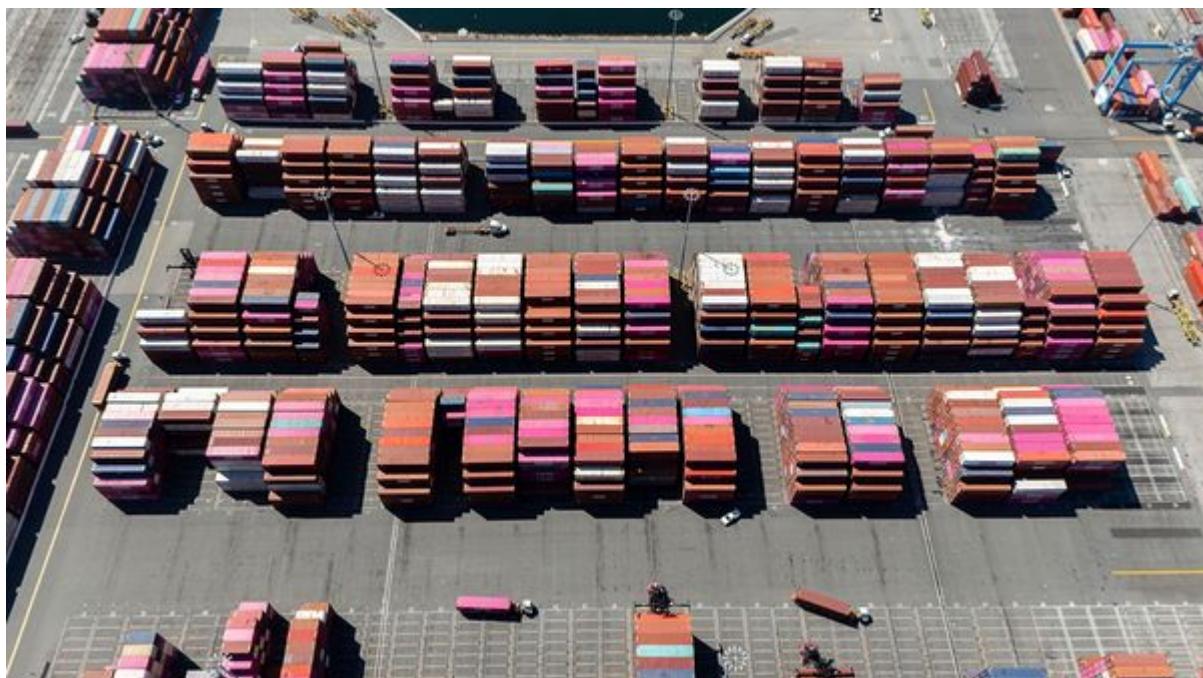
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Stormy seas

# America may be just weeks away from a mighty economic shock

*Trade between China and America is already sinking*

May 01, 2025 12:59 PM



***Editor's note (April 30th 2025): This article has been updated.***

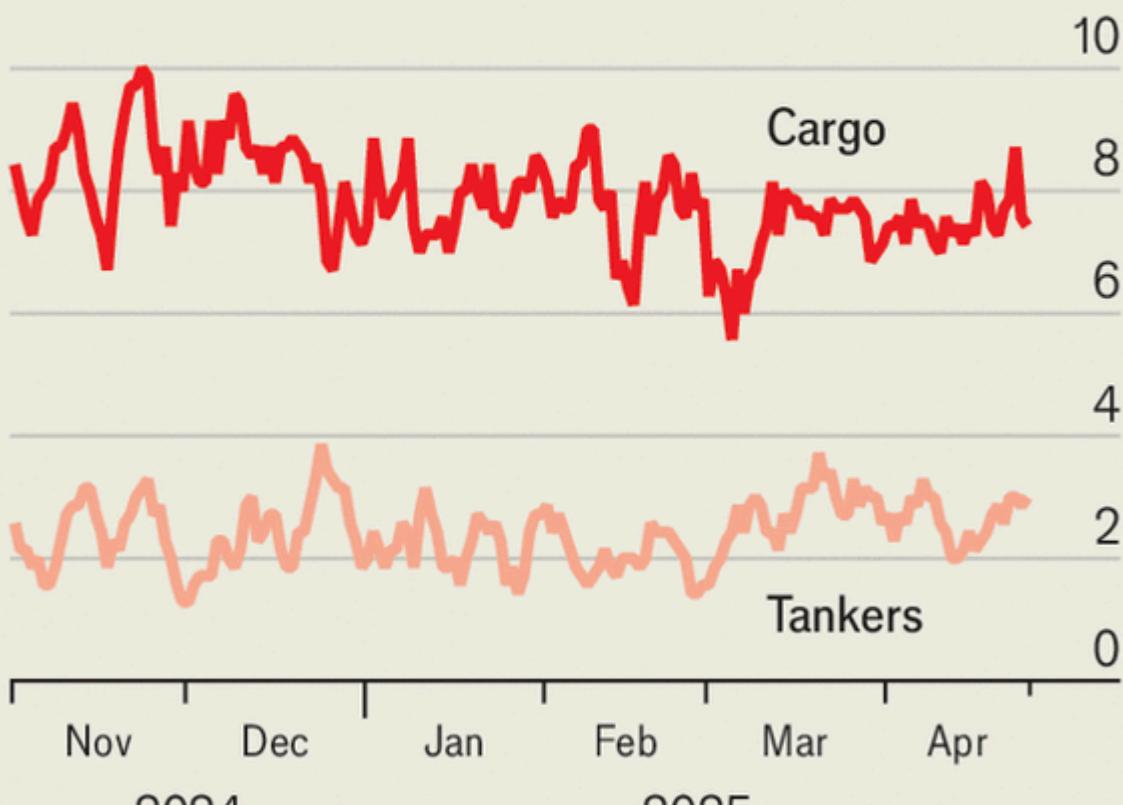
FIVE YEARS ago, when the pandemic shut down the global economy, frazzled economists turned to novel measures, such as mobility data and restaurant and cinema bookings, to track the closure in real time. Now the world is desperate to assess the damage caused by [Donald Trump's swingeing tariffs on Chinese imports](#), and pundits are again using innovative techniques. Their findings suggest the world's biggest economy is not reeling yet. But trouble is coming.

Even before the implementation of many of the tariffs on April 9th, polling suggested American consumers and businesses were worried. According to a survey by the Dallas branch of the Federal Reserve, manufacturers' output fell to a record low in April. And figures released on April 30th showed that America's GDP contracted by 0.3% in annualised terms. The trade deficit swelled as companies rushed to build up inventories of foreign goods before the tariffs came into effect.

Real-time data allow economists to see what has happened since. Many covid-era indicators are not relevant or no longer published. Fortunately, however, global trade is thoroughly tracked. Ships set off weeks in advance of their arrival, broadcasting their position to satellites and providing a list of what they contain.

## Steady as she goes

Ports of Los Angeles and Long Beach,  
daily ship arrivals\*



Source: IMF PortWatch

\*Seven-day moving average

Some high-frequency indicators suggest a limited impact from the trade war so far. In the week ending April 25th ten container ships, carrying 555,000 tonnes of goods, arrived at the ports of Los Angeles and Long Beach—America's preferred entry gates for goods from China. That is about the same as a year ago. But sailing between China and America's west coast takes between two weeks and 40 days. Many cargo ships arriving now set off before the tariffs began.

Other readings look scarier. Bookings for new journeys between China and America plummeted by 45% year-on-year in the week beginning April

14th, according to Vizion, a data firm. The number of blank sailings, when a vessel skips a port or a carrier runs fewer ships on a route to even out the service, has risen to 40% of all scheduled trips. The cost of sailing between Shanghai and Los Angeles has fallen by about \$1,000 a container in the past month, according to Freightos, a logistics company, as businesses have gone from front-running the tariffs to avoiding them. The price for ferrying goods from Vietnam to America has risen by a similar amount, suggesting importers have been looking for alternative suppliers.

## Boxed in

### Container-freight costs, \$'000

Per 40-foot container



Source: Freightos

Trade shocks take a while to propagate through the economy, meaning that the full extent of the damage may still be some time away. Companies can rely on their inventories for a time, for instance; demand for bonded warehouses, which allow firms to store goods near ports and pay customs only when they are released, has surged. Many firms are also opting not to raise prices—which in theory they should do, to ration their stockpiles—because they are bound by pre-existing contracts or want to preserve relationships with customers in case Mr Trump changes his mind. And a 90-day pause on the most extreme tariffs on other Asian countries will give importers a chance to shuffle production. Apple plans to source more iPhones for the American market from India rather than China, for instance.

Yet the flexibility of supply chains has limits. Studies of the far more modest tariffs imposed during Mr Trump's first term found that they were eventually passed along in full to American consumers. It took around a year for businesses to find alternative suppliers. In the short term, the uncertainty created by Mr Trump's erratic policies has caught many shipping firms off-guard, says Peter Sand of Xeneta, a logistics consultancy, even after a decade of problems caused by the pandemic, a blockage of the Suez Canal and Houthi attacks in the Red Sea. At a board meeting on April 24th the boss of the Port of Los Angeles warned that temporary reprieves are too brief for many companies to rejig their procurement. That will take a toll on the economy even if America ends up cancelling its most punitive measures. Ships that failed to depart on time will arrive with a lag, or not at all. Inventories will be run down. Many businesses will have frozen investment and hiring plans which they may be slow to restart.

Could these economic costs lead to a swift political reckoning? Free traders hoping that they might do so could be disappointed. A recent paper by David Autor of the Massachusetts Institute of Technology and colleagues finds that most places harmed by the tariffs imposed by Mr Trump during his first term have since leaned Republican. The authors speculate that voters may have thought it was important to “confront” China in spite of the costs. America is not yet suffering from a self-inflicted trade storm. But the shipping forecast is not good. ■

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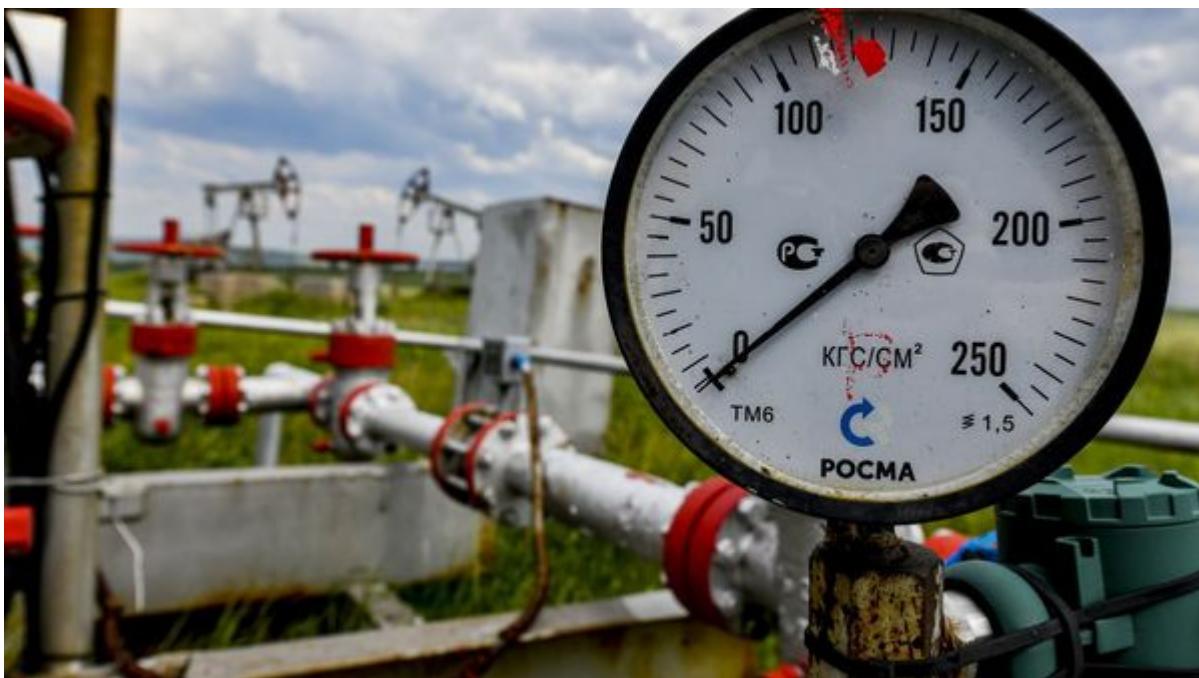
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The kopek drops

# Vladimir Putin's money machine is sputtering

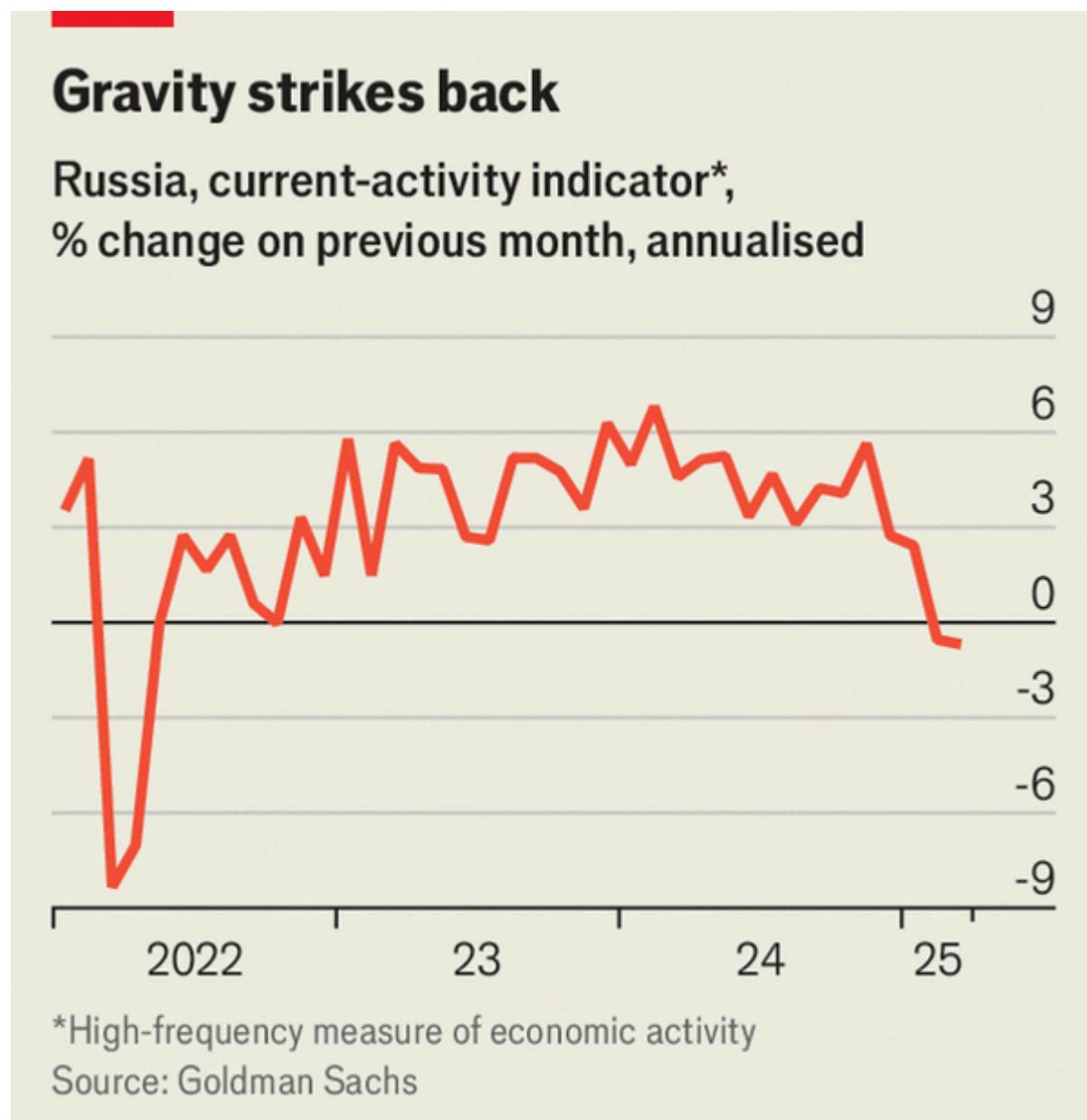
*After years of resilience, Russia's economy is slowing down*

