The Economist

Can Winston Starmer pull it off?

Germany rearms

Time to lift Syria's sanctions

RIP foreign aid

MARCH 8TH–14TH 2025



The revised economic outlook



March 8th 2025

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The world this week

Politics

March 6th 2025



European leaders frantically tried to repair relations between **Donald Trump** and **Volodymyr Zelensky** following a very public bust-up at a meeting in the White House, which led to America suspending military aid and intelligence-sharing with Ukraine. During a big speech to Congress, Mr Trump mentioned an "important letter" that he had received from the Ukrainian president that talked of working together to achieve peace with Russia, which Mr Trump said he appreciated. In a social-media post Mr Zelensky admitted that the White House meeting did not turn out as intended, and offered to suspend long-range drone attacks, if Russia does the same.

Conflict solutions

European leaders and **Canada** held an emergency summit after that now infamous encounter in the Oval Office, to discuss a plan, led by Britain and France, to stop the fighting in Ukraine. The European Commission later proposed the creation of a €150bn ($162bn) fund for EU countries to spend on defence. Emmanuel Macron suggested European allies could also be protected by French nuclear weapons and called another summit.

In **Germany** Friedrich Merz, the probable next chancellor, announced plans to loosen the country's constitutional "debt brake", which curtails government borrowing, and proposed that defence spending be exempt from the debt limits. In reaction, the yield soared on the German government's ten-year bonds, pushing up its borrowing costs in the market.

In his big speech to Congress Mr Trump defended the whirlwind policies of his first six weeks in office. "We are just getting started," he said. A few days earlier the president signed an executive order making **English** the official language of the United States for the first time, although federal agencies can still continue to provide documents in other languages.

The Supreme Court rejected Mr Trump's emergency request to freeze $2bn in **foreign aid**. The court will be busy over the next few years hearing legal challenges to the president's many orders and decrees.

Andrew Cuomo, a former Democratic governor of New York state, announced that he is running to become mayor of **New York City**. He joins a crowded field of candidates vying to unseat Eric Adams, who is ensnared in a corruption scandal. The federal Justice Department has asked Mr Adams's federal charges be dropped, which is seen as a quid pro quo for his backing of Mr Trump's deportation policy. Mr Cuomo carries his own baggage. He resigned from office in 2021 amid claims of sexual misconduct.

The **Kurdistan Workers' Party** (PKK) said it would lay down its arms after a 40-year conflict with **Turkey**. The PKK, which is designated as a terrorist group in Turkey, made the announcement following calls from its imprisoned leader, Abdullah Ocalan, for a ceasefire. The Turkish government gave the news a cautious welcome.

Austria's new government was sworn in, six months after an election. Christian Stocker of the conservative People's Party becomes chancellor heading a coalition that also includes the centre-left Social Democrats and the liberal Neos party. Despite gaining the most votes at the election, the right-wing, pro-Russian Freedom Party was shut out of power after its attempt to form a government failed.

The government of **Thailand** defended its decision to send 40 Uyghurs it had held back to China. The Uyghurs are a Muslim ethnic group who face repression in China's Xinjiang region. The deportations have been criticised by many countries, including America, but Thailand's defence minister claimed the Uyghurs had returned voluntarily.

Separately, 100 criminals were arrested in Thailand for tricking people into working in **scam centres** across the border in Cambodia. There has been a crackdown across South-East Asia in recent weeks against such centres, which lure people online with promises of job offers, only for them to end up in slave-like captivity.

At least 18 people were killed in a suicide-attack on a security facility in north-west **Pakistan**. The Pakistani Taliban are active in the area. Meanwhile, Pakistani security forces arrested Mohammad Sharifullah, a commander in the local chapter of Islamic State, who was allegedly behind a bombing that killed 13 American troops during America's withdrawal from Afghanistan in 2021.

Harbouring intentions

A consortium led by BlackRock, an investment company, agreed to acquire CK Hutchison's majority stake in Panama Ports. Hong-Kong based Hutchison has a contract to run the Balboa and Cristobal ports at either end of the **Panama Canal** until 2047. Following his visit to Panama in February, Marco Rubio, America's secretary of state, warned that its ownership of the shipping hubs was "unacceptable", suggesting it amounted to Chinese control of the canal, and that America would take action if the status quo was maintained.

The American Treasury revoked a licence that allowed Chevron to export oil from **Venezuela**. It has given the company a tight deadline of April 3rd to wind down its operations. The decision is expected to hit the Venezuelan economy hard. Chevron's joint ventures with the state-controlled PDVSA represent about a quarter of the country's entire oil output and its dollar earnings. The regime of Nicolás Maduro, which stole last year's presidential election, condemned the decision.

Germany joined Britain in restricting aid to **Rwanda** over the conflict in the eastern **Democratic Republic of the Congo**, which is evolving into a wider regional war. M23, a militia backed by Rwanda, continued its advance south of Lake Kivu as more troops from neighbouring Uganda and Burundi entered the fray. Thousands of people have been killed and more than half a million have been displaced by the fighting since January.

The security forces in **South Sudan** arrested the petroleum minister, the deputy army chief and other officials allied with Riek Machar, the country's senior vice-president. The arrests came as troops surrounded Mr Machar's house and followed an attack on an army base by a group loyal to Mr Machar, raising concerns about the stability of a peace deal. The agreement in 2018 ended a bloody civil war in which Mr Machar and Salva Kiir, the president, led opposing parties.



Donald Trump demanded that **Hamas** release its remaining hostages, threatening that "it is over for you"" if the terrorist group does not comply. It emerged that America has been negotiating with Hamas, marking a shift in long-standing American policy not to hold direct talks with terrorists. **Israel** cut off aid to **Gaza** to put more pressure on Hamas. Meanwhile, Arab leaders endorsed a proposal put forward by Egypt for the reconstruction of Gaza, a riposte to Mr Trump's plan, which involves the relocation of the territory's population. The Arab proposal did not lay out the details of who would govern Gaza, how to secure the territory or the future of Hamas.

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The world this week

Business

March 6th 2025



Donald Trump carried out his threat to impose **tariffs** of 25% on most goods imported to the United States from Canada and Mexico (he gave the car industry a one-month reprieve). He also increased the tariffs America imposes on Chinese exports from 10% to 20%, which are in addition to US trade duties that China is already subjected to. The American president warned that he would soon also introduce "reciprocal tariffs" on any country with "unfair" trade imbalances. Canada's prime minister, Justin Trudeau, said the tariffs were "a dumb thing" and imposed retaliatory levies on a range of American products, including peanut butter. China also applied counter-measures and Mexico said it would react soon.

GDP deflator

Mr Trump says his tariffs policy will bring only "a little disturbance" to the **American economy**. Markets think otherwise. The S&P 500 and NASDAQ Composite fell sharply and are back to where they were when Mr Trump was elected, wiping out their gains since November. The Stoxx Europe 600 and German DAX also fell heavily. Various companies, including Target, warned that the tariffs would lead to higher costs and hurt profits. Meanwhile, some economists weighed the risk of recession from the trade war.

The **European Central Bank** cut interest rates again, reducing its deposit facility by a quarter of a percentage point, to 2.5%. The bank said the "disinflation process is well on track." But with the euro area's economy already flatlining before America's new tariffs came into effect, markets think it was the last rate cut for a while.

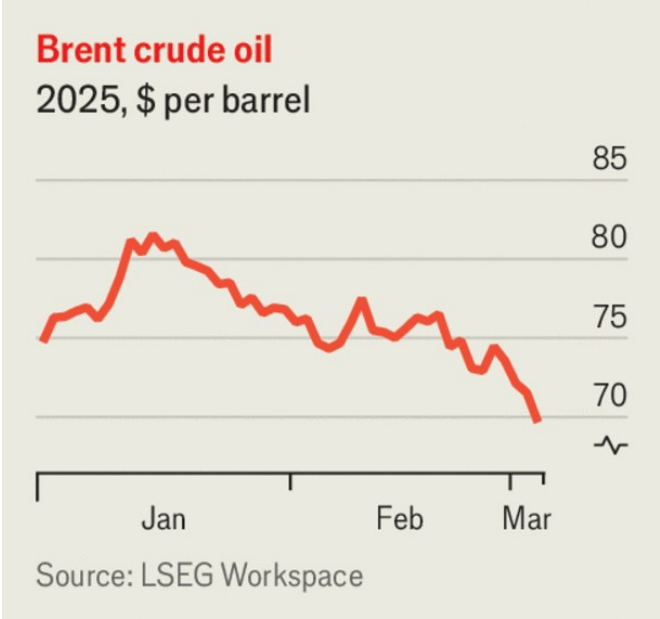
Mr Trump suggested that TSMC, based in Taiwan and a global powerhouse in chipmaking, would avoid tariffs, after it decided to invest an extra $100bn in America and open three new factories in addition to the one that is set to start full production this year. TSMC describes it as the single largest foreign direct-investment ever in America. Mr Trump used the announcement to call for ditching Joe Biden's CHIPS Act, arguing that the subsidies it provides are a "horrible, horrible thing".

Anthropic, the startup behind the Claude generative artificial-intelligence models, raised $3.5bn in its latest round of fund-raising, tripling its valuation to $61.5bn. Anthropic is backed by Amazon and Google as well as venture capitalists. It recently released Claude 3.7 Sonnet, which it describes as the "first hybrid reasoning model on the market", allowing users to choose when it should answer normally and when it should "think" longer before answering.

A federal judge rejected **Elon Musk's** request for a preliminary injunction to stop OpenAI's attempt to change its status from non-profit to for-profit, but said she would fast-track his case this year. Mr Musk was one of the startup's founders but has been feuding with it for years over what he claims is a shift away from its original intention to work for the good of humanity.

Apple reportedly started a legal challenge in Britain to the government's order to create a back-door for British intelligence to its encrypted cloud services. The company recently withdrew its Advanced Data Protection tool for the iCloud from the British market rather than accede to that order. Donald Trump has likened the British request to access private data of Apple users to the practices of the Chinese state.

Microsoft is shutting down **Skype**, the video-calling service that it bought in 2011. Skype came to market in 2003 and was a pioneer in enabling video chats across the globe, but it has since been eclipsed by smartphones, Google Meet, Zoom and the like.



The Economist

Oil prices tumbled to three-year lows, as markets speculated that Mr Trump's trade war would hurt the global economy. Another factor was the unexpected decision by OPEC+ to proceed with a plan to raise output in April. The cartel had hitherto placed curbs on production to boost prices. Its announcement may be designed to pre-empt another clash with Donald Trump, who wants to see a big drop in the commodity's price.

The new chairman of the **Federal Communications Commission**, Brendan Carr, sent a letter to **Verizon** warning it about its promotion of diversity, inclusion and equity practices, linking it to a veiled threat about Verizon's

“pending transactions” at the FCC. The telecoms giant is seeking regulatory approval for its takeover of Frontier Communications. Mr Carr’s letter drew a sharp rebuke from a fellow commissioner at the FCC. Geoffrey Starks said it set a “dangerous precedent” that could “chill investment”.

A frothy market

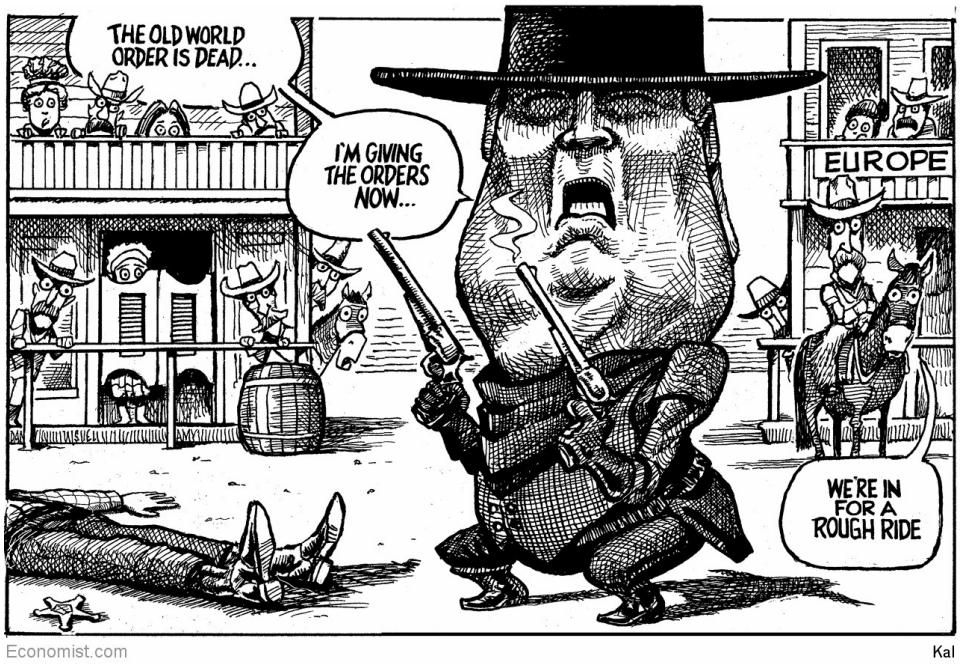
Mixue’s share price soared by 43% on its first day of trading on the Hong Kong stock exchange. The Chinese company sells flavoured teas and soft-serve ice-cream and is the best known purveyor of bubble tea, a milky brew containing chewy tapioca balls. Its growth over the past few years has been phenomenal. Mixue now has over 45,000 franchised stores across Asia and Australia, more than McDonald’s or Starbucks have worldwide.

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The world this week

The weekly cartoon

March 6th 2025



Dig deeper into the subject of this week's cartoon

Western leaders must seize the moment to make Europe safe
Donald Trump has begun a mafia-like struggle for global power
Donald Trump is junking the transatlantic alliance

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

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This week's covers

How we saw the world

March 6th 2025

THIS WEEK WE published three covers. In most of the world we considered Donald Trump's tariffs. We argued that the consequences are grave, both for America and the rest of the world. Even his concessions are less generous than expected.



Leader: Donald Trump's economic delusions are already hurting America
Finance & economics: Trump's tariff turbulence is worse than anyone imagined
Business: How Trump's tariffs could crush American carmakers
Free exchange: It is not the economic impact of tariffs that is most worrying

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In Britain, we argue that Sir Keir Starmer has found his purpose abroad, charming Donald Trump and corralling European colleagues around a plan

for peace in Ukraine. That should also transform his government's domestic agenda.



Leader: Britain's leader has found purpose abroad. He needs it at home too
Britain: Sir Keir Starmer finds a role
Britain: Labour may be about to waste its best chance of economic success

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In the Middle East and Africa, we considered the future of aid. It cannot make poor countries rich. The chaotic demise of foreign aid offers an opportunity for donors. They should focus on what works; much aid currently does not.



Leader: The demise of foreign aid offers an opportunity
Finance & economics: Aid cannot make poor countries rich
Middle East & Africa: Why some Africans see opportunity in aid cuts
Asia: Donald Trump's cuts to USAID would hurt Asia, too

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Leaders

- Britain’s leader has found purpose abroad. He needs it at home too
- Donald Trump’s economic delusions are already hurting America
- The demise of foreign aid offers an opportunity
- A fantastic start for Friedrich Merz
- The lesson from Trump’s Ukrainian weapons freeze
- Lifting sanctions on Syria seems mad, until you consider the alternative

Leaders | Winston Starmer

Britain’s leader has found purpose abroad. He needs it at home too

But do the clothes fit?

March 6th 2025



Was this his finest hour? Crisis has certainly revealed a different—if not quite Churchillian—side to Sir Keir Starmer, one that is surprisingly deft and purposeful. In Washington the prime minister removed Britain from the cross-hairs of Donald Trump’s tariff onslaught, charming the president with a letter from King Charles. In London he sought to corral European colleagues around a plan for peace in Ukraine. In attempting to mediate the toxic relationship between Volodymyr Zelensky, the Ukrainian president, and Mr Trump, the stiff upper lip which has been a liability at home is suddenly an asset. Even Rachel Reeves, the chancellor, has been uncharacteristically agile in exploiting Russian assets to aid Ukraine.

Sir Keir's grand plan may well fall apart. Mr Trump has suspended arms shipments to Ukraine and brushed aside suggestions that America could provide the military "backstop" that Sir Keir says is essential for an Anglo-French peacekeeping force. Yet this has been a transformative week. In a few days Sir Keir has sketched a new role for Britain in the world. It must now deal with an America that remains indispensable, but which has become unreliable—something Sir Keir wisely refuses to say publicly. Marginalised after Brexit, Britain is emerging as a leader in Europe's task of shouldering its own defence. That should also transform his government's domestic agenda, because it requires a jump in defence spending to levels last seen in the 1980s.

- Sir Keir Starmer finds a role
- Labour may be about to waste its best chance of economic success

What a contrast with the drift that has hitherto characterised the Starmer government. In search of a project, Sir Keir has tilted at slogans (who remembers "securonomics"?) and cooked up a thin minestrone of "missions", "foundations", "first steps" and "milestones". He has squandered a titanic parliamentary majority on small-stakes fights. Even Sir Keir has seemed not to know what the point of Sir Keir is.

Now he knows. But will he rise up to meet what he calls "the test of our times", or will the weight of it crush him? The danger is that he tries to shield voters at home from the hard choices that flow from living in a world in which America will no longer underwrite European defence. His foreign mission could aggravate his purposelessness at home. Instead, the rebuilding of European security must galvanise him and become the organising logic for a radical domestic agenda.

To see how Starmerism-as-usual has run its course, consider Sir Keir's announcement on February 25th that defence spending would increase from 2.3% to 2.5% of GDP by 2027, and then to 3% in the early years of the next decade. That was hailed as a "generational response"; in reality, it was barely a start. Yet even finding this modest sum required drastic choices. Sir Keir raided the overseas-aid budget, a source of pride for the Labour Party, prompting the resignation of a minister.

The British people, said Winston Churchill, have a unique appetite for bad news, and the worse the better. The truth Sir Keir must impart is that Britain cannot pay for rearmament by cutting departmental budgets without voters noticing. The first candidate should be the welfare bill. The share of working-age Britons claiming health-related benefits is forecast to rise from 8% to 12.5% in the decade to 2029. That is far more than in other rich economies, in part because in-person assessments all but ended in Britain during the pandemic. Labour has promised reform, but has yet to say what it intends.

The government also needs a new realism about taxation. In the election campaign Ms Reeves foolishly promised that she would not raise taxes on "working people" (meaning VAT or income taxes). But if taxes have to go up, she must jettison that promise and choose broad, efficient measures such as VAT, rather than a grab bag of fiddly moves.

Above all, putting defence on a sure footing calls for radicalism in tackling Britain's chronic lack of economic growth. The government talks up the prospects for blue-collar jobs that rearmament will bring. It is neat politics, but such jobs will be relatively few in number, and creating them will depress the rest of the economy through higher taxes or less government spending elsewhere.

The best route to higher growth would be to dismantle the planning regime, a relic of post-war statism that throttles cities. Sir Keir advertised that he saw breaking the hold of NIMBYs as a vital step, but he is likely to fluff his reform—tinkering with the restrictive planning system rather than replacing it. In the search for savings, the government should resist cuts to infrastructure budgets, which are easy to impose but which would suppress long-term growth. Labour should also suspend or scrap its new business-unfriendly employment laws.

Sir Keir's renegotiation with the European Union must reflect the new imperatives. The continent needs to be more resilient, with schemes such as joint defence procurement, energy trading and co-operation on sanctions and military operations. At least the prime minister will have Germany's next chancellor, Friedrich Merz, on his side. It would be self-indulgent to bog down talks by relitigating the disputes of the Brexit years—on fish and

visas, say. Some in the Labour Party hoped that a second term in office would be the time to debate economic reintegration with Europe; better to start now.

Or is it Keir Hardly?

A change in direction of such magnitude may be hard to imagine, especially for a prime minister who has so far cleaved to familiar ideas and ducked big arguments. After the cold war, voters enjoyed a peace dividend, as government budgets were directed from howitzers to hospitals; throwing that trend into reverse will be painful. But many things the state has done in recent years, from bank bail-outs to the coronavirus furlough scheme, were unimaginable until they were inescapable. The crisis in Europe ought to lead the prime minister to see a new role for his country. Making Britain battle-ready will not be popular and it is fraught with political peril—Churchill is a fine example of how voters can punish even their greatest foreign-policy hero. But it must be the making of Sir Keir. ■

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Leaders | MAGAlomania

Donald Trump's economic delusions are already hurting America

The president and reality are drifting apart

March 6th 2025



Editor's note (March 6th): *Since this article was published, Donald Trump announced that tariffs on Mexico would be paused until April 2nd.*

In his speech to Congress on March 4th President Donald Trump painted a fantastical picture. The American Dream, he declared, was surging bigger and better than ever before. His tariffs would preserve jobs, make America richer still, and protect its very soul. Unfortunately, in the real world things look different. Investors, consumers and companies show the first signs of souring on the Trumpian vision. With his aggressive and erratic protectionism, Mr Trump is playing with fire.

By imposing 25% tariffs on goods from Canada and Mexico, also on March 4th, Mr Trump is setting light to one of the world's most integrated supply chains. Although he belatedly delayed duties on cars by one month, plenty of other industries will suffer. He has also raised tariffs on China and has threatened the European Union, Japan and South Korea. Some of these duties may also be deferred; others may never materialise. Yet in economics as in foreign relations, it is becoming clear that policy is being set on the president's whim. That will cause lasting damage at home and abroad.

- Trump's tariff turbulence is worse than anyone imagined
- How Trump's tariffs could crush American carmakers
- It is not the economic impact of tariffs that is most worrying

When Mr Trump won the election in November, investors and bosses cheered him on. The S&P 500 rose by nearly 4% in the week after the vote in anticipation of the new president lighting a bonfire of red tape and bringing about generous tax cuts. His protectionist and anti-immigration rhetoric, investors hoped, would come to nothing. A stockmarket correction or a return of inflation would surely curb his worst instincts.

Alas, those hopes are going up in smoke. Elon Musk's DOGE is causing chaos and grabbing headlines, but with little sign yet of a deregulatory bonanza. (Mr Trump's order banning the federal purchase of paper straws will do little for America Inc's bottom line.) The budget blueprint passed in Congress in February keeps the tax cuts from 2017, in Mr Trump's first term, but does not expand them—though it does add trillions to the national debt. In the meantime, Mr Trump's tariff promises would return the average effective duty to levels not seen since the 1940s, when trade volumes were much smaller.

No wonder that, despite Mr Trump's talk of a roaring comeback, the markets are flashing red. The S&P 500 has given up nearly all its gains since the election. Although economic growth remains fair, in recent weeks the yield on ten-year Treasuries has fallen, measures of consumer sentiment have plunged and small businesses' confidence has slipped, hinting at a slowdown to come. Meanwhile, inflation expectations are rising, perhaps because Mr Trump is talking about all those wonderful new tariffs.

Underlying the alarm is a dawning realisation that Mr Trump is less bound by constraints than investors had expected. Although price rises blew up Kamala Harris's presidential campaign, the prospect of inflation is not deterring Mr Trump, who argues that the economic harm from tariffs is worth it. During his first term he gloried in the long stockmarket boom; this time markets have not featured among his many social-media posts. His postponement of the car tariffs is too short-lived for the industry to adapt. Mr Trump is sticking to his belief that tariffs are good for the economy.

Just as important, the people around the president also appear to lack influence. Scott Bessent, the treasury secretary, and Howard Lutnick, the commerce secretary, are both financiers, but if they are trying to rein in Mr Trump, they are not doing very well. Instead of being wise counsellors, they come across as stooges, explaining why tariffs are essential and Wall Street doesn't matter. Few businesspeople want to speak truth to power for fear of drawing Mr Trump's ire. And so the president and reality seem to be drifting ever further apart.

That threatens America's trading partners. For some reason, Mr Trump reserves special hostility for Canada and the EU. Because his approach lacks any coherent logic, there is no knowing how to avert his threats. Worse is to come if he carries through his promise to Congress to impose reciprocal tariffs, which match the duties that American exports face abroad. That would create 2.3m individual levies, requiring constant adjustment and negotiation, a bureaucratic nightmare that America unilaterally abandoned in the 1920s. Reciprocal tariffs would strike a fatal blow to the global trading system, under which every country has a universal rate for every good that is not within a free-trade agreement.

As if that were not bad enough, tariffs will harm America's economy, too. The president says he wants to show farmers that he loves them. But protecting America's 1.9m farms from competition will inflate the grocery bills of its nearly 300m consumers; and compensating them for retaliatory tariffs will add to the deficit. Whatever Mr Trump believes, economic growth will suffer because tariffs will increase input costs. If businesses cannot pass them on to consumers, their margins will wither; if they can, households will experience what amounts to a tax rise.

Mr Trump's policies set up an almighty clash with the Federal Reserve, which will be torn between keeping rates high to curb inflation and cutting them to boost growth. One of America's most important remaining independent institutions, the Fed would have to face down an angry president used to getting his way. When the administration staged a power grab over the Fed's regulatory responsibilities it carefully set monetary policy apart. How long would that distinction last?

MAGAlomania

The world economy is at a dangerous moment. Having defied reality (and the constitution) after he lost the election in 2020, only to be triumphantly re-elected in 2024, Mr Trump has no patience for being told that he is wrong. The fact that his belief in protectionism is fundamentally flawed may not sink in for some time, if it ever does. As the message that Mr Trump is harming the economy grows louder, he could lash out at the messengers, including his advisers, the Fed or the media. The president is likely to inhabit his protectionist fantasy for some time. The real world will pay the price. ■

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Leaders | The death of giving

The demise of foreign aid offers an opportunity

Donors should focus on what works. Much aid currently does not

March 6th 2025



IT is a “criminal organisation”, says Elon Musk. It is “run by a bunch of radical lunatics”, says President Donald Trump. As a prelude to shutting down USAID, America’s main aid agency, the Trump administration has denigrated it in absurd terms. That language may have prompted liberals to assume that all arguments against foreign aid are absurd, too. But some are not. And though the way America is cutting aid is unusually and needlessly chaotic, it is part of a global trend.

Mr Trump has axed funding, ignoring legal objections. An attempt to keep life-saving programmes running has been botched. Deprived of treatments for HIV, tuberculosis and other diseases, many poor people will die—some already have.

Other Western donors are less brutal, but they are cutting back, too. Sir Keir Starmer is slashing Britain's aid budget by 40% in order to boost defence. France's cash-strapped minority government plans to cut aid by more than a third this year. Germany, too, is scrimping. A new, more parsimonious era of aid is beginning. It brings with it agonising choices. But it also offers an opportunity to rethink an inefficient system that has long needed an overhaul.

- Aid cannot make poor countries rich
- Why some Africans see opportunity in aid cuts
- Donald Trump's cuts to USAID would hurt Asia, too

For over 60 years rich countries have given money to poor ones in the hope of improving lives and advancing their own interests. When John F. Kennedy set up USAID in 1961, he talked both of national security and of a moral obligation to help the poor. At the start of this century aid rose, as donors sought to turbocharge economic growth in the global south. By 2023 rich countries were spending more than $250bn a year on it (excluding the amount spent on refugees at home).

Yet the benefits of all that cash are mixed at best. The biggest successes come from global health programmes and from humanitarian aid, such as relief for victims of floods and famines. Donor-financed vaccines and clinics have helped child-mortality rates in Africa fall by three-quarters since the 1960s. American-funded antiretroviral drugs helped cut AIDS deaths by half in the two decades to 2020, by keeping people with HIV alive and making them less likely to infect others, a global public good.

But such spending accounts for only a quarter of the total aid flows, and about a third of those to sub-Saharan Africa. Much of the rest goes toward building infrastructure and providing economic assistance, say by subsidising industries or paying the salaries of teachers. If the aim is to boost growth, it is not working. African real incomes per person are only a little higher than they were three decades ago; total-factor productivity is little different from what it was in 1970. Globally, economists struggle to find a link between aid and faster growth.

One problem is that development aid tends to be statist. Efforts to pick industrial winners and back them with donors' cash rarely work. Another problem is the perverse relationship between aid and local elites, who set the conditions for growth. In some countries aid has paid for essential services, which has allowed governments to waste money on vanity projects. The idea that aid buys soft power is unconvincing, too. The conditions attached to it have been a source of tension for politicians and the public in Egypt, Kenya and Pakistan.

Because growth has been elusive, aid has become entrenched. In some recipient countries, a huge share of economic activity is aimed at fulfilling the multiple, overlapping commands of various donors. In 60 years of independence, Malawians have had more spent on them by aid agencies than by their own government. The country has many more officials managing aid contracts than overseeing foreign trade.

Meanwhile, the opportunity costs of aid for rich governments are rising. Fiscal deficits are too wide; public debts are too high. As societies age, more cash will be needed for pensions and health care. More must be found for security, too. To support Ukraine and deter Vladimir Putin, members of the European Union will need to double their defence budgets—an increase of more than €300bn ($320bn) a year. Rich governments may feel a moral duty to help the world's poor, but they will prioritise keeping their own citizens safe.

What should they do? One answer is to stop spending on programmes that do not work, and to focus on the things that might, such as health spending. Even here, however, governments must be vigilant that they are putting their money to its best use. Three principles should guide them.

The first is to act in areas where governments (or the UN agencies they fund) have special co-ordinating power, say because they have the security apparatus to reach disaster or conflict zones. Another is to get involved if they have information the public will struggle to assess, about adapting to climate change, say, or a new pandemic. Last, are they funding causes that generate positive spillovers, such as preventing the global spread of infectious diseases?

Sadly, this is not Mr Trump's approach. His cutting of aid is not part of a careful plan, but knee-jerk anti-wokery. His USAID shutdown has affected good programmes as much as wasteful ones. Some Trump officials talk of using aid as a tool to win political favours from recipient countries—an idea that is unlikely to bring the greatest benefits to the poor. His assault on free trade will do them no favours, either.

Wanted: leaders who build ladders

All this leaves poor countries in a weak position. Non-Western donors such as China and the United Arab Emirates are unlikely to fill the gap that the West leaves; they tend to be more interested in infrastructure and political advantage than in positive spillovers. The public finances of recipient countries will therefore suffer—and the damage will be worst for the poorest.

The pain will be excruciating, but the old era is not coming back. Governments and elites in poor countries must seize the moment to strengthen their own bureaucracies, improve governance and press ahead with growth-friendly reforms. For better or worse, they must be masters of their own destiny. ■

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Leaders | Well done, Mr Merz

A fantastic start for Friedrich Merz

The incoming chancellor signals massive increases in defence and infrastructure spending

March 5th 2025



FOR YEARS Germany's aversion to debt has been a millstone, leading to crippling underinvestment in defence and infrastructure and weighing down both the domestic economy and that of Europe as a whole. But, although he will not become chancellor for some weeks, Friedrich Merz, who won Germany's election on February 23rd, has just transformed his country with a stroke of commendable boldness.

On March 4th Mr Merz revealed plans for two changes to the debt brake, a constitutional provision in place since 2009 that lets the government run only minuscule structural deficits. Next week parliament will be recalled to vote on them. In a sign that change is genuinely under way, long-term

German bond yields leapt, as hard-nosed investors began to price in higher borrowing.

- Can Friedrich Merz get Europe out of its funk?

The first reform will establish a brake-exempted infrastructure fund of €500bn ($535bn) over ten years, a boost worth around 1% of GDP each year. This should get the economy moving, and not before time. Germany has been in recession for the past two years, and is bumping along with roughly zero growth this year, too. The country's GDP is pretty much exactly where it was five years ago, before the pandemic struck. A sluggish Germany flattens demand across the continent.

Mr Merz's second proposal, also agreed on between his Christian Democrats and the Social Democrats who lead the outgoing government and with whom he is now in coalition talks, is even more consequential. It is to exempt any defence spending beyond 1% of GDP from the debt brake altogether. This opens the way for Germany to do what it should have done a long time ago. It can now start to rearm to a level where it can play the full part in the changed landscape of European defence that its size and geographical position demand.

Removing the constraint of the debt brake is not the same as actually spending a lot more money, of course. But Mr Merz and the Social Democrats would surely not have taken this momentous step if they did not plan to do just that. Currently Germany spends only a bare 2% of GDP on defence, just about meeting a target that NATO first set in 2014, but one that the government did not take seriously before Russia launched an all-out invasion of Ukraine in 2022.

A new NATO defence-spending target has not yet been set, but most observers reckon one is coming. It will probably be around 3.5% of GDP, perhaps a bit more. In the cold war, European countries typically spent 4-5%, and Europe is once again in a state of peril. Under Donald Trump, America no longer appears to be a dependable ally, so Europe must look to its own defences. That will require Germany to spend a lot more cash—and to spend it effectively, which has not been the case in the past.

Because the debt brake is a constitutional provision, amending it requires a two-thirds majority in the Bundestag. Hence the urgency. The hard-right Alternative for Germany party opposes any change to the rules, and the radical-left Die Linke opposes any extra defence spending. Both did well in the election; together they will have over a third of the seats in the new Bundestag, a blocking minority. So the changes need to be made right now, before the new parliament is sworn in on March 25th. It is highly unorthodox, not least because Mr Merz said nothing about it on the campaign trail. But these are not orthodox times.

And there may be more to come. The potential new coalition is also talking about further reforms to the debt brake, which implies yet more spending on other underfunded areas. Germany was a slumbering giant. Mr Merz is waking it up. ■

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Leaders | America and Ukraine

The lesson from Trump's Ukrainian weapons freeze

And the grim choice facing Volodymyr Zelensky

March 4th 2025



IN AMERICA FOREIGN policy works on a simple formula: with Donald Trump in the White House, dependence leads to maltreatment. That is the lesson the world should take from a devastating week, which culminated in an announcement on March 3rd that America is pausing all military aid to Ukraine until it accepts Mr Trump's terms for peace with Russia. It is as if Ukraine were in an abusive relationship.

Bitter as it must have been, Volodymyr Zelensky, Ukraine's president, was right to respond by promising to do what he must to salvage as much American help as he can. Do not imagine that the outcome will be good for Ukraine, Europe or even America. It will just be less awful than what would

follow from Mr Zelensky's continued defiance of a president who so fundamentally miscalculates his own country's interests.

- The dangerous tension in Europe's response to Trump
- Donald Trump's chokehold on Ukraine

Mr Trump argues that his tactics are justified because he is working for peace. He shares the Biden administration's fears that a proxy conflict with nuclear-armed Russia could end up dragging America into "world war three". He says he is providing security guarantees in the form of mining investments, because Russia would not dare invade Ukraine if that meant seizing American assets or killing American mine-workers.

Mr Trump has described his own plan as "genius". In fact, it is incoherent. The last nationwide minerals survey of Ukraine was back in the 1960s: nobody knows how much mining would take place or how soon. Even if American citizens were present, they would not offer Ukraine much extra security. Russia could simply bypass the mines, while guaranteeing their ownership and the safety of their personnel. If Western security fails in Ukraine, then Russia will be emboldened to threaten and harm other countries, including the Baltic states. World war three would be closer, not further away.

Mr Trump argues that Vladimir Putin, Russia's president, would never cross him. But why not? Mr Trump has just demonstrated that he does not think Ukraine is worth fighting for—and underlined this by mauling Mr Zelensky in the Oval Office. Even if Mr Putin holds back out of respect for Mr Trump, he may not feel bound to keep the peace after 2029.

For all these reasons Mr Zelensky is justified in asking for American security guarantees. But he is unlikely to get them. Neither may Britain and France, which have pleaded for American backup for any troops they put into Ukraine to safeguard a ceasefire. The choice for Mr Zelensky is therefore a bad minerals deal without security guarantees, but with the possibility of at least some American support and with a European military presence; or no deal and no American support.

The time was when America's allies could count on it to stand by them in a crisis, despite differences over policy. These days, by contrast, America's allies have to prepare for the worst. Mr Trump says he is merely "pausing" the supply of weapons, but Ukraine's allies have to behave as if the freeze is permanent. On March 5th, after the original weapons freeze, America also stopped sharing intelligence. That will make it harder for Ukraine to identify Russian targets.

Europeans should back Mr Zelensky and champion Ukrainians' right to self-determination, even if that irks Mr Trump. They should also seize Russian state assets in Europe and use them to pay for Ukraine's defence. They need to finance Ukraine's own arms producers. They need to increase Europe's own production of weapons and buy American arms for Ukraine, supposing Mr Trump will agree to it.

NATO has been the most successful military alliance in history. But as Mr Trump continues to see his allies' dependence as a vulnerability to exploit, so Europe must prepare for abandonment or extortion, even if that risks accelerating the very collapse of NATO that Europe most wants to avoid. That is the tragedy of Mr Trump's strong-arming of America's friends. ■

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Leaders | Helping Syrians

Lifting sanctions on Syria seems mad, until you consider the alternative

Without a reprieve, the country will become a failed state

March 6th 2025



A decade ago Ahmed al-Sharaa was masterminding suicide-bombings as the second-in-command of al-Qaeda's affiliate in Syria. Three months ago he was the commander of Hayat Tahrir al-Sham (HTS), a blood-soaked rebel group that led the overthrow of Bashar al-Assad, Syria's murderous dictator. Today he is the country's interim president. With a global trade war raging and the transatlantic alliance fraying, you might think that helping Mr Sharaa is the last thing that America should do. But unless it suspends sanctions on Syria now, the country faces economic collapse. It would then surely become a failed state, and spread mayhem to its neighbours.

As we explain in our Briefing this week and an online profile, Mr Sharaa is inscrutable. He switches between military fatigues and sharp suits. He tells Westerners what they want to hear: that he will establish a diverse government based on competence, not ethnicity or religion, and that Syrians should choose their own leaders. Yet he stops short of promising democracy, refuses to say if political parties will be allowed and declines to rule out imposing sharia (Islamic law). Ominously, a pledge to create a transitional government by March 1st has been broken.

- Syria has got rid of Bashar al-Assad, but not sectarian tensions
- Syria's economy, still strangled by sanctions, is on its knees

As Syria's politics stalls, its economy is in free fall. Damascus gets only a couple of hours of electricity a day. The price of bread has risen eight-fold since December. People wait hours to withdraw the few banknotes available from cash machines. The flow of imports has risen, but a shortage of physical cash or digital-payment options means few Syrians can buy them.

In large part this economic misery reflects the ruin caused by decades of dictatorship, years of civil war and months of post-revolutionary chaos. But Western sanctions, originally designed to punish the Assad regime, are also to blame. These make the country radioactive for law-abiding foreign financial institutions, businesses and governments. As a result, Syria cannot easily import physical currency. It also has limited access to the global banking system and is struggling to generate export revenues, let alone the investment required to finance desperately needed reconstruction.

The argument for keeping sanctions is that they create leverage to push Mr Sharaa down a more liberal path. The trouble is that, unless they are lifted now, they will cause an economic calamity that shuts off that same liberal path by creating violence and extremism. Anarchy would probably suit Mr Sharaa's opponents. Other armed Islamist groups chafe at the power he has accumulated. Fearful of an implosion, Israel is trying to impose a demilitarised zone south of Damascus. If Syria collapses, more refugees will surely flood into Europe.

There is an alternative: a one-year lifting of sanctions. That would let pallets of banknotes be brought into Syria, as well as machines and paper to print money. Syria could sell more oil on global markets, generating income. Some of the hoard of capital stashed abroad might be repatriated. Other countries might help. Qatar is considering depositing $120m a month into the central bank to help pay for a promised 400% increase in public-sector salaries.

If Mr Sharaa takes Syria in an even worse direction, for example setting up an Islamist dictatorship, the sanctions should snap back in a year. The White House, which has only a few people working on the Middle East, does not seem to be paying attention. In Donald Trump's transactional worldview, Syria has little to offer. Yet the choice is simple: disaster or the slim possibility of future success. Lift the sanctions now. ■

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Letters

- Letters to the editor

Letters | On America and Europe, artificial intelligence, building development, Japan, book blurbs, the penny

Letters to the editor

A selection of correspondence

March 6th 2025



Letters are welcome via email to letters@economist.com

The great schism

I disagree with your description of the recent differences between America and Europe as "Europe's worst nightmare" (February 22nd). The combination of J.D. Vance's direct and hard-hitting speech in Munich and the bizarre accusations of Donald Trump against Ukraine and Volodymyr Zelensky shows that Europe needs to stand on its own two feet.

We should be honest and acknowledge that we have been warned. From

American dismay at the Europeans' mishandling of the Libyan crisis in 2011 to Barack Obama's strategic pivot to the Pacific in 2014, through the first Trump presidency and the threats not to defend countries that weren't paying their defence dues, and on to the withdrawal from Afghanistan, America has been abundantly clear that it saw Europe as a rule-taker, not a rule-maker, and an unwelcome freeloader on American defence. That our purblind leaders somehow thought it was business as usual, even after Vladimir Putin's aggression, is beggars belief.

So we are on our own. Good. We now have the necessary imperative to sort out our internal polities and use our economic muscle to rebuild national resilience, including defence. We can then reasonably expect to sit again at the top table. Alternatively, we can continue to fudge issues, to dodge hard choices and descend into further irrelevance and weakness, a truly dispiriting and terrifying prospect.

SIMON DIGGINS
Colonel (retired)
Rickmansworth, Hertfordshire

Your leader calls for a "fiscal revolution" and for Europe to end its obsession with process and groupings and to appoint a single envoy to talk to Ukraine, Russia and America. My own experience of finding solutions for Europe in crisis is that the decision-making process of the European Union is not where the urgent focus should be right now. The need for unanimity blocks progress. It is not a country. The EU treaties are not equivalent to a fully sovereign state's constitution. They grant significant powers to EU institutions but stop short of key attributes of state sovereignty, especially in fiscal, defence and social policy.

The entire EU budget is approximately 1% of the combined GDP of its members. The reality of its cumbersome, and at time fractious, decision-making processes does not lend itself to speed. The EU project should continue, and we should see more integration, not less. But the emergency we face in Europe on our collective defence must be dealt with by the European nation states in a forum, and with decision-making processes, outside the EU legal order.

Money is the key, and the EU was spectacularly successful in raising billions of euros to help member states during the financial crisis through the establishment of the European Stability Mechanism. This was an international organisation set up very quickly, under its own treaty outside that EU legal order.

I would suggest we start with something similar, with a coalition led by the countries with the biggest defence capabilities and including those smaller nations with the most to lose in the near term. Completion of EU capital markets and a banking union can wait.

DAVID EATOUGH
Former member of the management board of the European Stability Mechanism, 2017-24
Luxembourg City



Enforcing AI rules

China's DeepSeek has loosened America's dominance of artificial intelligence and gives Europe a chance to catch up "if it can cast off its regulatory straitjacket", you say ("The Paris discord", February 15th). In fact, it is China, not Europe, that has the world's most onerous AI regulation. China's law on generative AI, for example, requires detailed information and

prior permission before a model can be deployed. The rules are both more severe and are enforced much more robustly. So the lesson of DeepSeek is not, as J.D. Vance suggests, that safety standards hinder innovation. Europe's problem is that it talks a fine game about rules but then fails to enforce them.

JOHNNY RYAN
Director of Enforce
Irish Council for Civil Liberties
Dublin

Surely the history of how people have used the internet is the prologue for AI. Better selection of sexual partners, developing gambling strategies and personally tailored pornography. And just imagine how good the AI-generated funny cat videos will become.

BILL HARTNELL
Sydney



Skills to build

You quickly dismissed concerns that the British government's development plans will not materialise because of a lack of capacity ("Plan it and the

builders will come", February 8th). It is true in construction that demand drives behaviour, and that a strong pipeline of projects will help attract workers. However, that logic alone belies the complexity of skills that we need in today's industry. Programmes need diverse experience, from carbon-crunchers evaluating emissions and environmental impacts, to digital wizards capable of designing the technological backbones to keep projects on track.

These skills don't just respond to demand but need to be nurtured and directed. That is why we don't just need a pipeline, but a plan for construction skills as part of Labour's industrial strategy. As you pointed out, a history of boom and bust has created a structural productivity problem in our industry. We will not break out of that cycle unless we can do things differently, bringing fresh thinking and different talents to bear. The government is the industry's biggest customer and convener of our modernisation agenda. New skill sets are as fundamental to this as government is to our industry.