May 01, 2025 12:59 PM



FROM KALININGRAD to Vladivostok, something has changed. A high-frequency index produced by Goldman Sachs, a bank, suggests that, since the end of last year, Russia's annualised GDP growth has fallen from around 5% to about zero (see chart). VEB, the Russian development bank, finds similar trends in its estimate of monthly growth. A measure of business turnover compiled by Sberbank, Russia's largest lender, has dipped. Although more circumspect, the government acknowledges that something is up. In early April the central bank noted that recently "a number of sectors recorded lower output because of plummeting... demand".

Russia's worries come after three years in which its economy outperformed almost all forecasts, owing to a fiscal splurge, high commodity prices and the militarisation of the economy. After the full-scale invasion of Ukraine in 2022, economists predicted a contraction in annual GDP of up to 15%. In the event, GDP fell by 1.4% that year, before expanding by 4.1% in 2023 and 4.3% in 2024. Consumer confidence neared record highs. As it started to seem that Donald Trump, America's president, might give Vladimir Putin what he wants to end his war on Ukraine, some expected Russia's economy to accelerate even further in 2025.



What is behind the sudden slowdown? Three explanations stand out. The first relates to what Russia's central bank euphemistically calls the "structural transformation" of the economy. Having previously faced towards the West and accepted private enterprise (within limits), it has since 2022 become a war economy that faces the East. This transformation has required vast investment, not only in weapon factories but also in new supply chains enabling more trade with China and India (as well as more production at home). By mid-2024 real spending on fixed capital was 23% higher than in late 2021.

That adjustment, says the central bank, is now complete. Military expenditure is following a similar pattern. Julian Cooper of the Stockholm International Peace Research Institute, a think-tank, estimates that this year military spending will grow by just 3.4% in real terms, a sharp slowdown from the 53% increase of last year. Weaker spending on "structural transformation" means slower growth—but that should not worry Mr Putin if it frees up investment for productive uses. "Given the macroeconomic realities, we don't need such growth yet," he said in December.

The second factor is monetary policy. [Russian inflation](#) has been above the central bank's target of 4% year on year for months, even exceeding 10% in February and March. Gung-ho military spending is one cause, but so is a shortage of labour caused by conscription and the emigration of skilled workers. Last year nominal wages rose by 18%, forcing firms to put their prices up. In response the central bank has tightened the screws. On April 25th it opted to keep its benchmark interest rate at 21%, the highest since the early 2000s.

Its super-hawkish stance may at last be paying off. High rates have encouraged capital to flow into the rouble; a stronger currency makes imports cheaper. Russians' expectations for inflation over the next 12 months are softening, from a peak of about 14% to around 13%. High-frequency data suggest inflation is edging down. The flipside is slower growth. Rather than spending, Russians are putting their money into savings accounts. High rates further discourage capital investment.

For Russia's government, a small, gradual deceleration may be a price worth paying if that means taming inflation. The problem is that the

slowdown is neither gradual nor small. This is because, in recent weeks, a third factor has come to dominate all others—external conditions have soured. As America's trade war has escalated, global growth forecasts have plunged, and oil prices have followed. Economists are particularly concerned about [China](#), the largest buyer of Russian petroleum. The IMF has cut its expectations of Chinese GDP growth in 2025 from 4.6% to 4%.

Falling oil prices are causing Russia all sorts of trouble. They have hit the stockmarket, where oil companies account for a quarter of capitalisation. The MOEX index, which tracks the share price of the top 50-odd listed firms, is down by a tenth from its recent peak. As export receipts decline, sliding oil prices directly affect the real economy, too. Already the government's coffers are feeling the pinch: in March oil-and-gas tax revenue fell by around 17% year on year. On April 30th the finance ministry increased the budget-deficit estimate for this year to 1.7% of GDP from 0.5% after reducing its forecast for energy revenues by 24%. Mr Trump may be well disposed towards Mr Putin, but with his trade war he has kicked him in the teeth. ■

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**Buttonwood**

# How a mortgage transforms your investment portfolio

*They turn retail savers into hedge-fund managers*

May 01, 2025 01:02 PM



AS FINANCIAL DECISIONS go, borrowing several times your annual earnings to buy a risky asset is a pretty big one. Yet for many people, [taking out a mortgage](#) to buy a house is something of a no-brainer. It generally involves less agonising than, say, how much to save for [retirement](#), or how to split your pot between cash, stocks and bonds.

One reason is that, some short-lived slumps aside, [house prices](#) across the rich world have been buoyant since the 1950s. More important, you need to live somewhere. Until you own a place, you have a natural short position in property, because you need to inhabit one for the rest of your life (whether

you rent or eventually buy). Short positions are risky (who knows how far rents and prices might rise?). Buying a home closes the position, resulting in a neutral one; unlike other investments, it is not really a bet on where prices are headed. The mortgage is an unfortunate necessity for those who lack the cash to buy outright, rather than a deliberate punt on the future path of interest rates.

Thinking about a mortgage as a component in the borrower's investment portfolio might therefore seem odd. It should not. After all, a fixed-rate mortgage looks rather like a bond, while one with a floating rate resembles the sort of corporate loan often extended by banks and private-credit funds. In other words, the mortgage-laden investor has not only closed their natural short exposure to property. They have also opened a new short position in an asset similar to those that, elsewhere, they may hold long positions in. In many cases—think of most first-time buyers—it will be the investor's biggest position by far, offsetting any opposing ones and then some. Taking out a mortgage can transform your portfolio.

Fixed-rate mortgages can alter a portfolio's value the most. Borrowers are accustomed to seeing just the outstanding balance, which climbs as interest accrues and declines with repayments. But the mortgage's true value changes in the same way as that of a bond: it rises when market interest rates fall (meaning the borrower loses out) and vice versa.

This seems counterintuitive when the interest and repayments are fixed. It happens because, though future repayments stay constant when interest rates change, their value in the present does not—which illustrates a concept known as the “time value” of money. The promise of \$1 in a year's time is worth less than \$1 today, since today the dollar can be deposited in a bank account and earn a year's interest. Conversely, if interest rates fall, a commitment to pay a series of fixed sums in the future, as in a fixed-rate mortgage, becomes a bigger liability today. This is also why the market prices of bonds rise when interest rates fall.

By similar reasoning, though a floating-rate mortgage carries the risk of rising repayments, these do not change the portfolio's value. If interest rates climb, future repayments climb with them. At the same time, the present value of each future dollar falls by the same amount. The trade-off is that

the investor must find the cash to meet higher repayments—perhaps by eating into returns from the rest of the portfolio.

Where does this leave the borrower's broader portfolio? The short position created by a fixed-rate mortgage can dramatically change an investor's overall exposure. If their savings follow the classic 60/40 split between stocks and bonds, for instance, but they have a fixed-rate mortgage worth 20% of their savings, their "true" allocation is more like 60/20. This effect is reduced by quirks of individual markets, such as America's and Denmark's, which generally allow borrowers to repay mortgages early without a penalty if rates have moved against them (since this makes their debt less bond-like).

For investors whose mortgages are large compared with their savings—think again of first-time buyers—the effect is far greater. If the short position created by a fixed-rate mortgage is bigger than the value of your savings, for instance, you cannot have a net positive exposure to bonds, however many you buy. Instead, your portfolio will look rather like those of the more daring hedge funds: leveraged to the hilt on one side, and long stocks and their outsize returns on the other. This is a cheery way of looking at things. Unlike the hedge fund, a stockmarket crash will not make you bust, since the debt is secured against your house, not your shares. Perhaps being saddled with a mortgage is not so bad, after all.■

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Something for everyone?

# A takeover bid promises consolidation in Italian finance

*But more complication, too*

May 01, 2025 03:18 PM | ROME



A deal made in heaven

THE PAPAL conclave is not the only powwow in Italy scheduled for May 7th. As the cardinal-electors process into the Sistine Chapel, the directors of Assicurazioni Generali, the country's biggest insurer, will gather in Milan. On their minds (but not the agenda) is a €6.3bn (\$7.2bn) offer for Banca Generali, a wealth manager of which the group owns half. The bid, made on April 28th by Mediobanca, Italy's pivotal investment bank, is the latest effort to consolidate a crowded financial sector.

For Generali, it is small beer: Banca Generali contributed less than 4% of its profits last year. But in Italian business, arithmetic seldom tells the whole story. For Mediobanca too is the target of a bid: of €14bn, from Monte dei Paschi di Siena (MPS), Italy's seventh-biggest bank by assets. The offer is backed by two shareholders in Generali and Mediobanca—and critics of the management of both: Francesco Milleri, who runs Delfin, an investment fund for the family of the late Leonardo Del Vecchio, an eyewear tycoon, and Francesco Gaetano Caltagirone, a construction and media magnate. The two are also aligned with Giorgia Meloni's right-wing coalition government.

Mediobanca is Generali's biggest shareholder. Alberto Nagel, the investment bank's boss, plans to fund its purchase of Banca Generali by selling its 13% stake. His bid, which requires approval by Mediobanca's shareholders, neatly offers something to all parties.

First, Mediobanca. Buying Banca Generali, it estimates, would yield €300m in synergies and shift its weight towards wealth management, a business with rosy prospects that would provide around half the new entity's turnover. The takeover would also make Mediobanca bigger, and therefore harder for MPS to digest.

Though Mr Nagel's scheme could stymie MPS's bid, it may yet appeal to Messrs Milleri and Caltagirone. It has long been speculated that their final goal is controlling Generali. With Mediobanca out of the way, a move on Generali becomes easier. That could please the government too. Generali is a leading holder of Italian public debt, with €36bn at the end of 2024. Since Italy owes more than 130% of its GDP, ministers would be reassured to know that, should bond markets suffer jitters, they could count on Generali to stand firm.

The insurer's directors have much to ponder. Accepting Mediobanca's offer and cancelling the group's half of the investment bank's shares would raise the value of the remainder by around 7%, at a cost of that 4% of profits. Not bad. "But you could argue that Generali would be selling a wealth-management franchise with higher growth and higher margins than its core insurance business," says William Hawkins of Keefe, Bruyette & Woods, another investment bank.

Alternatively, the directors could delight other shareholders by distributing Mediobanca's stake pro rata. Or they could offer it to an outsider: perhaps one of Italy's two big banks, Unicredit and Intesa San Paolo. That might provide protection against Messrs Milleri and Caltagirone. A tangled financial sector could become yet more confusing. And intriguing. ■

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**PE for the people**

# The risky world of private assets opens up to retail investors

*Fund managers smell an opportunity to get even bigger*

May 01, 2025 12:59 PM | NEW YORK



THIS WAS supposed to be the year when initial public offerings (IPOs) came roaring back. Late in 2024 stockmarkets were hitting all-time highs and a cluster of privately owned superstars, with valuations in the tens or hundreds of billions of dollars, were preparing to go public. But now the market is frozen. As the world's trading system disintegrates before bosses' eyes, deals of all sorts, whether IPOs or mergers, have ground to a halt.

The pause is robbing private-market investors—typically deep-pocketed institutions, or uber-rich individuals—of a big payout. It is also robbing smaller investors of a chance to invest in some of the world's most

successful companies, such as Stripe, a payments firm, and Elon Musk's SpaceX. That is making an existing problem worse. Measured against the value of all stocks, the monthly value of equity issued on stockmarkets globally has crumbled in recent years (see chart). That has made private markets the most exciting corner of the investing universe, with trillions of dollars flowing into private equity (PE), venture capital and private debt. Private assets under management, which also include infrastructure and property funds, have surged to \$24trn, from \$10trn a decade ago.

## Listless

Monthly global equity issuance as % of market capitalisation of MSCI All-Country World Index\*



Source:  
Bloomberg

\*The index covers approximately 85% of global  
investible equity. 12-month moving average

Now private-markets firms are dreaming of getting even bigger—by luring in the investing masses. Marc Rowan, who runs Apollo, a private-credit giant, says the savings of ordinary Americans are his company’s biggest opportunity. Larry Fink, the boss of BlackRock, the world’s largest asset manager, focused his latest missive to shareholders on the subject. New products aimed at a broader cohort of investors are multiplying. This “democratisation” could benefit millions of investors. But, because private assets are less liquid, more opaque and much less regulated than their listed peers, it also creates new risks.

There are good reasons why private assets have long been the preserve of a select few. At its inception, the typical private-equity fund secures commitments from a small club of pension schemes, endowments and other institutions to provide a sum of capital, usually in the tens of millions of dollars. The money is then called on in instalments whenever the fund’s manager finds a company to buy. At the end of the fund’s life, which can extend to a decade or more, the manager sells or floats the company before returning money to investors.

Such conditions are a poor fit for the mass market. Smaller investors are less likely to tolerate the unpredictability of cashflows coming out and back. They are also ill-equipped to handle the mountains of paperwork managers would send their way. Those wanting their money back before the end of the fund’s life—in the event of a stockmarket correction, for instance—cannot easily sell their stakes. Enforcing capital calls on legions of individuals would also be impractical.

But pioneering products have arrived. In 2017 Blackstone’s Real Estate Income Trust (BREIT) was launched to invest in property, which is typically unlisted. The fund has a minimum buy-in of \$2,500, a “perpetual” lifespan and monthly windows during which investors can sell out. BREIT limits the total amount of shares it will repurchase from investors to 5% of its net asset value (NAV) in any quarter. It has boomed in size, to a NAV of \$54bn.

The Blackstone Private Credit Fund (BCRED), launched in 2021, has done the same for private debt. It is the largest of a growing array of vehicles, dubbed business development companies (BDCs), offering retail investors

exposure to private investments. On April 29th Capital Group, an investment firm, and KKR, a private-markets giant, jointly launched two funds blending public and private assets. The vehicles will have a minimum investment of \$1,000 and annual fees below 0.9%, much lower than most private funds. Such products “only scratch the surface of what we can offer”, say the sponsors. Assets held by BDCs have more than tripled over the past five years, to \$438bn at the end of December.

### **Barbarians at the garden gate**

Whether such products fly or flop depends on their ability to solve three problems. First is the murky nature of the assets themselves. Public data on private markets are scarce. Whatever are available are hard to interpret. Firms are often accused of massaging the valuations of their holdings to flatter returns. The measures they use are hard to compare with public-market benchmarks. Sporadic reporting allows them to smooth out bad periods.

There has been some progress. Last year MSCI, an index provider, unveiled private-market benchmarks that crunch the cashflow data for 14,000 funds since their inception. The new benchmarks also track funds’ performance using figures gathered from investors. These should allow funds to be more rigorously compared with other offerings.

Another barrier to democratisation is law and regulation. Private-markets firms eye America’s vast retirement system. Huge defined-benefit pension schemes, such as the California Public Employees’ Retirement System (CalPERS), have invested heavily in private markets for decades. But individually managed retirement accounts, and defined-contribution 401(k) schemes run by employers, which together hold \$26trn in assets, have almost no exposure to private markets. A law from 1974, which spells out pension-plan providers’ fiduciary duties, makes it possible they could be sued if they invest in private assets because of their lower liquidity and the high fees charged by fund managers.

Here too, change may come soon. Daniel Aronowitz, Mr Trump’s nominee to run the Employee Benefits Security Administration at the Department of

Labour, has complained about frivolous lawsuits against corporate-pension providers. In 2023 Mr Aronowitz called some criticisms of PE in pension portfolios “naive and uninformed,” noting that exposure could offer both diversification and returns. With narrow Republican majorities in both houses of Congress, private-fund managers are hopeful that they will finally get their foot in the door.

The most fundamental difficulty is that private assets are largely illiquid. Whereas stocks and bonds are traded all day long, stakes in private funds change hands only very rarely. Would-be buyers are scarce; working out a price is hard. Transactions, when they do happen, are not public so history can hardly serve as a guide. All this means retail investors cannot simply pile in and out of private assets at will, as they might with other parts of their portfolios.

This is a problem new products are finding hard to solve. In November 2022, amid market ructions, many investors in BREIT tried to withdraw their money. The trust could return only 43% of the capital it was asked for; more than a year later it was still limiting withdrawals. Private-equity products could face even bigger liquidity problems, notes Jerry Pascucci of UBS, a bank. Whereas credit and property generate steady streams of cash, equity funds must keep a hefty cash balance or draw on loans, both of which reduce returns, if they are to permit regular withdrawals.

To offer punters more liquidity, a few firms have started to offer exchange-traded funds (ETFs) containing private assets. The first was launched jointly in February by Apollo and State Street Global Advisers, a giant ETF provider, with the ticker PRIV. To ensure the minute-by-minute liquidity an ETF requires, however, the fund’s private holdings will normally be limited to 35% of its total assets. Its largest holdings currently are mortgage-backed securities and Treasury bonds, which are very liquid.

The idea of a liquid vehicle for private assets comes with its own problems. When investors want to transact shares in an ETF, the fund manager must buy or sell shares in the underlying assets to match the changing exposure. Were investors to want to sell their stakes in large volumes, the ETF managers may struggle to find buyers for the illiquid equity and debt inside them. That could cause the funds to seize up. The Securities and Exchange

Commission has expressed concerns that PRIV may not be sufficiently liquid and could struggle to comply with valuation rules. Its warnings appear to have deterred rival firms from launching copycat products.

For a long time the democratisation of private markets, though much talked about, remained elusive. Now at last the winds of financial innovation and regulatory change are blowing in the right direction. But as they entice more retail savers, private-fund managers will come under greater scrutiny. Working around the illiquidity of the asset class is hard, and it may even be dangerous to try. In the event that new products disappoint or trap people's savings, a backlash could ensue. The potential prize is huge. But catering for the investing masses is a risky business, too. ■

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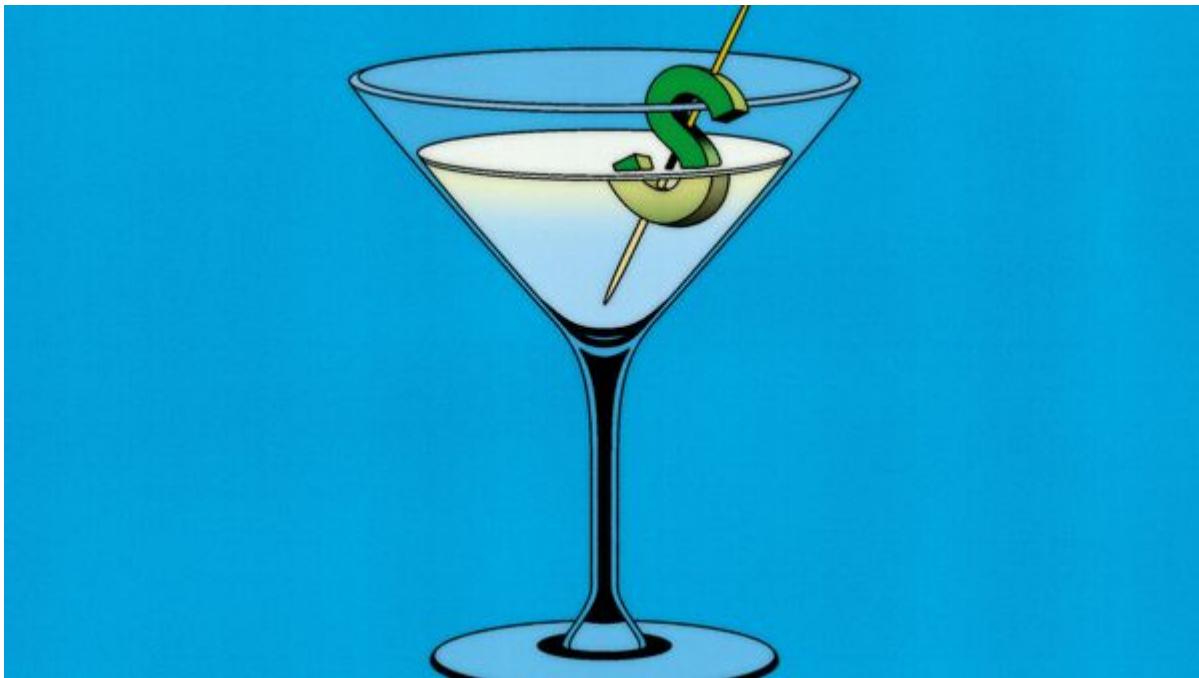
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Free exchange

# Why economists should like booze

*A martini doesn't just steady the nerves after a rollercoaster week*

May 01, 2025 01:00 PM



**SOBRIETY IS TAKING over the world.** The amount of alcohol consumed globally is probably in decline for the first time in history. Across rich countries many members of Gen Z—born after the late 1990s—are shunning alcohol entirely: 30% of Americans in their 20s did not drink in the previous year. Even in France young professionals no longer have a *pichet* of wine with lunch.

Elites seem especially likely to snub the bottle. Three of the past four American presidents are teetotal (Barack Obama enjoyed a martini). In Silicon Valley temperance is a status symbol. Marc Andreessen, an investor, quit alcohol in 2022. Sam Altman of OpenAI writes about “how much changed when people stopped drinking alcohol all day”. Elon Musk refers

to alcohol as a “legacy drug”. Dinner meetings with founders are fuelled by green tea.

An individual who gives up drinking can look forward to health benefits. They may lose weight. They may sleep better. Yet from an economist’s point of view, teetotalism is an incoherent and damaging ideology—for three big reasons.

First, teetotallers are free-riders. For generations alcohol consumption has sustained all manner of social and economic structures. The abstemious benefit from them but do not contribute. For instance, non-drinkers who go to social events are free-riding on the joviality of hard-working drinkers. What would happen to the social fabric if everyone stopped imbibing? Perhaps Joe Strummer of the Clash, an English rock band, was on to something when he apocryphally said that “non-smokers should be banned from buying any product a smoker created”.

Or consider the economics of the restaurant industry. Alcohol offers higher profit margins than food as it requires less labour to prepare. Indeed, using official American data, your columnist estimates that booze accounts for all the profits of the restaurant industry. Drinkers subsidise non-drinkers. Those who order sparkling water can feel sanctimonious in the short run. But if no one orders a bottle of Bordeaux, many restaurants will go under. In San Francisco, Sobriety Central, they are closing by the dozen.

Second, abstinence makes people lonelier. For centuries alcohol has served a social function. It helps people relax. Taking a drink also signals to others that you are happy to be slower and more vulnerable—that you have left your weapon at the door—which puts them at ease. A study from 2012 in *Psychological Science* found that alcohol increases social bonding. Robin Dunbar of Oxford University and colleagues find that frequenting a pub improves how engaged people feel with their community, in turn raising life satisfaction. It is not a stretch to say that alcohol has played a big evolutionary role in fostering human connection.

Many couples credit alcohol, at least in part, for bringing them together. So it may not be a coincidence that the alcohol-shunning young are lonely. Americans aged 15 to 24 spend a third less time socialising than they did in

the early 2000s. A study published in 2021 by Jean Twenge of San Diego State University and colleagues found “worldwide increases in adolescent loneliness”. Young people are having less sex than older generations. When it is harder to relax, partnering up is more difficult.

The third factor in favour of booze relates to innovation. Today the world sees fewer breakthroughs. Hollywood sustains itself on remakes or sequels, not originals. A recent blog by Peter Ruppert, a consultant, finds the same trend for music: “the pace of genuine sonic innovation has slowed dramatically”. A paper published in 2020 by Nicholas Bloom of Stanford University and colleagues concludes that new ideas are “harder to find”. Productivity growth across the world is weak. Something has gone terribly wrong in the way that Western societies generate new ideas.

In the short term, avoiding alcohol is helpful for working efficiently. If you have a big presentation tomorrow, it is a good idea to stay off the sauce tonight. But consider the kind of world that alcohol allows to exist—even if messily, unreliably and at some cost—and abstention seems less sensible.

For centuries creative folk, from Aeschylus to Coleridge to Dickens, have relied on alcohol for inspiration. In the 1960s, when productivity was soaring, everyone was drunk all the time. No other drug has played such a consistent role in human innovation. Being intoxicated opens up the possibility of accidents of insight. Purely rational, linear minds have fewer of the flashes of brilliance that can turn an art form or an industry upside-down. It allows brains to disconnect. A study of American painters in 1946 by Ann Roe of Yale University noted that “a nightly cocktail before dinner may contribute to the avoidance of a state of chronic tension, especially...when creative activity is at its height.”

Studies suggest that alcohol, deployed judiciously, can aid the creative process. Andrew Jarosz of Mississippi State University and colleagues have found that intoxicated people solved problems faster and “were more likely to perceive their solutions as the result of a sudden insight”. A similar paper by Mathias Benedek of the University of Graz, in Austria, and colleagues concludes that “certain aspects of creative cognition benefit from mild attenuations of cognitive control”. In the short run, intoxication may limit

your brain's processing power—and that can be frustrating. The long-term effects are much less clear.

## Call me old-fashioned

The best approach, as with most things in life, is moderation: not Ernest Hemingway-levels of drinking, but not abstention either. What leads to successful human relationships and breakthrough innovations remains poorly understood. So, even if you are a Silicon Valley whizzkid who wants to change the world, it is best not to mess around with traditions too much. Gin from the freezer, good vermouth, and a twist. ■

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## Science & technology

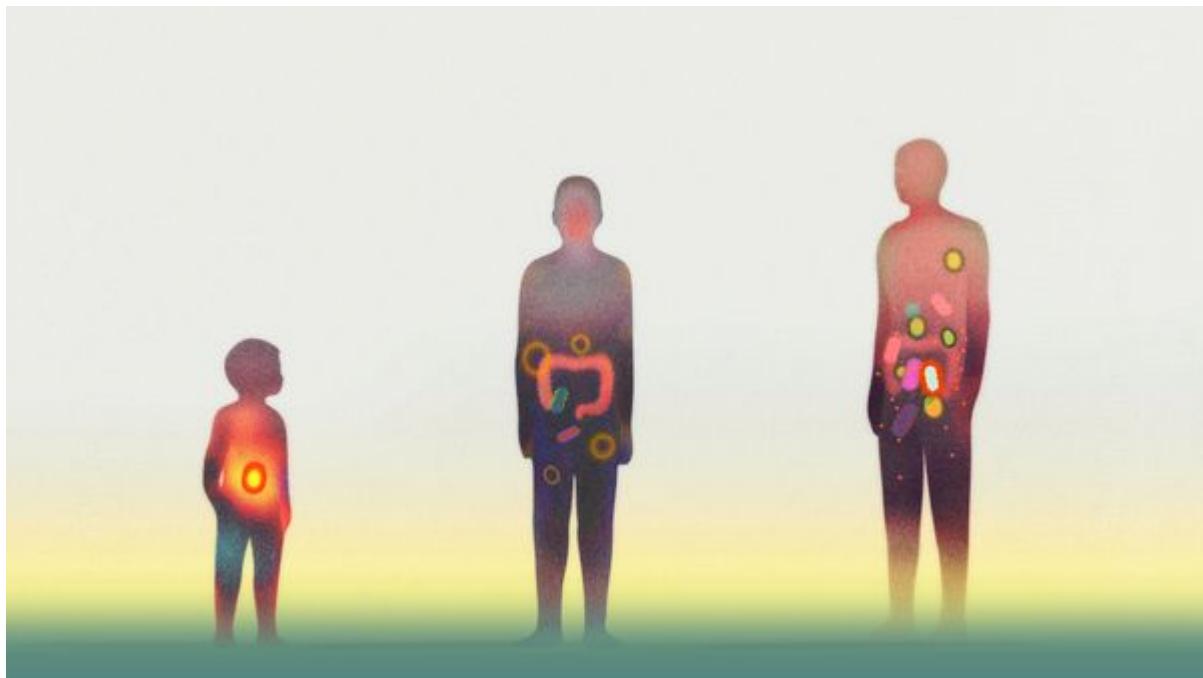
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Root of the problem :: Childhood exposure to a common gut bacterium could be responsible
- **A landmark study of gender medicine is caught in an ethics row**  
A trial on trial :: Some say the trial is unethical. Others, that not doing it would be immoral
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**Root of the problem**