PATRICIA MOORE
UK managing director
Turner & Townsend
London

As a resident of Sheffield I find it hard to feel sympathy for Leeds (''Bagehot, February 8th). Every time something is moved out of London it always seems to go to Leeds or Manchester. The English National Opera and large chunks of the BBC to Manchester, Channel 4 and the UK Infrastructure Bank to Leeds. Meanwhile, Sheffield, Nottingham, Liverpool and Hull get nothing. Up here we see Leeds and Manchester as the Londons of the north. Frankly, given that it's only an hour more on the train to London, I'd rather go to the capital for a visit. London is a great city whereas Leeds and Manchester are just slightly uglier versions of Sheffield.

It's about time that people in Whitehall, and *Economist* journalists, stop thinking that Leeds and Manchester constitute "the norf" and realise there are other places in far more need of investment than these two successful cities.

MATTHEW LEESE
Sheffield

Closer than you think

The Graphic detail on which countries provide the most support to Ukraine (February 18th) portrayed Japan as an anomaly for offering proportionally more support to Ukraine than France, Italy, or Spain, despite being farther from Moscow. However, the northern Japanese prefecture of Hokkaido is only about 25km (15 miles) from the Russian-controlled Kuril Islands, which are the subject of a territorial dispute with Japan.

J. KRISTOFFER HOLMÉN
Stockholm



Some imaginative editing

Contrary to the suggestion in "Puffed out" (February 8th), some book blurbs are indeed culled from impartial reviews. Your own review of a popular self-help book once described it as "mildly inspirational, if vague" ("Character-driven", June 4th 2016). Only the word "inspirational" made it to the dust jacket.

JEAN-MAXIME RIVIÈRE
Berlin

My two cents

The baseline econometrics of Washington can, at times, be neo-Muskian, that is, somewhat spacey. Take the decision to stop producing the penny coin because it costs 3.7 cents to make (The world this week, February 15th). The production cost has little to do with the utility value of the penny, which passes hands thousands of times over decades. The present value of such financial insight may be penny-wise, pound-foolish. Indeed, a penny for Elon Musk's thoughts may be a high-risk investment.

JIM BLAINE
Wilton, North Carolina

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By Invitation

- Camille Grand on why Ukraine's future turns on security guarantees
- It's time to treat sexual violence in war as torture, writes a UN rapporteur

By Invitation | European security

Camille Grand on why Ukraine's future turns on security guarantees

A 20,000-strong European force would be a lot more potent with an American backstop, says the former NATO official

March 5th 2025



THE NOTION of security guarantees has become critical to efforts to secure a sustainable peace in Ukraine. The country demands robust guarantees and —short of fast-track NATO membership, which is no longer on the table—could settle for a strong Western military presence on its soil. The Trump administration has made clear there will be no "US boots on the ground", strongly suggesting a European force instead. Europeans have indicated a readiness to provide such assurances but insist on some form of American backstop to deter Russia from testing the force—an option not endorsed by Donald Trump. In addition, Europe is asking America to keep forces on NATO's eastern flank, should troops be moved to Ukraine, and for NATO to provide

command and control. Russia, for its part, has signalled hostility to any Western or NATO presence in Ukraine but could live with UN-type peacekeepers monitoring the ceasefire. How to reconcile these positions?

Clearly there are many difficult issues, from territorial control and elections to war reparations and the future of sanctions. But it is security guarantees that increasingly look like the key that could unlock negotiations. Without such guarantees, Ukraine will be extremely reluctant to agree to any ceasefire or "peace deal". As the likely sole providers of such guarantees, the Europeans have regained some leverage in the process. They maintain that European security starts in Ukraine and are therefore more inclined than America to deploy troops to stabilise the conflict and help Ukraine avoid post-war instability.

Those countries ready to give such assurances, including combat troops, legitimately expect to influence a "peace" that should be fair and sustainable. Those providing troops can also hope to benefit from a degree of reassurance from allies that are not directly involved, including America, should Vladimir Putin decide to test the guarantees or threaten those providing them.

In the short term, such a deployment will have a negative impact on NATO's defence posture by mobilising significant resources, and therefore on allies' efforts to strengthen defence plans. It will, however, improve European security. As part of any negotiation, Russia can be informed about the nature of the security guarantees but should not be allowed a veto over their design or implementation. Its reluctance or willingness to accept such guarantees will be a test of its good faith in the negotiations.

Regarding the practicalities of a presence in Ukraine, the European debate is rightly moving away from the misleading term of "peacekeepers", or the concept of a small "tripwire" force, to the idea of a more capable "reassurance" force—possibly in addition to peacekeepers or observers provided by others. The point of this larger force would be to prevent a resumption of fighting by significantly raising the costs and risks of restarting the war for Russia. An American or NATO backstop mechanism could enhance the credibility and deterrent effect of such a force, and encourage more European countries to participate.

According to planners in London and Paris, a well-equipped land presence with armour and air defences, bringing together 15,000-20,000 European soldiers—operating alongside a Ukrainian army not limited in size or capabilities, as Russia demands—could be sufficient for the task. Moreover, it would not need to be deployed near the front line. This would represent a big commitment on the part of Europe as such missions typically require three times the number of troops who are deployed at any given time: one unit deployed, one returning and one preparing to deploy.

The force would need air cover capable of enforcing a no-fly-zone over Ukrainian-held territory. Provided from outside Ukraine, this support would be as important as the land force to the success of the mission. Naval assets could also contribute from the Black Sea. The rules of engagement for these forces should be clear: they must be allowed to use force should they be tested or if Russia breaks the ceasefire.

Arguably the most complicated issue is the command-and-control arrangements for the force. The size and complexity of the operation point to using NATO headquarters rather than the more limited command-and-control capabilities of the EU or individual participating countries. The most efficient approach would be a NATO operation that did not have to involve all members —as happened in Libya in 2011—but benefited from the alliance's full command-and-control, intelligence and logistical support.

Another option would be an EU operation under the quarter-century-old "Berlin+" arrangement between the bloc and NATO, similar to Operation Althea, in the military deployment to Bosnia-Herzegovina since 2004. In this construct, the NATO command structure supports the operation, a European flag officer at the Supreme Headquarters Allied Powers Europe serves as commanding officer in charge, and the EU wields political oversight.

A third option is a makeshift command arrangement supporting a coalition of the willing. This may be easier to achieve politically but there are several drawbacks that make the operation more demanding and dangerous: for instance, access to intelligence and command-and-control assets would be more ad hoc, and possibly more constrained. And NATO could still get dragged into a conflict if Russia were to target the forces or territory of participating states.

Whatever model is chosen, there will be political headwinds. America remains reluctant to provide a backstop through NATO and fears being dragged into a conflict. Its possible unwillingness to provide critical intelligence to Ukraine and the European reassurance force after the conflict ends—ominously, it said this week that it would pause intelligence-sharing with Ukraine—creates added uncertainty and vulnerabilities. Russia has yet to accept a substantial Western presence in Ukraine that could limit its ability to turn the screw on its neighbour. Many Europeans are hesitant to take the wheel with America in the back seat, or not even in the vehicle. The Ukrainians themselves know that securing such a force would probably mean having to make concessions on others fronts.

It is, however, the ultimate test of the goodwill of all parties. Does America want a sustainable peace or just a quick, fragile fix on Russian terms? Can Russia accept a force that would hamper its ability to resume combat? Do Europeans mean it when they say that their continent's security starts in Ukraine and that they stand ready to do the heavy lifting? Is Ukraine really ready to stop fighting if properly reassured? The security-guarantees debate is calling everyone's bluff. ■

Camille Grand was an assistant secretary-general of NATO from 2016 to 2022. He is a Distinguished Policy Fellow at the European Council on Foreign Relations.

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By Invitation | War’s other victims

It’s time to treat sexual violence in war as torture, writes a UN rapporteur

Alice Edwards argues that such crimes are increasingly part of military strategy

March 3rd 2025



THE SOLDIERS left muddy tracks throughout the house—physical traces of the violence they unleashed that day. The boot prints led all the way to the pool of blood around the woman’s body. Her dress had been hauled around her waist, her underwear torn and discarded in the corner. From her badly beaten eyes, she could see her two young children cowering in a corner, the older boy shielding his little sister’s eyes from the horror they had witnessed.

This crime, perpetrated by fighters loyal to the Serbian warlord Arkan in Kosovo in 1998, was one of the first cases of sexual violence in conflict that

I documented as a young international lawyer. It has long haunted me. Now, nearly three decades on, extreme sexual violence remains alarmingly prevalent as a weapon of war. In the past year my office has received allegations of rape and other forms of graphic sexualised aggression from no fewer than 27 countries that are at war or have recently experienced fighting.

These include well-reported events like the October 7th attacks by Hamas, which included sexual assaults on Israeli women and girls. Female Israeli hostages who have been released have reported to me incidents of forced nudity, sexual touching and other intimidating behaviour of a sexual nature. Separately, I am pursuing serious allegations of sexual crimes against Palestinians held in Israeli custody, including the alleged sodomisation of a male detainee by soldiers. It is likely that many of the violations during the Israel-Hamas conflict, on all sides, have yet to be disclosed.

In Syria, prisoners liberated recently from Bashar al-Assad's jails have told of commonplace rapes and other sexual assaults. These crimes will be reviewed in the forthcoming proceedings before the International Court of Justice. I have reported extensively on sexual crimes against Ukrainian prisoners of war and civilians, which appear to be central to Russia's campaign of systemic torture. Sexual torture is also widespread in less prominent wars, including in the Democratic Republic of Congo, Myanmar and Sudan. Even UN peacekeepers have been accused of rape.

Sexual violence during war is a profound abuse of power. And it would be wrong to assume that it affects only women. Both women and men are being subjected to various forms of sexual torture, including the electrocution or mutilation of genitals, sexualised beatings and gruesome assaults that may lead to the loss of reproductive or penile function. I have interviewed many male survivors, including soldiers, who struggle to hold back tears as they recount their ordeals.

Viewing these heinous acts through the lens of torture dismantles the simplistic view that sexual violence is about sex. Make no mistake: it is about control, power and dehumanisation.

A fundamental rethink of how we address sexual violence in wartime and other security crises is urgently needed. This should involve reclassifying

such violence as torture. This is not a stretch legally: most cases involve severe pain or suffering, and they are perpetrated deliberately.

This could be achieved relatively simply by charging sexual offences under existing torture laws, in both domestic and international courts. A growing number of states have explicitly included sexual forms of torture within the crime of torture.

This would facilitate prosecutions. The global prohibition on torture is binding on all states: it is a “peremptory norm”, a fundamental principle of international law that must be applied everywhere. This does not apply to all cases of rape. Torture investigations are never time-barred. No one can claim amnesty or immunity. The guilty cannot hide behind the defence that they were just following orders.

The advantages could be immediate and far-reaching. Sexual offences are notoriously difficult to prosecute, often because of conflicting testimony about consent. Questions such as these are not relevant to torture. Consent is not a criterion for the crime of torture and so is not a factor in any prosecution.

This change of approach could lift the intense burden of shame that often accompanies being a victim of rape or assault. By considering victims of sexual violence as survivors of torture, shame will shift to those who should carry it—the perpetrators. There is no shame in surviving torture. Victims and their families reiterate this to me even when torture involves sexual acts. They experience an acceptance that often eludes survivors of rape and other crimes labelled as sexual violence.

Indeed, torture survivors have historically been viewed as heroes who have overcome adversity, and communities tend to rally around their recovery and rehabilitation. It is time the same recognition was afforded to victims of sexual violence in conflict, who are often stigmatised.

The benefits of reclassifying such crimes will be dampened, however, if courts are unable to keep up. New cases of sexual aggression are occurring at such high rates that even in countries where there is a willingness to

prosecute these crimes, judicial systems are struggling to handle the caseload.

There are some signs of hope. Recently, a civil court in America ordered a defence contractor to pay $42m to three Iraqi plaintiffs who had been subjected to sexualised torture. In 2022 a German court held two Syrian former security officials accountable for crimes against humanity, including sexual torture. Around 100 similar “universal jurisdiction” cases—which allow serious crimes against international law perpetrated in one country to be prosecuted in another—have been opened around the world.

Reclassifying and prosecuting sexual violence as torture is desirable, legally feasible—and urgent. Doing so would put soldiers and their superiors on notice that when they rape or assault they become torturers. If the current approach continues, such violence will continue to add greatly to the misery of war, destroying lives, fracturing communities and making peace ever more elusive. ■

Alice Edwards is the United Nations Special Rapporteur on Torture.

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Briefing

- Syria has got rid of Bashar al-Assad, but not sectarian tensions
- Syria’s economy, still strangled by sanctions, is on its knees

Briefing | New regime, old problems

Syria has got rid of Bashar al-Assad, but not sectarian tensions

Its new rulers seem torn between reassuring minorities and appeasing their jihadist base

March 6th 2025



Another day, another shootout. On February 26th security forces in Latakia, Syria's biggest port, killed four people including an army officer from the recently overthrown regime who was supposed to be protected by an amnesty. A day later in Qardaha, the ancestral home of Bashar al-Assad, the deposed president, locals attacked a police station after the authorities set up a checkpoint and shot a protester. That evening fighting broke out in three coastal cities after supporters of the new, Sunni Islamist government rode through neighbourhoods dominated by Mr Assad's Alawite sect, an offshoot of Shiism, brandishing machetes and al-Qaeda flags. Two days later gun

battles erupted in Jaramana, a suburb of Damascus, after government forces tried to dismantle barricades erected by local Druze, another minority sect.

Ahmed al-Sharaa, Syria's new leader, has promised to unveil a new government that might help to unite the country after 14 years of civil war and more than 50 years of dictatorship. But the date set for the unveiling came and went on March 1st without any announcement. As *The Economist* went to press, the all-male, all-Sunni government of loyalists Mr Sharaa brought with him from his stronghold in the province of Idlib remained in office. The self-declared president, a supposedly reformed jihadist, appears to be wrestling with the dilemma of whether to appease his Islamist followers by tightening his grip or to share power with Syria's many sects and ethnicities. So far he has been neither assertive enough to maintain order nor inclusive enough to reassure minorities and the international community.

- Lifting sanctions on Syria seems mad, until you consider the alternative
- Syria's economy, still strangled by sanctions, is on its knees

Under Mr Assad Syria sank from middle-income status to abject poverty. Women saw branches off trees for heating. Children scavenge in dumpsters for food. Men pull copper wire from buildings and telecoms cables to sell. The government is broke and banks are running out of cash. "The economy is tanking," says one of Mr Sharaa's advisers.

The urge to purge

Mr Sharaa's circle say they have learned the lessons of the toppling of Saddam Hussein's regime in neighbouring Iraq in 2003. Mercifully, Syria has so far escaped the looting that followed Hussein's fall. But Mr Sharaa seems to be mimicking America's gutting of the Iraqi state, which contributed to rampant disorder. He has dissolved the army and the security services, abolished all political parties, including the ruling Baath, and purged the civil service. Most Alawite city councillors in Damascus have lost their jobs, but not those from other sects. By some estimates, almost half the old regime's 1.3m government workers have been dismissed. The rebels-turned-rulers have also turfed many former officials' families out of their homes.

Like the old regime, the new one has a weakness for nepotism and prioritises loyalty over merit. Mr Sharaa has made his older brother, Maher, the health minister, and assigned him a former general's five-storey home in Damascus's swanky West Mezzeh district. He is said to have appointed another brother, Hazem, who previously ran a Pepsi bottling franchise, to head the investment authority. A brother-in-law is the new governor of Damascus.

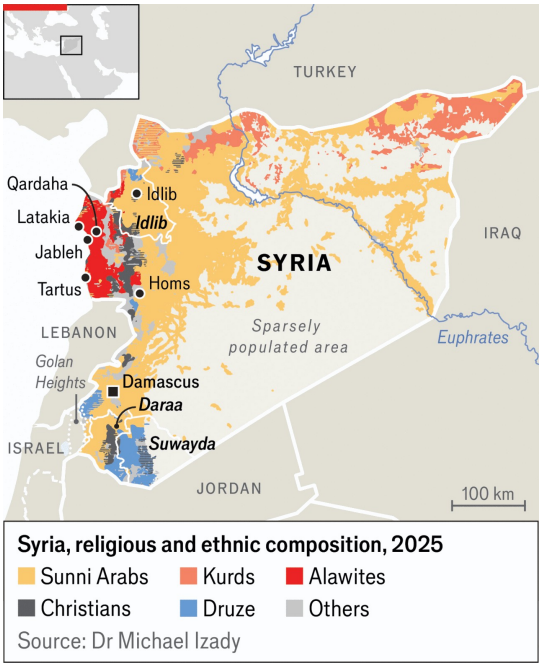
Many functionaries from Idlib, the province Mr Sharaa previously ran as head of an Islamist militia, Hayat Tahrir al-Sham (HTS), have been shoehorned into senior jobs, from Damascus's new chief of police to the head of the department of antiquities. The new manager of all Syria's industrial zones previously ran a tiny one in Idlib. The new dean of political science at Damascus University used to be dean of Idlib University. Typically the new arrivals sport flashy watches, pencil-thin ties and lots of hair gel—like Mr Sharaa himself.

Good riddance

Some changing of the guard was inevitable. The old regime was notoriously sadistic and corrupt. Many of the millions whom it first dispossessed and then blitzed with barrel bombs in the rebel-held cities to which they fled desire some form of retribution. Even more assume the fall of the regime will bring an end to penury, unemployment and homelessness. Many observers warn of a backlash if Mr Sharaa ignores their plight. Some already accuse him of selling out.

But the overnight Idlibisation of Syria has left many others aghast. The newcomers have removed relatively liberal imams at some Damascene mosques and replaced them with ones espousing the doctrinaire version of Islam practised in the province during Mr Sharaa's decade-long rule. "Alawite?" ask bearded militiamen at checkpoints. In Tartus, a relaxed coastal city, the new head of the education department has segregated girls from boys in primary schools. Many, though not all, pubs in Damascus have closed for the fasting month of Ramadan. A long-ignored prohibition on consuming alcohol near mosques and schools has been revived, says a

bartender in the capital's cobbled old town. She fears her workplace will never reopen.



Mr Sharaa's management style is more suited to an embattled militia than a government. He has an aversion to delegation, but his inner circle is overstretched. One reason why Qatar has not transferred promised aid, says an insider, is because Asaad al-Shaibani, the foreign minister, is too busy to answer Qatari officials' calls.

Israel also looms. Binyamin Netanyahu, its prime minister, has sent tanks into the UN-patrolled no-man's-land that used to separate Israeli and Syrian forces and advanced to within 25km of Damascus. His warplanes bomb Syria's remaining stockpiles of weapons to defang Mr Sharaa's regime. After the fighting in Jaramana Mr Netanyahu said Israel was ready to protect Syria's minorities.

Resistance to Mr Sharaa appears to be growing. The Kurdish militia that runs three provinces in the north-east does not accept his rule. Tribesmen in Daraa province, Druze in Suwayda and Alawites in the coastal areas have all resisted the deployment of Mr Sharaa's henchmen to their regions and have spurned demands to hand over their weapons.

Some Alawites fear that a vengeful rampage by HTS and other Muslim militias has only been postponed, not averted. Some 60,000 have already fled abroad, according to the UN. "A passport doesn't get you far: Ghana, Indonesia, Nigeria are our choices," says the Alawite mother of two young girls in Tartus.

But others, including her father-in-law, a retired four-star general, are more steadfast. Much of the former regime's 150,000-strong professional army has fled to villages in the mountains, he says. Some talk about holding off hostile forces with grenade-launchers. Of late, several Alawite councils have surfaced on the coast, purporting to champion self-rule. "The failure to reconcile with Alawites will be Sharaa's biggest mistake," says Jalal al-Mesady, a would-be mediator. "It will explode."

Syria may yet avoid that. Many hope the country is too exhausted by the long civil war to start fighting again. No one, Alawites included, wants the old regime back. Nor do many welcome the prospect of the country disintegrating into ethnic and religious cantons. Most Alawite officers abetted the toppling of the regime by standing aside as Mr Sharaa's fighters advanced. Like other Syrians they have welcomed Mr Sharaa's abolition of the draft and an end to soldiers demanding bribes from people passing checkpoints.

Many Syrians remain determined to make the new order work. Although a football coach in Homs barred Alawites from playing, the town of Jableh proudly parades its non-sectarian team. Former regime commanders who have met Mr Sharaa profess to respect him. "He's the only one who can spare us from the wolves," says a former Assad loyalist. It is possible to imagine concessions that might win over other groups, too, such as senior military posts for Druze militiamen or some sort of nod to federalism to placate the Kurds.

On some issues, Mr Sharaa shows surprising flexibility. The same bottle blondes who did so under Mr Assad are still reading the evening news on state television. Although he appointed a sharia-court judge as justice minister, he has held back from applying Islamic law. The old regime's judges—male and female, Muslim and non-Muslim, veiled and unveiled—still uphold its laws. Damascus's criminal court has even retained its unisex

loos. A hedonist in Latakia claims to have spied the province's new security chief frolicking in his favourite nightclub. The nature of the new Syria is yet to be determined. ■

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Briefing | Liberty, poverty, asphyxiation

Syria's economy, still strangled by sanctions, is on its knees

It will not improve until they are lifted

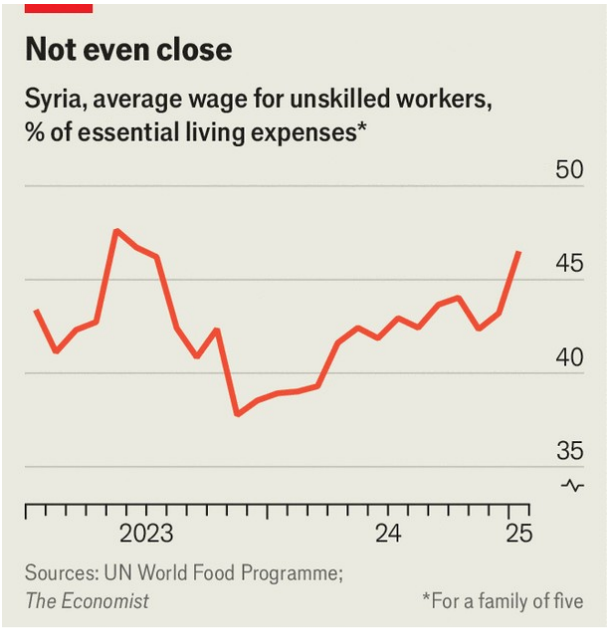
March 6th 2025



IN A SNAKING line to use some cashpoint machines in central Damascus, patience has worn thin. Two men who have been queuing for hours in the winter chill for the chance to withdraw a maximum of $30 come to blows. "I haven't had cash to feed my boys for two days," shouts one. Three months after Syria's 14-year-old civil war ended, and as the holy month of Ramadan begins, euphoria is being replaced by anger at the continuing atrophying of the economy and at the apparent inability of the new government to reverse it.

During the war Syria's economy shrank by 85%. Exports slumped from $18bn a year before the war to $1.8bn in 2021. Foreign-exchange reserves

hit $18.5bn in 2010, but only $200m remain—not enough to cover a month of imports. The Syrian lira has plunged from 50 to the dollar to almost 11,000. Typical wages are not nearly enough to cover even basic living expenses (see chart). More than 90% of Syrians live below the poverty line.



The Economist

The main cause of this misery is the war, which devastated the country's industry and infrastructure, and killed and displaced many of its people. But the web of Western sanctions imposed on Syria to punish its dictator, Bashar al-Assad, for his grotesque abuses of human rights contributed to the collapse. And whereas the war is now over and Mr Assad overthrown, the sanctions are still in place.

The sanctions take several forms. Some target vital industries, such as energy, banking and telecommunications, as well as critical institutions, including the central bank. Another batch outlaws the provision of "material support" to Hayat Tahrir al-Sham (HTS), the former rebel group that now runs Syria's interim government.

- Syria has got rid of Bashar al-Assad, but not sectarian tensions
- Lifting sanctions on Syria seems mad, until you consider the alternative

America's unilateral sanctions are the most severe. They bar all dealings between American and Syrian entities, as well as all use of the dollar in transactions involving Syria. It is not just Americans who are constrained: foreign firms and individuals also face severe penalties in America if they do business with Syria back home. These "secondary" sanctions make it virtually impossible, for instance, for any big foreign bank to facilitate payments to Syria.

Although there is in theory an exemption for humanitarian aid, financial institutions are worried about how they would prove that payments are eligible. By the same token, though some American sanctions were suspended in January for six months, others remain in place. The EU, too, has suspended some but not all of its restrictions on trade and investment. Most financiers have no wish to navigate such a complicated and potentially risky system.

Lifelines severed

The Assad regime survived this suffocating embargo for so long for two reasons. First, it befriended other pariahs, including Iran and Russia, which helped prop it up, not only militarily but also economically. Second, it turned Syria into a narco-state. By the early 2020s it had become the world's biggest producer of captagon, an amphetamine-like narcotic, which brought in perhaps $6bn a year. Most of this income stayed abroad and was used to pay for the regime's imports.

Neither of these survival mechanisms is still functioning. Syria's new leader, Ahmed al-Sharaa, is keen to be seen as legitimate. He has cracked down on captagon production. He also is no friend to Iran and Russia, whose forces pummelled HTS during the civil war.

Instead, Mr Sharaa has tried to liberalise the economy, in the hope of stimulating growth. He has simplified customs fees and lifted a ban on foreign currency. He is also radically reforming the bureaucracy, sacking lots of civil servants and promising to raise sharply the salaries of those who remain. He hopes to attract foreign investment to resuscitate Syria's energy

industry and rebuild its infrastructure. But without relief from sanctions, all these efforts will be in vain.

The queues at Damascus's cash machines are an indication of how sick the economy is and how harmful sanctions are. Syria is suffering from a severe shortage of banknotes. In an economy that runs overwhelmingly on cash, that is akin to cardiac arrest. Companies cannot pay wages. Families cannot buy basic goods. Cars imported to Syria after Mr Assad fell are gathering dust, a trader notes, since no one is able to pull together enough cash to pay for them. Both firms and individuals may have money in their bank accounts, but the banks do not have enough notes to pay it out. Instead, the central bank has instructed them to limit withdrawals.

The shortage of cash is so severe that the value of Syria's pound is rising against the dollar, despite all Syria's economic woes. The prices of everyday goods are falling, partly because importing them is now easier but perhaps also because there is ever less cash with which to buy them. The government has not provided any clear explanation of what is happening. Some suspect that allowing Syrians to own foreign currency, and the proliferation of money-changing operations that followed, has sucked lots of cash out of the banking system. Others point to the suspension of most electronic transfers as prompting greater recourse to cash.

Press call

The obvious solution would be for the central bank to release more banknotes. Syria used to have its money printed in Austria, before sanctions forced it to turn to Russia. In February Syria received a planeload of currency under an Assad-era contract. Russia could presumably print more, but Russia and the new regime are not on good terms. Western firms, meanwhile, would be worried about breaching sanctions. The cash drought may last some time.

Anyway, the government may be unable to pay to have more money printed, since it is broke. Even before the 400% pay-rise Mr Sharaa has promised civil servants, public-sector wages already accounted for around a third of state expenditure. As it is, the government is in arrears on wages and

pensions, even before higher payments begin. Efforts to weed out phantom workers and claimants are unlikely to yield big enough savings to solve the problem. The new regime has also cut subsidies for bread, raising the price of the main staple eight-fold and further impoverishing ordinary Syrians.



Breaking the fast, but still stuck in the rubble

Electricity is another problem. The power is on in most neighbourhoods for only an hour or two a day. Syria's generating capacity has dropped from nine gigawatts in 2010 to less than two today. The power plants that are still functioning run on natural gas, which Syria produces, but not in sufficient quantities. Its output has fallen to 2bn-3bn cubic metres a year, around a third of the level of 2010 and half of what it needs to keep the remaining power plants running at full tilt.

It is not clear the government can pay for foreign gas, or alternatives such as oil or electricity imported directly from neighbouring Jordan or Turkey. Iran used to provide Syria with 70,000 barrels a day (b/d) of oil—half of its needs. That tap has been turned off. When the new government issued a public tender for roughly two months' supply in January it got no offers. Prospective bidders worried both about complying with sanctions and about the government's creditworthiness.

Syria used to produce enough oil both for its own needs and for lucrative exports. Oil revenue used to account for 30% of the state budget. But output has collapsed from 400,000 b/d before the war to perhaps 50,000 now. Many of the wells still in operation are in the north-east, in areas controlled by a Kurdish militia. John Bell of Gulfsands, a Western firm which produced 24,000 b/d in Syria when the war erupted, says that, with enough foreign investment and expertise, output could rebound to 150,000 b/d in a year and 500,000 b/d in four years. But sanctions are preventing foreign firms from returning.

Fuel shortages further hobble the economy. Agricultural exports used to be Syria's second-biggest earner of hard currency, after oil. Government wheat stores were enough to feed the country for two years. Syrian lamb, cotton and cumin were prized. Irrigation has largely stopped, however, for lack of fuel. The manufacture of fertiliser has also plunged, along with output of natural gas, the main ingredient. Harvests have withered.

A surge in humanitarian aid would provide a reprieve from these problems. Yet sanctions make that difficult, too. In late February Qatar said it was thinking of transferring $120m a month to the central bank, but has so far held back for fear of breaking the rules. Saudi help, also mooted, has likewise failed to materialise.

In the long run, Syria needs vast foreign investment for reconstruction. Perhaps a third of homes, roughly half of schools and hospitals have been destroyed or damaged. The government hopes the diaspora will pour money into the country. Turkish firms are eyeing up contracts. Yet a big influx of capital from abroad is impossible while the sanctions remain in place. Syria is a low priority for America's new administration. It is not clear what Mr Sharaa can do to get its attention. ■

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United States

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United States | The headless opposition

Democrats are struggling to respond to Trump

First, the party must work out what it stands for

March 6th 2025



EVERY DAY, President Donald Trump gives fresh reasons for Democrats to rue their election loss in 2024. The failures of Joe Biden and Kamala Harris mean that everything they professed to care about—the transatlantic alliance, the state's capacity to improve society, the rule of law—is being unwound. Democrats spent years declaiming that a second Trump presidency would be catastrophic, an existential threat to American democracy. And yet more Americans preferred him to the alternative the Democratic Party set before them. Understanding how it all went so wrong would seem to be a priority.

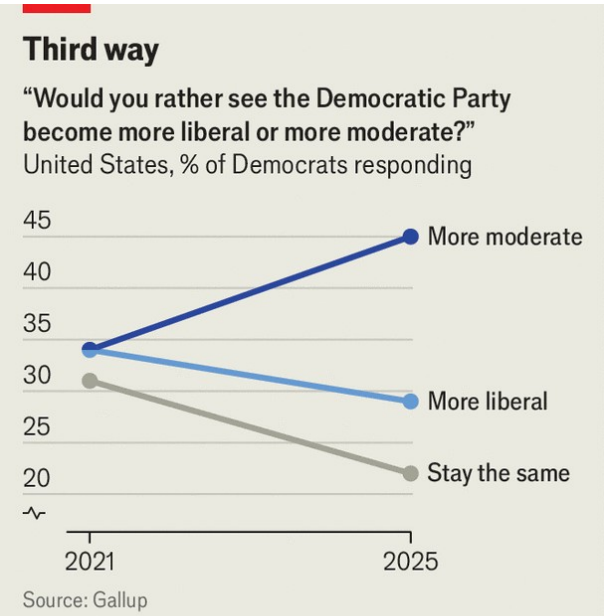
You would think. But watching the succession proceedings at the Democratic National Committee a few weeks ago did not inspire much

confidence. In his farewell address, Jaime Harrison, the outgoing chairman, proudly recounted a story about an encounter with donors who had expressed doubts about Ms Harris. “In all due respect, you are not worthy to even tie her shoes,” he told them. He continued fawning: “We should be thanking her every single day for all the hard work and effort she put in to fight for our democracy.” The next day, his successor, Ken Martin, took the reins of the party apparatus by demonstrating similar incapacity for introspection. “Anyone saying we need to start over with a new message is wrong,” Mr Martin had told the Democratic mandarins who elected him. “We got the right message.”

Others think that the party’s problems run deeper. “Anyone who just says, ‘The message is fine, we just didn’t get it out there,’ is very naïve about the problem,” says Seth Moulton, a Democratic congressman from Massachusetts. “It’s just an excuse for doing nothing and maintaining the status quo. Good luck with that. We’ll keep losing.” Increasing educational polarisation has realigned American politics—and not in the Democrats’ favour. While Ms Harris improved her margins among white, college-educated voters, she lost ground among almost every other important group: women (slipping five percentage points compared with 2020), those without college degrees (-8 points), Hispanics (-15 points), African-Americans (-16 points), the young (-20 points). Democrats once dreamed that demographic change would guarantee political dominance; instead it could be a nightmare.

After any major loss, political parties often go through a warring-factions period. After Mr Trump’s first victory, a massive resistance movement benefited the party’s progressives. They achieved their apotheosis in 2020, when presidential hopefuls tripped over themselves to propose new trillion-dollar spending packages, while ideas about systemic racism and white privilege became voguish. This time round, though, the moderates are ascendant, arguing that the party veered too far left and turned off the non-white and working-class voters that were the party’s traditional power base. “We’ve turned into what I call the ‘shame on you’ party: You can’t drive that car, you can’t eat that food, you can’t use that word, you can’t work in that industry,” says Adam Frisch of Welcome PAC, a group that aims to elect moderate Democrats in difficult districts.

There are subtle signs that the balance is shifting. Based on their lack of protest, elected Democrats seem to have tacitly accepted that they lost the culture wars over immigration policy, over trans issues and over diversity, equity and inclusion (DEI). But there is general unwillingness to repudiate these prior stances. "We're afraid of difficult conversations, and we're afraid to go against the extremist positions of many of the interest groups," says Mr Moulton, who provoked a protest rally in his home district for breaking with his party and arguing that trans girls should not compete in girls' sports. Some progressives also worry that identity politics went too far. Faiz Shakir, the presidential campaign manager for Bernie Sanders in 2020, says the party has successfully presented itself as "multiethnic…but not working class: a party that's much more concerned about diversity and equity inclusion efforts" than economic justice. Interest groups advancing abortion rights, anti-racism, environmentalism and immigrant rights have been quieter in the face of such criticism, but they still retain considerable influence over Democratic politicians and, perhaps even more importantly, their staffs.



The Economist

In American politics, spells in the wilderness run at least two years—until the midterm elections. When a party's representatives are in the minority it is difficult for them to demonstrate resistance without emphasising impotence. James Carville, a provocative Democratic strategist, has

counselled the party to "play dead" and let the chaotic experience of Trump-led governance play out for itself. Some would say that Mr Carville's advice is already being heeded. Hakeem Jeffries, the Democratic minority leader in the House, has said "We're not going to swing at every pitch." In fact, Mr Jeffries has spent some of his time on a book tour promoting his illustrated book for children, "The ABCs of Democracy", and hosting a roundtable of social-justice groups in defence of DEI.

In defence of Mr Jeffries (and his Senate counterpart Chuck Schumer), the job of congressional leadership is to whip caucuses, fundraise and recruit promising candidates—it is not to set the intellectual direction for the party or even to excel at media appearances. There is some wisdom to Mr Carville's advice on imitating possums. Political scientists describe public opinion as thermostatic—going cold when politicians go hot (and vice versa, ad infinitum). That suggests that, unless the party completely implodes, they will have a strong showing in the midterm elections in 2026. But until a presidential candidate is chosen for the next election, what the party stands for will remain contested.

Outside of the *ancien régime*, there are already efforts to generate fresh ideas. "We have to go on offense by contrasting the chaos and corruption of this administration with cost of living for Americans, which is going to go up under his tenure," says Jake Auchincloss, another Democratic congressman from Massachusetts. He argues that rather than offering voters light populism on cultural issues—"Diet Coke" when the richer version is already at hand—"our economic telos as a party should be treating cost disease, particularly in housing and health care".

Groupsthink

And if anything, resistance is livelier outside Washington. State attorneys-general in Democratic states were better prepared for Mr Trump's return to power and have nimbly reacted to even his more unpredictable actions, such as letting Elon Musk rampage through the federal bureaucracy. The American Civil Liberties Union (ACLU) has worked with blue cities and states to set up "firewalls for freedom" that hinder the federal government's efforts to restrict abortion or enact deportations. The resistance "doesn't look the

same as last time" because there are fewer rallies but "in fact, it's actually more strategic and more impactful," says Deirdre Schifeling of the ACLU which has sued the administration 14 times already.

Progressives are also slowly reckoning with the refutation of their theory that identity politics and expansive state spending would galvanise America's proletariat. In fact, the dispossessed were repelled. Sorting out how to get them back is the essential task of the party. It will have a few years to ponder how to do it. ■

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United States | Rebuilding Cuomolot

Andrew Cuomo plots a comeback in New York

Polls suggest the city still loves a rogue

March 3rd 2025



Political disgrace isn't as constraining as it used to be. Andrew Cuomo, whose public career was thought to be dead just three years ago, is back in the spotlight as a candidate for mayor of New York City—and he is topping polls. Mr Cuomo resigned as governor of New York state in August 2021 amid multiple sexual-harassment allegations (which he denied). On March 1st he announced his comeback.

Mr Cuomo says New York City is in "crisis" and needs rescuing. The incumbent mayor, Eric Adams, was snared in a scandal over favour trading that ended with a humiliating intervention by President Donald Trump. Mr Adams's slow-burn political downfall has certainly been disruptive. But the next mayor (almost certainly not Mr Adams, although he may run for re-

election) will inherit a city that is doing passably just five years after covid-19 devastated its population and economy.

Despite a number of shocking assaults on subway riders, crime is declining; in 2024 murders hit a five-year low. (Other big cities, such as Los Angeles, Philadelphia, Detroit and Baltimore, also reported drops in homicides last year.) Shootings fell for a third straight year. Crime is down in public-housing developments and even in the transit system, in part because of the deployment of police on subways.

Tourists are back; in 2024 nearly 65m visitors arrived, the second-highest number in city history. Broadway is nearing pre-pandemic attendance. Young people still find New York exciting. Nearly 500,000 recent university graduates have moved to the Big Apple since 2021, according to the city's economic-development corporation. Employment and labour-force participation are at all-time highs.

Remote work has hit New York's commercial-property sector hard, although the picture has eased a little recently as companies demand that more workers come into the office more often. Top-line office buildings are recovering occupancy, but many others are struggling. Renovation and rezoning of office space in Manhattan's central business districts are needed. Affordable housing remains elusive for working and middle-class New Yorkers. Record homelessness, rising evictions and widespread housing insecurity are adding to the anxiety. Mr Cuomo has not yet laid out a clear policy agenda, but his initial rhetoric touches upon real fears among some New Yorkers, who "try not to make eye contact with a mentally ill homeless person", as Mr Cuomo put it. Worried they might get pushed off the platform, many subway users hug the station walls. The fears may be overblown but they reflect a prolonged failure of homelessness, mental-health and policing policies.

Before he entered the race, polls showed Mr Cuomo holding double-digit leads over likely rivals. But his victory in November is not a sure thing. He faces several candidates in June's Democratic primary, which is where New York's mayor will probably be chosen given the current weakness of the Republican Party in the city. The ranked-choice voting system, used in primaries, may be tricky for Mr Cuomo to navigate. A recent poll from

Gotham Polling took the system into account and found Brad Lander, the progressive city comptroller, just beating Mr Cuomo. Candidates with a lot of negatives tend to do poorly in ranked-choice voting—and Mr Cuomo has a lot of negatives.

Besides the sexual-harassment allegations (he has 13 accusers), he has been dinged for abruptly disbanding a state commission investigating public corruption when it reportedly looked at groups close to him. Federal prosecutors brought charges against people involved in Mr Cuomo's pet project, the Buffalo Billion, a plan to boost investment in that city. His administration understated the number of covid-related deaths in state nursing homes. "Did I make mistakes? Some painfully? Definitely, and I believe I learned from them and that I am a better person for it," Mr Cuomo said in a campaign launch video. John Kaehny of Reinvent Albany, a government watchdog, says that Mr Cuomo claiming that he can fix a city undermined by Mr Adams's ethical lapses is akin to an arsonist promising to fight fires.

There is no denying Mr Cuomo has experience. As well as nearly three terms as governor, he served one term as the state's attorney-general and four years as Bill Clinton's housing secretary. He was also enforcer for his late father, Mario, who was New York's governor in the 1980s. Mr Cuomo's swagger could help him manage Mr Trump. The president may dangle federal funding or even take it away, as he has already done; in February the federal government seized from the city's coffers $80.5m of grants earmarked to cover part of the cost of housing migrants.

Mr Cuomo said in his launch message that he has worked with Mr Trump in the past, and wants to co-operate. But "make no mistake," he added, "I will stand up and fight for New York" to ensure the city gets its fair share of funding. New Yorkers tend to prefer mayors who are ambitious and ornery. In this respect the former governor is a clear front-runner. ■

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United States | On Musk's scent

Three principles are at play in the cases concerning DOGE

Though by the time the courts are done, Elon may be too

March 6th 2025



AT A HEARING on February 28th in one of two dozen lawsuits targeting DOGE (Donald Trump's Department of Government Efficiency), Judge Theodore Chuang grew frustrated. A lawyer from the Department of Justice had just repeated the head-scratching claim in the Maryland courtroom that Elon Musk—despite all appearances—was not running DOGE. Mr Musk, the lawyer insisted, is just a "senior adviser to the president". The real head of DOGE, he said, is Amy Gleason, a former healthcare executive who was on holiday in Mexico when, on February 25th, the administration named her to that position.

Mr Trump's address to a joint session of Congress on March 4th rather undermined this argument. DOGE is "headed by Elon Musk", Mr Trump said, as the entrepreneur smiled and bowed. Lawyers pounced, adding the evidence to case dockets an hour after Mr Trump left the rostrum. DOGE has moved fast and broken things, while cases about whether it has done so lawfully grind through the courts. There are lots of them, but they all turn on three arguments.

The first is over the meaning of Article 2, Section 2 of the constitution. The appointments clause mandates that "principal officers" must be nominated by the president and confirmed by the Senate. In Judge Chuang's courtroom, lawyers for 26 USAID employees and contractors argued that Mr Musk has bypassed these requirements while wielding executive authority. His powers include stopping "payment of congressionally approved funds", gaining access to "sensitive and confidential data across government agencies" and dismantling agencies outright. For Norm Eisen, the employees' lawyer, Mr Musk "is acting as a super-cabinet member and has not been confirmed", leaving "no mechanism for accountability".

An administration official, responding to a similar challenge in court in Washington, DC, suggested there is no reason for concern. Presidents commonly rely on advisers who are not officially appointed, he wrote. Mr Musk is just another Anita Dunn, one of Joe Biden's senior advisers. Anne Joseph O'Connell, a law professor at Stanford University, dismisses this comparison. Mr Musk is "running the show", she says, and Ms Dunn "did not have an army of acolytes going into agencies and directing large-scale changes".

On February 18th the judge in the DC case, Judge Tanya Chutkan, declined 14 states' request to restrain Mr Musk's activities. The plaintiffs "have not adequately linked" DOGE's activities to imminent harm, she wrote. But Judge Chutkan suggested that the lawsuit is not dead yet, as it challenges "what appears to be the unchecked authority of an unelected individual and an entity that was not created by Congress and over which it has no oversight". In three similar cases, deliberations continue: Judge Chuang's in Maryland; another in Washington, DC, brought by non-profit organisations; and a slightly bizarre complaint from an elderly Marylander.

The scorecard is beginning to favour the plaintiffs in a second set of lawsuits that invoke two different principles: privacy rights and the obligation of government to keep records. Two judges have issued temporary orders, or longer-lasting preliminary injunctions, on these grounds to shut down some of DOGE's work. On February 21st, Judge Jeannette Vargas agreed with New York and 18 other states that DOGE posed "a realistic danger" of disclosing "confidential financial information". She blocked the Treasury from showing payment records or other data containing "personally identifiable information" to DOGE affiliates until at least March 24th.

Another DOGE loss came on February 24th in Maryland, where Judge Deborah Boardman found that the Department of Education and the Office of Personnel Management illegally granted DOGE affiliates "sweeping access to their sensitive personal information in defiance of the Privacy Act", a law from 1974 that restricts disclosure of personal data without consent. By contrast, on February 21st Judge Rossie Alston in Virginia denied an order to plaintiffs arguing a similar claim. Judge Alston invited the challengers to "take necessary action to protect their rights if, in the future, they experience harm that is more concrete and immediate".

Given the confusion, the Supreme Court will eventually get involved. On March 5th five justices dealt Mr Trump the first loss of his second term when they denied his bid to hold back nearly $2bn in foreign-aid payments. Yet if it turns out that the Supreme Court is inclined to clamp down on DOGE too, by the time it ruled the agencies Mr Musk has targeted may be so efficient they no longer exist. ■

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United States | The freeze-out

DOGE shutters the government's in-house tech consultancy

Political loyalty appears to be more important than tech skills

March 6th 2025



Over the next month or so, many Americans filing their tax returns have a new option. Instead of paying an accountant, or buying third-party software, they can log onto a government website, which will automatically input personal details of their wages earned and tax already withheld from the Internal Revenue Service's data. The tool, called Direct File, is available this year to around 30m taxpayers in 25 states.

The creation of Direct File was in large part the work of 18F, an in-house government tech consultancy. On March 1st Thomas Shedd, a former Tesla engineer who is the new head of the government's larger Technology Transformation Services, in which 18F is embedded, announced its abolition.

Just weeks before, Mr Shedd had said the group's employees represented "the gold standard" of tech in government.

The consultancy was created in 2014 after glitches hobbled the launch of Healthcare.Gov, the website intended to help Americans find health plans under Obamacare. The idea was to create a group of cross-agency tech experts able to modernise IT systems and improve procurement, says Christopher Whitaker, the director of the Alliance of Civic Technologists, a support network. Waldo Jaquith, a former employee, says he and three others once saved $500m in four days while working with the Department of Defence by identifying and cancelling a software project that was already being duplicated elsewhere.

In some ways that makes 18F's work close to what Elon Musk's "Department of Government Efficiency" claims to be doing. Its shut down, former employees say, suggests DOGE's agenda is more about loyalty and ideology than efficiency. The consultancy had long attracted conservative ire. Its logo on X, Mr Musk's social-media network, featured the transgender-rights pink and rainbow flag. On February 3rd Mr Musk claimed to have already "deleted" the group. One month later it is gone.■

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United States | Stop press

Donald Trump deploys new tactics to manage the media

Free-speech groups worry how far he will go

March 6th 2025



“Why don’t you wear a suit?…Do you own a suit?” The first question from the White House press pool to Volodymyr Zelensky, Ukraine’s president, during his visit to the Oval Office on February 28th, came from an outlet unfamiliar to many viewers. News outfits such as Reuters and the Associated Press (AP) had not made it into the meeting. Instead the challenge came from a reporter for Real America’s Voice, a right-wing streaming site.

Two days earlier the White House had announced that the travelling pool of reporters around the president would no longer be selected by the White House Correspondents’ Association, which had organised the rota for a century, but picked by the government. The shuffle in personnel—and the

resulting change in tone of questioning—is the most visible move so far in Donald Trump's approach to managing the news. More changes are likely.

The president is backing up his criticism of media outlets with a barrage of lawsuits. He recently extracted $15m and an apology from ABC News (for saying he was found liable for rape, rather than sexual abuse) and is fighting consumer-fraud cases against CBS News (over edits to a "60 Minutes" interview with Kamala Harris, his opponent last year) and the *Des Moines Register* (for publishing a poll showing him trailing in Iowa, a state he later won).

Such cases seem designed mainly to suck up defendants' time. But news organisations must take them more seriously than in the past. One reason is a more hostile public. At the start of Mr Trump's first term, in 2016, 76% of adults said they had some trust in national news outlets. By last year the figure was 59%, and 40% among Republicans, according to the Pew Research Centre. Libel trials in America are heard by juries. If a plaintiff picks the right county they can expect a sympathetic audience—and judge.

Defendants must also weigh the possibility of retribution from government agencies. Meta, which paid $25m in January to settle a complaint by Mr Trump for being suspended from Facebook, faces an antitrust hearing soon at which far more is at stake. Paramount, CBS's owner, needs permission from the Federal Communications Commission (FCC) for a proposed merger with Skydance Media; some at the company fear problems if it fights the "60 Minutes" case. The FCC, a dowdy bureaucracy that manages broadcast licences, has become an unlikely attack-dog under Mr Trump, probing everything from media firms' diversity policies to a California radio bulletin that may have revealed details of an undercover immigration operation.

Covering the White House, meanwhile, is becoming more difficult. The recent purge of the press pool is not the first time Mr Trump has sought to bar journalists: during his first term the White House withdrew the press pass of Jim Acosta, a CNN reporter (and a "rude, terrible person"), after a row during a press conference. The White House backed down after a judge intervened, but this time it is claiming that attending smaller gatherings in the Oval Office or onboard Air Force One is "a privilege....not a legal right".

The AP, which has been banned from press events for using the name "Gulf of Mexico" alongside the president's preferred "Gulf of America", failed to persuade a judge immediately to restore its access; another hearing is due on March 20th. The next battleground over transparency may be in immigration courts, which do not have the same presumption of access as other federal courts, says Bruce Brown of the Reporters Committee for Freedom of the Press, a free-speech lobby.

Where is the next front? Reporters worry that it will become harder to speak to confidential sources. Joe Biden's government reined in the use of subpoenas against journalists, which Barack Obama had used aggressively to pursue leakers. In 2022 the Department of Justice banned the use of subpoenas to seize reporters' notes or demand their testimony. But there is nothing to stop Mr Trump undoing this. Case law offers little comfort: in 2014 the Supreme Court declined to hear an appeal by James Risen, a *New York Times* reporter who was compelled to testify in a case against an alleged CIA leaker.

The Supreme Court has never had to determine whether journalists could themselves be prosecuted under the Espionage Act. Last year Julian Assange pleaded guilty to breaking it by publishing secrets on WikiLeaks, but the government considered Mr Assange a hacker, not a journalist. Clayton Weimers of Reporters Without Borders, a journalists' organisation, argues that the episode nonetheless opened the door to prosecutions. "They've set a precedent here that these acts, which are exactly what journalists do all the time, are punishable under the Espionage Act."

Even for those who do not see the Assange case as definitive, prosecuting a journalist would be a big step; news outlets would throw everything they have against such a case, says Mr Brown. "It would be existential. But a lot of existential things are happening in the US right now."■

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United States | Right click

The women vying to make conservatism fashionable online

Intellectual dominance is not enough for the MAGA movement. Aesthetic dominance must follow

March 6th 2025



ANYTHING CAN look good with the right lighting. An influencer touches up her makeup while decrying the “radicalism of the left”. In an Instagram video viewed 27m times a young woman shows off her “outfit of the day”: a get-up for church, fashioned to conceal a gun. A 20-something poses in sunglasses with her coffee: iced vanilla latte with raw milk.

While these posts are coloured by Republican sensibilities, at first scroll they resemble something any regular influencer might upload. Beauty, fashion and lifestyle content keep social media algorithms ticking. It is both fun to watch and can be lucrative for the small share of influencers who attract

most of the marketing spend. Many such creators shy away from politics. If anything, it is often those on the right who allege they have been shunned by their peers, passed over for brand deals or had their content suppressed after revealing whom they voted for. Newly empowered by Donald Trump, Republican influencers are wielding style and substance to set the record straight.

"The conservative movement never had correct presentation," says Isabelle Redfield, who co-founded "The Conservateur", an online magazine that angles itself as an alternative to *Vogue*. "They were always marketing to men." Their Instagram posts include glossy guides on "How to Dress Like an It-Girl This Winter" and calls to "Thank a DOGE boy today!". Many of their over 100,000 followers do not follow other political accounts, claims Caroline Downey, its editor. "But there's something about us that is appealing at an instinctual level, and they enjoy honestly, our glamorisation of a lifestyle that we think is objectively good, true and beautiful."

Since Robert F. Kennedy junior's campaign to "Make America Healthy Again" made it to the cabinet, unpasteurised milk—once the prerogative of Californian hippies—has become trendy among conservatives. "Nobody batted an eyelash when, you know, the Gwyneth Paltrows of the world were talking about raw milk," says Alex Clark, a wellness podcaster who promotes the stuff to over 400,000 Instagram followers, of the ensuing outrage.

Fashioning unreconstructed conservative ideas into something aesthetically appealing online has sometimes veered on caricature. In recent years "trad wives"—typically rural and religious stay-at-home mothers who film themselves cooking, cleaning and, on occasion, procuring their own raw milk from cows—have soared in popularity. But that is not the full picture.

Raquel Debono, an influencer based in New York, says she did not fit into such "categories". She began posting on social media to show that "you could be like a normal girl in New York City who would be a normal influencer in every other sense". In between uploading TikToks about it being "a good day to be MAGA", Ms Debono, who is Canadian and said she could not vote in the election, chronicles everything from her outfits to her

dating life. She hosts parties encouraging other young Republicans in the city to “Make America Hot Again”.

At one such event in Manhattan (dress code: “like you’re meeting your future husband or wife—because you might be”), Zoe, an attendee, says she lost friends after voting for Mr Trump but gained new ones here. She lists several influencers and podcasters she follows that “let women like us know that it’s OK to be conservative and to cling on to our values”. Mainstream media is something “we’re all learning is not trustworthy”, says Meredith, another guest. Social media, by contrast, offers access to independent creators with “hot takes or, like, nuanced stories”.

She is not alone. Nearly four in ten American adults under 30 get their news from news influencers, according to the Pew Research Centre. The White House welcomes podcasters and influencers to the briefing room. The president’s own 17-year-old grand-daughter, Kai Trump, has racked up millions of followers making vlogs about playing golf, drinking Starbucks and shopping for a homecoming dress. Her most popular uploads offer access to outdo the most well-sourced correspondent: “Watching a Rocket Launch at SpaceX with Elon Musk!” “My grandpa became the President again.”■

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United States | Lexington

Donald Trump's Washington reaches a new partisan peak

His address to Congress showed that Republicans will follow their leader anywhere, and that Democrats don't have one

March 5th 2025



"The next president of the United States will only be the president of a party," Thomas Jefferson predicted as George Washington, with his singular stature, ceded the office. In the modern era, that cramped vision of the presidency has never been more starkly on display than it was on March 4th, when Donald Trump addressed a joint session of Congress for the first time in his second term. At least within the chamber that evening, he was the president of worshipful Republicans, and the scowling, leaderless Democrats seemed relevant only as his foil, or chew toy.

Mr Trump's own vision for America under him was as grandiose and imperious as ever. "We are going to forge the freest, most advanced, most dynamic and most dominant civilisation ever to exist on the face of this earth," he pledged in closing, having earned at least one superlative by delivering the longest presidential speech to Congress, at about 100 minutes, in recorded history. Yet as he extolled his imposition of tariffs on allies and adversaries alike, declared victory over "wokeness" and "unelected bureaucrats" and renewed pledges to obtain Greenland and the Panama Canal, he held out little hope that political unity would blossom within his civilisation. For their part, Democrats showed no interest in it. They stayed seated or stood with backs turned as Mr Trump made his way into the chamber, shaking Republican hands and air-kissing Republican cheeks.

Anticipating this stony reception, Mr Trump came prepared to beat Democrats over the head with their own silence. "Once again, I look at the Democrats in front of me, and I realise there is absolutely nothing I can say to make them happy or to make them stand or smile or applaud," he said. As Republicans leapt to their feet to clap or chant "USA" and "Trump", Democrats presented themselves less as a coherent opposition than a confused, petulantly partisan one. Some waved little signs saying "False" or "Save Medicaid". Some walked out, wearing shirts that read "Resist" on the back because they just couldn't, unfortunately. One was ejected for trying to shout the president down. Few clapped, and then wanly, even when Mr Trump announced that Pakistan had turned over the terrorist behind an attack that killed 13 American soldiers during the withdrawal from Afghanistan in 2021.

In fairness to Democrats, Mr Trump was baiting them into partisan displays by extravagantly bragging about his election and his achievements already back on the job. He said "it has been stated by many" that his first month in office was the most successful in American history. "You know who number two is?" he asked. "George Washington." He called his Democratic predecessor, Joe Biden, "the worst president in American history". He asserted that Elon Musk and his Department of Government Efficiency had found "hundreds of billions of dollars of fraud", an amount in excess even of Mr Musk's own poorly substantiated claims.

Intensifying Republican support by goading Democrats is a familiar tactic for Mr Trump, and it remains a risky one. Despite his assertions to the contrary, his approval rating is only slightly higher than that of the most unpopular president early in his term since 1953—the 45th one, Donald Trump. Republican leaders have taken to urging their lawmakers to skip town halls, saying the worried constituents who keep turning up are paid activists.

Mr Trump's many boasts during his speech about executive orders backlit his dearth so far of legislative achievements. As during the campaign, Mr Trump repeatedly warned of threats posed by people he said entered America illegally under Mr Biden. While Democrats had said they needed new legislation to secure the border, Mr Trump said, "it turned out that all we really needed was a new president". It was one of his best lines, but later he acknowledged he needed such legislation himself, calling on Congress to supply money for border security. "Americans expect Congress to send me this funding without delay," he said. Democrats in the chamber had not forgotten he ordered Republicans to block such help when Mr Biden wanted it.

It's the economy, as usual

When spending on pandemic relief is excluded, Mr Trump still added more to the national debt in his first term than Mr Biden did. But he told Congress he would balance the budget while delivering "tax cuts for everybody", raising expectations Republicans would struggle to meet even with more than a paper-thin House majority and without a united opposition. Polling suggests most Americans are already anxious about his economic stewardship. Having promised as a candidate to lower inflation on his first day in office, he has talked less about high prices lately. Before Congress, he complained he had inherited "an inflation nightmare", but he cannot hope to avoid responsibility for long, particularly if his gamble on tariffs does not, as he promised, succeed in "protecting the soul" of America and making it "rich again". Despite the display of Republican unity, some party leaders are antsy about tariffs' consequences for prices. "There'll be a little disturbance," Mr Trump acknowledged, a rare admission tariffs could have any downside. "But we're OK with that. It won't be much."

Delivering the Democratic response, Elissa Slotkin, a new senator from Michigan and former CIA officer, executed a thankless task effectively, particularly given the Democrats' muddle. She spoke of proudly serving Democratic and Republican presidents and of bipartisan American support for a healthy middle class and strong national security. While Mr Trump was cutting programmes to finance "an unprecedented giveaway to his billionaire friends", she said, "grocery and home prices are going up, not down, and he hasn't laid out a credible plan to deal with either of those." It's a message that might work if prices stay high, and if Democrats ever come up with a credible plan themselves. ■

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The Americas

- Canada’s Trumpian nightmare is the Liberal Party’s dream
- Mexico claims US gunmakers sold weapons to cartels
- A new kind of Brazilian music is poised for a global boom

The Americas | Anatomy of a surge

Canada's Trumpian nightmare is the Liberal Party's dream

As the Liberals choose a leader, American aggression vaults them into contention

March 6th 2025



Until the stroke of midnight on March 4th, Canadian officials sought a reprieve from Donald Trump's tariffs. After waiting all day by the phone in vain, Canada's prime minister, Justin Trudeau, announced matching retaliatory tariffs of 25% on C$30bn ($21bn) worth of goods imported from the United States, with C$125bn more to follow after a 21-day consultation period. The hope was that a staggered retaliation would offer time to talk Mr Trump down from his trade war. "This is a very dumb thing to do," said Mr Trudeau on March 4th. A day later Mr Trump gave American carmakers a one-month reprieve. Canada was unimpressed. Automotive exports account for some 14% of the value of the goods it sends south. "We're not interested

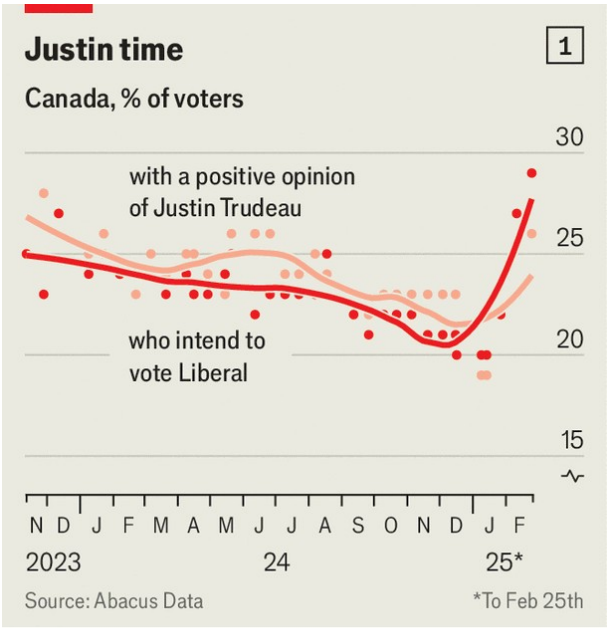
in meeting in the middle," said Dominic LeBlanc, the finance minister. "Canada wants the tariffs removed."

The tariffs are the latest and most intense in a stream of attacks that Mr Trump has launched against Canada since he took office six weeks ago. His aggression has transformed the country's politics. Mr Trudeau's Liberal Party suddenly finds itself atop some opinion polls for the first time in almost two years, having scraped historic lows just two months ago. Mr Trump's unsettling and relentless insistence that Canada join the United States as its 51st state or face staggering tariffs has cracked the basis on which Canada's Conservatives and their leader, Pierre Poilievre, had built a double-digit lead in the polls.

Canada election tracker: who's leading the polls?

The Liberals' ascent has been dizzying. One wonders if the newfound popularity can last. But no matter how short lived, it gives the party a chance in an election campaign that could begin within days. Mr Trudeau's replacement will be announced when the Liberals' leadership contest concludes on March 9th. The winner will probably call a general election soon after.

The resuscitation is not an exclusively Trumpian phenomenon. In early January opinion of Mr Trudeau had reached a nadir, driven down by his mishandling of the economy and an apparent inability to acknowledge the difficulties that created for ordinary Canadians. Almost two-thirds of Canadians held a negative impression of him, according to Abacus Data, a polling firm. When he announced his resignation on January 6th, supporters who had abandoned the Liberals began migrating back. The party's polling began to diverge from Mr Trudeau's (see chart 1).

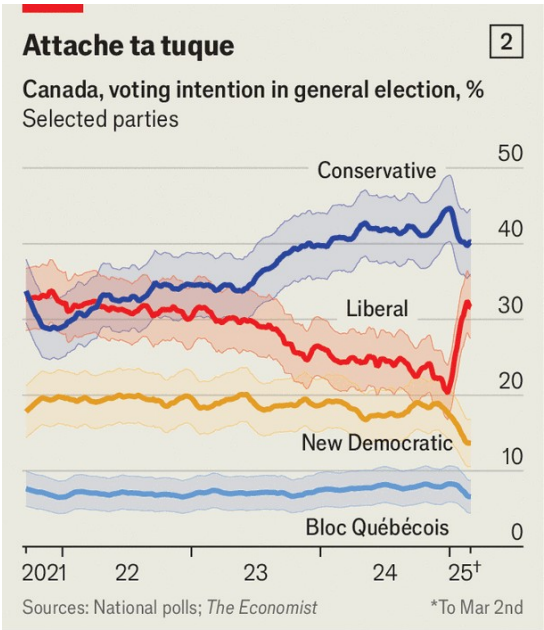


The Economist

The ripples of Mr Trudeau's departure coincide with the crumbling of Mr Poilievre's message. He had honed in on the hobbling effects of post-pandemic inflation on homeowners who needed to renew their mortgages. He expanded Conservative support among younger and wage-earning Canadians by convincing them that "Canada is broken" and that Mr Trudeau was to blame. But as Mr Trump repeatedly dismissed Canada's viability as a nation-state, triggering a gush of Canadian patriotism, Mr Poilievre's slogan began to strike a discordant note. With economists suggesting Mr Trump's tariffs could lop 2-3% off the country's GDP, working Canadians who had been anxious about housing costs were suddenly wondering if their jobs might disappear entirely.

So since the start of the year the Liberals have gained ten percentage points, according to *The Economist*'s poll tracker. The Conservatives' lead has shrunk from 23 points to nine (see chart 2). Under Canada's first-past-the-post system, that may already be enough to make the election competitive. If, compared with the last election, each party were to lift or lose their vote share by a uniform amount across all constituencies (known in Canada as ridings), the Conservatives—whose votes are inefficiently concentrated in the west of the country—would need a six-point advantage nationwide to become the largest party. These circumstances have laid the ground for a

Liberal leader willing to forcefully turn their back on Mr Trudeau's economic record.



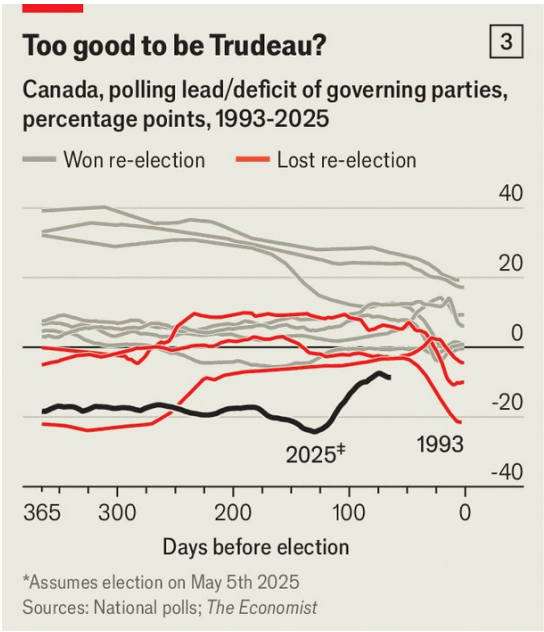
The Economist

Enter Mark Carney. The former governor of central banks in Britain and Canada is the only contender for the Liberal leadership who is not tainted by previous support for the unloved Mr Trudeau. Where his rivals have gingerly backed away from the Liberals' economic record, Mr Carney has been blunt. Profligate spending by the Trudeau government left Canada's economy weakened and vulnerable, he said during a leadership debate on February 25th. If Mr Carney has not dazzled Canadians in this race, his background, as the banker who steered Britain through Brexit and Canada through the recession of 2008, has certainly lent him an aura of reassurance.

Older Canadians, who tend to favour the Conservatives, have begun to move towards the Liberals because they see Mr Carney as a steady helmsman, says David Coletto, the boss of Abacus Data. Polls which prompt respondents to consider Mr Carney as the Liberals' leader give the party a larger share of the vote than those which do not, and put it ahead of the Conservatives (hypothetical polling should be taken with a pinch of salt). He is seen as a tougher negotiator than Mr Trudeau, and less likely to roll over and accept Mr Trump's demands than the leader of the opposition, Mr Poilievre. Compared with Chrystia Freeland, one of his Liberal opponents,

voters give Mr Carney particularly strong ratings on the cost of living and inflation, their weightiest election topic.

If Mr Carney becomes prime minister and rallies Liberal voters in pursuit of an incredible comeback, it will be remarkable but not unprecedented. The Liberals' polling surge has echoes of 1993, when the ailing Progressive Conservative party made Kim Campbell Canada's first female prime minister. Ms Campbell dramatically revived her party's fortunes before it went on to a catastrophic defeat, losing 154 of its 156 seats (see chart 3). Memories of her last-minute slump, as well as the Liberal government's in 2006, could scare Liberals into gambling on a snap election soon after their leadership race wraps up.



The Economist

The enthusiasm for a Carney-led Liberal Party could also prove to be a sugar high. He is untested as a campaigner. The Liberal leadership race has been brief and bloodless, with little heat applied to the former banker. That would not be the case in an election campaign. Mr Poilievre has an unerring instinct for the jugular.

There are other reasons to question the Liberals' surge. Polling spikes sometimes reflect changing rates of response as much as real swings in opinion, a phenomenon known as non-response bias. Different firms have

found a range of voting intentions—from small leads for the Liberals to substantial ones for the Conservatives.

The 2020s are proving to be a tough time for incumbent governments. The past year has seen Rishi Sunak and Kamala Harris join Ms Campbell as reboot failures in Britain and the United States. At the least, Mr Trump has forced Canadians to listen to the Liberal Party's pitch. ■

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The Americas | Up in arms

Mexico claims US gunmakers sold weapons to cartels

It presented its arguments to America's Supreme Court on March 4th

March 6th 2025



On March 4TH, hours after Donald Trump imposed tariffs of 25% on Mexican exports to the United States, Mexico's government stood before the Supreme Court of the United States to argue that American gunmakers should be held liable for deaths caused by Mexican gangs using the weapons they manufacture. The case highlights the ways in which the United States contributes to the harm caused by Mexico's criminal gangs.

Most guns used by Mexico's gangs are smuggled in over the northern border. They wield them to terrible effect. The murder rate is about 20 per 100,000 people, some three times higher than it is in the United States. Claudia Sheinbaum, Mexico's president, has repeatedly argued that just as

Mexico combats its criminal groups, the United States must take responsibility for its role. Mr Trump seems to concede this. In February he pledged to curb the southern flow of guns.

Mexico contends that American gunmakers, including Smith & Wesson, sell guns knowing that they may end up in the hands of the gangs. Giving weapons names like “El Jefe” (“The Boss”) suggests a deliberate marketing effort. The court in Washington is deciding whether Mexico’s case falls under the “predicate clause” of the Protection of Lawful Commerce in Arms Act, which allows exceptions to the legal protections gunmakers enjoy in cases where they knowingly or recklessly sell arms illegally. If successful, the case will return to the lower courts.

Comments by both liberal and conservative judges during the first day of hearings suggest the case may not go Mexico’s way. Some appeared to agree with the defendants’ argument that Mexico’s government is trying to use litigation to limit gun rights in the United States. They are also wary that a ruling in Mexico’s favour could set a precedent for other countries to follow.

Whatever the legal outcome, the hearing is a reminder that Mexico is not the sole protagonist in North America’s problems with crime and drugs. Goods flow across the border illegally in both directions, just as they do legally—albeit now at an extra cost.■

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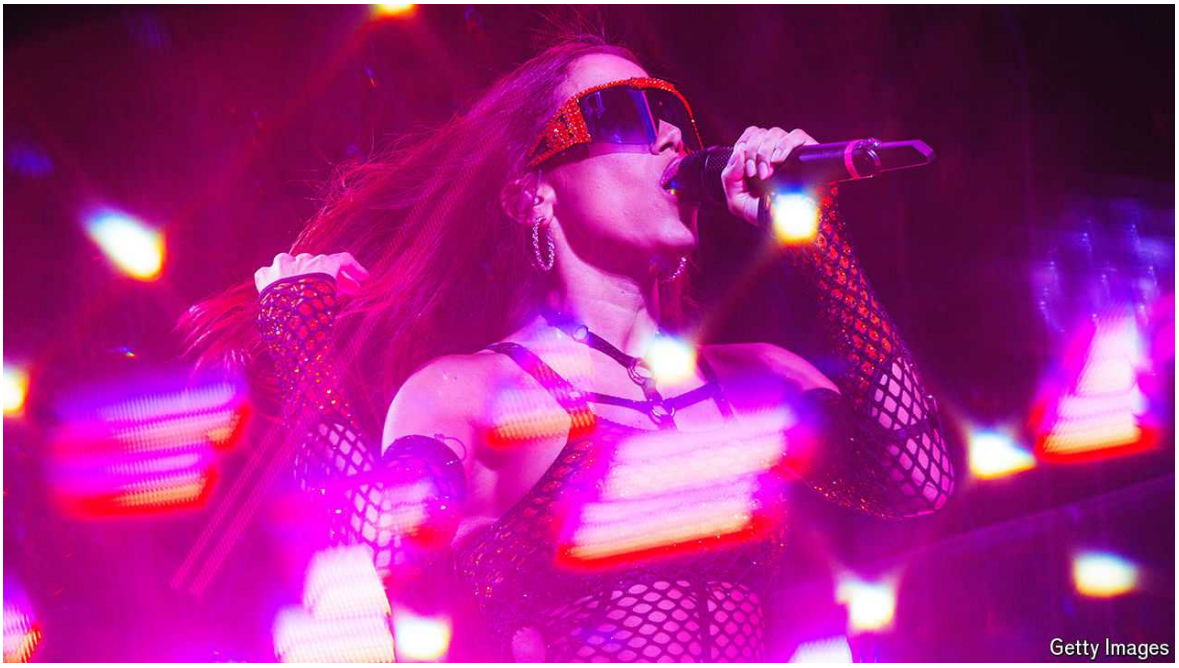
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The Americas | Funky Brazil

A new kind of Brazilian music is poised for a global boom

Bossa nova and samba are out. Funk is in

March 6th 2025



The world is watching Brazil after the country won its first Oscar for “I’m Still Here”, a film set in Rio de Janeiro during the dictatorship in the 1970s. The film’s smooth soundtrack feeds into foreigners’ imagination of Brazil as a country where samba and bossa nova bands croon jazzy songs on sandy boardwalks. But this image is out of date. Modern Brazilians prefer *sertanejo*, a bouncing country genre, and funk, a style that emerged from Rio’s favelas. Funk in particular could go global, and change Brazil’s brand in the process.

Sertanejo has been the most listened-to genre on Brazilian radio and streaming platforms for a decade. Its ascent reflects changes in Brazil’s

economy, which used to be based on manufacturing but is now driven by agriculture. “Most music producers in Brazil used to be based in Rio,” says Leo Morel of Midia Research, a market-research firm. But as agriculture became more important, “rural states started winning a voice”. *Sertanejo* singers’ themes are cattle, beer and American pickup trucks. In 2003 the genre accounted for 15 of the 100 most-played songs on Brazilian radio; in 2022 that figure was 76.

But despite this dominance, *sertanejo* has little export potential. Few artists care about going global, says Mr Morel. That leaves funk (which Brazilians pronounce as “funky”) as the genre that could alter Brazil’s reputation. “We make music to be heard by as many people as possible,” says Kevin o Chris, a funk singer.

Brazilian funk emerged in the late 1980s, inspired by Miami bass and electro-funk, two sub-genres of American hip-hop that incorporate electronic drums. Brazilians made funk their own by speeding up the underlying rhythms. Where hip-hop or reggaeton, the genre popularised in Puerto Rico, run at around 90 beats per minute, funk races along at 130 or more. Brazilians have developed a sub-culture around the genre, including weekly *baile funk* (dance parties) in favelas, with moves like the acrobatic *passinho* for men, which involves elaborate footwork, and the *rebolada* for women, a paced variant of twerking.

Brazilian funk’s themes and lyrics can often be violent. At a recent *baile funk* in a favela in the Rio neighbourhood of Glória, teenagers walked around with rifles slung over their shoulders and cartridge belts around their waists. A man in his 20s waved a gold-encrusted semi-automatic rifle. Behind the stage, armed men guarded a table stacked with pouches of cocaine for sale.

Despite this hardcore vibe, funk’s catchy tunes are helping it go mainstream. Taísa Machado, a dance teacher and curator of an exhibition on funk in Rio, says that her students used to be regulars at *bailes funk*. Now they are dentists and therapists who live in rich neighbourhoods. Most are white. This normalisation has incensed conservative lawmakers. In January a São Paulo councilwoman introduced a bill banning local government from hiring

artists who promote crime to perform at public events. The national Congress is now discussing the bill. It is seen as explicitly targeting funk.

If Brazil's musical ambassadors used to be the likes of Gilberto Gil, today the preferred mascot is Anitta, a genre-crossing artist from a poor suburb of Rio known for her prodigious hip-thrusting abilities and "innumerable" plastic surgeries (she has referred to herself as "Frankenstein"). She has worked for years to break into the international market, teaching herself Spanish and English, buying a house in Miami and singing her way onto the books of Republic Records, a prestigious record label owned by Universal Music Group, a Dutch-American giant. In 2022 she was the first Brazilian to top Spotify's global charts with her song "Envolver", a reggaeton tune sung in Spanish. Her latest album is trilingual and returns to her origins in funk.

Não falo português

The fact that Anitta has had to learn two new languages and mix genres in order to go global shows up the difficulty Brazilian artists have in reaching international audiences. "It is easier to export Brazilian footballers than musicians and culture," says Michele Miranda, a music journalist. Spanish-speaking Latin American immigrants in the United States have helped popularise genres such as reggaeton. Brazil's diaspora is smaller and more insular.

But funk producers think their genre will boom before long. Last year Beyoncé and Kanye West, two American superstars, sampled funk on their new albums. Papatinho, a Brazilian producer who often travels to the United States, says musicians there had no idea what funk was, until recently. Then last year he received phone calls from Timbaland and Snoop Dogg, as well as Mr West, all famous American musicians, asking him to send samples. "I used to add funk in small quantities, like a spice, but now people want the whole sauce," he says.

The likes of Mr West and Beyoncé may be responding to business incentives as well as looking for good beats. Latin America and sub-Saharan Africa are the fastest-growing music markets in the world. Though Latin America contains only 8% of the world's population, it accounts for almost a quarter

of Spotify's monthly active-user base, according to Roberta Pate of Spotify Brazil. She notes that a key ingredient in the success of other international genres, like reggaeton, was "consistency in how artists dedicate their resources to conquering global audiences". If Anitta is anything to go by, then funk's global crescendo may not be far off. ■

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Asia

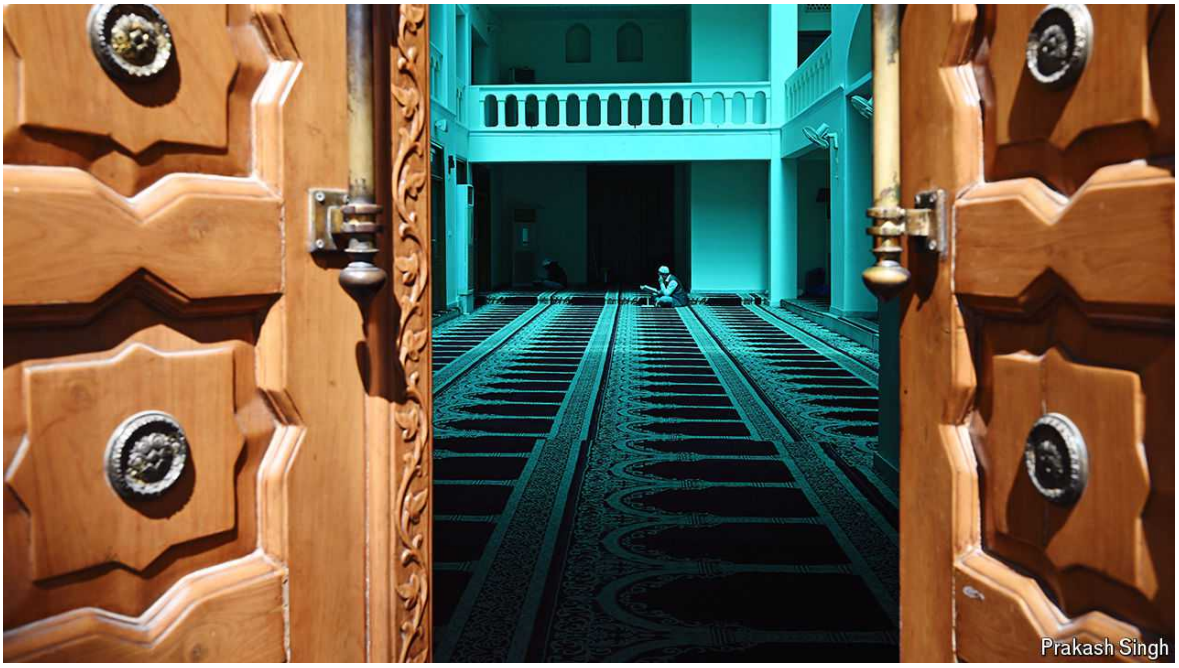
- A new law targets India’s third-biggest landowner: Allah
- Donald Trump’s cuts to USAID will hurt Asia, too
- Indonesia’s shakedown of Apple comes to an end
- Why New Zealanders are emigrating in record numbers
- Asian allies fear being dumped by Trump

Asia | Faith estate

A new law targets India's third-biggest landowner: Allah

Narendra Modi's government seeks control of thousands of Muslim sites

March 6th 2025



Architecturally, there is little to connect Delhi's Parliament Street mosque with the 27-floor vertical palace in Mumbai that is the private home of Mukesh Ambani, India's richest person. The Mughal-style mosque has been a place of Muslim worship for some 300 years. The Ambani home, billed as "a prototype for buildings of the future", houses the tycoon's family, along with 600 staff, a 168-car garage and a room that blows artificial snowflakes from its walls.

What binds them is a long-running dispute over *waqf* property in India. The term usually refers to land or buildings given as endowments by Muslims for religious or charitable use, often as mosques or graveyards. Although *waqf*

properties are found across the Islamic world, India has more than any other country, with about 872,000, worth $14bn. That makes the "*waqf* boards" that control them (on Allah's behalf, they say) count collectively as India's third-biggest landowner after the armed forces and the Indian railways.

Many of these properties could soon come under Indian government control if a new law is passed, as expected, in April. The government says the bill improves outdated legislation that allowed widespread abuses in management of *waqf* properties. Narendra Modi, the prime minister, accuses the Congress party (now in opposition) of giving *waqf* boards too much autonomy to "appease" Muslim voters. Supporters of the bill also note that a lot of *waqf* properties (such as the land where Mr Ambani's home was built) have been sold to private owners.

Opponents see the bill as an epic land grab and the latest blow in Mr Modi's campaign to promote his Hindu nationalist ideology. It would allow the government to take ownership of thousands of *waqf* properties it already uses, having partly or fully occupied them, and to scrap a "*waqf* by user" designation for many older sites lacking documentary proof of their status.

Affected properties could include prominent national monuments. An attempt in 2005 to register the Taj Mahal, built by the Mughal emperor Shah Jahan in the 17th Century, as a *waqf* property was blocked by the Supreme Court, which asked to see the emperor's signature on a title deed. But the Archaeological Survey of India, which controls that monument, says that another 256 properties it manages are *waqf*, complicating its work.

"This bill has nothing to do with protecting *waqf* properties or increasing their revenues," says Asaduddin Owaisi, a Muslim parliamentarian. "It has been brought to take away Muslim properties and to have more government control over them." The law could also lead to the destruction of many such properties, worries Syed Sadatullah Husaini, president of the Jamaat-e-Islami Hind, one of India's largest Muslim social organisations.

Independent scholars, and some Muslims, concede that *waqf* boards need reforming to include more members of Shia, Sufi and other sects, to make management more transparent and to protect the interests of widows. But advocates of such limited reforms say that the new law imposes burdens not

demanded of Hindu and other religious endowments, and was drawn up without properly consulting Muslim community leaders.

Critics see this as a fresh front in the ruling Bharatiya Janata Party's efforts to erode the rights of India's Muslims. Since taking power in 2014, Mr Modi has granted fast-track citizenship to non-Muslim refugees from neighbouring countries, stripped Muslim-majority Kashmir of its autonomy and pledged to scrap provisions for Muslim family law. In January 2024 he inaugurated a new Hindu temple in Ayodhya on the site of an ancient mosque destroyed by Hindu nationalists in 1992.

Mr Modi seemed to change tactics after losing his party's outright majority in a general election in 2024 that showed voters were more worried by economic issues. He tempered his anti-Muslim rhetoric. The leadership of the Rashtriya Swayamsevak Sangh, the Hindu nationalist movement from which the BJP emerged, issued a rare warning in December against Hindu groups stirring fresh controversies over disputed sites such as Ayodhya.

Similar caution was evident in Mr Modi's referral of the *waqf* bill to a joint parliamentary committee in August. In his first two terms he used the BJP's majority to ram legislation through parliament. He now needs support from coalition partners. Recently, though, there are signs that he is growing more assertive again following BJP election victories in Haryana, Maharashtra and Delhi. Some Indian Muslims also fear that Mr Modi may be emboldened by Donald Trump's return to the White House, given Mr Trump's aversion to criticising other leaders on human rights.

In a report submitted to parliament on February 13th, the committee reviewing the *waqf* bill accepted some suggestions from BJP allies but rejected all the opposition's. Hindu nationalists have also flooded the Supreme Court with petitions against a law preserving the identity of religious sites as they were at India's independence in 1947. On February 17th, the government missed a second deadline to respond to those petitions. Many Hindu nationalists saw that as a sign of support.

In some parts of India, BJP leaders are using the *waqf* bill to rally the party faithful. Yogi Adityanath, the BJP's chief minister of Uttar Pradesh, has been especially critical of *waqf* boards. Mr Adityanath, a potential successor to

Mr Modi, said in January that his government was examining records to check on properties improperly designated as *waqf*. ‘’We will reclaim every inch of such land,” he said. The issue is potentially incendiary in Uttar Pradesh as it has over 232,000 *waqf* properties, more than any other state. It is also a touchy subject in Delhi, where government agencies have occupied many *waqf* properties. In 2023 the government announced its intention to seize control of 123 of them, including the Parliament Street mosque, which has been used by Muslim parliamentarians since 1947.

Mumbai is another contentious area because of its high concentration of *waqf* properties. Mr Ambani’s sky palace was built on land donated to a trust in 1894 to establish a Muslim orphanage. The trust then sold the land in 2002 to a company controlled by Mr Ambani. The Ambani company that bought the land says it obtained all necessary permissions, including from the *waqf* board. But the local *waqf* board has challenged the sale in court (unsuccessfully). Such a challenge is even less likely to succeed if the *waqf* law is passed, legal experts say. They expect many more battles over *waqf* property in the years ahead. Alarmingly, some Indian Muslims warn of unrest if their religious sites are seized. Many, though, are resigned—and bracing for the next blow. ■

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Asia | Aid in Asia

Donald Trump’s cuts to USAID will hurt Asia, too

Even less aid-dependent countries, such as India, will be affected

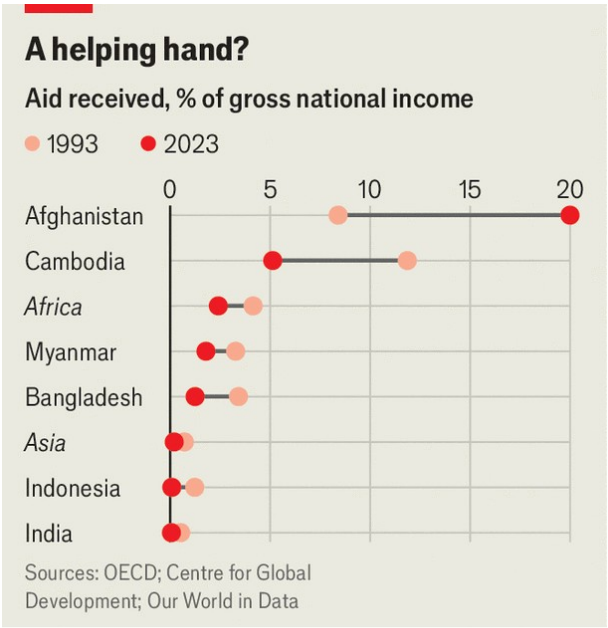
March 6th 2025



Even before Donald Trump’s administration slashed USAID, foreign aid was becoming less important in Asia. Thanks to economic growth in the region, the $53bn that Asia received in 2023 amounted to just 0.2% of collective gross national income (GNI), down from 0.7% in 1993 and much lower than Africa’s 2.4% (see chart). With the cuts to USAID, combined with decreases in commitments from Britain and other European countries, even those contributions will drop. But the costs could still be far-reaching, hurting the region and hindering its policymakers.