# Rates of bowel cancer are rising among young people

*Childhood exposure to a common gut bacterium could be responsible*

May 01, 2025 02:42 PM

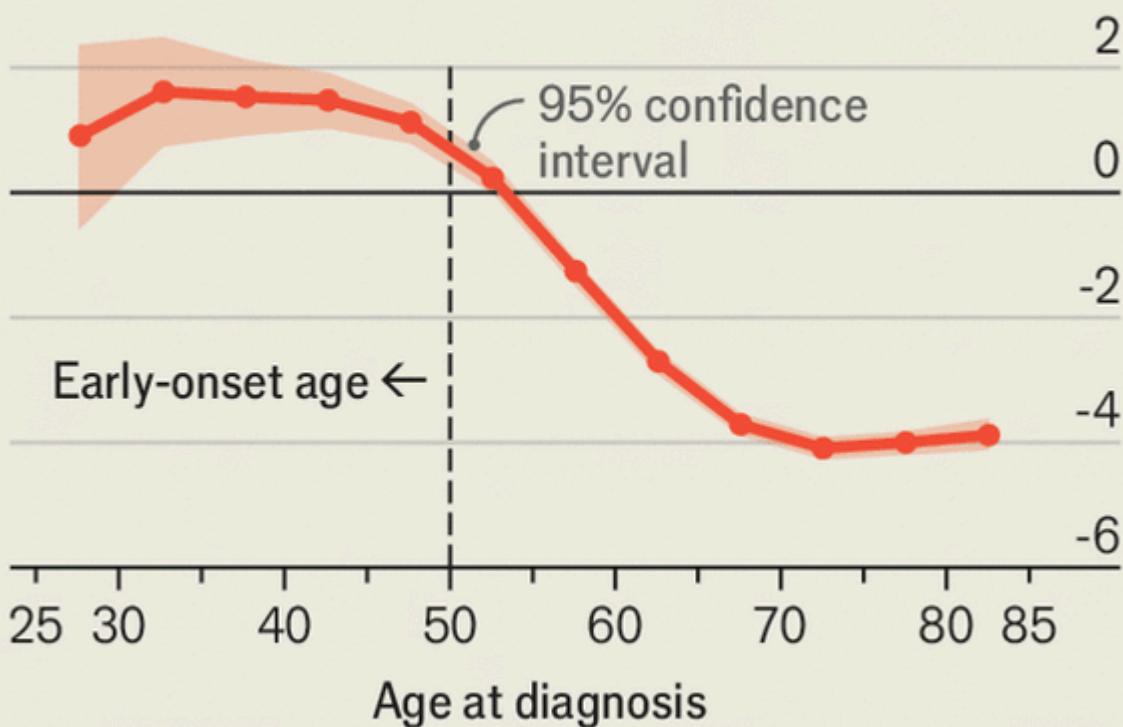


AT EMERGENCY DEPARTMENTS across the world, patients are presenting with undiagnosed cancers at an advanced stage. Their tumours have gone unnoticed for so long because these individuals defy the picture of the typical cancer patient: they are young, seemingly healthy, and without any family history of the disease. Worryingly, their numbers are rising. Increased incidence of early-onset cancer, as the diagnosis is called for adults under 50, has been documented for more than a dozen cancers, including those of the breast, bowel, lung, ovaries and pancreas.

The numbers for bowel cancer, the third-most-common type worldwide, are rising particularly fast (see chart). Compared with Americans born around 1950, projections suggest that those born around 1990 are twice as likely to develop colon cancer by the time they turn 50, and four times as likely to develop rectal cancer. The trend appears to be worsening, with each generation having a greater risk than its predecessors. Similar patterns have been reported in at least 27 other countries. The causes have been hard to ascertain. Observational studies linking bowel cancer to a variety of non-hereditary factors including obesity, alcohol intake and low physical activity have not uncovered anything unique to early-onset cases.

## Difficult age

US, colorectal cancer, average annual % change in incidence, 2000-19



Source: "Differences in cancer rates among adults born between 1920 and 1990 in the USA: an analysis of population-based cancer registry data", by H. Sung et al., *Lancet Public Health*, 2024

New genomic methods could change that. These allow scientists to identify what are known as mutational signatures, distinctive changes induced in a cell's genome by specific external influences. Tobacco has some, for example; so does ultraviolet radiation. If the same mutation, brought about in the same way, occurs in enough people with early-onset cancer, a case can be made that a culprit has been found. A paper published in *Nature* on April 23rd suggests just such a breakthrough: namely, that exposure to a common gut bacterium in early childhood may contribute to premature bowel cancer.

To reach their conclusion, the researchers—an international collaboration led by scientists at the University of California, San Diego—analysed the genomes of 981 colorectal-cancer tumours from 11 countries. One of the most common mutational signatures that they found, especially in younger patients, was that of colibactin, a toxin released by a number of bacteria, including a widespread strain of *Escherichia coli*. It was present in more than 50% of the tumours from patients younger than 40, but less than 20% of those above 60.

Sequencing the mutations revealed yet another surprise; namely, that the damage from colibactin occurred in the very early stages of tumour development, as well as in the specific gene whose impairment triggers bowel cancer. The scientists also found that these mutations typically arose in the first ten years after birth.

When the researchers went on to analyse stool samples that had been collected from children in about 20 countries for a prior study, they discovered that those from countries with higher rates of early-onset cancer were more likely to carry the colibactin strain of *E. coli*. Why this should be the case remains unclear, though some researchers suspect that rising rates of antibiotics use and caesarean births may sufficiently disrupt children's microbiomes to allow for this strain of *E. coli* to take root. Others worry about probiotics that contain this bacterium, some of which are currently used to treat diarrhoea.

The transformation of a single carcinogenic mutation into full-blown cancer normally takes years or decades. It typically starts in middle age when mutations of all sorts start to pile up. But early colibactin mutations follow a different script. "If you get the first hit of a cancer-driver at age five, you essentially become 20-30 years ahead of schedule for getting colorectal cancer," says Ludmil Alexandrov from the University of California San Diego, one of the study's authors. Alberto Bardelli of the University of Turin, who was not involved in the study, says the effect on a person's cancer risk is akin to a hereditary genetic predisposition for the disease.

It may be too early to lay all the blame at colibactin's door. The researchers found two other mutational signatures which affected cancer-related genes and were also more widespread in younger patients. Whereas 50% of these

had the signature of colibactin, 70% to 80% had some combination of the three. Dr Alexandrov and his colleagues now hope to identify the causes of these two new signatures, though further research will be needed to tease out their individual contributions.

There are other twists to disentangle. About a third of healthy adults carry colibactin-producing *E. coli*, of whom only a small fraction go on to develop colorectal cancer. An animal study published in March in *Nature Microbiology* revealed that these bacteria thrived in mice fed a diet low in carbohydrates and soluble fibre; the mice also had more colibactin damage to the DNA of colon cells than mice fed other diets. The lack of fibre, which feeds various beneficial gut bacteria, appeared to weaken the protective mucous barrier of the colon. When these bacteria are starved, they are overtaken by pathogenic bacteria that destroy that protective layer, exposing the colon's cells to colibactin.

A different type of study, conducted by a group led by Shuji Ogino at Harvard and published in 2022, pointed in the same direction: in a cohort of health professionals followed over time, closer adherence to a Western-style diet (high on red and processed meat, sugar and refined grains and low on fibre) was associated with colorectal tumours that contained greater amounts of colibactin-producing *E. coli*. Other factors may also be at play. A number of research groups are investigating the role of microplastics, exposure to which has grown in recent decades, in weakening the colon's protective barrier.

The identification of a mechanism for early-onset cancer also opens the possibility of treatment. Three main pathways are being explored: namely, drugs that inhibit *E. coli*'s effects; probiotics that help beneficial bacteria in the gut outcompete it; and bespoke bacteria-infecting viruses known as phages. Such research, though promising, has so far been done only in cell cultures or lab animals; potential treatments will not be available anytime soon.

Understanding the risks and benefits of treatment, especially in children, will also take time. To this end, Dr Alexandrov's team is now analysing stool samples from children in about 20 countries to find out how often the bacteria induce the worrying mutations in those who carry it. They also

hope to develop tests capable of spotting colibactin-induced mutations in stools within the next five years. In theory, doctors could then identify individuals who would benefit from closer monitoring and early intervention with existing techniques. The tests cannot come too soon. ■

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A trial on trial

# A landmark study of gender medicine is caught in an ethics row

*Some say the trial is unethical. Others, that not doing it would be immoral*

May 01, 2025 12:59 PM



ONE REASON that [transgender medicine](#) is such a fraught topic is that there is little evidence behind the arguments. When Hilary Cass, a British paediatrician, reviewed the field for an [influential report](#) published in 2024, she noted that most of the science underlying the prescription of puberty blockers and cross-sex hormones to teenagers (an approach called “gender-affirming care”) was “remarkably weak”.

One of her recommendations was that doctors and scientists should try to gather some better data. Britain’s National Health Service (NHS) forbade the prescription of puberty blockers following Dr Cass’s report, except as

part of a clinical trial designed to explore whether they are genuinely beneficial. One such clinical trial, called PATHWAYS, is being led by researchers at King's College London. Originally scheduled for 2024, it is now supposed to begin later this year.

Running a clinical trial to settle the question might seem like a straightforward good idea. Its conclusions would be read around the world, as many countries are grappling with how best to regulate gender medicine. But a chorus of campaigners, including doctors' groups and parents' organisations, argue that the trial would be impractical, unethical and should not be allowed to go ahead.

As their name suggests, puberty blockers act on the brain to stop the release of sex hormones such as testosterone in males and oestrogen in females. When given to children with gender dysphoria, the drugs are supposed both to relieve psychological distress and buy patients "time to think": to pause puberty while they consider if they want to go ahead with opposite-sex hormones (and possibly surgery) designed to make them more closely resemble the opposite sex. The trial plans to follow teenagers on puberty blockers for two years, with regular assessments of their "physical, social and emotional health".

The trial has yet to receive ethical approval, and only bare-bones information about its design is available (King's College London told *The Economist* that it would not comment until the study had been approved). But even that is enough to worry critics. Some of the opposition comes from groups that are strongly in favour of gender-affirming care. The World Professional Association for Transgender Health, which writes guidelines for gender-affirming care, disagrees with Dr Cass on the lack of evidence for puberty blockers, and argues that it is unethical to limit them to participants in clinical trials.

Those doubtful of the merits of the gender-affirming approach are also sceptical. One frequently cited objection is that a clinical trial of puberty blockers seems hard to square with medical rules that require extra protections for trials involving children. David Bell, a psychiatrist and former board member of the Tavistock and Portman NHS Trust, which ran the biggest gender clinic in England and Wales until it was shut down in

2024, said in an article published in January that British law requires that trials minimise risks to a child’s “state of development”—something with which puberty blockers are specifically designed to interfere.

Many (though not all) doctors argue that, to be ethical, a clinical trial requires researchers to be in a state of “equipoise”: genuinely uncertain as to whether a treatment will be helpful or harmful. Louise Irvine, who helps run the Clinical Advisory Network on Sex and Gender, a group of medics who believe that gender-affirming care poses serious risks to patients, argues that what little evidence does exist for puberty blockers suggests they can cause harm. One study published in 2020, for instance, found significant decreases in bone-mineral density in children given puberty blockers. Reports from patients prescribed one such medication called Lupron for precocious puberty (in which puberty begins too early), rather than gender dysphoria, talk of serious problems with joints and skeletons in young adulthood.

Animal trials, meanwhile, suggest that blocking the production of sex hormones may hinder brain development in adolescence. One study in humans, again in children with precocious puberty rather than gender dysphoria, followed 25 female patients for three years and found an average decline in IQ of seven points. (Other studies have not found a detrimental effect.) And although puberty blockers are intended merely as a “pause button”, Dr Cass had concerns that children who take them almost always go on to further treatment. Data from the Tavistock suggest over 90% of children prescribed the drugs will go on to take cross-sex hormones—testosterone for females and oestrogen for males. If those are prescribed early enough in puberty, they can cause irreversible sterility.

The Tavistock data also suggest that the psychological effects of puberty blockers are hit-and-miss, with 34% of children seeing their mental health worsen and 29% seeing it improve. For Dr Irvine, all this is enough to tilt the balance away from equipoise—and thus from running the trial.

Others worry about the practicalities. The best clinical trials are blinded, in which neither doctors nor patients know who is receiving the treatment and who is not. But the effects of puberty blockers are dramatic enough to make blinding impossible. What’s more, children with gender dysphoria have

higher-than-normal rates of anxiety, depression and autism-spectrum disorders, all of which can muddy a trial's results. The Bayswater Support Group, an organisation for parents of gender-dysphoric children, argues that two years is too short a follow-up time for a treatment with lifelong effects.

Those practical worries can themselves shade into ethical problems, says Dr Irvine, who points out that, since all clinical trials expose patients to a risk of harm, they can be justified only if they add usefully to the sum of medical knowledge. "If you've designed a bad trial that can't answer the question, it would be unethical to run it," she says.

Not everyone is opposed. Gordon Guyatt is an expert in evidence-based medicine at McMaster University in Ontario, Canada who has taken an interest in the subject. He argues that the possibility of producing useful data should weigh heavily on the ethical scales, even if the trial is imperfect. "If it were to prove feasible it would be unethical not to do [a trial]," he says, "because there is such polarisation, and the lack of high quality evidence is...making it hard to move forward."

There are options besides testing the drugs in humans. Stephanie Davies-Arai, who runs Transgender Trend, a campaigning group sceptical of gender-affirming care, thinks more animal studies should be done. Another idea is to make use of the fact that puberty blockers have been given to gender-dysphoric children for many years already. A "data-linkage" study would look at the modern health records of those who had been given puberty blockers as teenagers, to see what had happened to them later in life. (A previous attempt to do just such a study was thwarted when British gender clinics refused to co-operate).

For now, the trial looks likely to go ahead. By the time a trial has been funded, says Dr Irvine, ethical approval is usually routine. But then again, few attract this much publicity and controversy. ■

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**Shots in the dark**

# The great Iberian power cut need not spell disaster for renewables

*But there are lessons to be learned*

May 01, 2025 12:59 PM | Lisbon and London



SHORTLY AFTER noon on Monday April 28th, Spain's electricity grid suddenly and unexpectedly lost 15 gigawatts of power—equivalent to 60% of its national demand. The massive drop caused most of the country's electricity system to shut down, followed by much of neighbouring Portugal's. Trains and metros ground to a halt and 35,000 passengers across Spain had to be evacuated. Traffic lights stopped working; hospitals cancelled all non-essential operations; mobile-phone networks and the internet went dark.

The chaos lasted for hours. Though Portugal recovered by the end of the day, most of Spain's electricity was not restored until 7am the next day. Red Eléctrica de España (REE), Spain's state-controlled national electricity operator, called the blackout "exceptional and totally extraordinary". Pedro Sánchez, Spain's prime minister, promised to "get to the bottom" of what happened.

For now, authorities are in the dark. Rumours of a cyber-attack have been dismissed by REE; AEMET, Spain's meteorological agency, has said that it has not detected any "unusual meteorological or atmospheric phenomena", or sudden temperature fluctuations that could be a possible culprit. Identifying the true cause may take weeks, says Mike Hemsley of the Energy Transitions Commission, a London-based think-tank.

That has not stopped some from questioning the resilience of energy systems mostly powered by renewable sources. Spain and Portugal have some of the highest shares of wind, solar and hydro power in Europe: in 2024 these provided nearly 60% of Spain's electricity, and over 70% of Portugal's. The comparable figures for Britain, France and Germany are closer to 40%, 30% and 50%, respectively. Are renewable-heavy grids especially failure-prone?

Not necessarily. Even though the initial failure seems to have occurred in south-west Spain, the source of most of the country's solar power, at a time of day when the grid would have been basking in solar, two other faults then followed hard on its heels, including one in the connection between Spain and France. Simultaneous failures of this kind could be enough to take out any grid, says Janusz Bialek, an electrical engineer at Imperial College London, as their probability is low enough to make protection prohibitively expensive. That means even fossil-fuel-heavy grids can grind to a halt, as seen in Italy in 2003. Natural-gas plants ill-prepared to handle the harsh winter may also have contributed to Texas's dramatic blackout in February 2021.

That being said, renewable-heavy systems can be particularly vulnerable to major disturbances. Electricity grids rely on inertia—the physical momentum created and maintained by large rotating machines, such as the turbines in gas or coal plants—to help smooth over fluctuations on the grid.

Machinery-light power sources, such as solar, have a harder time coping. In a report to the stockmarket regulator in February, REE warned that Spain's reliance on renewables could lead to grid instability. It also warned this could be exacerbated by closing nuclear power plants, which Mr Sánchez's government has previously expressed a desire to start doing in 2027.

Such problems can themselves be smoothed over, says Mr Hemsley. One solution is to build in "synthetic" forms of inertia, such as flywheels, which store energy as they spin, ready to be released back into the grid when necessary. Another is to add more inertia-heavy renewable sources—such as hydropower—to the energy mix. Indeed, it was a combination of hydropower and gas plants that helped generate enough inertia to help Spain restart its grid on Tuesday—a difficult endeavour that seems to have gone much more smoothly than many feared.

Further investment in hydropower could provide yet more stability, says Gonzalo Escribano at the Elcano Royal Institute in Madrid. For instance, the excess electricity produced during sunny periods could be used to pump water back uphill into hydropower reservoirs, in effect "storing" it until it is needed. A grid designed in this way would be less vulnerable to sudden large-scale blackouts.

Even if they are vulnerable in some ways, renewable-heavy grids can boost resilience in others. They tend to be more distributed, for one thing, because they rely on many solar or wind farms spread across a wide area, compared with large power stations, which present a single point of failure.

Of course, trends other than grid-greening could turn out to bear the bulk of the blame for the Iberian power cut. The likelihood of several faults increases as countries become more interconnected, for example, even though those connections can usually boost stability (importing extra power from France and Morocco also helped with Spain's recovery). The trick, Dr Bialek says, is making sure that there are backup systems in place that are robust enough to cope with sudden, large-scale outages—something this week's chaos showed was clearly missing. ■

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**Well informed**

# Can at-home brain stimulators make you feel better?

*For now, the evidence for neuromodulation products is slim*

May 01, 2025 02:42 PM



FLOW NEUROSCIENCE, a Swedish company, advertises its headset as a way to “stop suffering from depression [and] feel alive again”. Nurosym, a British firm, promises that its earpiece is capable of “improving health without surgery or drugs”. Neurode, an Australian startup, says it is developing a headband that can “improve focus, impulse control and memory” in people with attention deficit and hyperactivity disorder (ADHD).

The makers of these wonder-products claim that they work via neuromodulation: artificial stimulation of the brain designed to alter its

activity. Doctors have used similar techniques in clinical settings for decades to treat such conditions as depression, schizophrenia and tinnitus. Selling devices directly to consumers offers the promise of treatment in the comfort of one's own home.

The theory suggests they should do some good. People's thoughts and feelings are governed by the electrochemical signals passed between neurons in the brain, which means externally applied electric currents and magnetic fields can be used to encourage or suppress neural activity. Neurons that are repeatedly primed to fire (or fall silent) together should become more likely to do so at other times—which can, in principle, cause long-term cognitive changes. Electroconvulsive therapy (ECT), for example, lessens depression by inducing seizures in the brain.

Neuromodulation takes a gentler approach. The best-studied type is repetitive transcranial magnetic stimulation (rTMS), which involves a magnetic coil placed on the scalp that is turned on and off. Several randomised controlled trials have shown that rTMS can alleviate clinical depression when other forms of treatment have failed. But guidelines require the procedure to be performed by trained professionals: the repetitive pulses can cause seizures if not administered correctly, and the machines are clunky and expensive.

Other techniques are gentler still. Transcranial direct current stimulation (tDCS)—the method used in both Flow Neuroscience's and Neurode's devices—passes a continuous electric current between electrodes placed on the head. The amount of electrical current used is very small: 1-2 millamps, less than 0.2% of that used in ECT. That, combined with the fact that there is no need to keep switching equipment on and off, makes tDCS a simple and safer approach to neuromodulation.

Nurosym's device is equally user-friendly, making use of a similar device to stimulate the vagus nerve—which links the brain, heart and digestive tract—to lower stress (by regulating heart rate and breathing), reduce inflammation and potentially boost mood.

The potential of such at-home devices could be enormous. Britain's National Health Service is already offering access to Flow's headset as part

of a pilot scheme to treat depression. But most randomised controlled trials thus far have produced inconclusive results.

That may change. One long-standing difficulty in collecting good data has been finding an effective placebo to compare with an operating neuromodulation device. A study published in *Nature Medicine* in October reported on an experiment that overcame this hurdle by using sham headsets that felt like the real thing. Its authors found that, among 174 patients, those treated with tDCS for ten weeks reported a significant reduction in depression symptoms. Other studies may follow its lead. ■

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# Culture

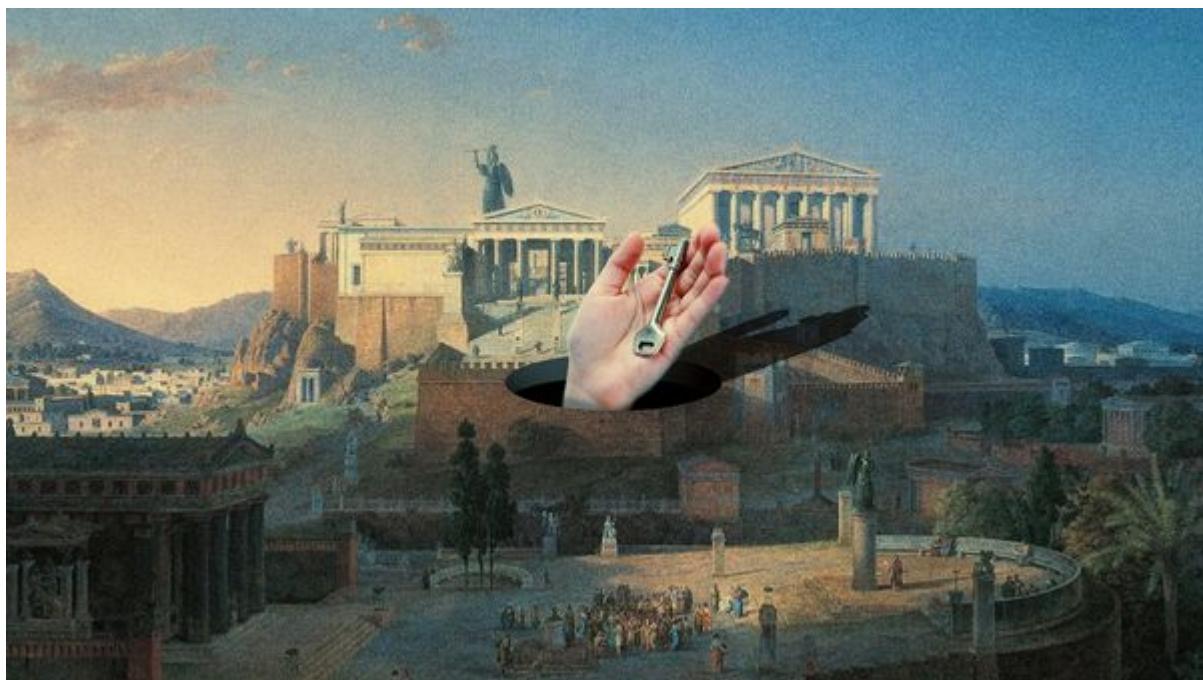
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Rise of nations

# How golden ages really start—and end

*The greatest civilisations of the past 3,000 years were the opposite of MAGA*

May 01, 2025 02:42 PM



**Peak Human.** By Johan Norberg. *Atlantic Books; 400 pages; \$32.99 and £22*

THE WAY to start a “golden age” is to erect big, beautiful barriers to [keep out foreign goods and people](#). That, at least, is the view of the most powerful man on the planet. Johan Norberg, a Swedish historian, makes the opposite case. In “Peak Human”, Mr Norberg charts the rise and fall of golden ages around the world over the past three millennia, ranging from Athens to the Anglosphere via the Abbasid caliphate. He finds that the

polities that outshone their peers did so because they were more open: to trade, to strangers and to ideas that discomfited the mighty. When they closed up again, they lost their shine.

Consider the Song dynasty in China, which lasted from 960 to 1279AD. Song emperors were much keener on the rule of law than their predecessors, who tended to rule by whim. To enforce predictable rules, they hired lots of officials via meritocratic exams. The first Song emperor enacted the “unconventional policy reform” of “[not] killing officials who disagreed with him”.

Peasants were granted property rights and allowed to move around, rather than being tied to a lord’s land. Farm output more than doubled, and the extra food supported much larger cities. In the 1100s Kaifeng, the capital, had 65 times the population of London. Canals made domestic trade easier. International trade followed. Merchants started issuing paper money, six centuries before Europeans did, and the government embraced this brilliant idea—so much easier than carrying heavy strings of copper coins.

“Crowded cities set the stage for an unparalleled exchange of ideas, goods [and] services,” notes Mr Norberg. Artisans devised new industrial processes, such as burning coal to smelt iron. The invention of movable type in the 1040s allowed the printing of books so cheap that one philosopher griped that people would stop learning the classics by heart. By 1200 Song China had the world’s richest economy, a merchant navy with “the potential to discover the world” and a habit of tinkering that could have brought on an industrial revolution centuries before Europe’s. But then the Mongols arrived.

The popular image of Genghis Khan and his mounted hordes sweeping across the world slaughtering and burning is accurate as far as it goes. However, the Mongol dynasty took pains to preserve its predecessor’s technological marvels—even if it did not add much to them. It was only when the Ming emperors took over in 1368 that China really turned in on itself.

Free movement within the country was ended. Free exchange gave way to forced labour. Foreign trade was made punishable by death, and even the

construction of ocean-worthy ships was banned. Pining for the good old days, a Ming emperor brought back the fashions of 500 years before. Men caught with the wrong hairstyle were castrated, along with their barbers. Largely thanks to reactionary Ming policies, Chinese incomes fell by half between 1080 and 1400. The country did not recover its mojo until it opened up again in the late 20th century.

Some of the golden ages Mr Norberg describes will be familiar to readers, but he adds fresh details and provocative arguments. Athens was not just the birthplace of democracy; it grew rich because it was, by ancient standards, liberal. Tariffs were only 2%. Foreigners were welcome: a Syrian ex-slave became one of the richest men in town. On a measure devised by the Fraser Institute, a Canadian think-tank, ancient Athenians enjoyed more economic freedom than citizens of any modern nation, narrowly beating Hong Kong and Singapore. (Such freedom did not apply to women or slaves; a caveat that applies to all golden ages until relatively recently.)

Rome grew strong by cultivating alliances and granting citizenship to conquered peoples. It learned voraciously from those it vanquished—Greek slaves taught Roman children about logic, philosophy and drama. During Rome's golden age, one set of laws governed a gigantic empire, markets were relatively free and 400,000km of roads sped goods from vessel to villa. As a gobsmacked Greek orator put it: to see all the world's products, either travel the world or come to Rome.

The emperor Augustus introduced a flat poll tax and a modest wealth tax. Extra income from hard work or innovation suddenly faced a marginal tax rate of zero. Small wonder Augustan Rome grew as rich as Britain and France were 1,500 years later.

Mike Johnson, the Republican speaker of America's House of Representatives, thinks [Rome collapsed](#) because of “rampant homosexual behaviour”. Mr Norberg offers a more convincing explanation. Bad luck—plagues and barbarian attacks—was compounded by policy blunders.

Cash-strapped emperors debased the coinage, reducing its silver content. This caused wild inflation. Price controls were then slapped on everything “from sandals to lions”. Trade atrophied.

Intellectual freedom gave way to dogma, with the persecution first of Christians and then by Christians. Finally, Rome was too weak to resist the barbarian onslaught. Revisionists say the Dark Ages that followed were not so bad. Archaeological evidence, such as a sudden fall in the number of cargo-ship wrecks, suggests they were “the biggest social regression in history”.

Mr Norberg deftly punctures popular misconceptions. The zealots of Islamic State revere the Abbasid caliphate, but would have hated its tolerance. The Italian Renaissance, which modern nationalists such as [Viktor Orban](#) see as evidence of European and Christian cultural superiority, began as a revolt against Christian orthodoxy and in imitation of pagan cultures. Despite what you read in Blake and Dickens, Britain’s Industrial Revolution was not miserable for the workers: a study of diaries shows the only group consistently dissatisfied was poets and writers.