War-torn, aid-dependent places, such as Afghanistan, will be pushed to the brink. Nearly half of the Afghan population of 46m depend on international handouts for their survival, according to the United Nations. In 2023

Afghanistan got $2.4bn in aid, the equivalent of roughly 20% of its GNI. Half of that came from America and was mostly directed towards humanitarian and health causes. With much of that funding frozen, schools and health clinics have shut. On February 6th the UN's food agency estimated that around 3.5m children are expected to be malnourished this year, an increase of 500,000 over 2024.



The Economist

Even in richer Asian countries which get minuscule aid, the purge will have powerful effects. Take the Demographic and Health Surveys, one of USAID's flagship programmes. The surveys capture health, fertility and nutrition data in 90 countries around the world, including 18 in Asia. They have yielded valuable insights for researchers and policymakers—and improved the governments' ability to collect such data. In 2023, USAID handed over the Indian survey's financing and administration to the Indian government.

- The demise of foreign aid offers an opportunity
- Aid cannot make poor countries rich
- Why some Africans see opportunity in aid cuts

Natural disasters may hit harder, too. One low-cost USAID programme, SERVIR, used NASA data to warn countries about climate-related extreme events. In 2023 the early-warning system alerted people in Bangladesh to a category-four

cyclone, which limited the death toll to 145 people. Two decades earlier, a similar storm killed 138,000 people.

Development Innovation Ventures, another cancelled USAID programme, helped governments across Asia test out new policies. In India, it funded the development of a phone-based tool in 2010 that let rural health workers better manage their patients, mostly pregnant women. Over a decade after its deployment, the tool is now used nationwide by hundreds of thousands of workers to reach more than 75m families. According to an analysis by Michael Kremer, an economist, and others, the project yielded benefits worth $20m between 2010 and 2019 from an initial grant of $826,000.

It is unclear who will fill the gap. China and Japan, the big regional donors, tend to favour financing infrastructure projects—and often through loans. Asian philanthropy is still relatively nascent. In 2022 Asia's billionaires donated $24.2bn, less than a third of their North American counterparts, despite outnumbering them, according to Wealth-X, a consultancy.

Still, aid has often backfired in the region. In India, for example, a family-planning and male-sterilisation programme in the 1970s was so unpopular that it led to nationwide protests. The episode fostered scepticism of foreign assistance that many Indians still feel today. Last week the spokesman of India's ruling Bharatiya Janata Party suggested some USAID funding has been routed through "various George Soros-linked fronts...to meddle with India's electoral process".

Another reason for mistrust is corruption. The process of disbursing aid is ripe for graft. Money is often awarded to Western contractors who funnel it through multiple layers, allowing money to be skimmed at each stage. Many Afghans complain about government officials who would skim money from education initiatives, creating "ghost schools" which existed only on paper.

Despite this, the case for humanitarian aid is still strong. In Afghanistan hunger is widespread and the largely NGO-run health system is on the verge of collapse. The Taliban is ill-equipped to step up and it is unclear if other countries will. Aid may be a political decision, but for some countries it is a matter of survival. ■

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Asia | Applying pressure

Indonesia’s shakedown of Apple comes to an end

But the iPhone maker got the better of the negotiations

March 6th 2025



It was billed as a stand for “principles of fairness” against an uncaring foreign tech giant. Such was the heady rhetoric Indonesia’s ministers deployed throughout the country’s stand-off with Apple, which began in October, when Indonesia banned the sale of the newest iPhone. The saga reached a denouement on February 26th, with a $320m investment deal signed by Apple and the government.

The principle ostensibly at stake was the integrity of Indonesia’s local-content requirements (commonly referred to as TKDN). These mandate that phones sold in the country are made with at least 40% locally produced parts. Officials argued that phonemakers such as China’s Xiaomi and South Korea’s Samsung ran local factories to meet these requirements.

Yet for Apple, complying with TKDN by sourcing components within Indonesia was nearly impossible. It has just one supplier in Indonesia, Yageo Corp, a Taiwanese firm that makes ceramic capacitors, a basic electronic part. And compared with Xiaomi or Samsung, the stakes for Apple in Indonesia are smaller. Although sales are rising, the company sold 2.3m phones in Indonesia in 2023, 1% of global unit sales and 8% of "rest of Asia" sales (ie, outside China and Japan). The extent of business actually affected by the ban, which applied to the high-end iPhone 16, is even smaller.

Indonesia's negotiating leverage was always modest. Few believed the government cared about precise adherence to TKDN. Even so, officials drove a hard bargain. After they rejected two investment offers worth $10m and $100m, Apple proposed a deal north of $1bn. It involved three parts. First, a factory would be built in Batam, an Indonesian island near Singapore, producing Apple's AirTag accessory. Second, a separate "components and accessories" factory would be built in Bandung, a few hours from Jakarta. Third, Apple would further invest in its developer-training facilities in Indonesia.

In December Prabowo Subianto, the president, reportedly instructed negotiators to accept the $1bn offer, according to Bloomberg. But that deal failed to materialise. Despite Mr Prabowo's go-ahead, Agus Gumiwang Kartasasmita, the industry minister, rejected Apple's offer in January. "Apple must understand…the Indonesian people are watching us," Mr Agus said the day before rebuffing the company. The final $320m figure, announced by Mr Agus on February 26th, is less than a third of what Mr Prabowo had approved. Yet the details of the deal are remarkably similar to the original $1bn proposal. Factories are still to be built in Batam (making AirTags) and in Bandung (making mesh fabric for Apple's over-ear headphones); training facilities will still be expanded. Half of the new deal will come through a woolly $160m commitment that Apple invests "hard cash" in Indonesia

It is possible that Apple's original $1bn figure was exaggerated. In January the industry ministry said its valuation of Apple's AirTag factory was "far below the $1bn commitment" and closer to $200m. Another possibility, given Indonesia's unco-ordinated bureaucracy, is that Mr Agus was freelancing.

Regardless, the episode demonstrates why TKDN is reviled. Rather than a systematic policy, it is an opportunity for politicians to make hay out of shaking down companies. This is damaging Indonesia's position as an investment destination, especially compared with its neighbours. Apple itself illustrates this: against just one supplier in Indonesia, it has 19 in Malaysia, 24 in Thailand and 35 in Vietnam. Even after the expansion in Indonesia, Apple's local footprint will remain small. In the end, it got the better deal. ■

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Asia | Kiwi exodus

Why New Zealanders are emigrating in record numbers

The government may not be able to reverse the trend

March 6th 2025



“DITCH the winter chill” and “expand your horizons in sunny South East Queensland!” reads one newspaper advert, luring New Zealand’s health-care workers towards a new life in Australia. “Warmer days and higher pays”, enthused another, last year, from the Australian state’s police service. Kiwis who chose “policing in paradise” could look forward to 300 days of annual sunshine and a A$20,000 ($12,500) relocation bonus, it declared.

For many New Zealanders that is an easy sell. They are leaving their country in record numbers. Almost 129,000 residents emigrated last year—40% above the pre-pandemic average for this century. It is not a case of last in,

first out. The majority of those leaving were New Zealanders, rather than immigrants returning home, creating a net loss of 47,000 citizens.

New Zealand, though a settler country, is also shaped by emigration. Its small economy and relative lack of opportunity have long driven young New Zealanders towards what they call the "overseas experience", fanning fears of brain drain. Proportionate to its population of 5.3m, it has one of the largest diasporas in the OECD, a club of mostly rich countries. Emigration ebbs and flows: the last spike occurred in 2012, near the end of the financial crisis. As the pandemic raged, many expats returned to hunker behind closed borders, but the outflow quickly resumed. Recently, New Zealand has been in a rut. The economy is in recession and unemployment has risen. Outgoing Kiwis grumble about costly housing and a crime surge.

Unlike most, they have an alternative when times get tough: they are free to live and work in Australia, and vice versa. Almost 15% of them are now based "across the ditch". It is not just that Australia's economy has weathered the cost-of-living crisis better. The income gap between the pair has been growing for decades. Adjusted for purchasing power, Australia's per person GDP is about a third higher than New Zealand's. Its pensions are more generous, and its centre-left Labor government has made it easier for Kiwis to get passports and benefits. By comparison, New Zealand is "a sinking boat", says one transplant on a Facebook group for Kiwi expats. Australia is "best for [an] easy life", writes another.

In the past, fears of brain drain have proved overblown. Young expats have generally returned, and governments have offset losses by letting in immigrants from countries such as India and China. The result was a "brain exchange", says Paul Spoonley, a sociologist at New Zealand's Massey University. But there is a risk of that changing, he argues. First, he says, it is no longer just young New Zealanders who are leaving, but more experienced professionals and extended families. Second, inward immigration is now slowing. After a post-pandemic spike, it plunged by around a third last year, though the population is still growing. Christopher Luxon, the prime minister, says the solution is "to build a long-term proposition where New Zealanders actually choose to stay". But that has not proved easy. In 2009 John Key, then prime minister, set out to "match Australia by 2025". In

Wellington, the capital, some now joke that a more realistic goal would be to “beat Fiji by 2050”. ■

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Asia | A scary new game

Asian allies fear being dumped by Trump

America's friends in the Indo-Pacific live in dread of being abandoned like Ukraine

March 6th 2025



WHO WILL be next? As America abandons Ukraine and ignores European allies, its closest friends in Asia ask whether they too will be shaken down or cast aside. The worries grow deeper as China flexes its muscles. In recent weeks it has conducted naval live-fire exercises off Taiwan, in the Gulf of Tonkin and as far as the Tasman Sea between Australia and New Zealand. On February 25th, Taiwan detained a Chinese ship suspected of severing an undersea cable.

America's Asian allies are torn between competing theories. One holds that Asia is different from Europe because China poses a far greater threat than Russia does. America thus needs Asian allies more than European ones, and

will defend the “first island chain” in the Pacific—including Japan, Taiwan and the Philippines—as the best means to contain China.

The Trump administration, moreover, contains China hawks such as Marco Rubio, the secretary of state, and Mike Waltz, the national security adviser. They have assured friends about America’s commitment to the Indo-Pacific. Military spending has so far been protected from cuts elsewhere. Donald Trump has hosted both the Japanese and Indian prime ministers. The administration’s language on Taiwan, a self-governing island that China claims as its own, has been toughened.

The contrary view is that Mr Trump has not yet turned his mind to Asia. He thinks all allies are a burden, so will resort to threats, tariffs and demands for gains in return for protection. In his first term he threatened to withdraw American troops from South Korea. Mr Trump has proposed tariffs on microchips, and claimed Taiwan “stole” America’s semiconductor industry. Unlike his predecessor, Joe Biden, he refuses to say whether he would defend the island. He may be reverting to conventional “strategic ambiguity”, except that he has intimated Taiwan is not worth protecting. As for Messrs Rubio and Waltz, their loyalty to the president eclipses long-held beliefs. They reassured Europeans that Mr Trump would not forsake Ukraine. But when he did, they cheered him on.

Even as he escalates the trade war with China, Mr Trump has spoken about striking a deal with its leader, Xi Jinping, suggesting they could work to solve the world’s problems. He has mused about a three-way summit with Mr Xi and Russia’s leader, Vladimir Putin, to reduce nuclear stockpiles and cut defence spending.

All this suggests a belief in spheres of influence. The question is whether Mr Trump thinks America’s domain begins at the first island chain or deeper into the Pacific. “Trump likely wants to avoid war more than he wants to maintain US primacy in China’s neighbourhood,” says Denny Roy of the East-West Centre, a think-tank in Honolulu. “His natural inclination is a world of empires in which the three great powers annex their respective near-abroads and then don’t bother each other.”

Opinion among Asian allies ranges from worried to alarmed. One Taiwanese official admits he cannot sleep at night. Richard Heydarian of the University of the Philippines argues that America cannot be fully relied on. Singapore, astride a major maritime trade route, is jittery. The Trump administration's assurances thus far amount to "bureaucratic momentum", says William Choong of the ISEAS-Yusof Ishak Institute, a think-tank in Singapore. "Once Trump turns his attention to this region, who knows what will happen?"

One response to the uncertainty is to avoid catching Mr Trump's eye. Ishiba Shigeru, the Japanese prime minister, said on March 3rd he had "no intention of taking sides" in the crisis between America and Ukraine. Another is to assuage the president. Mr Ishiba promised to boost the stock of Japanese direct investments in America from nearly $800bn in 2023 to $1trn. Taiwan's most important chipmaker, TSMC, announced $100bn worth of investments to build new facilities in America. Further measures include raising defence spending and buying more American weapons and liquefied natural gas.

Some Asians complain that paying tribute to America is no different from bowing before China—and at least Mr Xi offers his neighbours favourable trade deals. China is playing on such fears. As a recent commentary by the state-run Xinhua news agency notes: being an American ally can prove "fatal", and countries that thought of themselves as important partners will become "discarded chess pieces". ■

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China

- China’s leaders reveal their plan to cope with 2025
- Chinese warships circumnavigate another island: Australia
- A new film is breaking box-office records in China

China | The National People's Congress

China's leaders reveal their plan to cope with 2025

Beating trade wars and deflation and boosting science are priorities

March 5th 2025



It is not often that the world's two superpowers hold state-of-the-nation addresses back-to-back. But thanks to a quirk of scheduling and the magic of time zones, it happened this week. Li Qiang, China's prime minister, gave his annual report to the country's rubber-stamp parliament, the National People's Congress, in Beijing on March 5th. A few minutes later, President Donald Trump began a fiery speech to a joint session of Congress in Washington. The contrast was instructive.

Mr Trump's speech, bombastic and bilious, was heckled by a congressman who had to be removed from the chamber for "disruption of proper decorum". The president's words were punctuated by chants of "USA, USA, USA!" and "Fight, fight, fight!" and "Na na na na, hey hey, goodbye!"

Mr Li's speech had none of that. His audience—3,000 delegates assembled in the Great Hall of the People overlooking Tiananmen Square (pictured)—tried to look attentive. Tea was sipped, proper decorum preserved. Much of what Mr Li said was formulaic and predictable. As always, he heaped dutiful praise on his boss, Xi Jinping. But amid the platitudes and boilerplate, the fiscal numbers he provided were revealing about his government's mindset at a difficult time. China's economy faces a lingering property slump, chronic deflation and an intensifying trade war. The government's response has too much of what Mr Trump sorely lacks: caution.



In his report, China's prime minister announced the same official economic growth target as last year: about 5%. He also provided a catalogue of ten "major tasks" for the year ahead that echoed the list in 2024. Industrial modernisation, technological self-reliance and expanding domestic demand all featured prominently. But stimulating domestic spending was elevated from the third priority last year to the top task for 2025. Indeed, Mr Li mentioned consumption 32 times, a record. The previous peak (adjusted for the length of the speech) was 26 times in 2009, as China tried to revive spending in the aftermath of the global financial crisis.

Now, as then, the government is keen to restore consumer confidence, which has never recovered from the covid lockdowns. It also wants to steady the

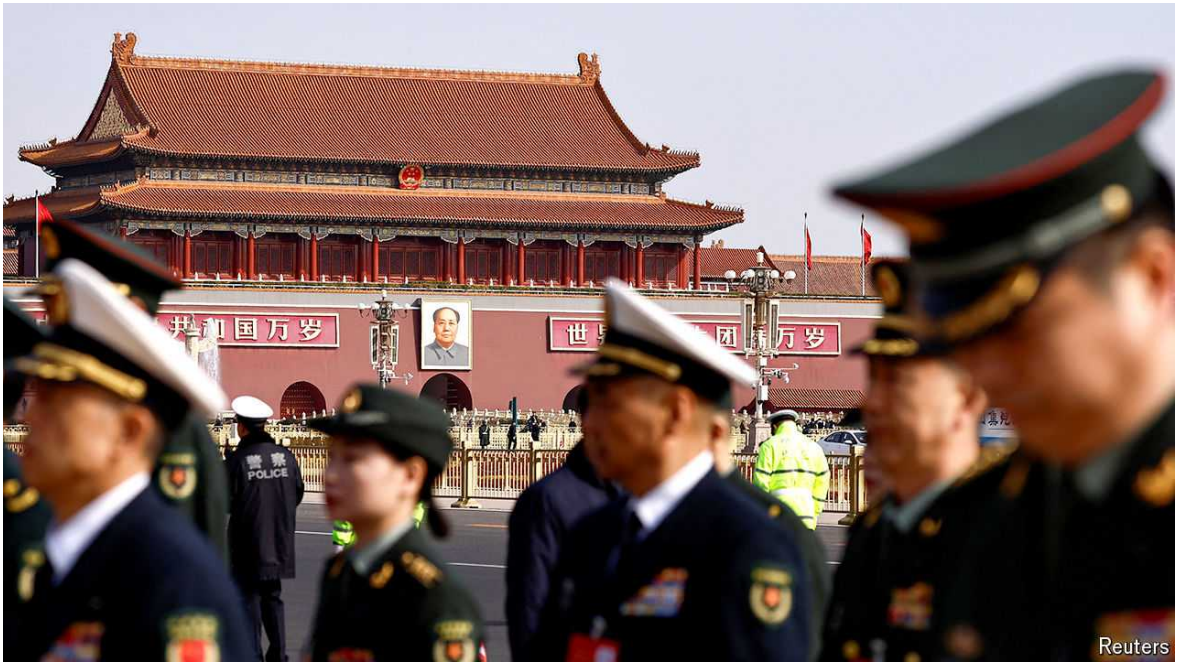
property market, which is struggling to find a bottom. Homeowners are no longer sure that their flats will hold their value. And homebuyers who have paid in advance are no longer confident their property will be built. These fears have contributed to a lack of demand and months of declining prices.



America's trade war will not help. Mr Trump hit China with a fresh 10% tariff on the day before Mr Li's speech, following a similar duty a month earlier. Combined with older levies, they mean Chinese goods now face an average American tariff of about 34%, reckons Larry Hu of Macquarie, an Australian bank. China's government swiftly retaliated by imposing tariffs on a narrower range of American goods, from chicken to soyabeans. It also added more American firms to a blacklist that could curb their dealings with Chinese firms. "If war is what the US wants, be it a tariff war, a trade war or any other type of war, we're ready to fight till the end," said the Ministry of Foreign Affairs.

To offset tariffs and deflation, China's economy needs a more forceful stimulus. "It is better to act early than late," as Mr Li put it. Most economists have been expecting an extra fiscal push this year of about 2% of GDP or more. That would be enough to stop deflation worsening, though probably not much more.

The fiscal package Mr Li actually announced had several parts. The target for this year's headline budget deficit will rise from 3% of GDP last year to 4% this year. The headline figure covers only a fraction of China's sprawling public finances, leaving out government-managed funds and financing vehicles sponsored by local governments, among other things.

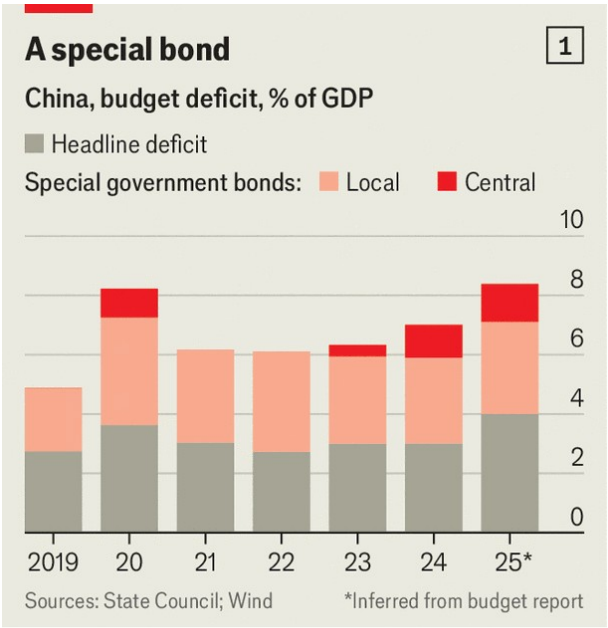


But the headline number sends an important signal. By tradition, China has tried to keep the official deficit at 3% of GDP or below, in keeping with old-fashioned international norms. A 4% deficit shows that it is willing to abandon fiscal piety for the sake of rescuing the economy. That was a good first step.

As well as a bigger headline deficit, the central government will also loosen the financial reins on local governments. It will increase the quota of "special bonds" they can sell from 3.9trn yuan ($540bn) last year to 4.4trn this year. These securities were once reserved for infrastructure projects that can earn some revenue. But local governments can now use the money to buy unsold flats and idle land from property developers. The larger quota was close to expectations: a satisfactory second step.

But on the third step, the speech fell somewhat short. The central government will itself sell another batch of "special" bonds worth 1.8trn

yuan, including 500bn yuan to help recapitalise China's banks. That is more than it sold last year. But the figure is about 700bn yuan below expectations. All told, economists expect China's broad fiscal deficit to increase by a little less than 2% of GDP (see chart 1).



The style of China's stimulus was also mildly disappointing. In the past the government has lavished money on bridges to nowhere and other white elephants. Whereas America fights downturns by printing money, China pours concrete. In his speech Mr Li promised to give greater priority to "improving the people's well-being" and "boosting consumption". The central government will, for example, devote 300bn yuan to its "trade-in" scheme which encourages households to replace old appliances and cars with newer ones.

China has also given civil servants a pay rise. And it will up medical-insurance subsidies for rural folk and city dwellers who are not covered by work-based schemes. Annual subsidies would rise to 700 yuan per person, an increase of 4.5%, according to the budget. The same groups will receive an increase in their basic pensions of 20 yuan a month, similar to last year. That is a large rise in percentage terms (almost 40% over two years) but tiny in absolute amounts. Nonetheless, of the extra fiscal stimulus provided this

year, only about a quarter is related to consumption, calculates Robin Xing of Morgan Stanley.

Boosting consumption is not the only priority. A new "guidance fund" will also mobilise 1trn yuan in venture capital for new technologies. The budget for national defence will rise by 7.2%, before adjusting for inflation. In the past, China's economy has kept pace with increased military spending, through a mix of real growth and inflation (see chart 2). As a result, the official military budget has remained fairly steady as a percentage of GDP, fluctuating around 1.3%. But now that China has slower growth and deflation, the equation has changed. Last year, for example, GDP grew by only 4.2% in nominal terms, before adjusting for changing prices.



The Economist

Will the same thing happen this year? The government does not give a growth forecast for nominal GDP. But the fiscal arithmetic in Mr Li's speech implies he expects it to grow by about 4.9%. Since that is slower than the target for real, inflation-adjusted growth, the government must believe that economy-wide prices could fall again this year. Not even the government, then, expects their stimulus efforts to succeed in decisively defeating deflation.

In his very different speech in Washington, America's president said he was looking forward to relentless success. "Our country is on the verge of a comeback the likes of which the world has never witnessed," he said. More prudent leaders like to underpromise in the hope of overdelivering. But in the fight against deflation, that may be the wrong approach. Gloom can be self-fulfilling. In trying to restore confidence and revive animal spirits, then, a dash of bravado probably helps. The back-to-back speeches offered a stark contrast. Both would have been better if each had more closely resembled the other. ■

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China | Out and about

Chinese warships circumnavigate another island: Australia

An ominous new display of long-range naval power

March 6th 2025



Having built the world's largest navy, China is keen to show it off. But officials from Australia and New Zealand have been startled in recent days by the way it has been flaunting itself in Oceania. On February 21st a commercial pilot flying over the Tasman Sea received a surprise warning from a Chinese navy task-force in international waters that it was engaging in live-fire drills. Airlines scrambled to divert planes. Since then, the two Chinese warships and one supply vessel have staged an unprecedented circumnavigation of Australia, fuelling political debate about a power that once seemed distant.

The task force includes a 10,000-tonne cruiser of a type that China hailed—with justification—as a "leap forward" in its naval modernisation when it joined service in 2020 (the year the Pentagon said China's navy had surpassed its own in size). The ships may have been joined by a nuclear-powered submarine: in the past 15 years, China has been churning these out at the rate of nearly one a year, the Pentagon reports. China is not accused of behaving illegally, but one Australian intelligence chief, Andrew Shearer, said some of its activities "seem designed to be provocative".

This is the farthest south China has ever sent its navy for training. The firing drills seemed designed to highlight its ability to project force far from home. And they appeared to show indifference to the impact. Australia and New Zealand have complained that they did not get sufficient warning about the live firing.

Planning for the exercises may have predated Donald Trump's election as America's president in November 2024. But the timing of them, as America turns its back on European allies, has added to anxieties in Australia and New Zealand about their own security in the second Trump term. China may want to show that not only can it sustain its ships for long periods at sea, but also, in a conflict, interfere with the sea lanes that Australia relies on, says Jennifer Parker, a former naval officer now at the Australian National University.

In Australia the Chinese navy's activities are causing rows ahead of federal elections, due within weeks. The centre-left Labor government, led by Anthony Albanese, says it has "stabilised" relations with China, which in the past couple of years has lifted restrictions imposed in 2020 on Australian exports worth more than A$20bn ($13bn) annually. China hawks in the opposition centre-right Liberal Party complain that Labor has gone too soft on China in order to restore that trade.

During Australia's spell in the doghouse—for daring to call for an inquiry into the origins of covid-19—it found other buyers for its coal, barley and the like, enabling it to achieve a record trade surplus in 2022. But its concerns about China's military behaviour kept growing. Australian officials acknowledge that their own armed forces operate in international waters and airspace close to China. But China's response is sometimes dangerous. Last

month a Chinese fighter jet released flares close to an Australian P-8A surveillance plane over the South China Sea.

Both Australia and New Zealand have another worry, that China may be strengthening its ability to deploy its forces in the region by cosying up to South Pacific microstates. In February the Cook Islands agreed to form a "comprehensive strategic partnership" with China and announced plans for Chinese investment, including port-building.

New Zealand's foreign minister, Winston Peters, said his country was "blindsided". It has close ties with the Cook Islands, including an arrangement to co-ordinate their security and foreign policies. Mihai Sora of the Lowy Institute, a think-tank in Sydney, says China has reason to be drawn to the Cook Islands (population: 16,800). It could, he says, become a good spot to refuel and resupply task forces—like the one sailing around Australia. ■

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China | Demon child on the silver screen

A new film is breaking box-office records in China

“Ne Zha 2” shows how the mood inside the country is changing

March 6th 2025



Film-makers in China have long tried to find the secret sauce for movies that wow audiences while pleasing the Communist Party. The epics that evolved became known as *zhuxuanlu*, or “main melody” films, because they are in tune with the party line. But the heavy doses of patriotism that they usually involve have fallen out of favour. Instead, one Beijing studio has struck gold with a cartoon reimagining the tale of a “demon child” from a 16th-century novel.

The film, “Ne Zha 2”, is a sequel, in which the eponymous child battles monsters and immortals on a quest to save his friend and protect his family’s fortress. Launched over the Chinese New Year holiday, it has taken more than $2bn and become the most successful animated feature ever made

anywhere. It has overtaken “Spider-Man: No Way Home” as the seventh-highest-grossing film ever. And it has done so by tapping deep into China’s cultural roots.

By the mid-2010s, film-makers were nailing the main melody of the patriotic blockbuster. Before “Ne Zha 2”, the two most popular films were “The Battle at Lake Changjin” from 2021 and “Wolf Warrior 2” from 2017. Both were action flicks involving the defeat of dastardly foreigners. Such films topped China’s charts from 2017 to 2023 (except 2019), according to data from Maoyan, a movie-ticketing service. The state invested in their rise. A law passed in 2016 to support the film industry listed “promoting core socialist values” as one key theme. But their popularity peaked in 2020, when they accounted for more than half of box-office receipts of the 20 highest-grossing films. This year, that share fell below 2%. Triumphant narratives of national strength seem detached from reality, with Chinese viewers now struggling in a depressed economy.

Enter the demon child. “Ne Zha 2” has perhaps caught on because it is not forcing anything on anyone. Chinese people know the character from folklore. The film is packed with humour delivered by endearing characters, and it resonates because of its messages of self-determination, the unconditional love of family and the pursuit of justice. The technical sophistication has amazed viewers and pitched domestic animation studios as serious competitors to their Hollywood counterparts.

At a cinema in the eastern city of Hangzhou Ms Zheng, a 20-year-old student, is watching the film with her friends. She says she found the hero epics too heavy—“They force-feed patriotism”—and has already seen “Ne Zha 2” three times. Like many young people disillusioned by the current paucity of job opportunities, Ms Zheng says she finds hope in the rebellious and righteous Ne Zha. “Nowadays we are overwhelmed by social pressure, but he tells you that you can define the type of person you want to be.”

To boost consumption during the holiday, local governments gave out cinema vouchers to attract more moviegoers. Once it was clear the film could break records, more people rallied to see it. Schools took students, and firms stopped production so employees could attend. One cinema in Sichuan province said that it would hold off screening the recently released “Captain

America: Brave New World” in order to boost “Ne Zha 2” sales. “Our Chinese animation deserves to be seen by the world,” it said.

The world has not yet been won over, though. So far, less than 2% of ticket sales have come from abroad. That could be the next melody Chinese film-makers learn to play.■

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Middle East & Africa

- Why some Africans see opportunity in foreign-aid cuts
- Israel’s army adopts a high-stakes new strategy: more terrain
- Lebanon’s new government must do three big things immediately

Middle East & Africa | Africa after aid

Why some Africans see opportunity in foreign-aid cuts

They want to be more self-reliant. But that will not be easy

March 6th 2025



ENDING DEPENDENCE on foreign donors would not only lead to prosperity but also to "self-respect for our nation". Thus argued Nana Akufo-Addo, then the president of Ghana, when he launched his "Ghana beyond aid" policy in 2017.

Eight years later the west African country may indeed move beyond aid—just not in the way it hoped. The post-cold-war era of Western help for Africa is over. The obliteration of the United States Agency for International Development (USAID) is only the most dramatic example of recent cuts. Britain, France and Germany, among others, are becoming stingier. Even before

Elon Musk eviscerated USAID development, wonks were already talking of a "post-aid world".

- The demise of foreign aid offers an opportunity
- Aid cannot make poor countries rich
- Donald Trump's cuts to USAID would hurt Asia, too

For John Mahama, who replaced Mr Akufo-Addo in January, the timing is inauspicious. His predecessor failed in his mission. Instead of prosperity, he led Ghana into default and its 17th IMF bail-out. Yet Mr Mahama sees reason for hope. "It sends a signal to Africa that the time has come for us to be more self-reliant."

Over the next few years aid cuts will lead to great harm. But Mr Mahama is not alone among African politicians in viewing the crisis as an opportunity for Africa to escape the dependence that has distorted policymaking and sapped self-esteem. The question is whether such a response is more evidence of the complacency that defines many African elites—or whether it will cause them to take more responsibility for the prosperity of their own people.

But before any gain, the pain. In 2023, the latest year for which there are comparable data, rich Western countries spent $60bn on aid in Africa, which is 27% of global aid spending by these countries. For the median African country aid accounts for about 4% of gross national income (GNI), though it ranges from less than 0.5% in fairly rich countries like South Africa to 27% in very poor ones such as Central African Republic (see map).



The Economist

More than a quarter of that money came from America. Most of America's spending went on public health and humanitarian aid, feeding people caught up in war zones or natural disasters, sometimes through multilateral bodies such as the World Bank and the UN. Smaller amounts went on schemes pursuing goals such as more productive farms and better schools. The Trump administration says it will cut 90% of USAID's programmes globally, ending some 10,000 projects.

In Washington these are rows on a spreadsheet; in Africa there are lives at stake. In Ethiopia, where almost 16m people required food support in 2024, funding for food aid has stopped. "It's just a matter of time" before people die, says Charles Owubah of Action Against Hunger, an NGO. In Burkina Faso and Congo, America funds around 50% and 70% respectively of efforts to help people caught up in conflicts there. In Congo the end of American aid will make it harder to respond to diseases such as Ebola.

That is one effect of permanent aid cuts recently outlined by Nicholas Enrich, the top USAID official for global health. He was placed on leave after sending memos warning higher-ups of the looming catastrophe. In one missive that was later made public he estimated that there could be 71,000 to 166,000 additional deaths from malaria and 1m more untreated children with acute malnutrition every year.

Then there is HIV. PEPFAR, a scheme launched by President George W. Bush, has saved more than 25m lives via drugs and prevention. It is now in effect closed. Many African NGOs implementing PEPFAR had their contracts terminated last week; some of their letters ended with "God bless America". In South Africa, where PEPFAR accounted for 17% of the money spent on HIV treatment and prevention, there will be more than 500,000 excess deaths over the next decade as a result, estimates Linda-Gail Bekker of the University of Cape Town. In poorer African countries, where most anti-HIV costs were covered by PEPFAR, the proportional impact will be worse. Moses Mutumba, whose Ugandan NGO had its contract ended, says there are already many cases of HIV-positive children not getting refills for their medicines.

Aid cuts will have economic effects as well. In 16 African countries USAID funding is at least 1% of GNI, according to data from the Centre for Global Development in Washington, and an important source of foreign exchange. The Institute for Security Studies, a South Africa-based think-tank, estimates that almost 19m more Africans will fall below the World Bank's extreme poverty line by 2030 if aid from rich countries is permanently cut by 20%. Middle-class Africans working for aid-funded NGOs will lose their jobs, with ripple effects throughout local economies.

Others may fill some gaps. Japan is considering investing in more infrastructure, including the Lobito economic corridor in central Africa that was the flagship project of Joe Biden's administration. Philanthropists could stump up some extra cash. Humanitarian NGOs and the UN are hoping the Gulf will spend more. But none of these will make up the difference. And though Chinese ambassadors may soon be seen doing more publicity events at African hospitals, China has no interest in replacing what USAID does. It may build a clinic, but it will not staff, supply or run it.

January Makamba, a Tanzanian MP and former foreign minister, sees a paradigm shift on aid. Like many among Africa's elite, he is ambivalent about the change. He knows aid can do good but aid-dependence is bad. "As Africans we are not completely sad about the developments," he says. "This is what we have always been saying we want, to rely less on others."

"Aid creates the wrong incentives for ruling elites," argues Ken Opalo, a Kenyan scholar at Georgetown University in Washington. It leads

policymakers to abrogate responsibility for their countries' own development and makes them more sensitive to donors than their citizens. Mr Opalo says aid partially causes "the atrophy of elite ambition" that has stunted economic development. Aid can be palliative in the short term but, because of how it affects local politics, it is also corrosive. "You are so dependent on donor partners who pout if the minister himself doesn't show up," says W. Gyude Moore, a former cabinet minister in Liberia. "The smaller and poorer your country, the worse this is."

Going it alone

Self-reliance is a potent idea across Africa. In Ghana the talk of "beyond aid" had deliberate echoes of Kwame Nkrumah, the country's founding president. Nkrumah spoke of a "new Africa" that would "show that after all the black man is capable of managing his own affairs". In Burkina Faso Ibrahim Traoré, the 36-year-old military leader, draws on the legacy of Thomas Sankara, a former president sometimes called "Africa's Che Guevara" who preached self-reliance. "We must try to develop without other countries…it can be a good thing and we will work hard to minimise the impact," says Samuel Kalkoumdo, an adviser to Mr Traoré.

Some African leaders, like Nkrumah and Sankara before them, call for something close to a mental liberation. Paul Kagame, Rwanda's president, often uses the word "mindset". He has said: "It is time to shake off the low expectations that have been attached to Africans and that we, to some extent, have accepted." Even though Rwanda was until recently a darling of donors, Mr Kagame claims he has never been "a friend of [aid]", despite being "a beneficiary of it". Jito Kayumba, an adviser to Zambia's president, thinks aid cuts could spur African governments to spend more wisely. They are a chance "to build our own capacity, which is an issue of sovereignty and economic independence," he says.

Ordinary Africans, too, want to rely less on outsiders. A survey in 34 countries between 2019 and 2021 by Afrobarometer, a pollster, found that 65% of respondents wanted their countries to finance their own development, rather than rely on external loans. A majority held that view in all but four countries.

Africans may not be lamenting the aid cuts, argues Bright Simons of Imani, a Ghanaian think-tank, because the Western model of aid "has failed to live up to its own norms of accountability". A study published in 2023 by academics at Lund University in Sweden found that aid led to weaker fiscal capacity in African democracies, suggesting it got in the way of social contracts between the taxed and the taxer. "In effect, aid-dependent democracies become more autocratic," say the authors.

Yet it would be naive to think that cutting aid will simply reverse its unintentional harm. Only a few African countries have the fiscal leeway to pay for services once provided by donors. Some 20 poor African countries are in default or at high risk of debt distress. Uganda wants its fired health workers to work without pay.

It is not just about the money. "It's above all a capacity problem," says Ronald Osumba of the Tony Blair Institute, which advises African governments. Mr Makamba of Tanzania expects some systems to deteriorate or even collapse. But he hopes the pain will be worthwhile.

And though there is a logic to the idea that less aid means more African responsibility, there is a danger of being a Pollyanna on the savannah. Aid cuts in themselves will not force African governments to do better. Those going hungry or without medicines have little political clout; the middle classes typically use private, rather than donor-funded, services. Perhaps African elites will have a fresh incentive to become more responsive to their citizens. But governments have in the past clamped down on dissent rather than done better jobs. Many Africans expect very little from the state.

Ultimately the aid cuts were "coming down the line", argues Mavis Owusu-Gyamfi of the African Centre for Economic Transformation, a think-tank in Ghana. She urges the continent to prioritise growth and transformation by integrating markets and moving beyond the extraction and export of raw materials. The end of an era in aid should prove a wake-up call. "And if our leaders don't wake up, then we have a fundamental problem." ■

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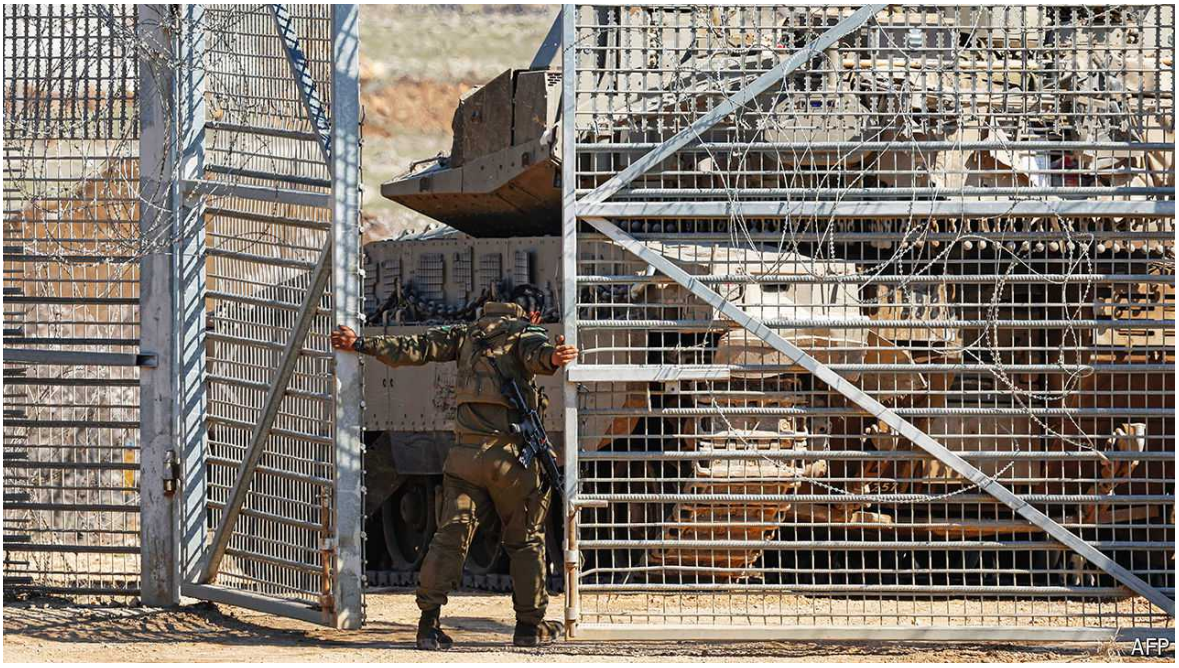
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Middle East & Africa | Fragile ceasefires in the Middle East

Israel's army adopts a high-stakes new strategy: more terrain

It remains present inside Syria, Lebanon, Gaza and the West Bank

March 3rd 2025



THE SECOND stage of the ceasefire in Gaza, whereby Israel and Hamas were to officially end the war there, was supposed to start on March 2nd. But Israel has declined to begin the talks to which it committed in a deal in January. It is demanding an extension to the first stage of the truce, during which it wants Hamas to release more of the 59 hostages whom the militants still hold. To put pressure on Hamas to agree to the modified agreement, Israel has once again cut off supplies of aid to the war-ravaged strip.

The stalling of the ceasefire is part of a wider strategic shift, as Israel's army seeks to maintain a larger geographical presence, including in territory that is not Israeli. It has begun to create what it intends to be indefinite "buffer

zones” on four fronts: in Gaza, on the borders with Lebanon and Syria, and in the West Bank (see map).



The Economist

The move is driven by chaos in these places, the lingering trauma of Hamas’s attack in October 2023 and by pressure from right-wing parties in the governing coalition of Binyamin Netanyahu, the prime minister. It is underpinned by Mr Netanyahu’s apparent confidence that he has the backing of Donald Trump’s administration, which has shown little sign of trying to rein in Israel’s army or its government.

The Gaza truce is not the only ceasefire agreement to which Israel is not adhering. Under the terms of an American-brokered agreement with Hizbullah, the Shia movement that controlled chunks of Lebanon until its war with Israel last year, the Israel Defence Forces (IDF) was supposed to leave Lebanese territory by late January. Israel demanded an extension until the Lebanese army had completed its takeover of the area. But even after that deadline passed on February 18th, Israeli soldiers remained in five fortified positions in southern Lebanon.

Read all our coverage of the war in the Middle East

Israel justifies the delay by claiming a need to protect Israeli communities near the border. A return of Hizbullah forces to the south could put them at

risk again. The government says the IDF will vacate the posts once it is confident the Lebanese army can secure the border and keep Hizbullah out (it is not clear yet if it is up to the job). Israel has neither set a date nor defined the conditions for confidence.

Farther to the east, on the Golan Heights, Israel is deviating from its ceasefire with Syria. A deal was struck with the regime of Hafez al-Assad in 1974. But when Syrian opposition forces overthrew his son, Bashar, in December, Israeli forces crossed the border on the Golan and occupied Syrian territory. Israel's original justification was the lack of a recognised force to protect the border. Since then, the Hayat Tahrir al-Sham (HTS) movement has established a government in Damascus, but it does not have firm control of the country; rival armed groups are active.

Partly as a result, the IDF has begun to build permanent positions in Syria. On February 23rd Mr Netanyahu said that Israel "will not allow HTS forces or the new Syrian army to enter the area south of Damascus". He demanded a "complete demilitarisation of southern Syria in the provinces of Quneitra, Daraa and Suwayda from the forces of the new regime".

Last, Israeli troops have ignored past agreements in the Palestinian cities of Jenin and Tulkarm in the West Bank, where an estimated 40,000 civilians have been forced to leave their homes because of continuing Israeli operations against armed groups there. The cities are part of "Area A", control of which was allotted to the Palestinian Authority under the second Oslo agreement, signed in 1995. On January 29th Israel Katz, the Israeli defence minister, said that "after the completion of the operation, IDF forces will remain in the camp to ensure that terror does not return".

Israeli security officials say that the events of the past 17 months have meant the country has to adopt what one calls "a different strategy of risk management". This means Israel will act based not on what its intelligence services assess its enemies are planning in the short term, but on their potential capabilities. For now, the expanded IDF footprint may be sustainable and avoid a serious backlash. Hizbullah and Hamas are at a low ebb following Israel's devastating campaigns in Gaza and Lebanon. The government in Damascus has other priorities as it tries to avoid a meltdown of its economy and the country descending into anarchy or civil war.

The most immediate concern is Gaza. Hamas may have little interest in resuming the war while it regains civilian control of the coastal strip and rebuilds its battered fighting force. But if the group continues to refuse to change the terms of the agreement, Israel is preparing a massive new offensive. Israeli officers say that could pave the way for the plan, first announced by Mr Trump, to remove Gaza's population and build the "riviera" of the Middle East. On March 5th America confirmed that it had been talking directly to Hamas. Mr Trump said there would be "hell to pay" unless the group released the hostages. The risk of the war reigniting looks real.

There are longer-term costs, too. In southern Lebanon, Israel's continued presence gives Hizbullah an excuse to keep its military strength despite pressure from the new Lebanese government and the public to disarm. For Israel, the burden of maintaining its more expansive presence will be high, both in financial terms and in keeping up mobilisation levels among reservists, many of whom are already into their fourth months-long stint of duty since the war in Gaza began. It also depends on continued support from the notoriously fickle Trump administration.

The IDF's larger footprint could also endanger a unique set of opportunities for Israel. Since signing its first treaty with an Arab country, Egypt, in 1978, Israel has balanced military deterrence with diplomacy. That treaty, and another with Jordan, have survived events in the region. The new governments in Syria and Lebanon are anxious to engage with the West and to prove that they are no longer havens for pro-Iranian proxies. The continued—or expanded—occupation of their territory may not be the best start to improving relations. ■

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Middle East & Africa | All at once now

Lebanon’s new government must do three big things immediately

It needs money to reform, but donors want to see reforms before they write cheques

March 6th 2025



IT IS ALMOST like starting a government from scratch. When the president of Cyprus came to visit his Lebanese counterpart in January, there was no one in the palace to serve coffee. Some ministers are discovering that key civil servants are still on the payroll but living outside the country: with little work and even less pay, they took jobs abroad. When your correspondent congratulated Yassine Jaber on his new position, the finance minister corrected him: “You should say, ‘God help you’.”

For more than two years, Lebanon has been paralysed. The previous president, Michel Aoun, left office in October 2022. Parliament could not

agree on a replacement. With no head of state, no one could appoint a prime minister. A caretaker cabinet was left to manage the country during a financial crisis and a war with Israel.

The impasse has ended at last. Joseph Aoun, the army chief (no relation to his predecessor), was sworn in as president on January 9th. He made Nawaf Salam (pictured), head of the International Court of Justice, prime minister. On February 26th parliament approved Mr Salam's cabinet.

The government faces three big challenges. First, to rebuild hollowed-out institutions and war-ravaged parts of the country. Second, to restructure the bankrupt banks. Third, to fully implement a ceasefire with Israel and UN resolution 1701, which calls for disarming Hizbullah, a Shia militia. The problem is where to begin: it is hard to do any one of those things without having done the others first.

Consider the state. More than 600 high-level positions are vacant, among them the heads of the central bank, the army and the security services. Mr Aoun wants to fill the vacancies quickly. He hopes to name a new central-bank governor this month (among the candidates are an IMF official and a former executive at HSBC, a bank).

From there, ministers vow to fix parlous basic services. An obvious place to start is the state-run electricity company. It has accrued $40bn in debts since 1992 yet provides as little as two hours of power a day. Mr Salam says post-war reconstruction is another priority. In February the World Bank put the war's toll at $10bn in physical damage and reconstruction costs at $18bn.

Such tasks are beyond the reach of a state with a $3bn budget. The World Bank has proposed an initial $1bn programme to clear rubble and rebuild infrastructure. It would provide $250m; donors would have to supply the rest. "Without meaningful economic and financial reforms, it will not be forthcoming," says Hazar Caracalla, an economist. "The sizeable needs of Syria and Gaza might also crowd out Lebanon."

Lebanon reached a $3bn agreement with the IMF in 2022, but it was never implemented, largely because the caretaker cabinet failed to restructure the banks. They have been insolvent since 2019, when a state-run Ponzi scheme

imploded. More than $86bn in deposits, four times the country's GDP, remain largely inaccessible.

Mr Jaber says the right things about restructuring. He talks of a three-tier plan. Depositors with less than $100,000 in the banks, who make up 84% of the total, would get their money back—albeit over a period of many years. The biggest depositors would take haircuts. He has also resumed bail-out talks with the IMF.

Versions of this plan have circulated for years, though, and Mr Jaber is vague on the details. Even if he is serious, he will face opposition. Some bankers believe they survived the crisis and no longer need dramatic reforms, which would wipe out their equity and shut small banks. Some MPs agree. "There's a majority in the cabinet for reform," says another minister. "But anything that requires parliament, forget it."

Then there is Hizbullah. Hundreds of thousands of people converged on Beirut last month for the funeral of Hassan Nasrallah, the group's longtime leader, who was killed in an Israeli air strike in September. The militia hoped the crowds would be a show of strength. Yet many in Lebanon saw the event as a funeral for Hizbullah itself. Mr Nasrallah was a charismatic figure; his successor, Naim Qassem, is tedious. The group's arsenal is depleted. Residents of southern Lebanon grumble that Hizbullah has offered little help to fix their ruined homes and businesses.

Some officials spot an opportunity to drive a wedge between the party and its supporters. Perhaps the state can help them rebuild where Hizbullah cannot. Mr Aoun has been clear that he wants the army to disarm Hizbullah, but conciliatory in his language towards the group. "You don't want to remind them every day that they are leaderless, that they are weak," says one Shia critic of Hizbullah.

A weakened Hizbullah is not powerless, though. It is unwilling to disarm. Mr Aoun's foreign allies are upset that he has not taken a harder line. When he visited Saudi Arabia earlier this month, his first foreign trip as president, he was welcomed at the airport only by the deputy governor of Riyadh, a pointed snub. Gulf states are reluctant to invest in Lebanon until they see Hizbullah further diminished.

All this presents something of a catch-22. Lebanon needs money to reform the state and bolster the army. But it cannot attract much money unless it first reforms and defangs Hizbullah. Mr Salam is also working against the calendar. Lebanon is meant to hold parliamentary elections next spring, which leaves him with as little as 13 months to govern. He needs to do many things at once—and he has little time to do any of them. ■

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Europe

- The dangerous tension in Europe’s response to Trump
- Europe sounds increasingly French
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- Kurdish rebels in Turkey declare a ceasefire
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Europe | The old world wakes up

The dangerous tension in Europe's response to Trump

By trying to stop the rift, Europe may hasten it

March 5th 2025



FOUR DAYS after being accused of rejecting peace with Russia and thrown out of the White House, Volodymyr Zelensky bent the knee before Donald Trump on March 4th with a mollifying letter: "Ukraine is ready to come to the negotiating table as soon as possible to bring lasting peace closer. Nobody wants peace more than Ukrainians. My team and I stand ready to work under President Trump's strong leadership to get a peace that lasts."

The Ukrainian president's genuflection brought him no respite. Mr Trump did not restart deliveries of weapons, halted on March 3rd. Instead he intensified the punishment. American battlefield intelligence stopped reaching Ukraine around 2pm local time on March 5th. "If Mr Trump wants

a thank-you, we will be writing it on the gravestones of dead Ukrainian soldiers," seethed one Ukrainian officer.

Read more of our recent coverage of the Ukraine war

Such brutal coercion in wartime is a warning that America may abandon Ukraine permanently and, more broadly, undo the decades-old NATO alliance. Shocked European allies are scrambling to help Ukraine on their own, strengthen their defences and present America with a peace plan that, unlike Mr Trump's, avoids capitulation to Russia.

The administration of Joe Biden, which had supported Ukraine since Russia's all-out invasion three years ago, pushed through large amounts of weaponry to keep it fighting for months, albeit with weakening air defences. The interruption of intelligence has more immediate and serious consequences. Ukrainian sources say America has stopped an intelligence link used to communicate alerts about suspicious Russian activity as well as targeting data for HIMARS rockets and real-time information for long-range drones. Other feeds controlled by NATO remain operative, at least for now. Ukraine is presumably still able to hit large static Russian targets, such as oil refineries. But finding and destroying fleeting "dynamic" targets, such as mobile air-defence systems, may prove more difficult.

Mike Waltz, America's national security adviser, said America was "pausing and reviewing all aspects of this relationship". He described Mr Zelensky's letter as "a positive step forward" and predicted that, depending on progress in planned shuttle diplomacy and unspecified "confidence-building measures", America would "take a hard look at lifting this pause".

Even so, having got Mr Zelensky to jump, Mr Trump now seems to be ignoring him. There was no invitation for Mr Zelensky or anyone else to conclude a framework deal with America to extract Ukraine's rare-earth and other minerals, which was supposed to have been signed at the ill-starred White House meeting. Nor has the Trump administration responded to Mr Zelensky's call for a partial ceasefire, including the release of prisoners and a "truce in the sky"—ie, a ban on strikes by missiles and long-range drones, and on attacks against energy facilities and other civilian infrastructure. He also proposed a "truce in the sea".

In the name of “peace”, the Trump administration is applying intense military and political pressure on Ukraine, the victim, but seemingly none on Russia, the aggressor. In his address to Congress on March 4th Mr Trump declared that Russia had sent “strong signals that they are ready for peace”, but offered no evidence.

All this raises questions about whether America is negotiating in good faith. But Ukraine and its European allies have little choice but to give Mr Trump the benefit of the doubt. At the same time they have to hedge against the prospect that America will stop underwriting European security or, worse, become a hostile power. Suspicions are all the deeper given Mr Trump’s threat to impose tariffs on European countries and his vice-president’s denunciation of European democracy and support for hard-right parties.

“We must recognise it: we are entering a new era,” declared Emmanuel Macron, the French president, in a televised address on March 5th. He said he would open a “strategic debate” about the role of French nuclear weapons in protecting European allies (though any decision about their use would be only France’s to take).

Sir Keir Starmer, the British prime minister, rejected accusations that America had become an unreliable ally. He has spoken with Mr Trump repeatedly, seeking to bridge the divide with Ukraine.



The Economist

Achieving a decent peace now depends on the response of European allies, who support Ukraine's demand for security guarantees to ensure that a ceasefire does not allow a re-armed Russia to launch a new assault. Britain and France, Europe's biggest military powers, have hosted separate European summits to draw up a coherent response, but their efforts do not always seem fully joined up. France's call for a one-month ceasefire, for instance, appeared to catch Britain by surprise.

A four-point plan issued by a summit in London on March 2nd was long on principles but short on details and pledges. It said that military aid should continue flowing into Ukraine, and economic pressure on Russia should increase; Ukraine must be at the negotiations and any deal must preserve its sovereignty and security; Europe will boost Ukraine's future defence capabilities; and a European force would deploy to Ukraine to help deter Russian aggression. Britain says the "reassurance" force—a coalition of the willing expected to number 20,000-30,000 troops behind Ukrainian front-line units—would need a strong American "backstop" to deter Russia. Mr Trump has demurred.

After his address Mr Macron hosted Viktor Orban, the Hungarian prime minister and a staunch Russian ally, to urge him not to block moves by a

European summit the following day to boost European defence, not least by setting up a €150bn facility to help buy weapons.

In Germany, meanwhile, the conservatives of Friedrich Merz, who is likely to be the next chancellor, agreed with Social Democrats on March 4th to create a €500bn infrastructure fund and to reform the constitutional "debt brake" to remove restraints on defence spending. The expected fiscal boost pushed up the DAX index by 3.4% and the shares of Rheinmetall, a defence firm, by 7.2%. German ten-year bond yields jumped by 0.3 percentage points in expectation of higher borrowing.

Yet there is a dangerous tension in Europe's response. It seeks to show it is pulling its weight by strengthening Ukraine and keeping it fighting if necessary, whereas Mr Trump wants to bend it to his will and end the war. In trying to stop the rift with America, Europe may hasten it. ■

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Europe | All Gaullists now

Europe sounds increasingly French

The continent confronts a future without Trump's America

March 6th 2025



"THe real victim of this affair", he concluded, is "the Atlantic alliance…If our allies have abandoned us in difficult, if not dramatic, circumstances, they would be capable of doing it again if Europe in turn found itself in danger."

A European leader today responding to Donald Trump's brazen decision to suspend American military aid to Ukraine? In fact this was Christian Pineau, the French foreign minister, after the Suez crisis in 1956. Then, America forced Britain and France to pull back from their joint military adventure. Britain concluded that it had to hug America close; France, that Europe needed to stand on its own feet.

In response, Charles de Gaulle, founder of the modern French republic, went on to develop France's independent nuclear deterrent and, in 1966, to pull out of NATO's military command. Ever since, devotion to the Gaullist doctrine has been as central to mainstream thinking on the left and right in France as it has been dismissed, and mocked, by European friends as Gallic grandstanding.

No longer. Atlanticist Europeans are turning Gaullist. Mette Frederiksen, Denmark's prime minister, led the way after Mr Trump threatened to annex Greenland. "Everyone in Europe can see that it will be a different collaboration with the USA now," she warned. Friedrich Merz, Germany's probable future chancellor and another staunch Atlanticist, went further, urging Europe to "achieve independence" from America. "We have all turned into Gaullists," said Caspar Veldkamp, the Dutch foreign minister.

Paris is quietly smug. Emmanuel Macron, France's president, has been warning fellow Europeans since he was first elected in 2017 about "a gradual and inevitable disengagement by the United States", urging them to build "Europe's autonomous operating capabilities". Which may help explain why, as discombobulating as Mr Trump's behaviour is, the French are less floored than other Europeans by the prospect of doing without America.

The trouble with France's case is that it has not matched its urgent speeches with a proportionate rise in defence spending. The country has only just exceeded NATO's 2014 target of 2% of GDP. The problem for its allies is that disentangling dependence on America is, in the short run, almost impossible. ■

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Europe | Coping with the switch-off

Donald Trump’s chokehold on Ukraine

Where an American American cut-off of military aid will hurt most

March 3rd 2025



***Editor’s note (March 4th 2025)**: This story has been updated.*

In a sleek business tower in Kyiv, a group of engineers huddle over a new, carbon-black drone called Batyar, “the Rogue”. It looks much like the Iranian-Russian Shahed drones that have been terrorising Ukrainian cities for the past few months. With a range of up to 1,500km at a cost of just $25,000 apiece, its optical terrain-recognition system lets it evade most electronic jamming, so it should more than match its Russian rival. It is the result of many joint collaborations by Ukrainian and American firms. What happens when such co-operation ends?

Thanks to the war, Ukraine is now a world leader in the technology of drones, which are more potent than many weapons provided by the West. Yet overall Ukraine has relied heavily on Western and American military support. Mr Trump's threat to withhold it had already circulated before his fateful meeting with Volodymyr Zelensky in the Oval Office on February 28th. And on March 3rd Mr Trump ordered an immediate pause; two days later intelligence-sharing was cut off too. "No one wants to believe in the worst-case scenario," said a military source before the American president's latest declaration. "But there is worry that some items will be simply impossible to replace."

The key elements of America's support are not just the actual weapons but also the ability to maintain and repair them; the air-defence missiles that keep cities functioning; the Starlink system that is the backbone of military communications; but the sharing of intelligence may turn out to be the most critical of all.

Ukrainian soldiers know what happens when the flow of American weapons dries up. In late 2023 Mr Trump ordered Republicans in Congress to withhold approval of the next package of military aid. As a result, Ukraine was short of shells for six months. Nazary Kishak, a Ukrainian officer, says he witnessed the result of the hold-up during Russia's siege of the Ukrainian city of Bakhmut: a ten-to-one advantage in the supply of artillery shells enabled Russia to destroy the city completely amid a needless loss of life.

To some extent Ukraine's home-made drones can make up for a loss of artillery firepower. But this requires money: the local defence industry is running below full capacity. Drones have been effective and relatively cheap, but artillery is still needed and shells are too few. The loss of American Bradley fighting vehicles will be damaging, too. The end of American GPS-guided rockets would give Russia freedom of manoeuvre behind the front lines. Lieutenant Kishak says a stop order on such weapons will lead to "more Bakhmuts".

Only America can produce high-end weapons like the Patriot missiles that have intercepted the Russian hypersonic and ballistic missiles raining down on Ukraine's cities. On paper the French-Italian SAMP/T system could replace them if it were produced at scale. But it would not knock out Russia's fastest

missiles (though a more advanced version is expected next year). Without the Patriots, more of Ukraine will face the battering of cities near the front, such as Kharkiv. America has been working with Japan to co-produce Patriots, but probably in modest numbers. And Mr Trump would have to approve a transfer, which he might refuse.

The Starlink satellite network, paid for by Poland but controlled by America, is irreplaceable too. The Ukrainians have produced workarounds, for instance during their incursion into Russia's Kursk region, where most Starlink systems have been disabled. A Ukrainian official says a backup using similar technology is in the works: "We have one to roll out in days; a more extensive solution in three months." But the switch will be tricky and will remove a key battlefield advantage. Alternatives are inferior in vital respects and vulnerable to Russian electronic warfare.

Most vital of all has been American intelligence, also suspended on March 5th. It has warned Ukrainians when Russian planes are set to strike; forewarned them of new incursions; tracked the flow of Russian, Iranian and North Korean weapons; and enabled them to hit stores, logistics and operational hubs. It has also guided Ukraine's rockets and drones to targets deep inside Russia. Ukrainian drones can see for a short distance behind the front lines, but American eyes have let them peer much deeper. A Western military official says Europeans might provide some alternatives—Britain, for example, routinely flies surveillance aircraft over the Black Sea—but not as fast. "With this kind of warfare, it's all about timing. Without US intelligence, Ukraine will struggle with dynamic targeting" to hit new targets as soon as they pop up.

Despite these omens, Ukraine's top brass have not given way to despair. For one thing, they tell themselves, Mr Trump's decision could be reversed or watered down. And there is a quiet confidence that the eastern front is fairly stable. "There will be a slow decline, and perhaps the front line may recede somewhat," says a senior Ukrainian officer. "But there will be no tragedy." So he hopes. ■

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Europe | Farewell to arms

Kurdish rebels in Turkey declare a ceasefire

One of the world's longest conflicts may be drawing to a close

March 6th 2025



Even from the island prison where he has spent the past 26 years, Abdullah Ocalan still wields power over the Kurdistan Workers' Party (PKK), the rebel group he founded to fight for a Kurdish homeland. On March 1st, two days after Mr Ocalan called on the group to disarm and disband, the PKK's commanders in northern Iraq announced they would heed the call and declared a ceasefire. "None of our forces will take armed action unless attacked," the group said in a statement. Having claimed more than 40,000 lives, displaced millions of people, and spread from south-eastern Turkey into Iraq and Syria, one of the longest wars in the world may at last be nearing its end.

For Turkey's government, headed by President Recep Tayyip Erdogan, the ceasefire means a chance to claim victory over the PKK and to dismantle or weaken the Kurds' autonomy in Syria. Policymakers in Ankara, Turkey's capital, reckon this could stymie what they see as a fledgling alliance between the Kurdish rebels and Israel, which they would view with great concern. For Mr Erdogan, peace with the PKK could mean another term in power.

What comes next is unclear. Talks between Mr Ocalan and Turkish officials, which began almost a year ago, have been shrouded in secrecy. Turkey's main Kurdish party, Peoples' Equality and Democracy (DEM), would like Turkey to offer the Kurds new rights, perhaps in a new constitution. They also want an amnesty for PKK fighters and parole for Mr Ocalan. At a minimum, the DEM wants room to breathe. Since 2016 the government has dismissed and sometimes arrested Kurdish mayors across the south-east, replacing them with government stooges. Scores of other Kurdish politicians have suffered the same fate.



The Economist

At least in public, Mr Erdogan has been pouring cold water on the DEM's hopes. Members of his Justice and Development (AK) party say that the PKK should expect no concessions. "There's talk of whether the state will enter

into a bargaining process," says Omer Celik, AK's spokesman. "This is absolutely out of the question."

Turkey has been here before. Previous talks, launched in 2013, collapsed two years later, leading to one of the war's bloodiest chapters. When PKK fighters, emboldened by Kurdish victories over the jihadists of Islamic State in neighbouring Syria, dug themselves into cities across Turkey's south-east, Mr Erdogan dispatched tanks against them. Thousands died. Kurds blame both the Turkish government and the PKK for the devastation.

On the streets of Diyarbakir, a city in the south-east, the scars of those clashes have been partly obscured by new layers of concrete and cement. Hundreds of homes in the old quarter, or what remained of them at the end of the fighting, have been torn down. A few new buildings built on the rubble already show signs of neglect, but no hint of life. In Diyarbakir and elsewhere in the region, hopes for a new peace process mix with fear of more repression and bloodshed if talks break down. "People are tense," says Roj Girasun, a local analyst. "Just because things are bad doesn't mean they can't get even worse."

The fluid situation in Syria, where the PKK's franchise, known as the People's Defence Units (YPG), controls swathes of territory, makes things trickier. Turkey expects the group to dissolve, hand over its weapons to Syria's interim government, and expel foreign fighters, or face a new Turkish army offensive. The YPG, which forms the backbone of the American-backed Syrian Democratic Forces (SDF), has other ideas. Mazloum Abdi, the SDF's commander, has already distanced himself from Mr Ocalan's disarmament call. "This is only for the PKK," he said on February 27th. "It's not related to us in Syria."

There is yet more at play. Mr Erdogan, whose term as president expires in 2028, cannot run again, unless he persuades parliament to change Turkey's constitution to reset his term limits or gets it to call snap elections. To do either, he would need the votes of another big party. He may be eyeing the possibility of getting the DEM to back him, dangling the fledgling peace process as a carrot.

A ceasefire may hinge on Mr Erdogan's political ambitions. Talks between the Syrian Kurds and Syria's new leaders may not succeed. Mr Ocalan's sway over the PKK may be uncertain. But this may be the best chance in a generation for peace. ■

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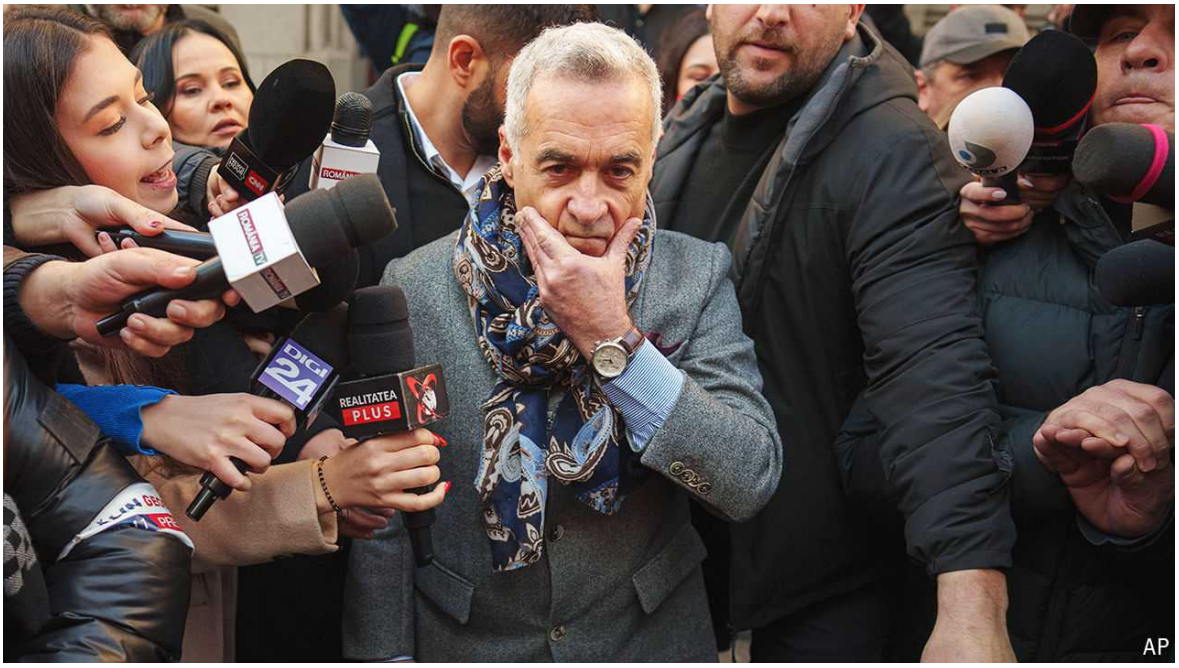
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Europe | Malign influencers

Romania is caught between Putin, Trump and Europe

Banning a pro-Russian candidate would anger America's MAGA crowd

March 6th 2025



Calin Georgescu has friends in high places. In the past few weeks the Romanian presidential hopeful has received support from America's vice-president, J. D. Vance, and its director of national intelligence, Tulsi Gabbard—as well as from Russia's foreign intelligence service, the SVR. Last November Mr Georgescu, a pro-Russian candidate, came top in the first round of his country's presidential election. But the constitutional court annulled the vote amid suspicions that Russia interfered. The election will be restaged in May. Electoral authorities will decide by March 19th whether Mr Georgescu can run.

The candidate says that he has met aliens. He thinks that the moon landings were faked, and admires Romania's fascists from the 1930s. More concretely, he vows to end aid to Ukraine. Before the election he was considered a fringe no-hoper; the big parties were stunned when he got 23% of the vote. In scrapping the result, the court ruled that he had received illegal financing and implied that Russia had boosted his viral videos on TikTok.

Romanians are bitterly divided. The establishment backs the court's action, but both the populist right and many citizens fed up with politics support Mr Georgescu. Romania's foreign partners are split, too. Ursula von der Leyen, president of the European Commission, supported the court. But officials in Donald Trump's administration, including Mr Vance, Ms Gabbard and Elon Musk, have rebuked the Romanians—in concert with Russia's SVR, which on March 4th called Mr Georgescu a victim of the "European totalitarian-liberal elite". The next day Romania expelled Russia's military attaché and arrested six people for "plotting to take over state power".

Candidates for the presidential re-run must register by March 15th. Remus Stefureac, who heads INSCOP, a polling firm, says Mr Georgescu leads the field with a share of up to 40% in the first round. He might still lose in the second round, if he is allowed to run. In October the court barred another pro-Putin candidate, Diana Sosoaca, saying her statements threatened Romania's EU and NATO memberships. Last month prosecutors opened criminal proceedings against Mr Georgescu for anti-constitutional acts and misreporting campaign financing, which he denies. Police also briefly detained Horatiu Potra, an associate of Mr Georgescu's with links to Russia who runs a security company that deploys mercenaries in Congo.

Romania's biggest parties, the centre-left Social Democrats and centre-right National Liberal Party, are backing a joint presidential candidate. But Mr Georgescu's popularity and the conflicting signals from America and Europe put them in a bind. Adding to the confusion, on February 27th prosecutors allowed Andrew Tate, an influencer, and his brother Tristan to leave for America. Supporters of Mr Trump, they were being investigated in Romania for rape and human trafficking. Officials say there was no formal American request; they seem to have been sprung by informal lobbying. Romanian leaders are always solicitous of America, says Rufin Zamfir of the

GlobalFocus Centre, a think-tank. But now they are “like headless chickens”. ■

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Europe | Charlemagne

Can Friedrich Merz get Europe out of its funk?

A new Merz-mentum could reboot the Franco-German motor at the heart of the EU

March 5th 2025



The man now all but certain to become Germany's next chancellor may not be anybody's first choice to share a *krug* of Oktoberfest lager with. Forget the back-slapping pol ready to banter about the Bundesliga; Friedrich Merz is a former corporate lawyer who wrote a book urging voters to "Dare for More Capitalism"—in 2008. German voters hardly flocked to the beanpole-shaped fellow, who first chased the leadership of the centre-right two decades ago, only to deliver for it the second-worst result in its history last month. But do not tell Europeans this. From Paris to Warsaw, Brussels and beyond, the impending arrival of a new man at the top of German politics is being met with giddy excitement. A continent in crisis on just about every

front is in dire need of a reboot—and wants to believe a new Merz-mentum will bring it about. Can the new-chancellor-on-the-block live up to the hype?

- A fantastic start for Friedrich Merz

The early signs are unexpectedly promising. The first step towards Mr Merz being effective on the European stage is for him to forge a coalition with the centre-left Social Democrats at home, a task expected to take several more weeks. But the agreement announced on March 4th was startling in its ambition. In a stunning reversal of fiscal austerity long espoused by the right—not least by Mr Merz himself—the putative coalition agreed to spend several hundreds of billions of euros on both defence and infrastructure. Once a conservative article of faith, the "debt brake" that has acted as a straitjacket on German fiscal policy by limiting deficits is in effect to be binned when it comes to defence. The long-overdue splurge to come should help shake off an enduring recession. It also marks an end to the penny-pinching that left Germany unable to durably boost defence spending to levels needed to fend off a revanchist Russia unopposed by Donald Trump's America.

In part thanks to that agreement, Mr Merz will be the star-in-absentia of an emergency European Union summit in Brussels on March 6th, called to discuss the situation in Ukraine. (Olaf Scholz, the outgoing chancellor, will represent Germany, while Mr Merz is to attend a sidelines confab of his centre-right political family ahead of the actual summit.) The hopeful prediction is that Mr Merz will help improve the parlous state of the Franco-German relationship at the heart of the EU. For years the bloc's two biggest countries have been at odds, due largely to a frosty rapport between their respective leaders. Mr Scholz, and to some extent Angela Merkel before him, all but refused to engage with Emmanuel Macron, the French president who endlessly fizzes with ideas of how the continent can be built into a *Europe-puissance,* generally at Germany's expense. Mr Merz, an Atlanticist visibly shocked by America's shabby treatment of Europe, looks readier to collaborate with his French counterpart.

The two men make an odd couple, separated by 22 years in age and more than that many centimetres in height. Yet they have much in common. Both

like to hint at vast intellectual hinterlands with public displays of admiration for impenetrable philosophers. Both worked in high finance before landing top political jobs. Both rightly worry that, should they mess up, hard-right populists may succeed them in office. Both think of politics in national *and* European terms. Mr Macron stands just as proudly for the EU's anthem as he does for La Marseillaise; Mr Merz started his career as a member of the European Parliament in the age of Jacques Delors (Mr Scholz, in contrast, seemed to think of the EU as little more than a trading club). Both seem keen to include Poland as a necessary third partner in the Franco-German alliance, and both think Europe is over-regulated. They share a sense of gloom about the state of their home continent: Mr Macron warned last year that "Europe might die"; Mr Merz fretted on election night that it was "five minutes to midnight".

What might this mean for Europe? Those who expect a burst of Euro-federalism are likely to be disappointed. If anything, Mr Merz's arrival will mark the end of the vacuum that gave the EU's central institutions, notably the European Commission, an unusual amount of influence. The incoming chancellor's vision of Europe is one where national leaders come together to make decisions, not outsource them to Brussels. A re-think of how the EU works may follow. Mr Merz was a protégé of Wolfgang Schäuble, a flinty finance minister who argued that Germany and France should forge ahead when others in Europe lacked the willingness to do so, resulting in "concentric circles" of EU integration. Expect more "coalitions of the willing" spearheaded by France and Germany—perhaps including Britain, too, on defence matters.

Merz-i beaucoup!

The improved vibes may, of course, dissipate after a brief honeymoon. Europe will still have to contend with German coalition politics, which have muddied its influence in Brussels. Mr Merz has never held executive office before; Mr Macron will be gone by 2027, and no longer fully controls the government. And for all the ideological alignment on Europe's place in the world, some fundamental disagreements remain. Germany is committed to free trade, which France merely tolerates. France would like some of Europe's defence needs to be paid for by an EU fund jointly borrowed by its

27 countries, a model used for the first (and only) time to fund the economic stimulus enacted in the wake of the covid-19 pandemic. That remains *verboten* in Germany.

Nevertheless the mood in EU circles is cheerier than the challenges posed by American abandonment might suggest. Future Franco-German spats are inevitable. They might even help. When Mr Merz's vision does not align with Mr Macron's, as will undoubtedly happen, the two will clash. It is out of the sparks that compromises will be forged, and progress achieved. And that is exactly what Europe needs. ■

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Britain

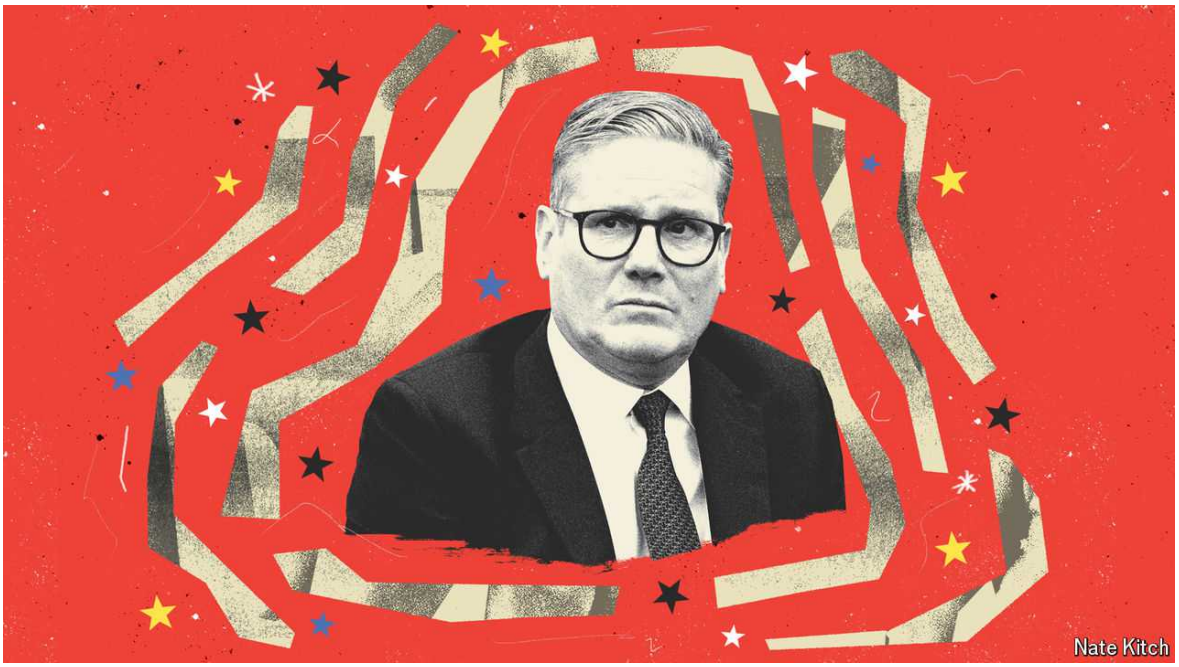
- Sir Keir Starmer finds a role
- Keir Starmer and Emmanuel Macron are forging a tight link
- Britain’s government may be about to waste its best chance of success
- A thorny debate in Britain around the definition of “Islamophobia”
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Britain | Eat that, Acheson

Sir Keir Starmer finds a role

Foreign policy has given the Labour government a purpose, at last

March 6th 2025



On Monday MARCH 3RD the House of Commons echoed with glutinous praise. Sir Keir Starmer was updating Parliament after a week of shuttle diplomacy. What began with the prime minister glad-handing Donald Trump in the Oval Office, before hosting a "coalition of the willing" of European leaders in London, ended with Sir Keir trying to mend the relationship between Volodymyr Zelensky, the Ukrainian president, and Mr Trump.

Britain's MPs liked what they had seen. Sir Keir had "spoken for Britain", said Tom Tugendhat, a cabinet minister in the last Conservative government. Britain was "leading the world, as we have so many times in the past", said Sir Ed Davey, leader of the Liberal Democrats, who once found such

patriotism gauche. “May I praise in the strongest possible terms the prime minister’s strong and pitch-perfect leadership?” asked one MP. He may.

The parliamentary love-in was a rare moment for Sir Keir, whose first eight months in office have been marked by a mixture of inertia and ineptitude. A ridiculous scandal about a donor buying Sir Keir clothes trashed his reputation for probity; Labour’s first budget cranked up National Insurance on employers and avoided breaking the party’s pledges only via pedantry. Yet in foreign policy Sir Keir has suddenly found a role that suits him. Never mind Dean Acheson, the former American secretary of state whose remark in 1962 that Britain had lost an empire but not yet found a role still haunts the country’s place in the world.

- Britain’s leader has found purpose abroad. He needs it at home too
- Labour may be about to waste its best chance of economic success

Labour has put in diplomatic legwork since coming to power. A Sunday summit of European leaders was the culmination of a great normalisation of relations with the continent. Under Boris Johnson, the prime minister when Russia invaded Ukraine, a coherent European response to Ukraine had to survive an otherwise toxic relationship. This put a ceiling on the ability of both sides to work together. Sending military supplies and offering Ukrainian troops training is one thing; discussing putting European boots on the ground is quite another. Now, under Sir Keir, both sides are able to go further together.

Likewise, Sir Keir’s strategic supplication in the Oval Office was the result of months of effort. David Lammy, the foreign secretary, was dispatched to America once it looked likely that Mr Trump was heading to power. Mr Lammy bonded with J.D. Vance, the American vice-president, over their Christian faith, their impoverished backgrounds and their previously sharply critical opinions of Mr Trump.

Sir Keir has a freer hand on diplomacy than his European peers. Britain’s government is among the most secure in the continent. It has a huge majority and four years until the next election. Under the Conservative government, foreign policy became backbench management. By contrast, Sir Keir can

take difficult decisions with ease. Hacking the aid budget from 0.5% of GDP to 0.3% to boost defence spending is not the reason Labour MPs entered politics. Anneliese Dodds, the development minister, resigned, but beyond that there was barely a peep of protest. It was a strikingly bold move for a prime minister who has too often opted for timidity that belied his parliamentary might.

Still, boldness masks a weakness. Sir Keir raided the aid budget because he had few other places to find the money. Extra borrowing has been ruled out for fiscal reasons; extra taxes are ruled out for political reasons. While Labour remains attached to its fiscal rules, war austerity is the result. Every pound spent on NLAWs, an anti-tank missile that Britain supplies to Ukraine, is money that cannot be spent on the NHS. For a party elected to improve public services, its task only becomes harder.

Wrapping domestic goals in a Ukrainian flag can do only so much. Ed Miliband, the secretary of state for net zero, has long championed the green transition as a security measure, a way of reducing British reliance on gas prices that shoot up whenever Russia invades a neighbour. If the transition leads to lower energy costs, then Britons will cheer; if it locks in high prices, there will be little forgiveness.

Lawmakers from all parties have an unserious view of the realities of keeping a nuclear power at bay with only erratic support from America. Vladimir Putin, Russia's president, has noted that Britain's army is, by historical standards, underpowered. "Perhaps the prime minister could remind them of what the Kaiser said in 1914 about 'the contemptible little British army'," suggested Sir Edward Leigh, Britain's longest-serving MP.

Politicians of all levels think foreign policy can boost domestic goals. "Defence is a vehicle for social mobility, career security and opportunity for our young people," said one Labour MP, displaying an optimistic view of peacekeeping in the Ukrainian winter. Nor is Sir Keir immune: extra defence spending should boost small and medium-sized businesses, he said.

Under Sir Keir, the British government is pursuing the only plausible strategy available: clinging onto an uncertain transatlantic relationship and forging a closer one with Europe. A potted history circulates in Labour

circles. In the post-war era Britain hewed to America under Clement Attlee and Winston Churchill, missing out on the first wave of European integration. It then launched a foolish break with America under Anthony Eden which resulted in the Anglo-French debacle of Suez. When asked to choose between Europe and America, the answer can only be a firm "both".

This strategy, however, now relies on the grace of Mr Trump. In Parliament, Sir Keir listed his aims: military aid must flow to Ukraine; sanctions must be maintained against Russia; an American security guarantee for any peacekeeping force in Ukraine was vital. By midweek, Mr Trump had undermined them all. If he were to do something once unthinkable, such as leave NATO altogether, then Sir Keir could face the unenviable choice he has sought to avoid: Europe or America? It is lucky that he has a new enthusiasm for foreign policy. He will be doing much more of it.■

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Britain | Keir cordial

Keir Starmer and Emmanuel Macron are forging a tight link

As Donald Trump threatens to leave Europe on its own

March 5th 2025



Less than three years ago Liz Truss, not yet British prime minister, could not decide whether Emmanuel Macron, France's president, was a "friend or foe". Her predecessor, Boris Johnson, mocked French diplomatic protest at AUKUS, a submarine deal that cut out France, with a flippant "*Donnez-moi un break!*" Today Britain and France have put such theatrical rivalry behind them. As Sir Keir Starmer, the current prime minister, and Mr Macron jointly take the lead on Europe's effort to salvage support for Ukraine, the Anglo-French tie seems more solid than it has for many years.

Gestures of mutual respect have replaced the cross-Channel trading of insults. In January Sir Keir treated Mr Macron to dinner at Chequers, his

official country residence. Last November Mr Macron invited Sir Keir to attend Armistice Day commemorations in Paris, the first British prime minister to do so since Winston Churchill. Even before he became Labour's leader, Sir Keir went to Paris to learn more about the French president. Mr Macron, says someone who knows the president well, judges Sir Keir to be "*un decent guy*".

On paper, the two of them appear an improbable match. Sir Keir tends towards caution, discretion and short words, whereas Mr Macron favours abstract nouns and the smash-it-first theory of politics. On stage Sir Keir looks like the startled understudy; Mr Macron relishes playing the leading part. Sir Keir was formerly a casework-building public prosecutor; Mr Macron, a deal-driven investment banker.

Yet in fact they have a surprising amount in common. They are both pragmatic moderates who hail from the centre-left (Mr Macron was once a minister in a Socialist government). They both play football, and are loyal supporters: Sir Keir of Arsenal, Mr Macron of Olympique de Marseille. They both also play the piano and, when younger, trained at music schools: Sir Keir at the Guildhall in London, Mr Macron at the Conservatoire in Amiens.

Given the scale of the transatlantic crisis, the bond the pair are forging may not be enough. Britain and France, western Europe's two nuclear powers, badly need allies behind their plan for Ukraine. Brexit-linked problems, such as fishing rights in the waters that separate the two countries, have not gone away. Tensions over how to deal with small-boat crossings could easily flare up.

But it is an arresting and encouraging start. A British official calls the co-operation "unprecedented". Intelligence agents work well together. Diplomatic teams have even shared Trump-handling tips. "Macron has experience and agility; Starmer has longevity and staying power," says Peter Ricketts, a former British ambassador in Paris. "That's a pretty powerful combination." ■

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Britain | Making growth legal

Britain's government may be about to waste its best chance of success

A bill to unblock house-building and boost growth looks far too timid

March 4th 2025



THE PARLIAMENT that passed the Town and Country Planning Act of 1947 was alive to the pressing need, in bomb-cratered Britain, for bricks and mortar. If the post-war governments, Labour and Tory, had a consistent north star, it was building homes. Winston Churchill, returned to office in 1951, listed his priorities as "houses, red meat and not being scuppered".

MPs, though, were concerned by "urban sprawl". On the Labour government's benches was a zeal for extending state control, including over property rights. And so they came to pass a landmark law—among the first of its kind—that prohibited all private development without explicit permission. No

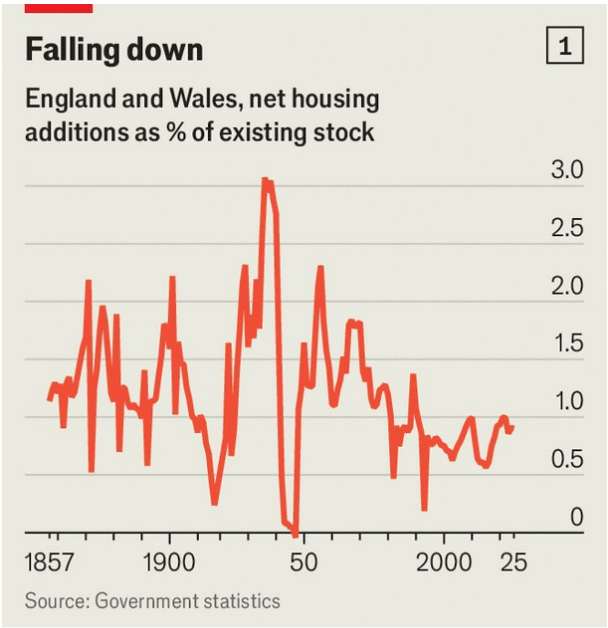
longer would land ownership confer the right to build; that power would rest instead with the local council.

- Britain's leader has found purpose abroad. He needs it at home too
- Sir Keir Starmer finds a role

To its architects, the act was not only about preventing undesirable construction around big cities. It meant the very fabric of the country would be—the critical word—planned. The state would build a "New Jerusalem", with platoons of urban planners and labourers, modern layouts and designs, and wholly new towns replacing inner-city slums. Nascent opposition would be placated.