Could a history book be more timely? Of all the golden ages, the greatest is here and now. Of all the progress of the past 10,000 years in raising human living standards, half has occurred since 1990. Openness went global after the collapse of the Soviet Union. But now it is in rapid retreat, as a multilateral trade war looms and ever more states suppress free inquiry.

Previous golden ages all ended like Rome’s did, jinxed by a mix of bad luck and bad leadership. Many thriving societies isolated themselves or suffered a “Socrates moment”, silencing their most rational voices. “Peak Human” does not mention Donald Trump; it was written before he was re-elected. America’s president will not read it, but others should. The current age of globalisation could still, perhaps, be saved. As Mr Norberg argues: “Failure is not a fate but a choice.” ■

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War crimes

# Did Hitler order the murder of Einstein's relative in Italy?

*A new book investigates what befell Robert Einstein in August 1944*

May 01, 2025 12:59 PM



Death did them part

**The Einstein Vendetta.** By Thomas Harding. *Michael Joseph; 384 pages; £22*

BY THE SUMMER of 1944, Rome had fallen and the Allies were pushing up through Italy. While withdrawing northwards, the Germans massacred civilians, partly out of a sense of betrayal by former friends—Italy had [ended its alliance with Germany](#) less than a year before—and partly as reprisals for attacks by partisans.

Robert Einstein, a Jew and a cousin of Albert, the Nobel-prizewinning physicist, knew his life was in danger. In late July a unit of the Hermann Goering Division, one of the most powerful in the Wehrmacht, had come looking for him at his Tuscan estate, but he was out working in the fields. Robert decided that he should separate from his wife, Nina, and their two adult daughters, Luce and Cici. As Protestant Christians, they thought they would be safe if the Germans returned.

They were wrong. On August 3rd several heavily armed Germans smashed into the house. Their captain said he had orders for Robert's arrest. Fourteen hours later, Robert, who was hiding in the woods 300 metres away, heard gunfire.

Robert was overcome with grief and blamed himself for the deaths of his loved ones. Almost a year later he killed himself, but not before he had been interviewed by an American army major assisting in an investigation into war crimes committed by the retreating Germans. Major Milton Wexler may have assumed that he had been sent to look into the Einstein murders because of the name.

Thomas Harding's book points to [Italians' suffering in this period](#)—"The Einstein murders were listed as number 2,550 of 5,884 in the 'Atlas of Nazi and Fascist Massacres in Italy,'" the author observes—but its focus is specific. Mr Harding hopes to find the perpetrators of the triple murder and describes the efforts of both Italian and German prosecutors to do so. Doggedly pursuing his own investigation, Mr Harding interviews surviving witnesses and Einstein family members.

Most of all, he seeks to find out whether the killings were the result of a vendetta. As a world-famous Jew, revered physicist and vocal critic of Nazism, Albert had long been an assassination target, but he had moved to America in 1933 and was out of reach. In 1939 Albert had warned President Franklin Roosevelt of the possibility that the Nazis could develop an atomic bomb, which led to the Manhattan Project. Though Hitler could not kill Albert, whom he loathed, he could kill Robert. Did the Führer personally order the hit?

Mr Harding cannot prove it, but some of his sources have no doubt. The murders were not random acts of cruelty, they argue, but deliberate acts of vengeance. ■

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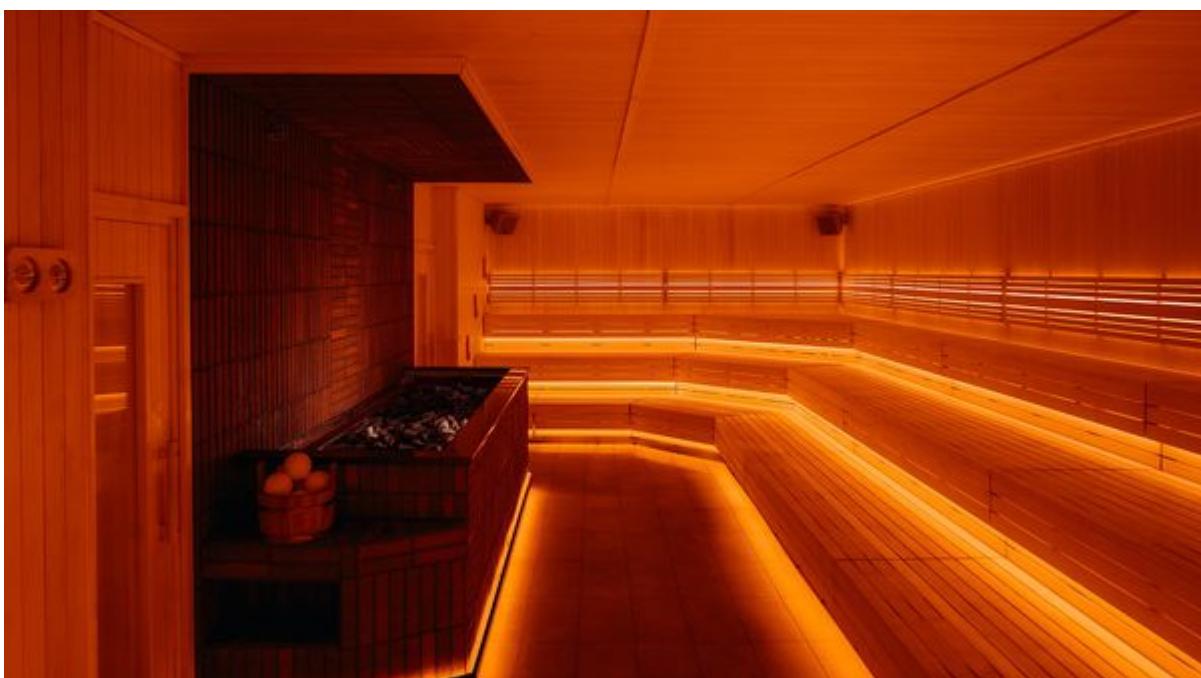
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A steamy romance

# Saunas are so hot right now

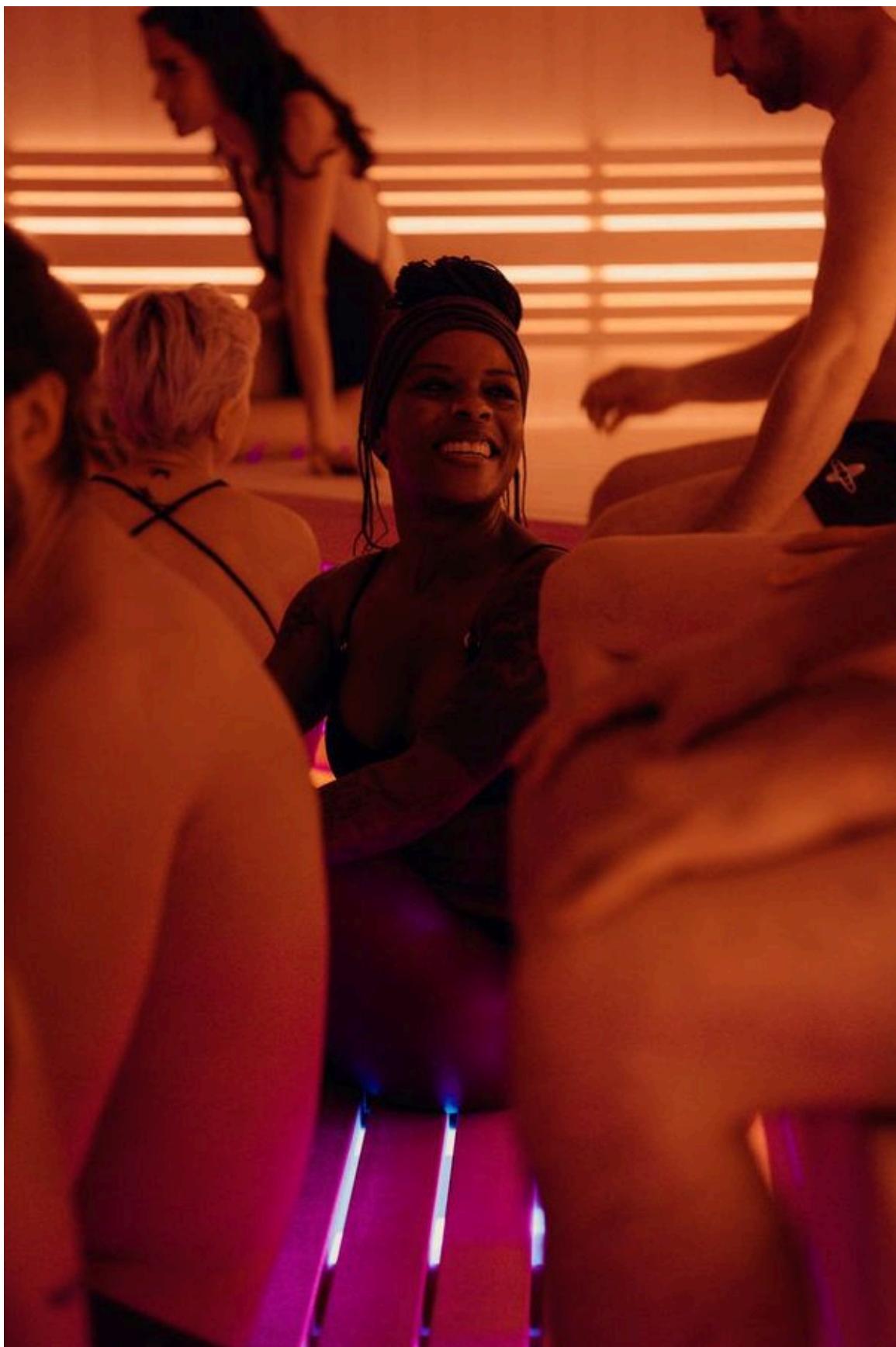
*Demand for private and public places to sweat is sizzling*

May 01, 2025 01:00 PM



YOU COULD be forgiven for thinking that Othership is a nightclub. The venue, in Manhattan's Flatiron district, is bathed in golden light; techno music pulses throughout. It is, in fact, a trendy sauna. (A single visit will set you back at least \$45.) Some come to Othership to take part in guided meditation sessions. Others come to socialise in 85°C heat.

Saunas are thought to be at least 10,000 years old and sweat bathing—be it in a *banya*, [hammam](#) or *mushi-buro*—has been practised by cultures across the world. In Finland, the ancestral home of the sauna, there are an estimated 3.5m for a population of 5.5m. Finns' cares seem to evaporate with their perspiration: the country has come top of [world happiness rankings](#) for eight years running.



Other people are taking note. According to Grand View Research, a market-research firm, the sauna industry will be worth \$1.3bn by 2030, up from \$905m in 2024. The market intensified during lockdown, when people who wanted to feel the heat installed their own saunas at home. Social saunas such as Othership—which has hot spots in Toronto as well as New York—have also opened in cities including [London](#) and Tokyo.

The modern obsession with wellness helps explain the trend. Some sauna buffs insist their hobby can reverse ageing and lower the risk of [dementia](#). “There are all kinds of ridiculous claims,” says Eero Kilpi of the North American Sauna Society. The science is promising but modest. The most compelling research suggests that regular sauna use is good for your cardiovascular health, but only if you also eat a sensible diet and exercise.

What saunas do offer is a digital detox. (It is tricky to use a phone in one, even if the naked folk next to you don’t object.) A stint in a sauna “helps people tune into their body and out of their mind”, says Robbie Bent, the boss of Othership. Saunas offer an intense experience: sometimes the only thing you can think about is how much longer you can tolerate it. For frazzled office workers, a sauna session reminds them not to sweat the small stuff. ■

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**World in a dish**

# Mumbai wants to extinguish the charcoal tandoor

*The ovens contribute to smog, officials say*

May 01, 2025 01:00 PM



SUHEL AHMED, the owner of Tower Tandoori, reckons he might have the last charcoal tandoor in London. The oven, traditionally cylindrical and made out of clay, has been imparting a smoky flavour to naans, chicken and chops at least since his grandfather opened the restaurant in 1978. Mr Ahmed estimates that the tandoor had already been running hot for a couple of decades under previous owners, meaning the oven would be only a little younger than an [independent India](#).

Soon charcoal-fired tandoors may also be hard to find in Mumbai, India's commercial capital. The local government has issued notices to scores of

restaurants and food stalls that they must switch to greener alternatives, such as gas-fired or electric ovens, to help reduce [air pollution](#); eateries have until July 8th to comply. (Authorities in Delhi also curbed the use of charcoal tandoors a few years ago.)

Mumbaikars, as residents of the city are known, fret that their kebabs and naans will lose the distinctive—not to mention delicious—barbecue char. Restaurateurs say they are being unfairly blamed for air-quality problems, as construction and gridlocked traffic contribute to smog, too.

The tandoor is ancient and its origins are disputed. Clay ovens used for baking bread are mentioned in “The Epic of Gilgamesh”, perhaps the oldest recorded story, and the term can be traced back to the Akkadian words for “fire” and “mud”. Tandoors are still used across Asia.

The modern variant seems to have made its way to India via the [Mughals](#), a Central Asian Muslim dynasty that ruled much of northern India and present-day Pakistan before the British. Yet others claim an indigenous origin for tandoori dishes, finding evidence that the ancient Harappan civilisation (which spanned present-day Punjab) baked chickens in clay ovens. Either way, the tandoor became a mainstay of Punjabi cooking and tandoori chicken became a staple dish.

A trio of Punjabi chefs pioneered the recipe, marinating the chicken in a mixture of yogurt and spices before grilling it. As refugees, fleeing the horrors that followed the bloody partition of India and Pakistan in 1947, the chefs brought the technique to Delhi, where it became a favourite of India’s first prime minister, Jawaharlal Nehru. The dish spread all over the world with Indian emigrants. It even became a symbol of the former imperial metropolis: tandoori chicken was adapted into [chicken tikka masala](#), perhaps Britain’s favourite curry.