That is not quite how things have turned out. In fact if you were to survey eight centuries of laws on Britain's statute book, it would be hard to find another that has backfired so spectacularly. Opponents of new housing were not mollified, but empowered. As home ownership rose, the restrictions on building only tightened.

This is the problem Sir Keir Starmer's government will try to grasp when it lays a planning and infrastructure bill before Parliament later this month. And to listen to the prime minister's fiery speeches, strewn with vanquished "NIMBYs" and "naysayers", you would think he is ready for the fight. His MPs (rightly) see this as this government's most plausible route to higher growth (and with it better-funded public services, or higher defence spending). They believe they are seizing it.



The Economist

Yet talk to those more immersed in the absurdism of Britain's planning system, and the story is rather different. "They are assuming the creators of the 1947 system were broadly right," says John Myers of the YIMBY Alliance, a pressure group for home-building. "They have shied away from real reform and are trying to patch over what is broken," says Christian Hilber of the London School of Economics. "They've not grasped the absolute obstacles to what they need to do," says Paul Cheshire, also at the LSE.

Few question that the government is proposing many welcome changes. Set against the scale of the task, however, the Starmer team appears to be wasting its best shot at success.

A clear way to see Britain's problem is to look at net housing additions over the long run (see chart 1). A sharp drop in private construction in and around big cities after 1947 was at first offset by public building elsewhere. But over time opposition grew wherever homes were proposed, and councils began to grasp their new powers (a clause allowing them to raise "material considerations" offered almost endless grounds for rejection).

A nation of NIMBYs

Rather than making building popular, the 1947 act set in motion a NIMBY domino effect. In the 1950s suburban councils began to apply to designate their land within so-called green belts, where development was prohibited. Each time one did, its neighbours came under pressure to follow suit. Law also shaped culture more subtly. A property-owner's ability to object to any change in their locality began as a novelty. It soon became a right.

In turning its councillors into little emperors, Britain was an outlier. Some other English-speaking countries also adopted similar "discretionary systems", though none so restrictive. Seeing what had happened in Britain, most European countries opted for simpler and more predictable zoning systems, whereby proposals are approved as long as they comply with an agreed set of rules.

House-building rises and falls with economic cycles. But the tightening grip over Britain's land supply is evident in the data, which show a steady decline in building rates over 80 years, hastened by the collapse of public building. Today Britain has about the same population as France but 7m fewer homes. If it had just kept up with the average country in western Europe, it would have 4.3m more homes, according to Samuel Watling and Anthony Breach, a pair of housing researchers.

Another way to see the problem is to look at the price of land. The area beneath all the homes in Britain is worth around £4trn ($5trn). That is around two-thirds of the total value of housing, a much higher proportion than in almost any other rich country (see chart 2). Most of that figure, says Mr Myers, is accounted for not by the land itself but the value of planning permission. Developers are left with less for bricks and mortar, which helps explain why homes are not only scarce, but cramped and shabby.



The Economist

They are also in the wrong places. Between 1980 and 2018 more than 56,000 houses were built in Burnley and Doncaster, a pair of declining ex-industrial conurbations. That was almost twice as many as in Oxford and Cambridge, high-wage university towns. Britain builds homes not where they are needed, but where opposition is weakest.

Economists have modelled the benefits of scrapping restrictive planning laws. Looking at seven American cities, Gilles Duranton and Diego Puga estimated that allowing workers to live closer to jobs could raise output per person by almost 8% over the long run. In Britain, where the rules are most restrictive, the benefits of simply making growth legal in this way could be even higher. It is the most obvious lever for boosting growth.

The strange thing is that Labour seems, or seemed, to share much of this analysis. In her Mais lecture a year ago, months before she became chancellor, Rachel Reeves said Britain's planning system had throttled the country's most productive cities and was the "single greatest obstacle to economic success". To unlock the benefits of agglomeration, there was "no other choice" but to overhaul it.

In government Labour has instead decided to try to repair it. Matthew Pennycook, the housing minister, reasons that changing the system would

take years; in the meantime house-builders would down tools, rendering Labour's target of 1.5m homes over the parliament (which many experts say is too few) unreachable. To some this sounds over-timid from a government with a 170-seat majority.

Brick by brick

Labour can point to several glaring problems it has already set to work on. It has reintroduced and strengthened targets in effect abandoned by the previous Tory administration. Under Britain's system, this is the best stick Whitehall has for beating councillors into accepting more housing. Ministers have also started to "call in" projects, including the infrastructure needed for new homes. In January Ms Reeves said that nine reservoirs had been approved with the stroke of a pen.

The government has also revised the definition of green belts. Such a move had the potential to be radical: the Centre for Cities, a think-tank, estimates that you could build 2m suburban homes on just 2% of green-belt land. But rather than targeting the land best suited to housing, the revision focuses on the "grey belt", meaning previously developed land, such as disused petrol stations and car parks. These sites are relatively scarce, which will limit the change's impact, says Tim Leunig of Nesta, a think-tank.

The bill will go beyond this in five areas, all of which have been consulted on and briefed out ahead of the government's formal announcement. The government will strip quangos of their ability to hold up projects by insisting that developers must mitigate environmental damage in advance. It will reduce the number of statutory consultees on projects and limit the scope for judicial reviews. The grounds on which local planning committees can reject compliant projects will be reduced. Councils will be given more powers to compulsorily purchase derelict sites. And "brownfield passports" will aim to increase the supply of urban land.

All these ideas are good. The change on quangos, for example, is designed to fix the law that led to HS2, a rail company, building a £100m "bat tunnel", and tackle the "nutrient-neutrality" rules that have gummed up many large housing projects. Tweaking planning-committee rules could make the

discretionary system less unpredictable. Taken as a whole, the changes will boost house-building.

But they are unlikely to make a big difference. Mr Cheshire doubts they will even be enough to meet the government's target. That is because they will not fix what is broken, and whatever advances they achieve will be all too easy to reverse.

The central problem is that the planning system that the 1947 act created will remain intact. Most rich countries use zoning, not because they are market zealots but because such systems achieve better results. Zoning systems are no less inherently democratic or aesthetic than discretionary systems: locals can decide on design codes. Auckland offers a recent example of how zoning reform can lead to more houses, lower costs and happy residents. Such a scheme could be piloted in London or Manchester.

That would help tackle a second flaw: Labour's plans will not fix the distortions that push building to the wrong places. Ms Reeves was right that Britain needs housing in and around cities. Yet just as in the past, Labour remains more interested in using the power of the state to build across the country. The government has existing powers, called special development orders, to make building upwards in cities easier. It has shown no interest in using them; instead MPs talk of loading developers with more affordability requirements. If it is hellbent on new towns, it should build them only close to London.

The third, perhaps most fatal, problem is that the bill does not tackle misaligned incentives. For all that ministers are equipping themselves with bigger sticks, local areas will still see little benefit in approving development. That means the system relies on top-down pressure, which tends to fade when a government falters or the voting booth beckons. Labour may have assembled the most pro-growth voting coalition Britain has seen. It will still face dozens of fights in tricky marginals.

Build, Labour, build

What Britain needs, says Nick Boles, a former planning minister, is a system that churns out more homes at a "steady run rate". Mr Hilber notes that in

his native Switzerland, where building rates are twice as high as in Britain, municipalities compete to make land available for development, to attract local taxpayers. But having ruled out bold tax reform or fiscal devolution, Labour has shown little interest in other ways of better aligning incentives.

As the bill works its way through Parliament, the fight that matters is not with the opposition. Labour's majority means it will pass, with only amendments the government wants. Instead, it is a battle between two departments. The housing ministry led by the deputy prime minister, Angela Rayner, holds the pen; institutionally, it remains a bastion of the view that "everything planned is good, the market can't be trusted", as a former employee puts it. The Treasury has long championed a different approach. Recently Ms Reeves has made some forays into Ms Rayner's patch, with vague talk about introducing "zoning" near railway lines (the housing ministry denies a zoning system is being considered).

What is remarkable is that, just a few years ago, many British political analysts saw the 1947 act as an electoral booby trap that could not be defused. It was hard to imagine a government that could overcome the apparent interests of homeowners; planning reform would remain in the "too-difficult box". And yet, here Labour is, with a whopping majority and a mandate to remove Britain's 80-year chokehold. It would be a shame if it wasted it. ■

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Britain | Free to blaspheme?

A thorny debate in Britain around the definition of “Islamophobia”

The government asks a new working group to grapple with the issue

March 6th 2025



On the first day of Ramadan, February 28th, the government announced a new working group to provide a “definition of anti-Muslim hatred/Islamophobia”. The group, to be chaired by Dominic Grieve, a former Conservative attorney-general, is likely to find itself wading into controversy. This comes at a time when Britain has been attacked by America’s vice-president, J.D. Vance, for backsliding on free speech. Now some worry that “Islamophobia” is being used to shield Islam from criticism, under the banner of protecting Muslims from discrimination.

Defining such things is tricky (even though the definition will be used only to provide guidance and will not become law). The Labour Party nearly tore

itself apart over the definition of antisemitism. As for Islamophobia, in 2018 an influential report by the All-Party Parliamentary Group on British Muslims (APPG) described it as "a type of racism that targets expressions of Muslimness or perceived Muslimness". It provided a list of examples including, for instance, claiming there is "a demographic 'threat' posed by Muslims".

Islam is not a race, however, and critics (including the Tory leader, Kemi Badenoch) suspect the over-broad definition reflects an attempt to stifle legal criticism of Islam. "In the last five years the conflation of criticism with bigotry, and the use of the term 'Islamophobia' to attack people with whom you disagree, have become both more prevalent and more menacing," said a paper by Policy Exchange, a right-leaning think-tank, last year. In its foreword Sajid Javid, a former home secretary, suggested "this definition would risk creating a blasphemy law via the backdoor". Such critics say the phrase "anti-Muslim hatred" should be used instead.

The Conservative government did not adopt the APPG's definition but, in 2019, the Labour Party did. So did 52 local councils in England. This has led to a "chilling effect" on free speech, says Martyn Frampton of Queen Mary University of London, a co-author of the Policy Exchange report.

In 2020 the Labour Party suspended Sir Trevor Phillips, a former head of the equality watchdog, for, among other things, saying in a speech that Muslims "see the world differently from the rest of us". Professor Steven Greer of Bristol University was accused in 2020 by the university's Islamic Society of being Islamophobic when he included factual statements in his classes such as: "Islam spread rapidly through war, conquest, trade and conversion." He was exonerated, but the university, which had adopted the APPG definition, failed to openly support him.

Few deny that Britain has a problem of anti-Muslim hatred. The Muslim Council of Britain welcomed the working group at a time of an "alarming rise of hate crimes" against Muslims. It said it supports the APPG definition, noting that opposition to it often comes from "groups with a documented history of hostility towards British Muslims". But some worry about efforts to dismiss as "Islamophobic" any reference to the Muslim identity of those who commit certain serious crimes. Sir Ken McCallum, the head of MI5, said

in 2024 that 75% of its counter-terrorist work is dealing with Islamist terrorism. (Muslims make up 6.5% of the population of England and Wales.) “How can we deal with any of these problems if we cannot discuss the Muslim identity of the suspects for fear of being called racist?” asks Mr Frampton.

The Equality Act already protects people from discrimination on the basis of religion. With the working group, Labour may hope to placate disaffected Muslim voters. The government says its definition must be compatible with free speech, including the right to “insult religions and/or the beliefs and practices of adherents”. That is eminently reasonable—as is Mr Grieve. He faces a difficult task.■

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Britain | The people v the critics

Jack Vettriano was a fantastic painter

Whether he was a great painter is a different matter

March 6th 2025



His name was perfect. Jack is reassuringly British. Vettriano, a version of his mother's maiden name, is chic and Italian. The combination was like fish and chips on fine china. It was so much better than Jack Hoggan, the name under which he sold his first paintings.

His art was sleeker, fuller and far more colourful than the life he had known, too. Mr Vettriano was born in Methil, a port town in eastern Scotland. His father and grandfather were coal miners, and he followed them for a couple of years. The only people who romanticise working down a pit, he said later, are those who have never worked down a pit: "It's hellish."

The world that he painted, by contrast, was full of lipstick, high heels and artfully held cigarettes, of dangerous men in sharp suits and women who had trouble keeping their clothes on. If that world ever existed anywhere, it was not in eastern Scotland at the turn of the century. But Mr Vettriano's fantasies, which reproduced splendidly on posters, mouse mats, mugs and biscuit tins, were shared by many Britons.

"The Singing Butler", which depicted a dancing couple in evening dress on a rainswept beach, sold at auction for £744,800 ($950,000) in 2004. That, and the crowds at his shows, got critics' attention. Many scorned Mr Vettriano's work, calling it soulless, simplistic and borderline pornographic —like the American artist Edward Hopper, but without the psychological complexity.

The criticism hurt. Mass popularity was not quite enough for Mr Vettriano, who included in one exhibition a rejection letter from an art school. When he finally made it into the Scottish National Portrait Gallery with "The Weight", a self-portrait, he said he was pleased it had happened while his father was alive.

Perhaps the art world would have taken him more seriously if he had painted scenes of industrial decay or drug abuse. Then again, he reflected, if they had the opportunity wouldn't most people choose to dance on a beach with the one they love while a butler shelters them from the rain?■

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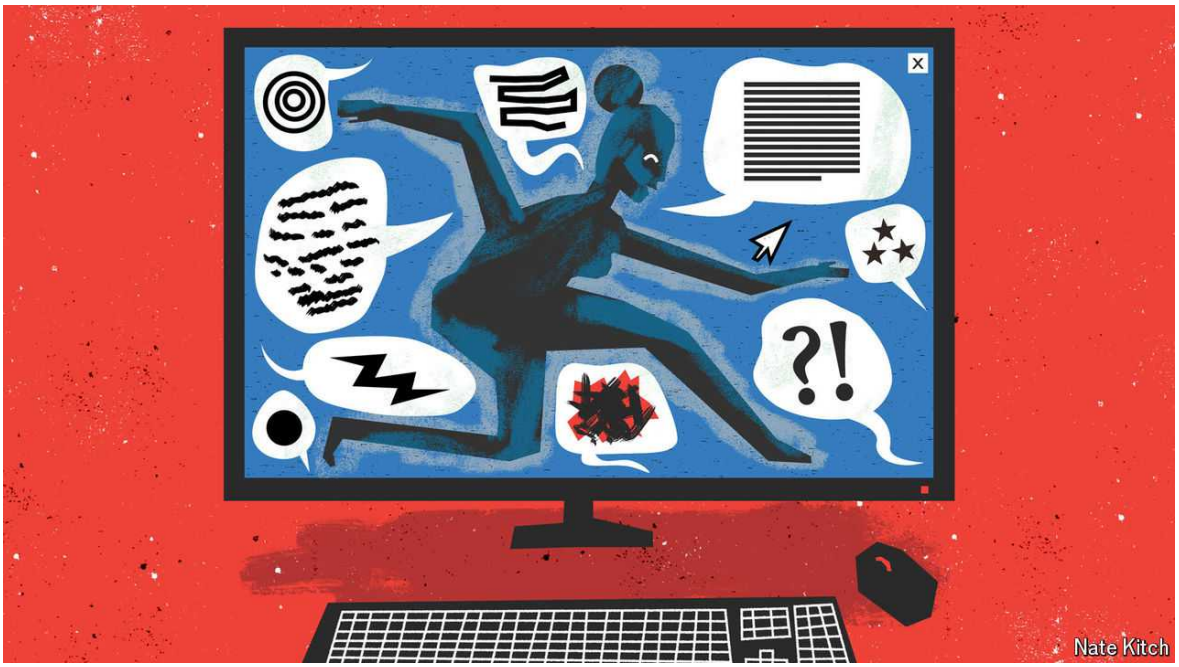
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Britain | Bagehot

How Mumsnet changed Britain

The parenting website turns 25 this month

March 6th 2025



Twenty-five years ago this month, a new website appeared. The dotcom boom was at its height, and the internet was hot and modern. This forum was less so. “From breast to bottle”, ran one, less than whizzy, early headline. “How did you manage it?” Another section tempted readers with advice on such thrills as “socket covers, sterilised lunch boxes and stairgates”. Racier questions were posted: “Sex after Kids”, asked one. “Can it be even better than before?” Albeit not answers: the general feeling of the website on the matter was: “No”.

Mumsnet might not have been thrilling. Its success, however, was remarkable. Today, it is the most popular parenting website in Britain and one with an outsize influence. It retains its oddness. Its very name sounds

like an oxymoron—mothers feel domestic, not digital—and its character is little less contrary. Its focus is often on the trivial: users discuss weaning and baby bottom butter—but its reach is colossal. It has around 10m monthly users, and those users trust it. When Mumsnetters recommended Waitrose's Baby Bottom Butter as a fine moisturiser (for mother's cheeks, not baby's) it promptly sold out.

It is serious enough to attract prime ministers to its webchats—David Cameron, Gordon Brown and Boris Johnson all went on—then asks them: "What biscuit do you like?" (oatcakes, chocolate, and chocolate digestive, respectively). It is rarely taken too seriously; there is an account on X (formerly Twitter) called "Mumsnet Madness". But it is serious enough to have helped change British laws and attitudes on topics from miscarriage to choking to trans. It is certainly serious enough to be insulted. Its users have been called "*Guardian*-reading, laptop-wielding harpies". And it began, as so much of mothering does, with vomit.

In 1999 Justine Roberts, its CEO, was on a flight with her tiny twins. She had recently left her job in the City and was interested in founding an internet startup, though wasn't sure on what. That holiday was her "light-bulb moment", chiefly because it was so dark. The twins vomited; the hotel disappointed; Ms Roberts berated herself—then founded a website to "capture the wisdom of people who've been there and done that". Mumsnet had begun.

Evidently other mothers were in need of such a site. A new mother, almost overnight, finds herself bereft of her job, her colleagues, her social life, her sleep and even her name: in hospital people simply call her "Mum". It is a sudden and startling stripping of self. "Each suburban wife", as the feminist writer Betty Friedan put it, "struggled…alone." Mothers were, at that time, alone not merely socially but intellectually: so little literature touched on motherhood. Why? asked the writer Anne Enright. "Can mothers not hold a pen?"

Then came Mumsnet. Mothers might still not have held pens, but if their baby was awake at 2am they could, and now did, type into a laptop. Posts started to proliferate; their tone somewhere between a parenting magazine ("How good is your double buggy?") and a parish one ("Thanks to Gilly for

her recipe for Cartwheel Sandwiches"), with a dash of bracing biology thrown in. "Where", asked a plaintive later post, "has my perineum gone?"

Its character developed too. The proliferation of acronyms—"DH" (dear husband), "DD" (dear daughter); "MIL" (mother-in-law)—implied this was a cosy club. The tone of the posts suggested that it was quite a middle-class one. "Which chocolates", asked one user, do "you view as typically middle class?" Many others merely lurk: Mumsnet offers unbeatable online eavesdropping. A post about a husband's bedside beaker (for post-sex cleanup) is justly infamous. By 2019, 43.5m words were being posted a month. Mothers had a chat room of their own.

Most of those words are good-natured. Ms Roberts employs moderators but uses them sparingly: like a "pub landlord" they don't eavesdrop on every conversation but "If someone gets nasty, we will chuck them out." They rarely need to. Unlike other forms of social media, forums tend to be just that: sociable. When users congregate around a shared interest (babies, beakers) rather than for "self-promotion" it can, says Jaron Lanier, a computer scientist, foster a "more intelligent and civil environment".

It is also partly because Mumsnet is so female: at least 95% of users are women. They want validation, not domination. Ms Roberts introduced the acronym "AIBU"—"Am I being unreasonable?" (and its corollary, "YANBU"—"You are not being…") because "so many conversations were beginning with [that] phrase".

AIBU on trans?

Mumsnetters have, however, been willing to be called unreasonable. In 2016 the trans lobby was in the ascendant. Slogans such as "trans women are women" were gaining ground; sites like Facebook and Twitter had suspended the accounts of some sceptics. Mumsnet did not suspend them, which caused it to lose advertising and attract insults. One article accused it of being "a toxic hotbed of transphobia". Ms Roberts didn't give in.

This was "hugely important", says Hadley Freeman, a journalist. Some women used "the toxic hotbed" to organise "Man Friday" events at which they self-identified as men, wore fake beards and crashed male-only venues.

Others used it to ask whether "AIBU to think" that the trans stuff was going "too far". One reason they resisted, says Janice Turner, a *Times* journalist who covered it, is that so many were mums. And nothing "brings home the fact biological sex is real more than giving birth".

The trans debate is now ebbing. Mumsnetters are back to posting about the issues that really matter. AIBU, asked a recent post, "to despise the word 'comfy'?" Not much, then, has changed in the 25 years since Mumsnet began. And yet a lot has. YANBU if you think that Mumsnet made some of that change happen. ■

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International

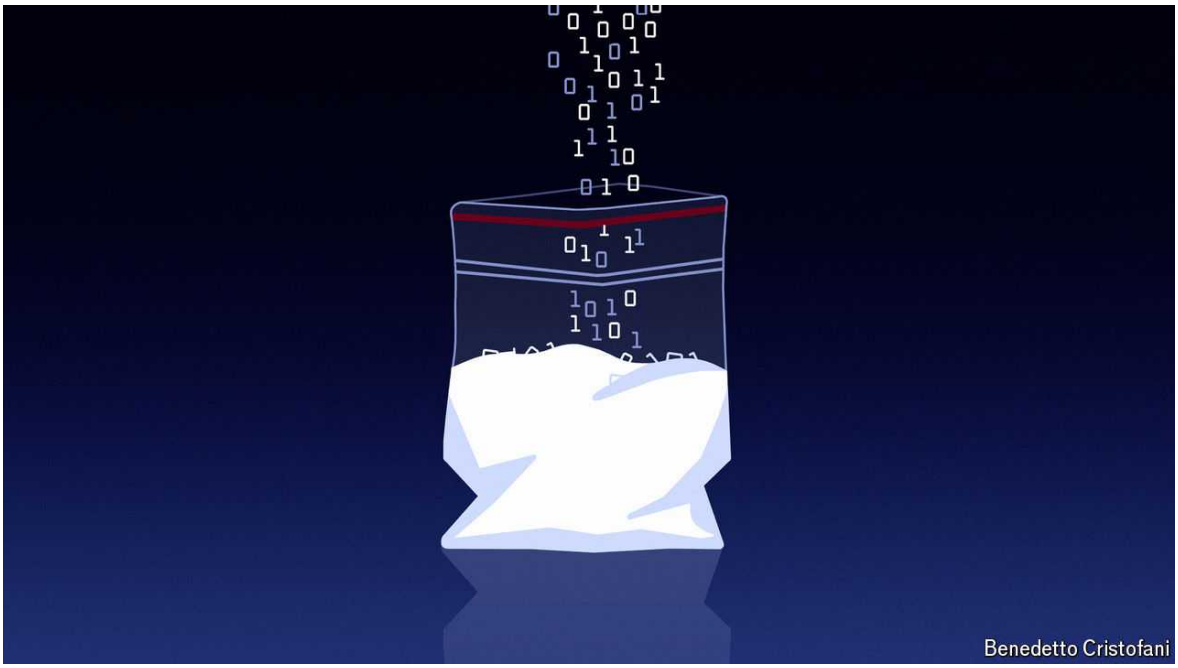
- The tech bros selling drugs by drone
- America First is a contagious condition

International | Illegal narcotics

The tech bros selling drugs by drone

How criminal innovators are mastering synthetic drugs, AI, the dark web and drones

March 6th 2025



“NEW CHOPPERS, boots on the ground, more co-ordination, and increased resources.” These were some of the steps Canada has taken to halt the flow of fentanyl across the border to America, said the prime minister, Justin Trudeau, on March 3rd. Just 13 grams of the stuff was seized by American border authorities in January, down 97% from the same month in 2024. Nevertheless, hours later President Donald Trump imposed tariffs on goods from Canada, Mexico and China in order, he said, to force those countries to stop drugs “pouring into our country”.

Although the number of deaths caused by synthetic opioids in America has begun to fall, these drugs still claimed almost 75,000 lives in the United

States in 2023. Mr Trump's actions have highlighted a growing worldwide menace: new classes of illegal narcotics derived not from Afghan poppy fields or Colombian coca plants, but from barrels of chemicals.

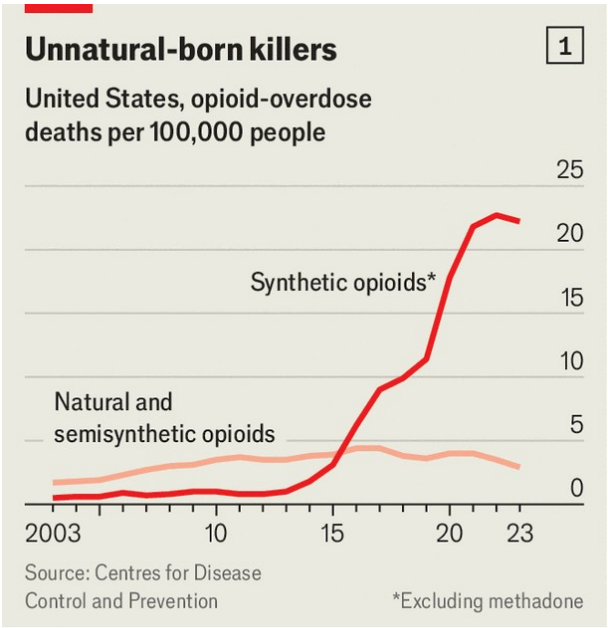
The gangs making them are not only cooking up new sorts of drugs with the help of chemists who jet across continents. They are also innovating across the entire supply chain, using the dark web and social media for retailing, and drones for logistics. Still newer technologies like artificial intelligence or autonomous and armed drones will increase the threat posed by these narco-innovators as law-enforcement agencies struggle to keep up.

The growing convergence between tech and drugs was illustrated by a discovery in December by police in Moscow: a robot dog wandering near the Pechatniki metro station, sporting the logo of Kraken, a drugs market, and carrying packages containing a powder. They did not disclose whether the robot was actually delivering narcotics. But even if it was no more than a brazen publicity stunt, it signals the growing reach and impunity of the group and of rival outfits. They have pioneered a new form of drug trafficking that blends high tech with spycraft.

Buyers connect with dealers on markets such as Kraken on the darknet, which is the part of the internet inaccessible to normal browsers. Drugs are left in concealed locations, like spies' dead-drops. The whereabouts of a stash, or *klad*, is then revealed to a buyer once payment is made. These Russian outfits now dominate the worldwide cryptocurrency drug market. They account for some $1.7bn of the almost $2.4bn-worth of drugs bought using Bitcoin or alternatives such as Tron, reckons TRM Labs, a blockchain-intelligence firm that works with law enforcement.

Crypto-enabled drug dealing is still dwarfed by the older sorts, which may reasonably be estimated to be worth at least $600bn a year. And many consumers in western Europe and America still seem to prefer the older ways. Those using either the darknet or social media accounted for less than 10% of customers in both Spain and America, according to a survey published in 2020. Hand-to-hand transactions in bars, clubs and the street were still overwhelmingly the norm.

In Russia the new distribution methods have not only displaced face-to-face dealing, they have also reshaped the market. Convenience and low cost are spurring demand for synthetic drugs that are easy to make and far cheaper than imported ones such as heroin or cocaine, and often far more dangerous (see chart 1). The model is spreading, notes the Global Initiative against Transnational Organised Crime, an NGO with headquarters in Geneva.



The Economist

For criminals, synthetic narcotics have clear advantages over plant-based drugs. There is no need to get involved in farming, or with farmers. Nor do producers have to worry about transporting illegal raw materials to the sites where they are turned into narcotics. Partly for those reasons, synthetics generally have higher returns. "Fentanyl is much more profitable than heroin," says Angela Me, who edits the World Drug Report produced by the Vienna-based UN Office on Drugs and Crime (UNODC). It is therefore puzzling, as she notes, that no chemical substitute has yet been invented for cocaine.

Synthetics are not without drawbacks. They are illustrated by a spider's-web diagram pinned to the wall of an office on the same floor as Dr Me's. It belongs to Martin Raithelhuber, a synthetic-drugs expert at UNODC's laboratory. Two large nodes near the diagram's centre represent amphetamine and methamphetamine. Threads radiating from both have smaller nodes, some linking others on adjoining lines.

Each of the smaller nodes represents a chemical. Those closest to the largest nodes are precursors: chemicals that can be used to make either amphetamine or methamphetamine, or both. Those farther away are "pre-precursors", which can be used to make either a precursor or another pre-precursor that is one step closer along the thread to one of the big nodes.

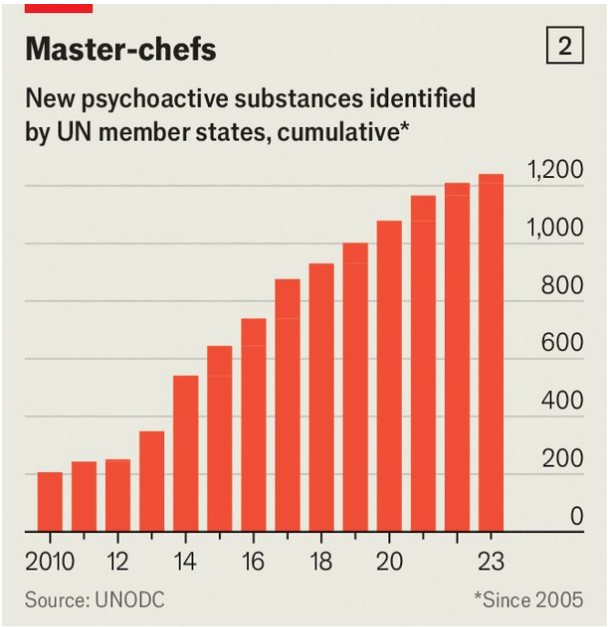
As the challenge of synthetic drugs has emerged, the International Narcotics Control Board, also in Vienna, has imposed controls on some precursors. These controls are meant to be enforced by the 190 countries party to the UN's convention on drug trafficking. In response, organised criminals have resorted to making the precursors by using pre-precursors which, like the precursors, mostly come from Asia, particularly China. In some cases, the pre-precursors themselves have been restricted. But others have innocuous uses as well. Banning them all could inflict serious damage on the chemical industries of the countries in which they are manufactured.

Fentanyl, for example, can be produced in at least three ways. One is used for medical purposes. Another, the so-called Gupta method, is often used illicitly. Finally, the Siegfried method is used only to produce fentanyl for trafficking. The precursors of all three are subject to control. But one of the pre-precursors employed in the Gupta method is freely available, as are two used for the Siegfried method.

Yet using these brings new challenges. "Because the drug manufacturers are starting the process with more and more basic chemicals, they need more and more complex processes to reach the end product," says Mr Raithelhuber. "That requires more and more skilled brains to set up the processes and control them."

In Myanmar, the leading source of methamphetamine in Asia, most skilled chemists are thought to come from Taiwan. These real-life Walter Whites appear not to be sworn members of crime syndicates, but are briefly spirited in and out of production sites. "Not so long ago, meth used to be made by extracting the active ingredients from medical products," says Mr Raithelhuber. "Now you have police finding custom-built reactors able to produce drugs by the tonne."

Another way the manufacturers of precursors can dodge international embargoes is by adding a molecule that turns a controlled substance into an uncontrolled one for transport. After delivery, the narco-chemists remove it.



The Economist

Artificial intelligence could make things even more difficult for investigators. In 2022 *Nature Machine Intelligence* published an article noting that techniques used to develop new pharmaceuticals could be used to design entirely original drugs that would not feature on any blacklists. It may already be happening: because of the secretive nature of the business, innovation often takes years to become apparent, though new synthetic drugs pop up every year (see chart 2).

So do new methods of transport and distribution. On February 6th Colombia's navy intercepted a "narco-sub" in the Pacific carrying more than 2.2 tonnes of cocaine. Colombian cocaine barons first began working with Russian submarine makers in the 1980s, as Derek Maltz, a former director of special operations at the US Drug Enforcement Administration (DEA), recently told CBS News. Yet reports of narco-subs were initially treated with scepticism. It was not until 2006 that the coastguard saw three plastic pipes gliding through the waters off Costa Rica. The pipes were attached to a semi-submersible vessel made of wood and fibreglass carrying 2.7 tonnes of cocaine. By 2008 American authorities were spotting ten such vessels a

month, and by 2019 Spanish authorities had seized a 20-metre vessel that had crossed the Atlantic. Having mastered the sea, they have taken to the air.

By land, sea and air

Unmanned aerial vehicles (UAVs), or drones, cannot move nearly as much as submarines. The payload of even the brawniest is around 220kg. Yet the DEA first noticed drones being used by drug traffickers just a year after the first consumer UAV went on the market. Drones have several uses for narcos. They can waft drugs or weapons to gang members in prison. And they come in particularly handy around international borders. Where there are formidable natural or man-made barriers, they can be used to transport modest quantities of narcotics: border officials in the Punjab region of India said that last year they intercepted 107 UAVs bringing drugs from Pakistan. Where there are viable routes for narcotics couriers, or "mules", drones can be used to alert them to the location of frontier patrols, and the directions in which they are moving.

UAVs may yet acquire a fourth—and lethal—use. Last month America's Customs and Border Protection service reportedly warned its agents that Mexican gangs might attack them with UAVs carrying explosives. Yet two can play the game of drones. Mexico's president, Claudia Sheinbaum, recently said her government is allowing flights by American surveillance drones looking for fentanyl labs. Tech innovation cuts both ways. ■

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International | The Telegram

America First is a contagious condition

Donald Trump's resentful, show-me-the-money approach to statecraft is catching on

March 6th 2025



HIGH-MINDED Americans fear that President Donald Trump will make a pariah of their country. Ask foreign governments about Trumpian statecraft and they offer an opposite concern. When other countries ponder the basic elements of an America First foreign policy—indifference to liberal values, scorn for global rules and norms, and a cold-eyed focus on the national interest—a surprising number of them worry: this is going to catch on.

The Telegram has just spent a week in Washington and New York. He found veteran envoys reeling after America voted with Russia against its European allies on a UN resolution about Ukraine. An Asian diplomat says that the international order faces "a moment of extreme danger".

In her Senate confirmation hearing, Mr Trump's nominee for UN ambassador, Elise Stefanik, signalled America's desire to narrow that world body's work back down to its "founding mission of international peace and security". The same diplomats worry that an America First approach is contagious. European countries that once took a lead in funding peacekeeping missions and humanitarian programmes are telling partners that, with Mr Trump pulling support from Ukraine, and with their own voters turning against overseas aid, the priority is projects that advance their national interests. Britain has just diverted much of its aid budget to defence spending. The Netherlands government announced that: "From now on, Dutch interests will take precedence in our country's development policy." Trade, security and migration were cited as core Dutch concerns.

Envoys describe middle powers—countries like Brazil, Malaysia or South Africa—becoming much more active in proposing solutions to conflicts or global crises. Often, their approach eschews the moral certainties of old-school Western interventionism, preferring consensus-building and compromise. Some "muscular" new arrivals on the global centre-stage are ready to throw their weight around and advance a transactional, ultra-realist approach with no patience for liberal values. Turkey and Gulf Arab states such as the United Arab Emirates are cited as examples.

Within America, principled critics of Mr Trump's diplomacy point to his administration's chaotic cuts to overseas aid programmes and predict that lives will be lost, shredding American soft power built up over decades as the world's largest humanitarian donor. To opponents, Mr Trump's pitiless approach to peacemaking in Ukraine undermines America's credibility as Europe's security guarantor. Most simply, Mr Trump's contempt for global agreements and multilateral bodies creates gaps that rivals can fill. When his government repudiates climate-change agreements, questions arms-control treaties or threatens to quit or defund various UN bodies, all eyes turn to China, the autocratic giant that believes its destiny is to lead a multipolar world order.

Mr Trump's worldview has few defenders in the embassies and foreign missions of Washington and New York. A diplomat from a close ally calls his foreign-policy instincts "reptilian". For all that, a striking number of governments share much of Mr Trump's bleak analysis about the ways of

the world. Some admit that America has earned surprisingly little soft power by donating tens of billions of dollars to such programmes as PEPFAR, a scheme to treat and prevent HIV, notably in Africa. An African diplomat concedes that, in his continent, it is common for politicians to accuse Western donors of delivering finger-wagging lectures, while China is praised for offering loans to build roads. "Africans by and large do not consider aid to be a benign instrument. They consider that it sets up a power dynamic between giver and recipient." Part of the explanation, says the diplomat, lies in self-interested behaviour by local elites. At election times, "politicians say: vote for me because this road was built. More than: vote for me because I worked with PEPFAR."

Europe is stunned by Mr Trump's bullying of Ukraine. Many middle powers see reality crushing the "pipe-dream" of continued Ukrainian defiance of Russia, its nuclear-armed neighbour. "As countries without the clout to wage wars, we know that these conflicts always end around a negotiating table," says a diplomat from the global south. "The Ukrainians were playing with American chips and now the Americans have taken the chips off the table."

Going back to a transactional, unstable world

Optimists talk of a multipolar world order that respects each country's own values, in a welcome break from decades of Western meddling and bossiness. They describe groups of countries tackling climate change and other challenges, in coalitions of the willing and regional groups. Pessimists worry about a looming clash between rich and poor countries. There is much talk of giving developing countries a larger say in global institutions. But if poorer countries expect this to lead to huge transfers from the rich world, as reparations for colonialism or climate change, they are about to be disappointed. "If the debate centres on 'show me the money', we are setting ourselves up for failure," worries the Asian diplomat. As Western donors walk away, they may not be replaced. An emissary from an emerging power recently asked a Chinese counterpart whether China would step up if America stops funding the UN. "Absolutely not," came the reply.

In ten years the UN could be reduced to a skeleton, suggests Richard Gowan of the International Crisis Group, a Brussels-based conflict-prevention NGO. Technical agencies that oversee international standards or intellectual property may survive, as might stripped-down humanitarian agencies to help the neediest. The UN General Assembly could become an anti-Western talking-shop. "The old architecture is crumbling," reckons a high-ranking diplomat. Mr Trump's wrecking ball is speeding the collapse. ■

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Business

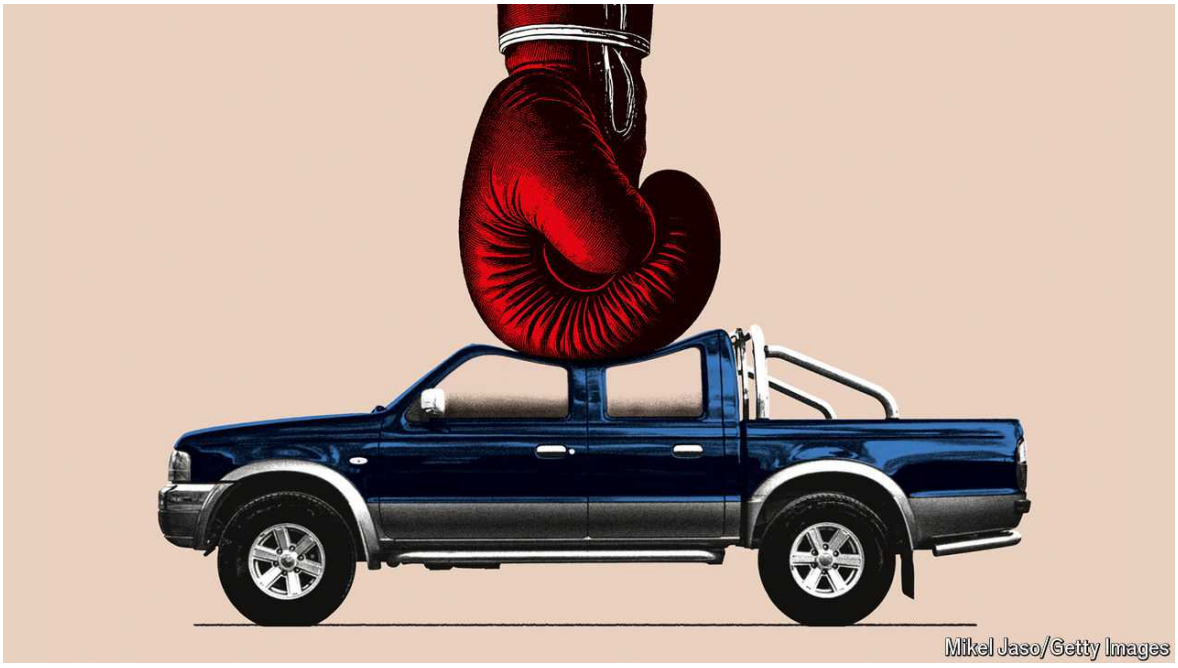
- America's carmakers win a tariff reprieve, but still face a tricky dilemma
- As Germany’s defence stocks go ballistic, armsmakers are tooling up
- Catering to protein-rich diets is a tasty business
- The pay gap between men and women won’t go away
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Business | Crash barriers

America's carmakers win a tariff reprieve, but still face a tricky dilemma

They must hope levies are never imposed

March 4th 2025



***Editor's note**: On March 5th Donald Trump said he would exempt the big three American carmakers—Ford, General Motors and Stellantis—from tariffs covering Canada and Mexico for one month.*

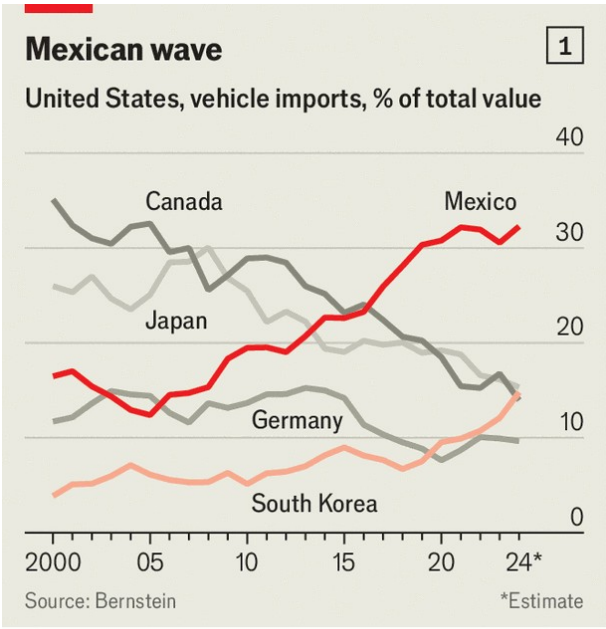
In the whirlwind of activity in his first few weeks in the White House, Donald Trump has sought to remake the world to his advantage by blowing up alliances and trading relationships that took decades to build. His latest attempt to bend America's allies to his will has also created an atmosphere of uncertainty for carmaking in America, an industry of both economic heft and outsize cultural significance. On March 4th the president imposed tariffs of 25% on imports from Mexico and Canada that were originally due to take

effect a month earlier. The next day he exempted firms for another month from levies on cars and parts. These would have hit the industry hard and pushed up the price of the mode of transport that Americans hold most dear.

- Donald Trump's economic delusions are already hurting America
- Trump's tariff turbulence is worse than anyone imagined
- It is not the economic impact of tariffs that is most worrying

But the stay of execution will not spare the industry from its dilemma. Either carmakers remake supply chains that were decades in the making or, sooner or later, they will suffer the hammer blow of tariffs that could add thousands of dollars to the cost of a vehicle. Which will they choose?

Last year 3.6m cars, half of America's passenger-vehicle imports by value, arrived from its two neighbours, 2.5m from Mexico (see chart 1). Many of those vehicles were made in factories owned by Detroit's "Big Three" firms. That persuaded their bosses to plead their case with the president. The short delay they secured is welcome, and extends to other carmakers that comply with the free-trade agreement between America, Mexico and Canada. But they will need to persuade Mr Trump that relief should be permanent.



The Economist

A month's reprieve will not make much difference to an industry whose integration across the borders based on successive free-trade deals is long-standing and complex. It is not only finished cars that make the journey. Parts valued at $100bn were also exported to America from Mexico and Canada and many cross the borders up to half a dozen times as they are made up into larger components.

Tariffs would upset an industry vital to America's trading partners. Cars and parts account for 31% of all Mexico's exports to America, worth around $150bn, and 14% of Canada's, valued at over $55bn, according to Barclays, a bank. Those exports also make up a big chunk of the American market. Cars made in Mexico and Canada accounted for 22% of sales by volume in America in 2024 and 16% by value. Every car made in America may contain components made in one of the two countries.

Mr Trump's tariffs are supposedly intended to encourage Mexico and Canada to stem the flow of migrants and illegal drugs across the borders, to reduce trade deficits and to encourage American companies to move manufacturing back home. It may do none of these, but it will certainly damage carmakers—and Detroit's will take the worst battering. Jim Farley, the boss of Ford, is not a man given to hyperbole. Yet he has described the impact as "devastating".

Mr Farley has cause for alarm, even though Ford is the least troubled of the Big Three by the new tariffs. Only a quarter of its sales cross the borders (see chart 2), and these are mostly smaller, cheaper vehicles. Stellantis (whose largest shareholder, Exor, is a part-owner of *The Economist*'s parent company) imports around 40% of all the cars it sells in America from Mexico and Canada, according to Bernstein, a broker, while General Motors' share is nearly a third. Both assemble around 40% of their pricey and profitable pickups in Mexico or Canada. Tariffs of 25% would wipe out the profits of Detroit's car giants if they did not raise prices or alter production, estimates Barclays.



The Economist

The damage would not be confined to American firms. Mexico's allure as a destination to make and export cars has been boosted by free-trade agreements with 50 other countries, encouraging many of the world's car firms to supplement factories in America with plants in Mexico, serving markets there, in America and elsewhere. Over 43% of Volkswagen's and 27% of Nissan's American sales are of cars made in Mexico, points out S&P Global Mobility, a data firm.

Tariffs would add another layer of uncertainty to an industry undergoing fundamental upheaval, as electrification and the rising importance of software hand the advantage to younger, nimbler Chinese manufacturers. At least 100% tariffs on Chinese electric vehicles, imposed during Joe Biden's presidency, will keep America's car firms safe from that competition.

The question is what carmakers can do in a month to lessen the shock. That is complicated by uncertainty over whether the carve out could become permanent or, even if levies are imposed in April, whether they would endure. And if they do it remains uncertain whether parts will be taxed every time they cross a border or whether the tariff will apply to total added value. Nor is it obvious what effect administering the new levies will have on the speed of flow of cars and parts.

Car firms have few options to reduce the impact. At least an extra few weeks will help them avoid some added costs. They will have more time to move cars across the borders and to stockpile imported parts. Companies have more leeway to replace imported components with American-made parts. Employing unused capacity to shift production may help a little, too.

But without an extension or a permanent free pass the agony facing firms will undoubtedly be passed on to their customers. Bernstein reckons that if trade flows remained unchanged, the levies would cost the industry $110m a day and add up to around $2,700 to the average cost of every car sold in America. Even if carmakers absorbed some of the costs, rising prices would still hit sales.

So far the industry is not contemplating big shifts in investments, nor unwinding decades-long trading relationships, to accommodate tariffs that seem based on whim rather than economic logic. Opening and closing factories is expensive. Economists at TD Bank, a Canadian lender, put the price of bringing home production of all the 7m-8m cars that America imports each year at around $50bn. The investment and extra costs of making more cars in America would be a drag on the industry and "depress earnings for years", reckons Daniel Roeska of Bernstein.

The fact that Mr Trump is delaying tariffs for a second time might suggest that he is now aware of the calamity facing American firms and will let carmakers off the hook entirely. But there is no indication that the president's fundamental belief in tariffs has been shaken. If, in one month's time, the duties do come into effect, it will be as if America were taking up another item of great cultural significance—and shooting itself in the foot. ■

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Business | From cars to tanks

As Germany's defence stocks go ballistic, armsmakers are tooling up

They are snapping up staff and sites from ailing firms

March 6th 2025



"Defence is now by far the most dynamic sector of German industry," says Armin Papperger, chief executive of Rheinmetall, Germany's biggest arms producer. Until recently no one, including Mr Papperger, the firm's boss for the past 12 years, would have believed it. But as European countries prepare for a big boost to defence spending, Rheinmetall and its peers, including Hensoldt, a maker of electronic-warfare equipment such as radars, and Renk, which manufactures military vehicles, are scaling up production as quickly as they are able.

A surge of demand caused by the war in Ukraine has made defence firms stars among Germany's listed companies. Their share prices have leapt.

Announcements on March 4th by Friedrich Merz, set to become Germany's next chancellor, made them shine more brightly still (see chart). His aim is to exempt defence spending above 1% of GDP from the country's fiscal rules, and set up a €500bn ($535bn) infrastructure fund. Germany's stockmarket soared, led by the construction and defence firms that will benefit the most.



The Economist

The fortunes of a once maligned industry have reversed rapidly. Until Russia's full-scale invasion of Ukraine in 2022 defence companies were considered the *Schmuddelkinder* (grubby urchins) of German industry. Rheinmetall was not even among the 40 members of the DAX, the German stockmarket's blue-chip index. European funds using environmental, social and governance (ESG) criteria shunned the shares of defence companies. Successive governments kept cutting expenditure on military equipment as a share of GDP. Tepid demand at home forced Rheinmetall to look abroad. It set up shop in Australia, Britain and Hungary.

The urchins are now looking far better turned out. Rheinmetall is Germany's tenth-largest company by value. Some ESG investors are overcoming their misgivings. But to become true industrial aristocrats Germany's defence firms have to take advantage of the splurge of defence spending. That would give them the opportunity to become the saviours of well-paid industrial jobs that are threatened by another conflict. Donald Trump is threatening

heavy tariffs on European goods imported to America—the most important destination for German exports.

Defence firms have to add capacity swiftly to supply a growing demand for new kit. Although governments generally favour domestic firms, America's giant defence companies will happily fill any gaps. Ironically, the travails of other German manufacturers, struggling with a stagnant economy at home and faltering exports, may help. Rheinmetall, Hensoldt, Renk and KNDS, a Franco-German company, are negotiating to take over factories from beleaguered firms in other industries, as well as offering to hire the workers they are about to let go.

In February KNDS took over an entire plant in Saxony from Alstom, a French trainmaker, to build tanks. Production will switch from double-decker train carriages and trams to Leopard 2 tanks and Boxer armoured vehicles later this year, with the entire retooling of the site due to be completed in 2027. Around 580 of the 700 employees will get a job at KNDS or move to another Alstom site.

Hensoldt is in talks with two huge suppliers of car parts, Bosch and Continental, to take on some of their staff. Both are cutting jobs and closing factories because production of vehicles in Europe has failed to regain its pre-pandemic levels. At the end of this year Conti will end production at Wetzlar, in Hesse, and cut 370 jobs. Luckily, Hensoldt has a factory close by. "Last week 150 Conti employees came to our open house in Wetzlar," says Joachim Schranzhofer, a spokesman for the firm. Hensoldt is also keen to hire entire teams of software engineers from carmakers and their suppliers.

Rheinmetall also struck an agreement with Conti to offer jobs at its new ammunition factory in Unterlüss, in Lower Saxony, to some of the 900 workers who will be laid off from a plant in Gifhorn, 55km to the south. It is planning to retool sites in Berlin and Neuss that made parts for car companies and energy firms to make weapons and ammunition instead.

Germany's defence firms have ambitious targets. Hensoldt is aiming to double its revenues from €2.2bn ($2.4bn) last year to €5bn by 2030. Rheinmetall says it wants its sales to grow from €10bn in 2024 to €20bn in 2027 and eventually to €30bn. It aspires to a market capitalisation that will

stand comparison with those of America's defence giants. Such heights are still far away. Even so, the *Schmuddelkinder* are moving up in the world. ■

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Business | Hunger games

Catering to protein-rich diets is a tasty business

“High protein” is the new “low calorie”

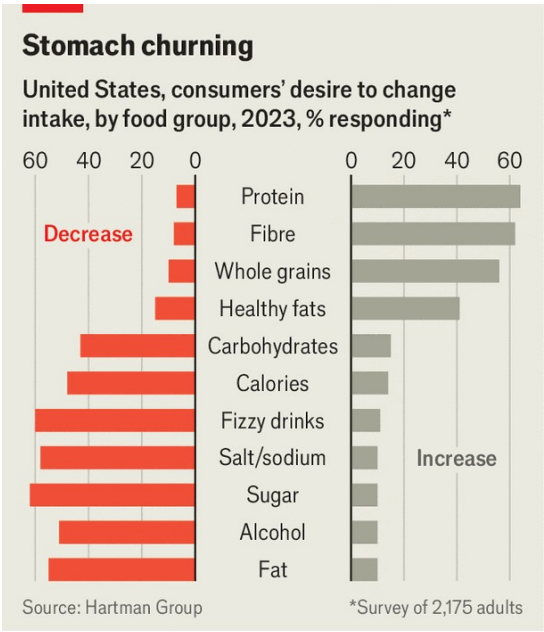
March 6th 2025



Alongside the crisps in the snack aisle, supermarkets are now stacking shelves with roasted chickpeas, cheese bites and beef jerky. An array of high-protein alternatives is appearing alongside low-fat and low-sugar foods. Dairy sections are packed with hard-to-pronounce fare such as skyr and kefir. High-protein diets have become mainstream. On social media, food and fitness influencers recommend protein. Celebrities have made it trendy to look strong, rather than skinny. A trend is verging on an obsession.

Google searches for “high-protein diet” reached their highest point ever in January. Some 64% of Americans want to increase the amount of protein they eat, according to the Hartman Group, a research firm, leaving old favourites like fibre and whole grains trailing (see chart). In Britain Ocado,

an online supermarket, reckons over 40% of consumers have increased their protein intake over the past year. So what explains the insatiable appetite?



The Economist

Gym bunnies have been wolfing down protein for decades. More recently the less buff have also realised that protein can help them build muscle while feeling fuller for longer. Kantar, a market-research firm, estimates that spending in British supermarkets on protein-packed sports nutrition products, like bars and powder, reached £143m ($182m) in the 12 months to February, almost twice as much as in the same period three years before.

Juergen Esser at Danone, a French dairy giant, says hunger for protein first took off among youngsters who want to look muscular. It soon spread to older people eager to stay strong and healthy. The pandemic got people worrying about their health and spurred demand. Now food firms are anticipating a rush of interest from users of GLP-1 drugs, such as Ozempic, which suppress appetite.

The popularity of weight-loss drugs is growing fast. Over 8% of Americans were on GLP-1s by the middle of last year, according to Numerator, a data firm. The share is rising in other rich countries. As users seem to lose muscle as well as fat, many are turning to protein to tone up. A study from Cornell University finds that a switch away from processed foods means that

household spending on groceries drops by 5.5% on average when at least one person begins using GLP-1 drugs.

The range of high-protein snacks on offer in supermarkets has expanded from shakes aimed at gym-dwellers, with hyper-masculine black packaging and brand names like Barebells and Grenade. Food businesses have launched an array of new products. Nestlé, a Swiss firm, sells protein-loaded frozen pizza and pastas. Conagra Brands, an American company, recently launched a range of ready meals labelled "GLP-1 friendly". Even Mars is flogging high-protein versions of its chocolate bars.

High-protein products are also helping firms bulk up. Revenues at Danone increased by 4.3% in 2024, driven by high-protein yoghurts and drinks. Sales by the firm's high-protein unit have jumped to €1bn ($1.1bn) from around €400m in 2021, far outpacing growth in the wider business. The question is whether the trend has gone too far. Everyone needs protein to maintain muscle, control blood sugar and much else besides. But the science around how much is uncertain. The World Health Organisation recommends 0.83 grams a day per kilogram of body weight. By that measure, the average American or Briton consumes too much.

For food firms already struggling to tick several boxes it is yet another challenge. Consumers do not only want more protein and less ultra-processing, but also more plant-based food and anything good for the gut. Danone is working on "hybrid" dairy products that combine regular milk protein with the plant-based sort, which can be easier to digest and better for the planet. Biotiful Gut Health, a producer of kefir, is focused on high-protein products with natural ingredients. The Curators, a British snackmaker, has another balancing act to perform. When the firm began making soya and lentil chips, it settled on ten grams of protein per bag. Recipes with more were not as tasty. And as food fads come and go, a decent flavour may be the most enduring requirement of all.■

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Business | No longer narrowing

The pay gap between men and women won't go away

Our glass-ceiling index makes gloomy reading

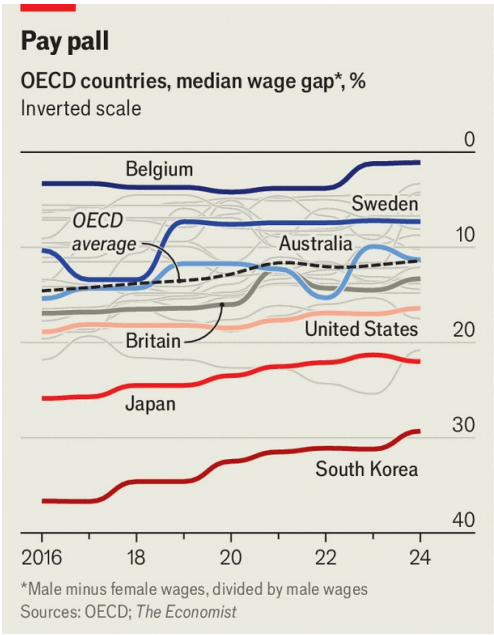
March 6th 2025



That women earn less than men in rich countries is so well-known it is often met with a shrug. The gender wage gap is one of ten indicators in our annual "glass-ceiling index", ranking how women fare in the workplace. On most measures, including representation on boards and in parliaments, countries improve each year. But across the OECD, a club of mostly rich countries, the median gap is stuck at 11.4%, up from a low of 11.1% in 2020 (see chart) despite policies designed to narrow it.

Anti-discrimination and equal-pay laws have been on most countries' books for decades. In 2017 Britain started forcing big companies to publish wage-gap data; the EU and Japan have followed. Ten American states have laws

requiring employers to disclose pay in job advertisements. Yet the gap remains, and in some countries, such as Australia and Japan, is growing.



The Economist

One reason is that the pandemic disproportionately affected women, who were likelier to be laid off or to quit to look after their children. This tallies with the still sizeable "motherhood penalty" hurting the careers of women who start families. It is particularly true in countries with costly childcare such as Britain and America. Other research looks at the gender differences in careers, children or not.

A recent book argues that women continue to be muscled out of the highest-paid sectors such as banking and tech. In "Fair Shake", Naomi Cahn, June Carbone and Nancy Levit, three American law professors, say that a "winner takes all" model of competition and excessive working hours discourages women from entering certain fields and holds down those who do. At many firms, a "tournament-like" culture where workers battle for bonuses favours men, who tend to form alliances and may behave badly to get ahead.

In a striking example, the proportion of women with computer-science degrees peaked in 1986; women are now twice as likely to leave the tech industry as men. The maleness of Silicon Valley was by no means inevitable. Studies have also found that even when women enter male-dominated fields,

wages tend to fall, suggesting that their labour is systematically undervalued. Sexual harassment is also still rife in these fields, with women who report it likelier to switch to lower-paying jobs.

Care work, norms and work culture help to explain why corporate career pipelines seem so selectively leaky. Women hold 43% of managerial jobs at big American companies, but their share of chief executives' suites has only just passed 10%. That's hard to shrug off.■

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Business | Bright and breezy

Mistral, Europe's biggest AI startup, is blowing hot

Not being American or Chinese may now be a help, not a hindrance

March 6th 2025



THERE IS LITTLE reason to cheer the cooling of relations between America and the European Union. But it's an ill wind that blows no one any good. In the fast-growing world of artificial intelligence (AI), Mistral, a French startup, may be a beneficiary of the transatlantic tempest.

Founded in 2023 by former researchers at Meta (parent of Facebook) and Google DeepMind (a British bit of Alphabet), Mistral is no minnow. Worth around €5.8bn ($6.2bn) in June 2024, when it last raised money, it is Europe's most valuable AI startup. It has been cranking out foundation models rapidly, releasing 16 in the past 18 months. These range from specialised systems such as Codestral, Mathstral and Pixtral for coding,

maths and image recognition, as their names suggest, to general-purpose models, of which the latest, Mistral Small 3, was released in January.

At the same time, there is no mistaking the company for a top-tier lab. Its valuation is an order of magnitude smaller than those of American rivals like Open AI, Anthropic and x AI, the last of which is aiming to raise more money in a single round than Mistral's entire value. Its models, too, are firmly middling. The sector has innumerable league tables, charting skills from general knowledge to coding ability, and Mistral's models have appeared at the top of vanishingly few.

So Mistral has tried to make its name by competing more obliquely. For instance, many of its models are open-source: anyone may download and use them without explicit permission, for no charge. Others are released under the company's own "research" licence; commercial users must pay for them, hobbyists and hackers can fool around with them freely. It often releases models with nothing but a wordless link to a BitTorrent file for download, with the full explanation coming later. This approach drew attention—and copycats. When China's DeepSeek burst on to the scene early this year, it used the same three-part playbook.

Until recently Mistral looked likely to become collateral damage in the battle between America and China to dominate AI. With American executives arguing that users faced a choice between "democratic" or "autocratic" AI and Chinese models offering cheap performance to the geopolitically unbothered, the French firm was squeezed. Rumours of a potential sale swirled, but Mistral's boss curtly dismissed them on live television in January. The company was heading for an IPO, he said, citing "tremendous" growth. If so, sceptics wondered, why was he spending so much time swanning around Silicon Valley?

But in February things started to turn round. Mistral released Le Chat, a paid-for Chat GPT-style assistant. The service is distinguished by its speed: building on chips from Cerebras, an American startup, it responds blazingly fast compared with the competition. Its app racked up 1m downloads in the first ten days.

It has something else in its favour: geography. “Le Chat est français”, reads one five-star review of the French version of the app, arguing that it is worth putting up with a slightly less efficient service to avoid the American and Chinese offerings. “The Americans have gone bonkers,” declared another (British) five-star review. Mistral’s list of clients suggests that better-known, if less demonstrative, users are also open to a spot of flag-waving. It is dominated by French giants like BNP Paribas, a bank, and Orange, a telecoms firm.

However, national pride alone pays no bills. Mistral’s annual recurring revenue is just €30m, only around 0.5% of its giddy valuation, according to Sifted, a tech publication. But as the number of AI models grows, and the difference between the best shrinks ever further, a spot of patriotism might be enough to keep the money coming in and the models humming.■

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Business | Bartleby

The behaviour that annoys colleagues more than any other

And the reasons to try to remain calm

March 6th 2025



Surveys of office behaviour are not scientific. In a global poll conducted last year by Kickresume, a firm that helps create CVs, 85% of people said they had experienced an annoying co-worker. That means the remaining 15% are either sole traders or liars. But surveys can still reveal truths about what gets people riled up. The Kickresume survey put credit-stealing top of the list of irritating colleague behaviour, as did a survey of British workers in 2022 by Perspectus Global, a research firm. Another recent poll, this time of American workers and conducted by BambooHR, crowned taking credit for employees' ideas as the worst managerial trait of all.

You get the picture. Grabbing kudos for someone else's idea makes lots of people angry. In fact, it is seen as unacceptable from a very early age: research has shown that children as young as five disapprove of plagiarism. Done intentionally and repeatedly, credit-grabbing is not just annoying but bad for the organisation: ideas are hoarded, trust erodes and motivation suffers. A recent paper by Siyuan Chen of Beijing Jiaotong University and his co-authors found that credit-claiming by executives at a large Chinese manufacturing firm was associated with worse job performance by employees.

When something happens a lot and is extremely irritating, a coping mechanism is needed. So the next time you hear your brilliant idea coming out of the mouth of a colleague, breathe deeply and remember three things.

First, credit-stealing may be less malevolent than imagined. Psychologists have long documented a phenomenon called "cryptomnesia" in which people inadvertently plagiarise the ideas of others. Experiments into cryptomnesia vary but the basic set-up is for participants in a group to be asked to generate ideas to solve a particular problem. They are then told to recall only their own ideas, and to come up with new ideas that do not replicate ones that have already been raised. Despite these instructions, people tend to claim a decent chunk of old ideas as their own, and to copy previous suggestions when raising ostensibly new ideas. People may steal credit without even realising it.

Second, innovation very rarely takes the form of an entirely new idea; instead, it recombines existing ones. And people often reach the same conclusions independently. That is the message of "Like", an entertaining new book by Martin Reeves and Bob Goodman on the origins of the "like" button. The thumbs-up icon was made ubiquitous when Facebook adopted it in 2009, but well before then firms like Vimeo, Yelp, Digg.com and FriendFeed had been experimenting with ways for users to register an emotional reaction to content. So even if you think of an idea as your own stroke of genius, the reality is likely to be messier.

Third, credit-stealing can backfire. Decent bosses know that success stems from teams of people, not individuals (bad bosses will just appropriate the idea as their own anyway). Work by Eric VanEpps of Vanderbilt University

and his co-authors has found that the best way to project both competence and warmth is to mix a bit of bragging and a bit of praise for others. And though expressing pride in achievements, even if they are not your own, can be a good way to communicate an aura of success, it pays not to be too specific.

A paper by Rebecca Schaumberg of the Wharton School of the University of Pennsylvania looks at what happens when people show pride in a performance whose details are known to others. Imagine, for example, two programmers who post identical high scores in a programming competition; one goes on a frenzy of fist-pumping and the other says she is not that proud of how she did. Observers reckon that the buoyant programmer is at the ceiling of her potential, and judge the downbeat one to be more skilled. Overt credit-stealers may appear less, not more, competent.

Ideally, you would not need to reconcile yourself to a bit of credit-stealing. Recognition would simply be doled out accurately. But even when credit has been allocated appropriately, there is another problem. Work by Heather Sarsons of the University of British Columbia and others has shown that male academic economists get tenure regardless of whether they solo-author or co-author papers; women are less likely to get tenure the more they co-author. That suggests biases can still end up distorting recognition when it is not possible to know who contributed most on a team. That really is infuriating. ■

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Business | Schumpeter

The world's trustbusters hint that they want more deals

Do they really?

March 6th 2025



Brett Ryder

AT THE START of the year dealmakers around the globe were sharpening their pencils. Donald Trump's incoming administration was promising to slash corporate taxes and tear up red tape in the world's mightiest economy. Political leaders in other large markets at last appeared to grasp that in order to keep up with America, they had better put innovation and economic growth ahead of caution (in risk-averse Europe) or common prosperity (in Xi Jinping's China).

Top trustbusters, including freshly appointed ones in America, Britain and the European Union, heard the message loud and clear. Big, they signalled, would no longer necessarily be seen as bad. Suspicion and zealous

enforcement were out. Predictability and permissiveness were in. Animal spirits among empire-building bosses were up, together with the share prices of firms that advise them on mergers and acquisitions (M&A).

Two months into 2025 hopes of a deals bonanza—and the advisers' rich market values, which have slid by around a fifth from their peaks—feel like a distant memory. Mr Trump's $4trn tax cut may be at risk from a few Republican fiscal hawks in Congress who want more of it offset with unpopular reductions in federal spending. His tariff threats turned out to be no bluff: just ask Canada, Mexico and China, which on March 4th got slapped with swingeing new levies. And boardrooms must contend with what broader Trumpian dismantling of the rules-based international order means for their businesses. Thank goodness the new antitrust cops are no longer adding to the uncertainty. Right?

Wrong. Lina Khan and Margrethe Vestager, who in the past few years personified activist trustbusting in America and the EU, respectively, may be gone. But their successors, and those successors' political taskmasters, look no less eager to use competition law as a Swiss-army knife: an all-purpose tool for achieving policy goals beyond ensuring that consumers don't get a raw deal. That, at least, is what Schumpeter concluded after a day of rubbing shoulders with competition regulators, executives, lawyers and other M&A types. They gathered in London on February 27th for the inaugural Antitrust Summit hosted by Economist Impact, a commercial division of *The Economist*'s parent company.

On the surface, antitrust czars do seem deal-friendlier. In January Britain's Labour government sacked the chairman of the Competition and Markets Authority (CMA), Marcus Bokkerink, apparently for not being growth-minded enough. Sarah Cardell, the CMA's chief executive, now says that where her agency has discretion "You will see action to promote growth." Teresa Ribera, the EU's top competition regulator, has been tasked with revising the bloc's merger guidelines to be "more supportive of companies scaling up in global markets". Across the Atlantic, Andrew Ferguson, whom Mr Trump picked to head the Federal Trade Commission (FTC), has pooh-poohed Ms Khan's "war on mergers".

It isn't just talk. In December Ms Ribera's agency blessed the $16.5bn takeover by the parent company of Novo Nordisk, the Danish maker of Ozempic, a celebrated weight-loss drug, of Catalent, an American contract drug manufacturer. It also approved the $700m purchase of Run:ai, which manages artificial-intelligence workloads, by Nvidia, a $2.8trn AI-chip behemoth. The same month Britain's CMA waved through Vodafone's $19bn merger with Three to create the country's biggest mobile-telecoms operator. On March 5th the CMA concluded that the partnership between Microsoft and OpenAI, the world's biggest software firm and hottest AI-model creator, does not qualify for investigation under British competition law.

Yet acquisitive CEOs mustn't mistake any of this for a return to the days when trustbusters cared mostly about whether a merger would raise prices for consumers. Ms Ribera is likely to be accommodating of deals that create European champions, but no less wary of "killer acquisitions" in which dominant firms snap up baby challengers before they mature into fully grown rivals. Some European politicians would like her to use competition rules to keep inflation in check, echoing requests made to Ms Khan.

Mr Ferguson has made it clear that "the FTC feels workers' pain" and is concerned about the fate of small businesses, which sounds an awful lot like his leftie predecessor. He is additionally troubled by firms abusing their market power in areas that anger Mr Trump's MAGA base, such as online censorship, diversity, equity and inclusion initiatives, or efforts to combat climate change.

Then there is geopolitics. Christine Wilson, a former FTC commissioner now at Freshfields, a law firm, foresees the blending of antitrust and trade policies as more countries turn protectionist. In such a world, fixing a deal's regulatory problem in China can create a political problem in the West, or vice versa. John Davies of Brunswick, a firm of corporate advisers, calls this "the waterbed effect". "You have time to work out the regulatory stuff. The political stuff can go wrong on the first day," cautions Sir Simon Robey, co-founder of Robey Warshaw, another advisory firm.

Blades of glory

Antitrust is not, in other words, going back to being a scalpel in the service of economic efficiency. The Swiss-army knife is here to stay, with different governments switching blades in and out in line with their political goals. Right now these objectives may be conducive to a bit more dealmaking. In the long run, though, antitrust that is more political will also be more fickle. As Sir John Vickers of Oxford University, who used to run Britain's Office of Fair Trading, observes, "If you want to promote investment in the economy, then tipping a bucket of political risk is not a wise thing to do." Wise words. ■

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Finance & economics

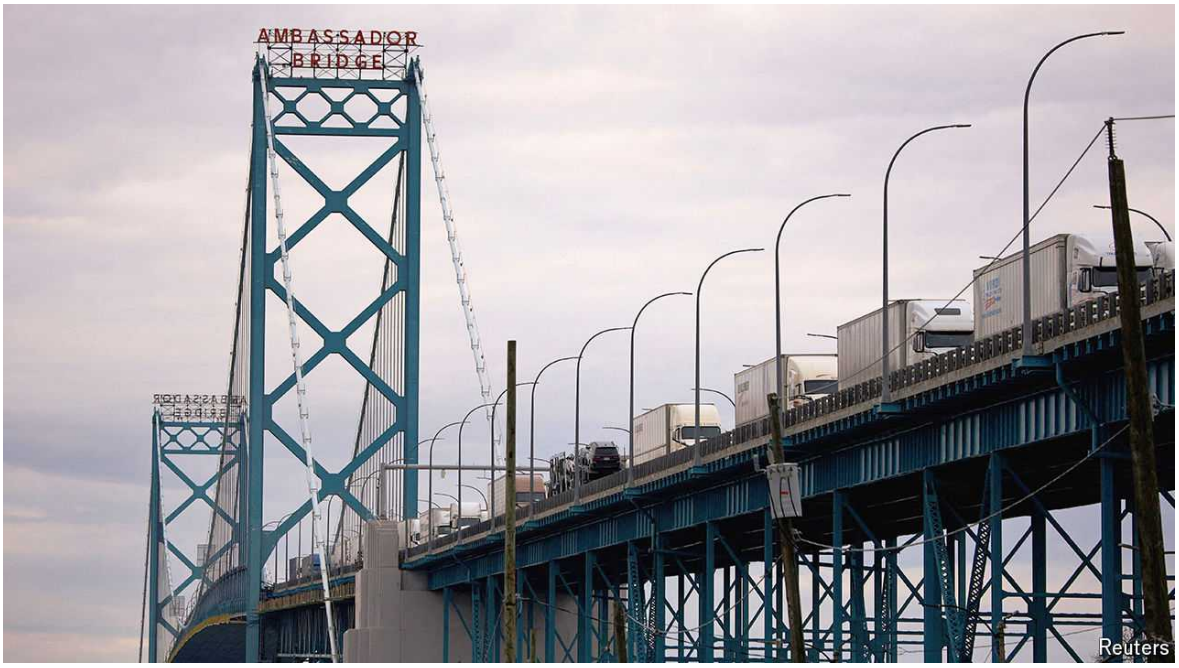
- Trump’s tariff turbulence is worse than anyone imagined
- Aid cannot make poor countries rich
- Why silver is the new gold
- El Salvador’s wild crypto experiment ends in failure
- It is not the economic impact of tariffs that is most worrying

Finance & economics | Bridge to nowhere good

Trump’s tariff turbulence is worse than anyone imagined

Even his concessions are less generous than expected

March 5th 2025



Editor’s note (March 6th): *Since this article was published, Donald Trump announced that tariffs on Mexico would be paused until April 2nd.*

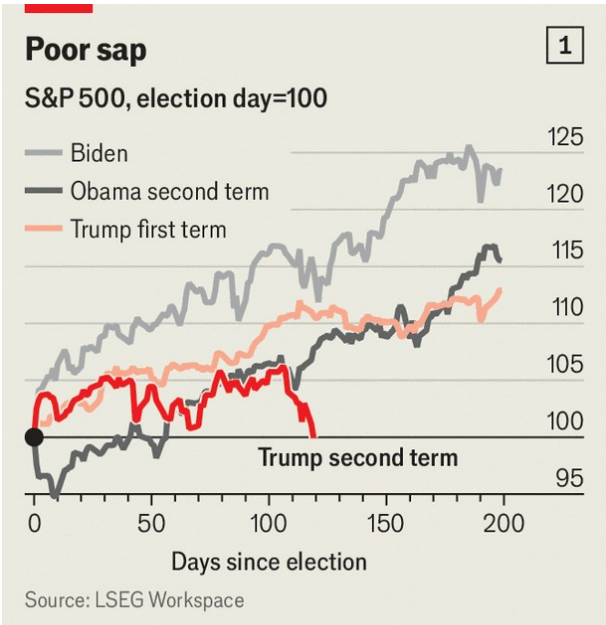
KEEPING ABREAST of Donald Trump’s utterances on tariffs, from actual announcements to vague threats, is a dizzying task. One day he is set on wrecking the integrated North American economy; the next he wants to appease carmakers that depend on it. When it comes to China, he veers between slapping ever-larger levies on its goods and hinting at a desire for a giant trade deal. As for other countries, he speaks ominously of big but so far unspecified tariffs that will soon kick in.

It would be comical were the consequences not so grave, both for America and the rest of the world. In the run-up to last year's presidential election, as businesses grappled with the uncertainties of Mr Trump's trade agenda, analysts examined different scenarios. The most bearish focused on his suggestion that he might impose universal tariffs on all goods entering America. Moody's Analytics, a data outfit, reckoned such levies could by 2026 reduce America's GDP by nearly 3% relative to its projected path—a decline that would almost certainly mean a recession. The blows to large exporting countries, notably China and Mexico, would be even bigger, the firm's economists calculated.

- Trump's tariff turbulence is worse than anyone imagined
- How Trump's tariffs could crush American carmakers
- It is not the economic impact of tariffs that is most worrying

Most observers dismissed such outcomes as far-fetched. Surely Mr Trump was just sabre-rattling and would come to his senses when the stockmarket registered its displeasure? Six weeks into his presidency, the worst-case scenarios are looking all too plausible. The idea of a single universal tariff, fixed at 10% or 20%, would be appealing in its simplicity if nothing else. Instead, Mr Trump has started to add tariff to tariff in a hotch-potch of protectionism.

He is going after specific products, vowing levies of 25% on aluminium, copper, lumber and steel. He has targeted America's biggest trading partners, imposing tariffs of 25% on Canada and Mexico plus 20% on China (on top of the average tariff of over 10% that already applied to most Chinese goods). And he has pledged much more will come on April 2nd, when America will create a wall of tariffs, taxes and non-monetary barriers to match whatever countries levy on American goods. In an address to both houses of Congress on March 4th, Mr Trump laid out his philosophy: "We've been ripped off for decades by nearly every country on earth, and we will not let that happen any longer."



The Economist

Much of the media discussion about Mr Trump's tariffs has focused on their inflationary impact. It is true that, as a first-order consequence, they will push up some prices for consumers. Brian Cornell, boss of Target, a retailer, has warned that the prices of fruit and vegetables could rise in the next few days because of America's reliance on produce from Mexico. If supply chains that criss-cross Canada and Mexico are caught in tariffs, the price of SUVs assembled in North America could rise by $9,000, according to one estimate.

Nevertheless, for inflation to truly be a problem, it would require not just a one-off rise in prices but sustained increases. And for that to happen, consumer demand would have to remain buoyant. Meanwhile, the way markets have reacted to Mr Trump's tariffs indicates concerns about economic growth are swamping fears of inflation. The S&P 500 index of large American firms has fallen back to where it was before Mr Trump's election victory in November, wiping out more than $3trn in gains (see chart 1). Yields on Treasury bonds have sagged as investors price in more interest-rate cuts by the Federal Reserve this year—something that central bankers would do only if they were more troubled by damage to the job market than by the risk of resurgent inflation.

Tariffs weigh on growth in a variety of ways. Higher import prices raise production costs for domestic firms, offsetting the increased output of those that benefit from protection. Higher costs for shoppers lower their real incomes and hence their spending power. This effect already seems visible in a plunge in consumer sentiment (see chart 2). When countries retaliate—an inevitability—exports suffer: those to Mexico and Canada could drop by as much as 60%, according to Oxford Economics, a research firm. Stockmarket falls also represent a tightening of financial conditions, which begets funding challenges for businesses. Last, confusion about tariff implementation is itself an impediment to investment. A gauge of global trade-policy uncertainty created by Fed economists is now at its highest in more than six decades, well above a previous peak in 2018, when Mr Trump mainly targeted China.



The Economist

Such uncertainty reflects the fact that Mr Trump is moving quickly and aggressively. His first term featured narrower tariffs on steel and aluminium, plus a more protracted dispute with China. Ultimately, Mr Trump's tariffs covered nearly $400bn-worth of American imports. Not even two months into Mr Trump's new term, his tariffs reach $1.4trn of imports—a figure that could soon start rising fast.

Given the pain, many still think Mr Trump will back down from his most extreme measures. On March 5th he granted those automakers complying with a North American trade deal struck in 2020 a month's delay to his latest tariffs. The exemption covers at most 14% of Canadian and 26% of Mexican exports. It is much narrower than the one offered in February, when he delayed tariffs for a month on all North American trade. Moreover, zigzagging on such an important policy hardly makes for a stable business environment. A recent survey of American manufacturers found that their orders contracted in February. Many respondents bemoaned the president's rush towards tariffs.

Perhaps the biggest surprise of Mr Trump's presidency so far is his apparent indifference to the downsides of his actions. Investors had thought that he viewed the stockmarket as a scorecard on his presidency. His concern with it has been replaced by a belief that tariffs are obviously good for the economy, since they will revitalise industry and create new government revenues. "There will be a little disturbance, but we are OK with that. It won't be much," he said on March 4th.

Growing pains

The president has also glibly dismissed the concerns of American farmers, who sell about a fifth of their total output abroad. They should "get ready to start making a lot of agricultural product to be sold INSIDE of the United States", he posted on Truth Social, his social-media platform, on March 3rd. In reality, none will pivot from growing soyabeans for export to planting avocado trees for domestic consumption.

For the foreign countries in Mr Trump's crosshairs, there is deep confusion about what exactly he wants. Claudia Sheinbaum, Mexico's president, had won plaudits for the cool-headed way she won a late reprieve ahead of Mr Trump's first deadline in February. The president gushed that she was a "marvellous woman" whom he likes "very much". Mexican officials had expected, at most, targeted tariffs at a lower rate.

Assuming Mr Trump truly is worried, as he claims, about migrants and fentanyl crossing the border, Ms Sheinbaum has shown herself willing to

address his concerns. On February 27th her government took the unprecedented step of extraditing 29 alleged gang members to America. Mexico has also offered to impose extra tariffs on Chinese imports. Discussions between the two countries on these issues have gone well. “But we are talking to irrelevant actors,” says someone on the Mexican side. “This is a personalist regime.”

The relationship between America and Canada is usually characterised by high tedium rather than high tension. Now the ties between Mr Trump and Justin Trudeau has curdled to the point where the Canadian prime minister’s requests for a telephone call in the 24 hours before the tariffs went into effect were ignored. Whereas Ms Sheinbaum has said Mexico will wait until March 9th to announce retaliatory measures—leaving time for quiet discussions—Canada has already put in place tariffs on American goods such as bourbon, citrus fruit and motorcycles. Doug Ford, premier of Ontario, a province at the heart of Canada’s car industry, has threatened to halt the flow of hydro-electric power to several northern American states. “If they want to try to annihilate Ontario, I will do anything, including cutting off their energy, with a smile on my face,” he said.

China has been more restrained, for now. It has introduced tariffs on a small number of American products, including chicken and maize, and added a dozen American firms—none big names—to its unreliable-entity list, which prevents Chinese companies from doing business with them. But it has also rebuffed Mr Trump’s attempts to start talks with Xi Jinping, the country’s leader. Mr Xi is, in effect, giving Mr Trump the silent treatment until he starts to behave and keeping China’s options open for more potent retaliation if he persists in raising tariffs.

In the meantime, American firms are trying to adjust to an economic terrain that is rapidly shifting. Lexi Swift of World Class Shipping, a logistics firm, says that brokering cross-border transactions has become much more complicated. She now has to factor in multiple tranches of tariffs on some products, set up payments for them and advise clients—the importers of record—about the extra money they owe the government. “I’ve seen as much as a 5,000% increase in duties and taxes owed for customers that brought in the same commodities for years,” she says. Normally that is not the sort of growth a business-friendly leader wants. But Mr Trump is

convinced that it will be good for America, heedless of all evidence to the contrary. ■

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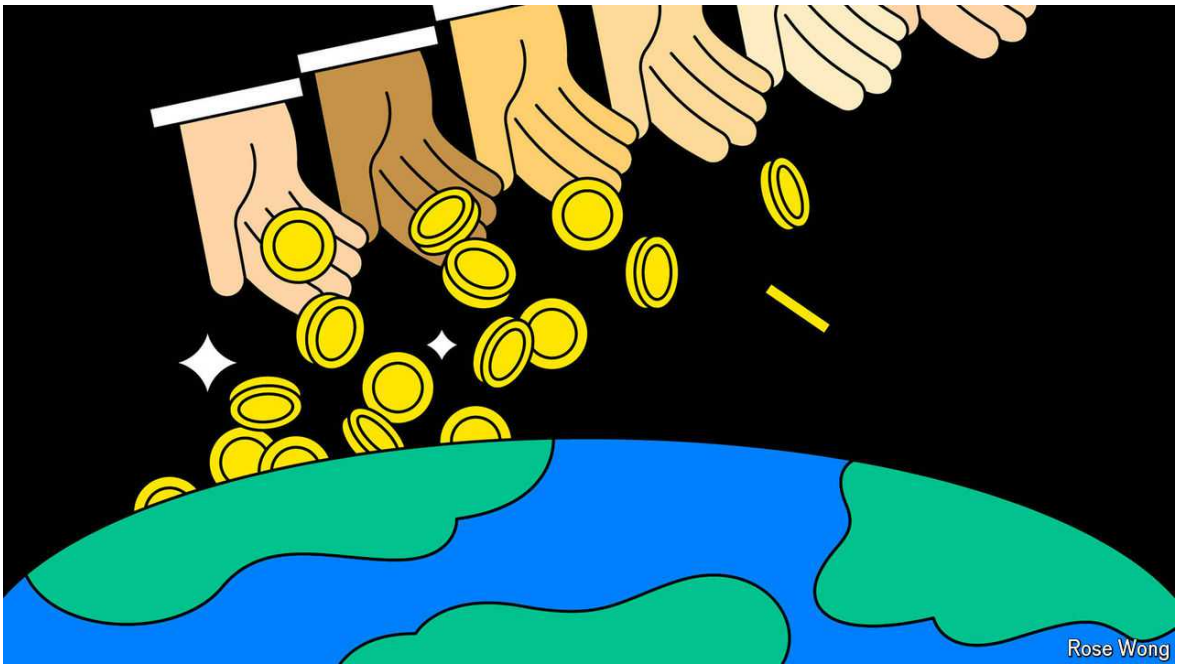
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Finance & economics | International finance

Aid cannot make poor countries rich

For decades, officials have promised to raise economic growth. For decades, they have failed

March 6th 2025



The capital of Malawi, one of the world's poorest countries, runs on aid. A city built in the 1970s by the World Bank, Lilongwe's straight streets are filled with charities, development agencies and government offices. Informal villages house cooks and cleaners for foreign officials; the entrance to each is marked with the flag of its national sponsor. Over the past five decades, policymakers have reached a division of labour: Britain funds schools, Japan backs energy projects, Europe supports agriculture and Ireland nurtures a cottage industry of justice activists. In the health ministry, maintained with Chinese money, doors are labelled by donor, not department. Many read "USAID".

When, just over a month ago, Donald Trump froze funding for the agency through which America doles out most of its aid, crucial work stopped overnight. Although a later waiver allowed "life-saving" projects to restart, it applied only to those with approval from local development diplomats, most of whom had been put on furlough. Few projects have restarted. In Malawi maternal-health and refugee-support charities have ceased work and do not expect to open their doors until after Mr Trump's 90-day order elapses. At the same time, however, many projects that stopped were of a different nature. They were not saving lives. Instead, they focused on a more material aim: to make Malawi richer.

- The demise of foreign aid offers an opportunity
- Why some Africans see opportunity in aid cuts
- Donald Trump's cuts to USAID would hurt Asia, too

Mr Trump's decision is an extreme example of a broader trend. On February 25th Sir Keir Starmer chopped Britain's aid budget from 0.5% to 0.3% of gross national income to spend more on defence. France, the most generous Western donor after America, will this year reduce aid by 35%. Germany is considering cuts, too. Polling indicates broad domestic support for these decisions. Most big-name economists, including at the IMF and the World Bank, still insist on the importance of development spending—that intended to make countries richer—but even this consensus is fraying: some influential development economists now question how much good such spending really does. Could something better emerge from the mess?

Paper trail

First consider where money currently goes. Rich countries spent $256bn (or 0.4% of GDP) on foreign aid last year—enough to provide sub-Saharan African governments with a sum as large as their total tax revenues. Only a sliver of the spending will have gone to cultural causes, funding the sort of pro-democracy charities and independent newspapers that MAGA types despise. Around a quarter will have been humanitarian aid (covering disaster relief and refugees) and health funding (such as HIV treatment, vaccines and so on).

Cuts to American and British spending have mainly provoked concern about what will happen to recipients of this sort of aid.