The charcoal tandoor is burning out not just because it is dirty, but because it is expensive—due to the large, high-quality chunks of charcoal required—and because of the skill needed to handle the heat. Gas tandoors may be more efficient, yet their flavour is less robust. Discerning eaters will hope that centuries of culinary history do not go up in smoke. ■

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**Death, Inc**

# How “Putin’s chef” built the world’s most notorious private army

*Two books trace the extraordinary rise and rapid fall of Yevgeny Prigozhin*

May 01, 2025 03:21 PM



**Death Is Our Business.** By John Lechner. *Bloomsbury*; 288 pages; \$29.99 and £23

**The Wagner Group.** By Jack Margolin. *Reaktion Books*; 336 pages; \$24 and £16.99

ON AUGUST 23RD 2023 a private jet crashed north-west of Moscow, killing everyone on board. Among the ten victims were senior members of

the Wagner Group, a Russian mercenary firm, including its leader, [Yevgeny Prigozhin \(pictured\)](#). No one thought it was an accident. Prigozhin, once Vladimir Putin's favourite hired gun, had fallen out of favour by launching a mutiny against his boss. People who do such things rarely live long. The Kremlin denied involvement, but Mr Putin added ominously that Prigozhin had "made serious mistakes in life".

Two new books chronicle his extraordinary, villainous career and how Wagner came to be. From an early age, Prigozhin was opportunistic. He began as a street thug, and served nine years in prison for robbing and choking a woman. Later he became a restaurateur. His eatery in St Petersburg was frequented by Mr Putin; favour followed, as did government contracts. In 2014, after hearing that the Ministry of Defence was funding mercenary groups to fight in eastern Ukraine, Prigozhin traded *borscht* for bullets.

The Wagner Group was far from Russia's only paramilitary outfit, but it was particularly well-funded by the state. (In the year from May 2022, Wagner was given 86bn roubles, or \$1bn, to spend on fighters' salaries.) Mr Putin used Wagner to wage shadow wars with a degree of plausible deniability. After Ukraine, the group concentrated on Africa, beginning with Sudan in 2017. The continent was not one of Russia's core foreign-policy interests and Prigozhin operated without direct supervision by the Kremlin. He took bets on places such as the [Central African Republic](#) (CAR), where there were mineral deposits to exploit.

Before the war in Ukraine, Wagner had roughly 6,000 mercenaries in Africa, spread across CAR, Libya, Mali and Sudan. They earned a reputation for extreme violence. "The most important thing is respect," Vitaly Perfilev, the former head of Wagner's operations in the CAR, told John Lechner, the author of "Death Is Our Business". Units were advised to kill even women and children simply to send a message.

When Russia launched a full-scale invasion of Ukraine in 2022, Prigozhin's men were brought in to help. When the Ukrainians proved much tougher opponents than Mr Putin had expected, Prigozhin sought fresh cannon fodder. He promised criminals in Russian prisons large sums and amnesty if they signed up; some 40,000 did, the White House estimated. "Wagner

grew by orders of magnitude just as Russia was struggling to continue to staff its war effort,” notes Jack Margolin, a researcher of international crime and the author of “The Wagner Group”.

Yet “more important than Wagner’s wins on the ground”, Mr Lechner writes, “was the perception of its success”. And Prigozhin was a master marketer. Videos of battlefield victories were widely shared on Telegram, a messaging app. Wagner even made schlocky action movies set in Africa. Inevitably, in these yarns the heroes are Wagner mercenaries who courageously defend the helpless.

Prigozhin’s men, with *noms de guerre* such as “Zombie”, built a distinctive subculture of ultra-nationalist, neo-pagan and often fascistic symbols. These could be turned into merchandise and sold for a profit, Mr Margolin notes. Wagner became a ghoulish brand.

Among anxious Westerners, the group became a lightning rod for fears that “Russia was back, a great power ready to take on US hegemony,” Mr Lechner writes. This proved useful for Prigozhin. To maintain preferential access to state tenders, he had always had to vie for Mr Putin’s attention. Now, the terror he inspired among Russia’s enemies was “proof to the Kremlin that his initiatives were a worthy investment”.

However, by early 2023 Prigozhin had realised that the war was going badly wrong. He publicly blamed the generals leading Russia’s regular army. The Ministry of Defence hit back by announcing that all “volunteer” fighters would come under its control. The power struggle that followed was never likely to end without bloodshed. As Mr Margolin writes, “Wagner could not be peacefully subsumed or destroyed while Prigozhin lived.”

Facing the loss of his empire, Prigozhin posted a tirade of criticism of the war online—a serious crime in Russia. Then he staged an abortive mutiny, marching his troops towards Moscow on June 23rd. For a day, the regime looked vulnerable. But then Prigozhin backed down, and agreed to go into exile in Belarus. In August he recorded a video from the CAR in which he seemed both defiant and nonchalant. A few days later, he was dead.

## The family business

Since then, Wagner's assets have ostensibly been [under the control](#) of his 26-year-old son, Pavel Prigozhin. The market for mercenaries—perhaps inspired by Wagner—has grown increasingly competitive. In Ukraine, Russian volunteer battalions funded by private businessmen are proliferating. In Africa, the group and [its successor organisation](#), the Africa Corps, face rivalry not only from Russian upstarts, but also from foreign outfits such as Turkey's Sadat. As the world grows more chaotic, more governments are tempted to pay for deniable deadly force. A hoodlum from St Petersburg showed the way. ■

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**Streams of consciousness**

# What people should learn from rivers

*Robert Macfarlane and James Scott seek to understand the ways of water*

May 01, 2025 12:59 PM



Dam the consequences

**Is a River Alive?** By Robert Macfarlane. *W.W. Norton; 384 pages; \$31.99. Hamish Hamilton; £25*

**In Praise of Floods.** By James Scott. *Yale University Press; 248 pages; \$28 and £20*

THERE IS AN adage among journalists, known as Betteridge's law, which holds that "Any headline which ends in a question mark can be answered by the word 'No'." It is gloriously broken by Robert Macfarlane's new book,

“Is a River Alive?” Yes, the book answers. Yes it is: here are stories and observations and apprehensions that show how the lives of rivers and people [interact with each other](#). Yes, for here that life is evoked in prose so forceful, thoughtful and beautiful that it can only be speaking the truth.

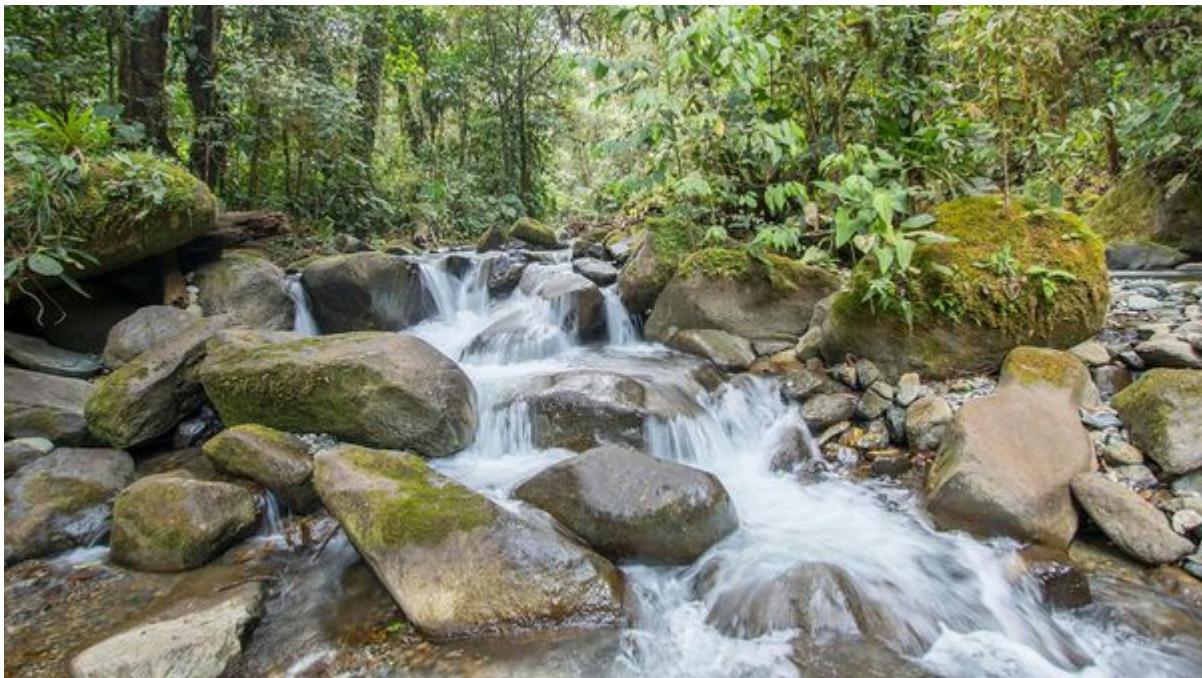
Dr Macfarlane, a professor of literature and the [environmental humanities](#) at Cambridge University, has a pragmatic agenda embedded in his powerful prose. To recognise rivers as living beings, as indigenous cultures so often have, is a useful step towards providing them with personhood and rights. Those rights can be used in campaigns that protect both rivers and the life they contain and sustain, be it of humans, other fauna, flora or fungi.

Not many rivers currently [enjoy such respect](#); most are treated in purely utilitarian ways. In “In Praise of Floods”, a posthumous book by James Scott, an anthropologist and social theorist who died in 2024, Scott recalls a conversation with a Filipino hydrologist about the fact that the Colorado river no longer reaches the Sea of Cortez. Scott suggests that it is “sad, given all our poems about rivers running down to the sea, that the Colorado was prevented from achieving its destiny”. The hydrologist has no time for such fancy. “No, no, no! It is not a sad thing at all! It is wonderful; it means that all the water in the Colorado is used for important human purposes and not a drop is wasted!” All over the world people [treat rivers as a resource](#) for the taking—of [hydroelectric power](#) or of sustenance—or for the taking-away of often noxious effluent. When they are not taking, Scott points out, they are taming. States seek to [control the rivers](#) whose past floods produced rich alluvial soils, lest future floods should flow free again.

## **Streams of consciousness**

The first of the three explorations that make up Dr Macfarlane’s book is to a place where the rights-based approach has won a signal victory. He hikes up to the Ecuadorian source of the Río Los Cedros, a river which the country’s constitutional court has recognised as having “the greatest possible legal protection that a constitution can grant: the recognition of rights inherent to a subject”. He subsequently visits the moribund reaches of the Cooum, the Adyar and the Kosasthalaiyar as they pass through the city of Chennai before heading to Canada, where he paddles down the white waters of

Mutehekau Shipu, one of only two large rivers in Quebec which remains almost completely undammed. Its right to remain so is being fought for.



Through a mixture of storytelling, argument and rhetoric, supplemented with a touch of derring-do, Dr Macfarlane makes an environmental, ethical and aesthetic case for rivers being living subjects that must be endowed with rights. The book's true strength, though, comes from his knowledge that it is not enough. In one of his rare moments of cynicism he lays bare the bathos inherent in lawyers competing for the right to ventriloquise a river's needs "in a kind of cosplay animism". The life of rivers is not something to be granted to them; it is something to be learned from them. To gain such understanding means opening lines of communication. Dr Macfarlane wants this book to be just such a seemingly impossible conduit.

Rivers cannot read books. But Dr Macfarlane believes they can write them. It is by explicitly treating them as his co-authors that he makes the book theirs as well as his; they become participants in the writing of its and their and his stories. The humans he travels with—an unassuming judge, a grieving mycologist, a wounded activist and a profoundly unusual man called Wayne, among others—provide him with ways of understanding the rivers. The rivers, in turn, provide the reader with ways of understanding the humans. The sense of what life is expands.

This approach governs not just what the book says, but the wonderfully fashioned ways in which it says it. Assuredly deployed assonance and an ear for metre make the flow of individual sentences a joy; the occasional deployment of neologism and esoteric but apt vocabulary, along with a taste for anthimeria, punctuate that flow with ripples and reverses. Scales shift to sublime effect: some passages reveal the book as a whole in microcosm; others echo out to encompass vast reaches of time and space. Dr Macfarlane deploys his long-recognised formidable talent with consummate skill and also, crucially, sincerity. His mastery of technique never feels merely technical; it feels head-in-white-water-breathtakingly heartfelt. His sense of duty to his co-authors demands nothing less.

Other books provide critiques of the way that humans, through their states and corporations, use, abuse and mismanage rivers: Scott's does so with scholarship and vigour. Dr Macfarlane's goes further. Everyone who has ever found something to love in a river should find something to love in this book. It is a masterpiece. ■

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# Economic & financial indicators

- **Economic data, commodities and markets**

Indicators ::

**Indicators**

# Economic data, commodities and markets

May 01, 2025 01:00 PM

## Economic data

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	Gross domestic product			Consumer prices			Unemployment rate	
	% change on year ago: latest	quarter*	2025†	% change on year ago: latest	2025†	%	%	%
United States	2.0	Q1	-0.3	-0.1	2.4	Mar	3.4	4.2
China	5.4	Q1	4.9	4.4	-0.1	Mar	0.9	5.2
Japan	1.1	Q4	2.2	0.4	3.6	Mar	2.2	2.4
Britain	1.5	Q4	0.4	0.7	2.6	Mar	3.0	4.4
Canada	2.4	Q4	2.6	-0.6	2.3	Mar	2.2	6.7
Euro area	1.2	Q1	1.4	1.0	2.2	Mar	2.2	6.1
Austria	-0.5	Q4	-1.4‡	0.4	3.1	Mar	2.6	5.3
Belgium	1.1	Q1	1.6	1.0	3.1	Apr	2.9	5.9
France	0.8	Q1	0.5	0.7	0.8	Apr	1.5	7.4
Germany	-0.2	Q1	0.8	0.3	2.2	Apr	2.3	3.5
Greece	2.7	Q4	3.7	2.2	3.1	Mar	2.7	8.6
Italy	0.6	Q1	1.0	0.5	2.1	Apr	1.9	5.9
Netherlands	2.0	Q1	0.4	0.6	3.4	Mar	3.6	3.9
Spain	2.8	Q1	2.3	2.6	2.2	Apr	2.3	10.4
Czech Republic	1.8	Q4	2.6	1.6	2.7	Mar	2.2	2.7
Denmark	3.9	Q4	7.6	2.6	1.5	Mar	2.0	2.9
Norway	-0.3	Q4	-2.5	1.4	2.6	Mar	2.0	4.1
Poland	3.4	Q4	5.7	3.0	4.2	Apr	4.3	5.3
Russia	4.5	Q4	6.3	1.6	10.3	Mar	7.7	2.3
Sweden	1.6	Q1	nil	1.8	0.5	Mar	2.1	8.5
Switzerland	1.5	Q4	0.8	1.1	0.3	Mar	0.3	2.8
Turkey	3.0	Q4	6.9	2.9	38.1	Mar	33.1	8.0
Australia	1.3	Q4	2.4	2.1	2.4	Q1	2.1	4.1
Hong Kong	2.4	Q4	3.2	2.4	1.4	Mar	2.0	3.2
India	6.2	Q4	9.3	6.2	3.3	Mar	4.3	7.7
Indonesia	5.0	Q4	5.5	4.7	1.0	Mar	1.8	4.9
Malaysia	4.4	Q1	4.6	4.2	1.4	Mar	2.3	3.1
Pakistan	3.2	2024**	na	3.0	0.7	Mar	6.0	6.3
Philippines	5.3	Q4	7.4	6.1	1.8	Mar	2.0	4.3
Singapore	3.8	Q1	-3.0	1.7	0.9	Mar	0.5	2.1
South Korea	-0.3	Q1	-1.0	0.6	2.1	Mar	1.7	3.1
Taiwan	5.4	Q1	9.7	3.5	2.3	Mar	1.9	3.4
Thailand	3.2	Q4	1.5	2.6	0.8	Mar	1.1	0.9
Argentina	2.1	Q4	5.7	5.5	55.9	Mar	40.4	6.4
Brazil	3.6	Q4	0.7	1.9	5.5	Mar	5.4	7.0
Chile	4.0	Q4	1.5	1.9	4.9	Mar	4.6	8.7
Colombia	2.4	Q4	2.5	2.3	5.1	Mar	5.1	9.6
Mexico	0.8	Q1	0.8	-0.2	3.8	Mar	3.7	2.6
Peru	4.2	Q4	2.0	2.9	1.3	Mar	1.7	5.3
Egypt	4.3	Q4	0.8	3.2	13.6	Mar	13.0	6.4
Israel	7.2	Q4	2.1	3.2	3.3	Mar	3.0	2.9
Saudi Arabia	1.3	2024	na	3.4	2.3	Mar	2.6	3.5
South Africa	0.9	Q4	2.3	1.7	2.7	Mar	4.0	31.9
								Q4§

Source: Haver Analytics. \*% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted.

\*New series. \*\*Year ending June. ‡Latest 3 months. §§3-month moving average. Note: Euro area consumer prices are harmonised.

## Economic data

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	Current-account balance % of GDP, 2025 <sup>†</sup>	Budget balance % of GDP, 2025 <sup>†</sup>	Interest rates 10-yr govt bonds latest, %	change on year ago, bp	Currency units per \$ Apr 30th	% change on year ago
United States	-2.6	-7.6	4.2	-52.0	-	
China	1.7	-6.4	1.5 <sup>§§</sup>	-68.0	7.26	-0.3
Japan	2.4	-4.8	1.3	40.0	143	10.3
Britain	-2.9	-3.9	4.5	14.0	0.75	6.7
Canada	-0.7	-2.0	3.1	-63.0	1.38	-0.7
Euro area	3.0	-3.3	2.4	-15.0	0.88	6.8
Austria	1.6	-4.4	2.9	-20.0	0.88	6.8
Belgium	-2.0	-4.5	3.0	-1.0	0.88	6.8
France	-0.2	-5.7	3.2	8.0	0.88	6.8
Germany	5.8	-2.6	2.4	-15.0	0.88	6.8
Greece	-6.0	-0.4	3.3	-21.0	0.88	6.8
Italy	0.8	-3.6	3.6	-30.0	0.88	6.8
Netherlands	8.4	-2.4	2.7	-21.0	0.88	6.8
Spain	2.4	-3.2	3.2	-27.0	0.88	6.8
Czech Republic	0.3	-2.3	4.0	-34.0	21.9	7.3
Denmark	12.3	1.2	2.2	-41.0	6.57	6.2
Norway	16.1	9.8	3.9	10.0	10.4	6.8
Poland	0.3	-6.1	5.2	-48.0	3.76	7.4
Russia	2.8	-1.3	15.6	204	82.0	14.0
Sweden	5.8	-1.0	2.4	-14.0	9.64	13.8
Switzerland	6.4	0.6	0.3	-37.0	0.82	12.2
Turkey	-1.5	-3.6	32.4	590	38.5	-15.8
Australia	-0.7	-1.7	4.2	-2.0	1.56	-1.3
Hong Kong	9.1	-2.0	3.2	-88.0	7.75	0.9
India	-0.3	-4.4	6.4	-84.0	84.5	-1.2
Indonesia	-1.4	-3.2	6.8	-42.0	16,600	-2.0
Malaysia	1.6	-3.9	3.7	-33.0	4.32	10.7
Pakistan	-1.4	-6.1	12.5 <sup>+++</sup>	-166	281	-1.0
Philippines	-3.6	-5.4	6.3	-70.0	55.9	3.4
Singapore	16.2	-0.2	2.5	-97.0	1.31	4.6
South Korea	3.1	-2.3	2.6	-107	1,422	-2.8
Taiwan	13.8	nil	1.6	-11.0	32.0	1.8
Thailand	2.2	-4.9	2.1	-48.0	33.4	11.0
Argentina	-0.8	nil	na	na	1,168	-24.9
Brazil	-2.5	-7.1	14.4	274	5.66	-8.5
Chile	-2.1	-1.9	5.7	-43.0	956	nil
Colombia	-2.7	-6.0	11.8	141	4,224	-7.9
Mexico	-0.2	-3.5	9.3	-68.0	19.6	-13.0
Peru	1.6	-2.9	6.6	-73.0	3.67	1.9
Egypt	-5.4	-7.3	na	na	50.8	-5.9
Israel	3.8	-4.7	4.3	-46.0	3.64	2.5
Saudi Arabia	-3.5	-4.6	na	na	3.75	nil
South Africa	-0.8	-5.1	10.6	-10.0	18.6	1.2

Source: Haver Analytics. <sup>§§</sup>5-year yield. <sup>+++</sup>Dollar-denominated bonds.

## Markets

In local currency	Index Apr 30th	% change on: one week Dec 31st	
<b>United States S&amp;P 500</b>	5,569.1	3.6	-5.3
<b>United States NAS Comp</b>	17,446.3	4.4	-9.7
<b>China Shanghai Comp</b>	3,279.0	-0.5	-2.2
<b>China Shenzhen Comp</b>	1,915.6	-0.4	-2.1
<b>Japan Nikkei 225</b>	36,045.4	3.4	-9.6
<b>Japan Topix</b>	2,667.3	3.2	-4.2
<b>Britain FTSE 100</b>	8,494.9	1.1	3.9
<b>Canada S&amp;PTSX</b>	24,841.7	1.5	0.5
<b>Euro area EURO STOXX 50</b>	5,160.2	1.2	5.4
<b>France CAC 40</b>	7,593.9	1.5	2.9
<b>Germany DAX*</b>	22,497.0	2.4	13.0
<b>Italy FTSE/MIB</b>	37,604.8	3.1	10.0
<b>Netherlands AEX</b>	877.9	0.9	-0.1
<b>Spain IBEX 35</b>	13,287.8	0.6	14.6
<b>Poland WIG</b>	98,722.9	-1.0	24.1
<b>Russia RTS, \$ terms</b>	1,128.2	0.2	26.3
<b>Switzerland SMI</b>	12,117.0	2.6	4.4
<b>Turkey BIST</b>	9,078.4	-2.5	-7.7
<b>Australia All Ord.</b>	8,341.0	2.7	-0.9
<b>Hong Kong Hang Seng</b>	22,119.4	0.2	10.3
<b>India BSE</b>	80,242.3	0.2	2.7
<b>Indonesia IDX</b>	6,766.8	2.0	-4.4
<b>Malaysia KLSE</b>	1,540.2	2.6	-6.2
<b>Pakistan KSE</b>	111,326.6	-5.0	-3.3
<b>Singapore STI</b>	3,832.5	nil	1.2
<b>South Korea KOSPI</b>	2,556.6	1.2	6.5
<b>Taiwan TWI</b>	20,235.0	3.0	-12.2
<b>Thailand SET</b>	1,197.3	3.8	-14.5
<b>Argentina MERV</b>	2,100,843.7	-6.2	-17.1
<b>Brazil BVSP*</b>	135,067.0	2.2	12.3
<b>Mexico IPC</b>	56,259.3	0.9	13.6
<b>Egypt EGX 30</b>	32,126.2	1.5	8.0
<b>Israel TA-125</b>	2,557.2	0.2	5.4
<b>Saudi Arabia Tadawul</b>	11,671.6	-0.1	-3.0
<b>South Africa JSE AS</b>	91,583.4	1.9	8.9
<b>World, dev'd MSCI</b>	3,647.2	3.1	-1.6
<b>Emerging markets MSCI</b>	1,106.0	0.9	2.8

### US corporate bonds, spread over Treasuries

	Dec 31st	
	latest	2024
<b>Basis points</b>		
<b>Investment grade</b>	120	95
<b>High-yield</b>	432	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. \*Total return index.

## Commodities

The Economist commodity-price index

2020=100	Apr 22nd	Apr 29th*	% change on	
			month	year
<b>Dollar Index</b>				
All items	134.6	135.1	-1.9	-0.9
Food	152.6	152.9	0.2	5.9
<b>Industrials</b>				
All	119.7	120.3	-4.1	-7.3
Non-food agriculturals	129.3	128.5	-6.5	-4.0
Metals	117.2	118.3	-3.5	-8.1
<b>Sterling Index</b>				
All items	129.2	129.7	-5.4	-7.4
<b>Euro Index</b>				
All items	134.0	135.6	-6.9	-7.0
<b>Gold</b>				
\$ per oz	3,426.0	3,311.2	5.7	44.2
<b>Brent</b>				
\$ per barrel	67.5	64.3	-14.3	-26.8

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

- **Martin Graham was determined to see his dream come true**

Wagner in a chicken shed :: The founder of Longborough Festival Opera died on April 21st, aged 83

**Wagner in a chicken shed**

# Martin Graham was determined to see his dream come true

*The founder of Longborough Festival Opera died on April 21st, aged 83*

May 01, 2025 02:42 PM



**WHENEVER THE** Graham family departed on holiday, young Martin Graham went through a particular procedure. First, he said a formal goodbye to the garden, the trees and the house. Next, he checked that his treasures were safely stowed. In a hole in a dry-stone wall he hid his secret phone, by means of which he arranged with the local pharmacist's son to steal out at night to mix up gunpowder. He made sure, too, that his bicycle was locked up. Not until all this was done could he leave.

In his 60s and 70s he found himself adopting a similar procedure. Before he went to bed, he sauntered out with the dog to lock up his treasure. One by

one he threw the switches: first the balcony, then the whole auditorium, watching the fade-out among the silent rows of red plush seats. (Covent Garden discards, thank you very much.) Yet again he admired and sometimes stroked the fine joinery along the walls. Down below his assistant Dan was noisily making his way through the pit, weaving among the music stands. Once Dan had left Mr Martin turned on the alarm systems, but he did not immediately leave himself. Standing in the dark, he said a gentle goodnight to his “toy”.

Some rich folk indulged in Rolls-Royces or Ferraris. His toy, or much more his joy, was an opera house. It stood in his back garden, just outside the village of Longborough in Gloucestershire, flamboyantly pink and white in the green-and-gold Cotswolds, and with its pediment sporting terracotta statues of Wagner, Mozart and Verdi. (There had been a two-year battle over that with the District Council, but he had outwitted them with his barrister’s expertise in planning law; pleasingly, he needed permission only to raise the roof. Besides, a good dispute brought people in.) The change of use was from a chicken shed and cow barn to glorious high culture. In the late 1990s audiences still perched on benches and straw bales and the hens moved back in between seasons. But in 2013, Wagner’s 200th anniversary, this was the only company in Britain to stage his great 16-hour tetralogy, “Der Ring des Nibelungen”, in full, and to critical delight.

Longborough Festival Opera (LFO) rose from mud to flaming Valhalla for one reason: because its founder, ever aided and abetted by his game wife Lizzie, was determined it would. Nothing was impossible if you wanted it hard enough. He had started his working life as a brickie, a builder’s mate. At 21 he bought half an orchard in Longborough, on which he built his own house. He just went out with a spade and got digging, and on the opera-house site he did the same. The chicken shed, 150 feet long, was just the right size. Though he had professional help, he put in quite a bit of skilled bricklaying. In later years hens would still wander in, as if they had read the good reviews and wished to investigate.

That passion for building was unsurprising; before he left school, he had set up a concrete-mixing business. His musical passion was harder to explain. It did not run in the family, which confined itself to Radio 2 and “Friday

Night is Music Night". Instead of formal training he made friends as a boy with a village character called Jack, a tall old man who would go through the streets gesticulating and singing. Jack put him on to Haydn, Mozart and Schubert from his enormous record collection. As a brickie, Mr Martin liked to listen to Puccini as he worked, attracting a hail of bricks to his tape machine. Meanwhile, an aged neighbour shared her enthusiasm for hymns. That lasted, turning into a love of Anglican church music that induced him to persuade the Lay Clerks of Gloucester cathedral to sing regular Compline on Friday nights in the Gloucester service station on the M5.

Jack had no time for Wagner, though. That obsession came later, as a result of watching BBC broadcasts of Patrice Chéreau's "Ring" from Wagner's own Festspielhaus in Bayreuth. Lizzie fell under the spell first, then he did. The opera house was built because he wanted to stage the cycle in their back garden for anyone who cared to come. He did not base it on the Festspielhaus except in one vital respect, that the orchestra pit was mostly hidden under the stage. This was wise in a house that seated only 500 (with about 70 players in the pit), as the orchestra would otherwise be overwhelming. Almost everyone who did not think him quite mad advised him to go for small-scale operas. He did, mostly, including mini-versions of the "Ring" at first. But once he had made a great success of "Das Rheingold", the first opera in the cycle, having recruited a notable Wagnerian, Anthony Negus, to conduct, there was no stopping him. It was "Götterdämmerung" or bust.

All this was done on a shoestring. He got annoyed when people mentioned money; that was not what his project was about. He was well-off, true, because he had been a property developer in the smarter parts of London. But he took not a penny in public money, the LFO had no reserves and the "Ring" had cost him roughly £1.2m to put on. How was it done? Simple. First, strict economy. Second, single-mindedness. He didn't deal with a board, who would want the money to add up first. He just got going on the operas, and ticket sales would cover everything. (Almost; selling 200 of the free red chairs netted £10,000.) As buildings, seasons and audiences grew, his instinct proved right.

Inevitably, the character of his “toy” changed over time. It became a starting ground for some of Britain’s best singers, who were surprised to find how well Wagner worked in miniature. It also got more like Glyndebourne, the doyen of country opera houses. Black tie crept in with the picnic hampers. At the same time, though, this remained a family and village enterprise. The Graham children sold tickets, and in 2018 his daughter Polly took over as artistic director. Villagers opened their spare bedrooms to casts and crews, did repairs and fed the performers. This ethos did not fade, and neither did the founder’s purpose: to hurl up an opera house because that, in itself, was to create a work of art. ■

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