But by halting USAID Mr Trump has also paralysed a much larger system dedicated to boosting economic growth. Development spending accounts for almost three-quarters of all aid. It most often subsidises favoured industries, frequently funds infrastructure construction and sometimes pays the salaries of teachers. The average Malawian has had more money spent on them by international agencies than by their own government every year since the country gained independence from Britain in 1964. Lilongwe's current state shows development aid's ambitions; the country's poverty reflects its failures.

Development agencies were first established to support newly independent colonies. Inspired by the Marshall Plan, which rebuilt post-war Europe with American money, President John F. Kennedy set up USAID in 1961. The promise was that a richer world would be both better for the worst-off and friendlier to the countries financing its growth. Aid economists treated poor countries as small rich ones that simply needed extra public investment. Some agencies of that era, supposedly temporary, are still doling out cash.

In the years after the cold war, bilateral aid often linked handouts to democratic reforms, since policymakers believed that autocratic rulers held their countries in poverty. Then, in the early 2000s, development took on a more universalist hue; the focus shifted to building human capital through improved schooling and health care. From 2004 to 2014, aid spending increased by 75%. "There was a real feeling," says Stefan Dercon of the University of Oxford, "that if there was a time things were going to get going, this was it."

Things did not get going. From 2014 to 2024, the world's 78 poorest economies grew more slowly than in the decade to 1970, when aid was first emerging. This is perhaps unsurprising, given earlier studies. In 2004 William Easterly of New York University and co-authors found that, from 1970 to 1997, aid was just as likely to shrink the world's poorest economies as to help them grow. A year later the World Bank produced a post mortem on two decades of development aid, poring over the history of its recipients. The researchers concluded that its grants and loans did not move the needle

on growth. In 2019 the IMF reached a similar conclusion. As Charles Kenny of the Centre for Global Development, a think-tank, notes: “There is no country that has really grown from aid.”

Each generation of development spending has failed in its own way. Early efforts built a lot of bridges, many to nowhere. In 2005 David Dollar and Jakob Svensson, both then of the World Bank, and Dani Rodrik of Harvard University, looked at disbursals tied to political reforms—and could not find a country where they had produced better policy. National leaders were concerned with staying in power; a desire strong enough to warp whatever advice, and however much money, aid bureaucrats provided. Earlier work by Dollar had found that aid simply magnified governments’ existing tendencies, speeding growth in countries that were willing to push through macroeconomic reforms and slowing it in those which were not, of which there were just as many. The problem was simple: there was no way to tell which bucket a country would fall into before handing over the money.

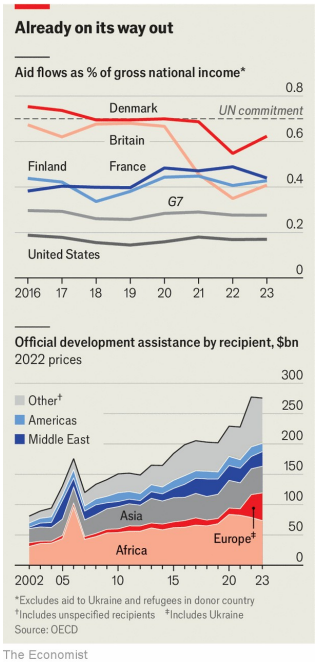
Health spending has had some real successes. The provision of HIV treatment helped halve deaths from AIDS in the two decades to 2020, for instance. But it has not prompted economic growth. Similarly, research has found little link between primary-education aid and output. In 2015 Axel Dreher of Heidelberg University and Steffen Lohmann, then at the University of Göttingen, looked at local economic activity after the building of schools, social housing and other projects in a range of locations, and found no increase in the amount of electric light, their proxy for economic growth. There were not enough businesses to make use of locals’ new skills, he theorised. And instead of strengthening recipient countries’ ability to provide public services, aid often weakens it. The IMF has found that more development spending tends to result in lower taxes. Last year Avi Ahuja of New York University concluded that it produces less competitive political systems, as incumbents wield the cash to win votes.

More recently, disillusioned economists have turned to the work of Esther Duflo, a Nobel laureate at the Massachusetts Institute of Technology, who uses randomised controlled trials to study interventions. Yet she has come to a dispiriting conclusion: there is no reason why what works in one neighbourhood will do so in the rest of a district, let alone on another continent. In one Indian village, for instance, giving women pensions made

their granddaughters (if not their grandsons) healthier; in another, handouts failed to improve health or even raise household consumption. Ms Duflo's findings chime with other research. In Bangladesh free health care killed private provision. In Africa aid-funded hospitals struggled to absorb knowledge from American doctors.

Orphaned

What lies behind this failure? Aid organisations are often criticised for wasting money on bureaucracy. In reality, they face a more fundamental problem: they have no idea how to encourage economic growth. The theory behind most Western aid has been staunchly liberal (in the British sense) for decades. Officials hope to build a private sector that can export to global markets, schools capable of furnishing firms with workers and infrastructure that will attract investment. Recipients are encouraged to dismantle regulation that stands in the way of free markets and to curtail unnecessary spending.



The Economist

Yet it is hard to hand out enormous sums without turning poor countries into miniature command economies. Development projects mostly attempt to build entire industries, such as dairy farming or fisheries, from scratch. Disbursal conditions can have a faintly Soviet air. In 2022 a typical grant to

Tanzania's fishing industry, funded in part by America, demanded a fivefold increase in production over the next 15 years.

Many problems are similar to those that plague industrial policy in rich countries, not least when picking winners. In 2015 Lindsay Whitfield of Copenhagen Business School and co-authors looked at 14 African industries that received aid. They found that after handouts just two had raised output. Western aid officials often want to prevent local politicians, who control crucial industries, from profiting as a result of their projects, meaning they select obscure sectors for tax breaks, credit and subsidies. With few investors willing to stump up capital, and little interest from local politicians, the businesses duly flop.

Recipient countries have created entire bureaucracies devoted to planning, securing and documenting aid. The Malawian state, for instance, employs many more people to manage aid than to oversee trade. There is a reason for this. After 60 years of disbursals, the world's poorest countries provide public services beyond what would otherwise be possible with their tax revenues. Many also rely on assistance to keep foreign reserves cushioned, lifting living standards. "The first reason we can't survive without aid is that it is all our dollars," says an African official.

This makes any cuts to development spending, no matter how inefficient, a nightmare. National leaders protest that they will have to reduce spending on clinics or schools, or resist loosening a currency peg. Indeed, adroit politicians must both work with donors, so as to keep services running, and dodge the difficult reforms they seek, so as not to upset voters. The governments of Egypt, Kenya and Pakistan all find themselves caught in this pattern, with politicians punished when they fail to keep both sides happy. Protests have broken out in Cairo, Nairobi and Karachi in the past year when politicians have accepted reforms sought by development outfits. Ultimately, their survival depends both on receiving aid and not enacting the sort of policies that might, in time, reduce their dependence on such handouts.

Moreover, it is not just governments that are warped by aid. In many countries, everything from the banking system to import permits is designed to accommodate donors' needs. Embryonic industries that are not favoured by aid officials barely stand a chance. Every year the best-connected and

most-educated Malawians return from university abroad not to start a business, but to start a charity. On a weekday they pack out Lilongwe's smarter dining spots, meeting with diplomats. Most live a stone's throw away from downtown, on the site of offices paid for by aid agencies, and enjoy salaries far beyond those available in the private sector.

At the annual meetings of the UN, the World Bank and the IMF, which serve as informal AGMs for international policymakers, developing-world politicians admonish aid officials for granting them insufficient respect. The less aid works, the more stringent donors become—in the hope of turning things round—and so the larger recipient countries' aid bureaucracies grow. Poor countries do not welcome the cash, which has become a fact of life; they resent the conditions with which it arrives. William Ruto, Kenya's president, wants no-strings-attached money as compensation for decades of botched development.

Instead, the next generation of aid is likely to be even more strategic, and less concerned with saving lives. "I continue to support foreign aid," Marco Rubio, America's secretary of state, has said, "but foreign aid is not charity. It exists for the purpose of advancing the national interests of the United States." This builds on earlier policy (under Barack Obama, USAID negotiated labour-migration agreements between Europe and Latin America to reduce pressure at America's border) and mirrors moves in other parts of the rich world. In 2020 Britain merged its development agency with its foreign office.

Aid is about to be weaponised. The hard-nosed enforcers of the emerging approach are willing to sacrifice spending that did lots of good, including vaccination regimes, infectious-disease control and other interventions. In one of Lilongwe's public gardens, a bureaucrat formerly in charge of USAID's east Africa office lists the many clinics, schools and government offices now under threat. The idea that Malawi's clinics might never re-open is agonising for aid workers, and uncomfortable for anyone who believes rich countries have an obligation to help the world's poor. Nevertheless, that public life in many of the world's poorest countries has ground to a halt on the whim of Mr Trump reflects how badly—rather than how well—much of the old system worked. ■

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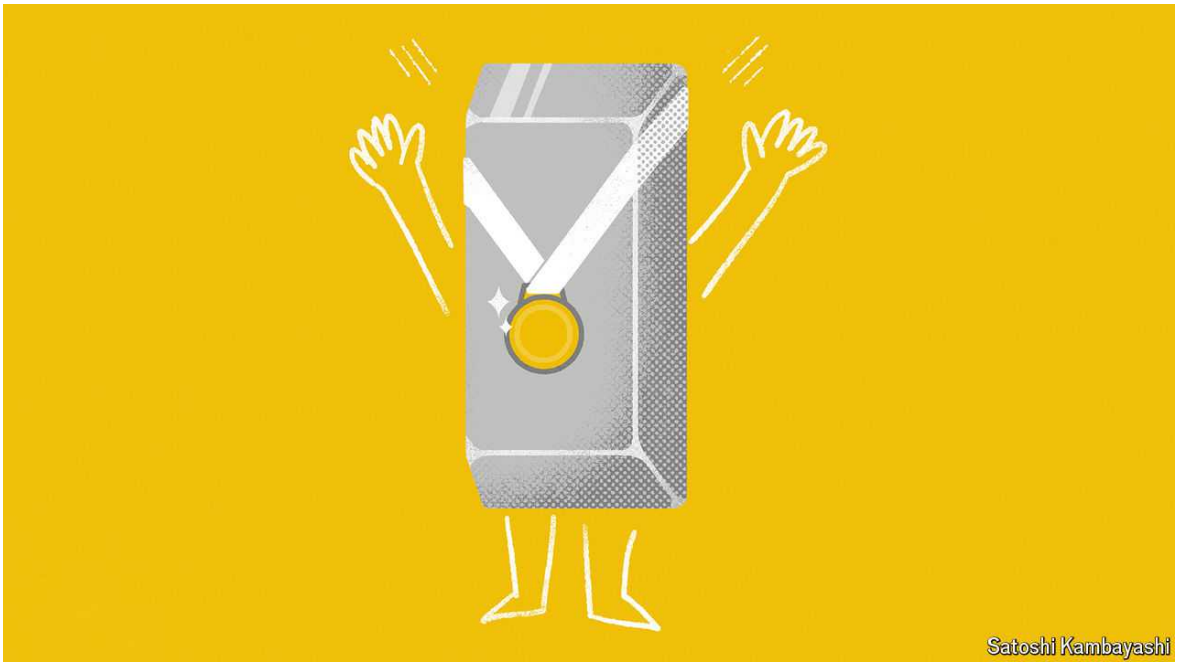
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Finance & economics | Buttonwood

Why silver is the new gold

Safe-haven demand and solar panels have sent its price soaring

March 5th 2025



It is a fabulous time to be a gold bug. Not long ago, outing yourself as one was a good way of getting people to back away from you at an investment conference. The popular image was of someone in possession of their own electricity generator, stacks of water-purification tablets and several years' supply of tinned food. Now it just features a shrewd investor. Since the start of 2023 the shiniest asset's price has soared by nearly 60% in dollars. That is more than any of the world's leading share indices—including, after a turbulent couple of weeks, America's S&P 500.

Yet the sweetest vindication goes to fans of another precious metal. Even gold enthusiasts tend to view an ardent interest in silver as somewhat eccentric. To traders it is the "poor man's gold" or "the devil's metal". For

years those nicknames were justified by silver's lacklustre returns and the wild ride its price took along the way. The devil's metal is still not for the faint-hearted. But it has almost kept pace with gold over the past year and has outperformed it over the past five. With investment flows now following returns, a once-niche asset is inching towards the mainstream.

Logic suggests that silver's price should move similarly to gold's. It, too, is rare, pretty and inert, and so has been used to forge jewellery and coins for millennia. This long-established role as a store of value lends it "safe-haven" appeal when investors are nervous. As with gold, the fixed amount of silver in the Earth's crust ought also to make it a good hedge against inflation. Sure enough, both metals' recent rallies came as investors fretted over geopolitical chaos and persistently rising prices. In doing so they overcame another common tendency, for their prices to fall when real interest rates rise and vice versa, since they generate no income.

So much for theory. In practice, different levels of mining supply and industrial demand ensure that the silver-to-gold price ratio is changing all the time. Over the long term, that has led to decades of disappointment for silverites. For most of the 1970s you would have needed to sell 30 to 40 ounces of silver to buy one of gold. Today it would be more like 90.

Speculators have been burned by the devil's metal, too. After the global financial crisis of 2007-09, faltering industrial demand and a spotlight on haven assets meant silver's price depended more than ever on traders' whims. As a result, the silver-to-gold price ratio spent years moving in line with the gold price. A bet on silver became an amplified bet on gold—a relationship cherished by hedge funds, which would usually have had to pay for a margin loan to obtain such leverage. The relationship then fell apart towards the end of the 2010s, causing traders relying on it to lose their shirts, as silver abruptly fell out of fashion with investors.

Now it is back in vogue. Central banks have spent years building up their gold reserves. In September Interfax, a Russian news agency, reported that its government would soon start buying silver, too. Last year was the first since 2021 that silver exchange-traded funds, which individuals use to buy commodities, saw net inflows. This year traders in New York have been draining London's vaults of gold, amid fears that such imports may face

tariffs in the future. They have been snapping up silver even faster—so much so, in fact, that the transatlantic price gap justifies loading bars of it onto commercial flights.

What is more, a widening gulf between supply and demand looks likely to keep the frenzy going. The annual supply of silver, driven by mining production and recycling, has contracted slightly over the past decade, according to the Silver Institute, a research outfit. Over the same period, industrial demand has surged by more than 50%, owing largely to silver's use in solar panels. Imports into China, which manufactures large quantities of these, have shot up. Since mining capacity cannot be expanded quickly, the imbalance should continue to boost silver's price for some time.

As the world becomes a more fractious place, it is hard to imagine investors' demand for haven assets falling soon. Meanwhile, the incentives for governments to store value in places beyond the reach of Uncle Sam are growing. That is a big reason why central bankers have been buying so much gold of late. Some may be tempted, along with Donald Trump, to include cryptocurrencies in their reserves. But there is another precious metal that could do the job, too. It is time for silverites to come in from the cold.■

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Finance & economics | Bukele buckles

El Salvador's wild crypto experiment ends in failure

Its curtailment is the price of an IMF bail-out. And one worth paying

March 2nd 2025



For much of the time since Nayib Bukele became president in 2019, El Salvador has teetered on the brink of default. The warning signs were familiar: high debt and interest payments, exacerbated by a wide fiscal deficit; low dollar reserves; anaemic investment and GDP growth. Negotiations with the IMF over a bail-out were deadlocked. Mr Bukele's relentless attacks on the judiciary, his opponents and the media did not inspire confidence.

Then there was his crypto fixation. In 2021 El Salvador became the first country to make bitcoin legal tender, alongside the dollar. The president vowed to shun conventional capital markets, and raise billions via tokenised blockchain bonds. He would buy $500m-worth of bitcoin, build a "bitcoin

city" in the jungle and develop geothermal energy to power bitcoin miners. The conventional markets shunned him. Several Salvadoran bonds traded below 30 cents on the dollar in the summer of 2022. When the government started deferring public-sector salaries to preserve cash, investors prepared for the worst.

Yet El Salvador has defied expectations—and on February 26th the IMF's board approved a $1.4bn loan to be disbursed over 40 months. In order to obtain the money, El Salvador has made the usual promises on fiscal discipline. It is also scaling back its crypto project. After a change to the law in January, taxes are no longer payable in bitcoin, and its acceptance in the private sector is voluntary.

On its way to the IMF deal, El Salvador showed remarkable commitment to paying its debts; Mr Bukele was in part motivated by a desire to show up his Wall Street doubters. The country's bond prices have climbed all the way back to par. Officials used scarce dollars to buy back bonds at a discount, saving a good share of future payments of principal. The fiscal deficit, which hit 10% of GDP in 2020, has returned to pre-pandemic levels of 2-3%. A crackdown on tax evasion, strong inflows of remittances and an economic uptick have boosted government revenue; the phasing-out of energy subsidies and pandemic-era programmes have slowed spending.

The fund's loan lowers the risk of a debt crisis, especially if it unlocks a further $2.1bn from other multilateral lenders as is hoped. Despite the deficit-cutting, the country might not have managed much longer. When debt is high and growth low, raising money at 12%, as El Salvador did in early 2024, is unsustainable. Sovereign default is all the more costly in a dollarised economy such as El Salvador's, with no lender of last resort to avert a bank run or financial contagion. Local bank deposits are partly backed by government debt, so default might snowball into a banking crisis and even de-dollarisation.

Pumped, now dumped

As for bitcoin, its demotion may be more of a blessing than a concession. Mr Bukele promoted the cryptocurrency as a way to provide financial services

to the two-thirds of adults without a bank account and to lower the cost of remittances, which come to almost a quarter of GDP. But the main barriers to financial inclusion are the size of the formal economy and low digital literacy. Remittances are expensive because Salvadorans like to send and receive banknotes, a pricey business made pricier by crime. The government also rushed the roll-out of Chivo, a digital wallet. Bugs and identity theft, to snaffle the $30-worth of bitcoin for signing up, were rife.

The IMF was wary of lending to El Salvador while bitcoin was legal tender. Its volatile price posed a risk to financial and fiscal stability. The fund also pointed to bitcoin's potential use in crime. El Salvador, according to the IMF, will limit "transactions in and purchases of" the currency. The country has in fact kept buying up to 1.6 bitcoin a day since the deal, according to blockchain data. It may yet have to reduce or reverse purchases to comply with the agreement. El Salvador owns 6,102 bitcoin, valued at around $550m, including unrealised gains of $250m or so, about which the president boasts regularly.

Despite these profits, crypto has brought El Salvador more costs than benefits. The free publicity has been welcome, yet crypto-investment and crypto-tourism have been small beer. Gains in financial inclusion and from more efficient payments are meagre at best: the currency never really caught on. In 2022, when the hype was at its peak, a survey by CID-Gallup found that only a fifth of firms accepted bitcoin and just 5% of tax payments were in crypto. Recent numbers are likely to be even lower, as Salvadorans have retained their strong preference for cash and payment cards.

Moreover, the policy cost $375m in all—from the Chivo rollout, subsidised transaction fees, bitcoin ATMs and more—according to Moody's, a rating agency. That far exceeds the profits on bitcoin holdings, which could still evaporate. By delaying an IMF deal, the crypto experiment kept El Salvador's risk premium high.

Mr Bukele enjoys stratospheric approval ratings, often above 90%. It was not crypto that made him "the world's most popular dictator", as he calls himself, but his draconian crackdown on crime, in which due process and the rights of presumed criminals have been forgotten. His obsession with cryptocurrency has done little to ease El Salvador's economic woes.

Although bitcoin may remain a reserve asset on the national balance-sheet, its days as legal tender are over. Mr Bukele is just the latest crypto-utopian to see his wild ideas dissolve on contact with reality. ■

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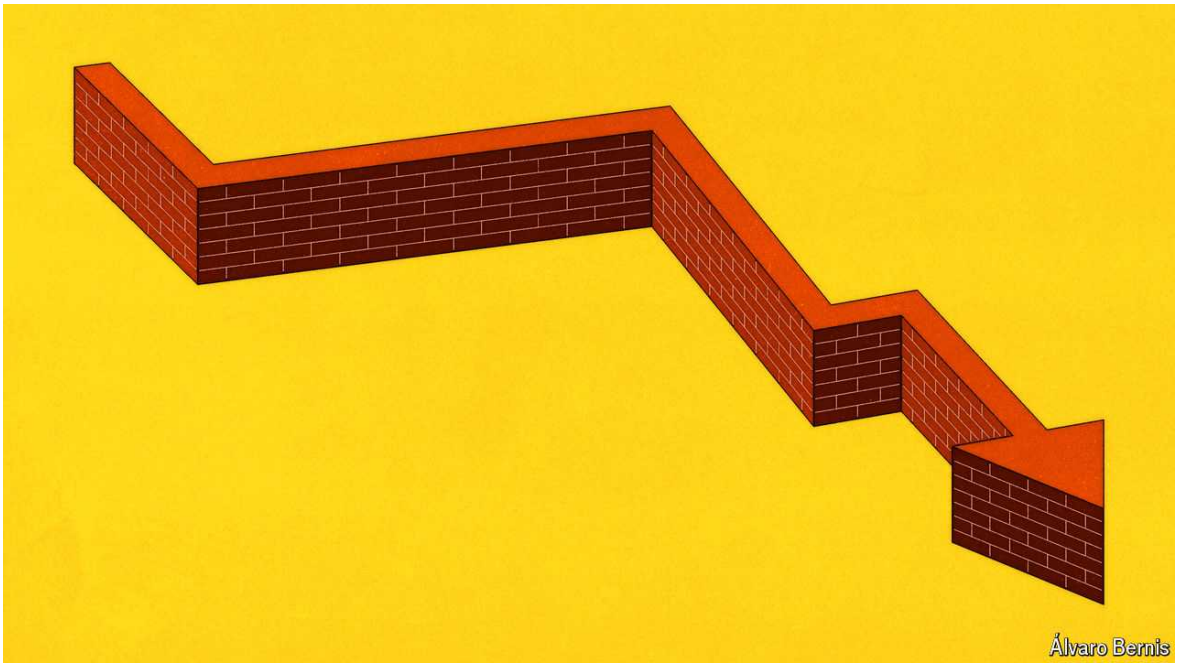
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Finance & economics | Free exchange

It is not the economic impact of tariffs that is most worrying

What are the lessons of the 1930s?

March 6th 2025



Editor's note (March 6th): *Since this article was published, Donald Trump announced that tariffs on Mexico would be paused until April 2nd.*

Canada's business press remained sanguine. Belligerent statements by the American president, one Toronto-based newspaper wrote, were mere campaign rhetoric; he would ultimately decide against tariffs that might "arouse resentment in Canada". Such confidence turned out to be gravely misplaced. In 1930 Herbert Hoover signed into law the infamous Smoot-Hawley tariffs, named after their congressional sponsors. The average levy on American imports increased from 40% in 1929 to 60% by 1932, and the global trade system unravelled.

Now the world may be in for a repeat. The Smoot-Hawley tariffs were meant to protect farmers, but grew owing to congressional "logrolling", as representatives sought advantages for their local industries. At the time, few thought the whole package was wise. This newspaper responded to the bill's passage by calling it "tragic-comic". Much the same could be said of today's tariffs. At a minute past midnight on March 4th, Donald Trump imposed 25% levies on Canadian and Mexican imports (later offering carmakers a reprieve), as well as an extra 10% on Chinese imports, despite the fact there is little appetite among Americans for a trade war with the country's allies, let alone any economic rationale.

- Donald Trump's economic delusions are already hurting America
- Trump's tariff turbulence is worse than anyone imagined
- How Trump's tariffs could crush American carmakers

What can be learned from the earlier episode? America's Smoot-Hawley tariffs have been blamed for the Depression, but this is inaccurate. Economic historians instead finger unintended monetary tightening as the downturn's cause. The Federal Reserve failed to react to bank collapses, leading money supply to contract. This exacerbated the impact of protectionism: deflation lifted effective tariff rates, which were often levied as cents on the weight of imports, rather than as a percentage of value.

If the direct economic impact of the tariffs has been overstated, their overall impact has not. The worst damage came from the division of democracies into rival trade blocs. During the 1920s the League of Nations, a precursor to the United Nations, managed to negotiate a "tariff truce". The Smoot-Hawley tariffs incensed America's allies, who were infuriated by their economic punishment, but even more so by a sense of betrayal that it had been inflicted by an ally. In 1931 Neville Chamberlain, the British chancellor, set out to institute "imperial preferences", creating a tariff wall around the British Empire. This was brought into reality by the Ottawa Agreements in 1932, signed by Britain, Australia, Canada, India, New Zealand and South Africa. Similar policies in the Dutch and French empires also caused damage. For instance, Japanese exports were shut out of both India and Indonesia, then a Dutch colony, undermining liberals in Tokyo.

This time round, the democracies of the world will hold together: they are exploring how to deepen trade relations. Yet the danger of division is not history's only warning. The Smoot-Hawley tariffs undoubtedly helped one export: anti-Americanism. Cuba, which depended on sugar exports to America, fell into a recession. Its economic collapse led to an anti-American revolution in 1933 and a short-lived government that was overthrown by an American-backed coup. Relations between the two countries have been frosty ever since. Canada's Liberal Party called a snap election after retaliating against America by raising duties on commodities such as eggs and wheat. The even more anti-American and pro-tariff Conservative Party proceeded to win it. Today the Liberals, now seen as more anti-Trump than the Conservatives, are the beneficiaries. They have shot up in the polls ahead of an election that could take place in a matter of weeks.

During the 1930s many countries had treaties with America that prevented them from retaliating with tariffs. Instead, they employed more subtle techniques such as import quotas for cars, then the cutting edge of American manufacturing, as well as bottom-up boycotts. The Italian Royal Automobile Club called for consumers to avoid American cars, saying that it was unpatriotic to be seen driving one. Consider it an interwar equivalent of today's boycotts of Tesla, an electric-car company run by Elon Musk, who is a close ally of Mr Trump. Kris Mitchener of the Leavey School of Business, Kevin O'Rourke of Sciences Po and Kirsten Wandschneider of the University of Vienna find that, even in countries which did not formally retaliate, imports from America dropped by 15-20% more than economic conditions implied.

Second time also as farce

Tariffs also interacted explosively with monetary policy. The gold standard, an exchange system in which currencies were pegged to the price of gold, was the culprit (as it was for the Fed's mistakes in responding to bank failures). Britain left the gold standard in 1931. Weaker sterling made its exports, and those of its colonies that also used the pound, more competitive, finding extra buyers in foreign markets. This led others to impose higher tariffs on British goods or bring in exchange controls to prevent the outflow of gold from their own treasuries. An inability to secure the currency needed

to buy imports did more to stop international trade than tariffs did. At first, America and France defected from the exchange-rate system, hoarding gold, before quitting altogether.

Students of financial crises should worry. Nowadays the dollar, as the global reserve currency, plays a role akin to that of gold in the interwar period. Around half of global trade is invoiced in the currency. Its role is buttressed by America's military might. Indeed, Barry Eichengreen of the University of California, Berkeley, and his colleagues find that countries with American military alliances are more likely to hold dollar reserves, and the Fed is consequently more willing to act as a lender of last resort for the global economy. In 2008 and 2020 swap lines between America and its allies helped prevent a repeat of the Depression. In this new, more transactional world, will such a backstop still be available? ■

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Science & technology

- AI models are dreaming up the materials of the future
- Mice have been genetically engineered to look like mammoths
- Satellites are polluting the stratosphere
- Is posh moisturiser worth the money?

Science & technology | Show your stuff

AI models are dreaming up the materials of the future

Better batteries, cleaner bioplastics and more powerful semiconductors await

March 5th 2025



SCIENTISTS LOOKING to remove carbon dioxide (CO_2) from the air cleanly and cheaply have long been interested in metal-organic frameworks, or MOFs: gigantic, sponge-like molecules that can be precisely engineered to capture the gas and then release it on command.

Made of metal ions held together by compounds containing carbon, MOFs come in a dizzying array of structures, each with its own distinct properties. A MOF capable of absorbing CO_2 at a humid sea-level location, for example, will have a different structure from one that can operate in a dry, high-altitude climate. Sorting through the billions of possibilities to find the right

MOF for the job is an almost impossible task for a human chemist. It is, however, a perfect task for an artificial-intelligence (AI) model.

One startup that is building such a system is CuspAI. It uses a multitude of AI models in concert: some are trained to generate candidate molecules with prescribed properties, which get passed to a specially trained foundation model to assess their properties. CuspAI's goal isn't simply to find a good MOF, but to build a system that can spit out the right one for any environmental conditions—and, from there, to demonstrate that AI can be used to tackle any problem in materials science. Better batteries, cleaner bioplastics, more powerful semiconductors and, potentially, even room-temperature superconductors might soon be up for grabs.

This is no pipe-dream. In a conference paper in November 2024, Aidan Toner-Rodgers, a doctoral student in economics at the Massachusetts Institute of Technology (MIT), analysed the effects of a new AI tool on the productivity of materials researchers at an unnamed American company. Thanks to a staggered launch, with the thousand-odd scientists at the firm getting access to the tool in three distinct groups, Mr Toner-Rodgers was able to treat its introduction like a randomised experiment, and estimate its impact. The results were impressive: a 44% increase in the number of materials discovered, a 17% rise in product prototypes that used those new materials and a 39% increase in the number of patents filed.

Insofar as it can be measured, Mr Toner-Rodgers says, the resulting innovations also seemed to be more genuinely novel. AI-assisted patents were more likely to mention new technical terms, and the materials themselves boasted more unfamiliar physical structures.

But whether you use AI models or not, notes Aaike van Vugt, a Dutch chemical engineer, materials design remains "a pain in the ass". Some challenges are technical, with the production of new materials often requiring bespoke manufacturing facilities capable of pumping out vast quantities at speed. Others are financial, with companies focusing on early research and development struggling to find a way to turn discoveries into profit.

Other industries have already squared this circle. Stef van Grieken, the co-founder of Cradle, an AI protein lab with offices in Amsterdam and Zurich, describes the pharmaceutical industry as "private equity with laboratories attached". Clinical trials for new medications may be unforgiving, but they encourage investments that distribute risk and reward throughout the industry, funnelling resources back to the researchers in the trenches. There is no such luxury for materials scientists: those in the business of designing a material must inevitably work out how to test, manufacture and sell it too.

That has not deterred CuspAI. It hopes to build a platform that can design materials to order, leaving it to larger companies with labs and fabrication facilities to do the testing and manufacturing.

MOF to the races

London-based Orbital Materials is also using AI to try to build a MOF. The company has trained its own model from scratch, using supercomputer simulations to generate training data, says Jonathan Godwin, a former researcher at Google DeepMind who co-founded the business. The end result is hundreds of millions of simulated chemical interactions, each made up of just a couple of hundred "tokens": advanced versions of the terse chemical reactions that fill a high-school textbook. That is orders of magnitude less training data than is required to train a large language model but, Mr Godwin hopes, more than enough to build a small and efficient model that can accurately predict chemical interactions.

But rather than operate as a purely virtual lab like CuspAI, building an AI and selling the discoveries it makes, Orbital is prepared to get its hands dirty. Its foundation model has already spat out a number of candidate MOFs, and Orbital has invested the time and money in in-house labs and chemical engineers to verify that they work and can be manufactured at scale. In December it announced a deal with Amazon Web Services, a hyperscaler, to integrate one discovery into one of the company's vast data centres, where the waste heat of the air-cooling system will power the chemical reaction that scrubs CO_2 from the air. The goal is to turn the data centre carbon negative, for a cost of 20 cents per hour per chip. If it works, Orbital will

have turned an AI-generated invention into a functional product faster than anyone in the pharmaceutical industry.

Other companies are trying to automate away the need for laboratories entirely. Mr Van Vugt, the chemical engineer, is one. His startup, VSParticle, offers what is, in effect, a nanoscale 3D printer: using a technique called spark ablation, it builds up a thin film of novel materials one nanoparticle at a time, following a recipe unique to each material. Such films can be used in batteries or as catalysts. If widely adopted, Mr Van Vugt argues, it could save materials scientists the hard work of figuring out how to physically produce a desired candidate. Instead of worrying about synthesis, they could simply email the recipe to VSParticle's lab and wait for the end product to be printed in one of the company's automated fabricators.

Automation has gone further still. In 2023 scientists from MIT showed that an AI-enabled robot could predict, make and analyse almost 300 new chemical dyes, leading to nine engineered to have properties highly desirable in biomedical imaging. In 2024 a group led by researchers at the University of Toronto presented an AI agent that managed (albeit with some help from humans) to create a world-beating gain material—the light-amplifying substance—for a laser.

Using a combination of AI and robotics as a shortcut to synthesising new materials would be huge, says Max Welling, a co-founder of CuspAI. But, he warns, "Recipes are very finicky." Even minor differences in humidity or air quality can scupper a lab's chances of making the desired product. That is even truer for labs run by robots, which has led some to question their results. In 2023 researchers at A-Lab, an automated lab at the Lawrence Berkeley National Laboratory, claimed to have made 41 new materials predicted using data from Google DeepMind and the Materials Project, an initiative looking to simulate the properties of all inorganic materials. The announcement was impressive, but questions regarding the model's analysis have led some chemists to question whether any new materials were actually produced. The A-Lab team stands by their approach.

For now, there is reason for cautious optimism. In November 2024 Meta, a technology giant, announced a partnership with VSParticle and the University of Toronto that has funded the creation, analysis and digitisation

of more than 500 experimental electrocatalysts—a category of materials that could be crucial to powering next-generation batteries. The company's big data centres aren't always running at maximum capacity, said Larry Zitnick, research director at Meta's AI division. That left spare computing power which Meta was able to donate to the project to provide the initial simulations for those electrocatalysts.

For Chad Edwards, CuspAI's other founder, more is at stake than just a new carbon-capture material. If his company's bet pays off, it would be a chance to show that AI can actually make meaningful contribution to science. ■

Editor's note (March 6th 2025): this piece has been amended to better reflect the nature of CuspAI's model-building process.

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Science & technology | Fully woolly

Mice have been genetically engineered to look like mammoths

They are small and tuskless, but extremely fluffy

March 4th 2025



FORGET THE elephant shrew—meet the mammoth mouse. On March 4th Colossal Biosciences, a company trying to revive long-gone species, announced that they had genetically engineered a *Mus musculus* to have qualities of the extinct *Mammuthus primigenius*. Instead of Earth-shaking stature or enormous tusks, the creature possessed an abundance of dense, golden fur. It was, in other words, adorable. "That was the main unintended consequence," says Ben Lamm, Colossal's boss and co-founder.

Colossal's long-term goal is on a larger scale. The company wants to create real mammoths, by growing gene-edited embryos of Asian elephants to term. To understand which edits are needed, the firm's scientists must work

out which tweaks give rise to mammoth traits. That is hard to test in elephants, partly because these animals gestate for 22 months—which is a long time to wait for data—and partly because they are endangered, highly intelligent creatures which cannot be experimented upon willy-nilly. To circumvent these difficulties, the company's scientists set out to test which edits might lead to mammoth-like features in mice instead.

Led by Beth Shapiro, an expert in ancient DNA, Colossal's team first searched for mouse mutations already known to cause woolly fur. At the same time, they also compared ancient mammoth genomes that had been naturally preserved with genomes from present-day Asian elephants. By doing so, the team was able to pinpoint genes that might contribute to a specifically mammothy appearance, rather than a purely elephantine one. The literature could then be scoured to see if mutated versions of those genes existed in mice.

The team settled on ten mutations in ten genes: nine related to hair and fur and one linked to fat storage, which may have kept mammoths insulated on the tundra. Thus armed, the team at Colossal began to engineer those mutations into laboratory mice using tools based on the gene-editing technology called CRISPR, which can be thought of as a pair of molecular scissors that makes cuts in specific genes.

In experiments conducted on several groups of mice in 2024, combinations of these ten genes were tweaked. The resulting mice were not hybrids—they contained no DNA taken from actual mammoths—but did wind up sporting dense, woollen fur. The mutation put into the fat-storage gene, however, did not immediately lead to heavier mice. Whether this changes with diet and temperature remains to be seen. Indeed, the next step will be to test whether the new physical traits give the woolly mice any advantage in handling the cold. This will be done during the coming year, says Dr Shapiro.

The results are intriguing, but a resurrected mammoth remains far away. Making a mouse woolly is one thing—tweaking an elephant to be woolly, small-eared and cold-resistant is a truly mammoth task. "It's the first step on a long journey," says Eske Willerslev, a specialist in ancient DNA at the University of Cambridge, who was not involved with the work.

There are many more unknowns along the way. For one thing, says Patricia Chrzanova Pecnerova, an elephant researcher at the University of Copenhagen, it is unclear if an Asian elephant whose genome had been similarly edited would be a true mammoth or just a long-haired elephant. Different scientists will have different opinions about when de-extinction has been achieved.

Whether it should be attempted at all remains hotly debated. Critics point out that resurrected mammoths might not bond with their elephant mothers, and could have health problems. They also contend that money invested in such endeavours would be better spent protecting existing species. Mr Lamm and Dr Shapiro, for their part, say they raise money for conservation, and point out that all the technology their company develops has been made freely available to conservationists. With many species struggling to adapt to climate change, they argue, the gene-editing tools used to reverse extinction might also help prevent it. ■

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Science & technology | Where the air is clear

Satellites are polluting the stratosphere

And forthcoming mega-constellations will exacerbate the problem

March 5th 2025



In January more than 100 communications satellites burned up in Earth's atmosphere, vaporising as they crashed towards the planet at about eight kilometres a second. These spectacular exits are intentional, meant to prevent satellites from clogging up orbital real estate or plummeting to the surface in an out-of-control manner. Three years ago the Federal Communications Commission (FCC), an American agency that approves communications-satellite applications, ordered that all such satellites had to fall out of orbit after five years to reduce space debris. Similar regulations apply elsewhere.

Such "designed demise", though well-intentioned, has unintended consequences. When satellites vaporise, they seed the stratosphere (the

region of the atmosphere between 10km and 50km above Earth's surface) with particles of constituent metals, including aluminium, copper, lithium and niobium. The quantities were once negligible, but with 11,000 satellites now in orbit—and requests for another 1m launches lodged with the International Telecommunication Union, an agency at the United Nations—the chemistry of the atmosphere could be about to change on a larger scale. "There's a lot of concern," said Daniel Murphy, an atmospheric chemist at America's National Oceanic and Atmospheric Administration, in November. "We're putting these materials in, we don't know what they will do, and they're going to be going in in ever increasing amounts."

Earth's atmosphere has been bombarded by foreign bodies, namely meteoroids and cosmic dust, for billions of years. But this is different. According to a white paper released last year by the European Space Agency, the natural influx of matter into the atmosphere is about 12,400 tonnes a year. In 2019, the most recent year for which data are available, humanity added around 890 tonnes, and that mass is rising.

Moreover, "It's not just total tonnage; it's a different set of metals," says John Plane at the University of Leeds. Space debris injects ten times more lithium into the atmosphere than natural cosmic dust, as well as larger quantities of new exotic metals, he says. In a paper published in 2023, Dr Murphy and his colleagues estimated that one in ten aerosol particles in the stratosphere now contains metals from spacecraft ablation.

How long will these particles linger and what will they do? There are reasons to worry. Particles of aluminium, for example, could combine with oxygen to form molecules of alumina, creating a surface on which other larger chemical reactions can take place. One might liberate chlorine—a known destroyer of the ozone, which keeps Earth safe from ultraviolet radiation—from molecules of hydrogen chloride. Other elements, such as copper, are catalysts, capable of speeding up chemical reactions without being consumed themselves. As the concentration of such catalysts continues to grow, they could carry on accelerating reactions indefinitely.

For now, though, there remain more questions than answers. Researchers around the world are trying to fill the gaps in their knowledge. A lack of monitoring equipment is one challenge. Another is a lack of oversight. Most

telecommunications satellites, the most common type of spacecraft, are currently launched by SpaceX in America. The company's Starlink constellation, which includes almost 7,000 machines, accounts for most of the satellites being sent into space. Although the FCC requires all satellites to undergo an environmental review, those that will be part of mega-constellations, consisting of more than 100 satellites, are exempt. In 2022 the Government Accountability Office, a congressional auditor, recommended that the FCC investigate the environmental impact of larger constellations, but the agency has yet to publish its review into the matter (and did not respond to our requests for comment).

America may not always dominate the atmosphere. China, the European Union and others have plans for satellite mega-constellations of their own. China intends to launch at least three, which are together due to include some 38,000 satellites, and Europe's IRIS constellation will have 290. Rwanda, an unlikely competitor, has filed a request for two constellations with more than 327,000 satellites. The EU and Rwanda are in the process of developing environmental regulations. China's laws do not specify the need for environmental assessment; they do, however, require the space environment to be protected.

There may also be technical solutions. Satellites can be made smaller, even if that is not the current trend. Starlink's spacecraft weigh about 800 kilograms at launch, and Elon Musk, SpaceX's boss, predicts future generations will be even heavier. Some scientists have suggested alternative construction materials, such as carbon fibres or wood, which could reduce the need for exotic substances. Yet these may have negative consequences of their own. Wood, for instance, could incinerate upon being decommissioned, releasing lots of black soot into the atmosphere, which would trap heat and possibly darken the sky.

Another focus is a satellite's final moments. "The dominant thinking about re-entry was that all of the material would stay in pieces large enough to just fall out of the atmosphere and not accumulate in the stratosphere," says Martin Ross, of the Aerospace Corporation, an American firm. This has turned out to be wrong. Some researchers argue that the FCC needs to rethink its five-year rule and extend the lifetime of commercial satellites, in order to avoid the need for so many future launches. Others suggest mega-

constellations could be shared between countries. As international tensions rise, however, that idea may turn out to be pie in the sky. ■

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Science & technology | Well informed

Is posh moisturiser worth the money?

Don’t break the bank

March 1st 2025



There is a tendency to trivialise the skin, says Peter Elias, a dermatologist at the University of California, San Francisco. And yet this largest organ of the body is vital to health, keeping moisture in and germs out. Many things can interfere with these functions. Dry weather draws moisture from the skin. Bathing or showering too often—more than once per day—or using harsh cleansers that strip away naturally occurring oils, can also cause problems. When the skin becomes too dry, it can become itchy and inflamed. Dryness can also cause cracks in the skin which can lead to infections.

Some people are more prone to skin dryness than others. According to the American Academy of Dermatology, olive-skinned people are less likely to have dry skin than people with black, brown or fair skin. Men also have

thicker, oilier skin, so they are less likely to experience dryness. Genetic ailments, such as ichthyosis, can cause dry and scaly skin, and so can diabetes or kidney disease.

Age is also a factor. The skin naturally produces an oil called sebum that coats, protects and moisturises the skin. Oil production tends to peak during puberty—the reason for those pesky pimples—and then slowly decreases over time.

The three types of moisturiser can help. Humectants, such as hyaluronic acid and glycerin, pull moisture from inside the body onto the surface of the skin. Occlusives, such as petroleum jelly and shea butter, block water from evaporating from the skin. Emollients, such as ceramide, smooth the skin by filling in gaps between skin cells. A review published in January in *Experimental Dermatology* found that ceramide made skin look and feel smoother and also reduced inflammation of the skin.

If the goal is soft, well-hydrated skin, experts say that cheaper products work just as well as the boutique options. “You don’t need to break the bank,” says Nour Kibbi, a clinical associate professor of dermatology at Stanford University. Where splurging may pay off, says Abigail Waldman, a dermatologist at Brigham and Women’s Hospital in Massachusetts, is on products that reduce the signs of ageing. As people age, skin-cell production slows and the skin thins. Older people also produce less collagen, which keeps the skin plump. This combination leads to wrinkles.

Retinol and other retinoids, a class of products chemically derived from vitamin A, reduce the appearance of wrinkles by increasing cell and collagen production. A study published in *JAMA Dermatology* in 2007 tested the effectiveness of retinol by comparing the arms of 36 elderly people who, three times a week, had had lotion with retinol put on one arm and lotion without retinol on the other. After six months, the researchers found that the arms with retinol had fewer fine wrinkles. Nearly 20 years later, experts still recommend retinol as a way to reduce the signs of ageing.

TikTok influencers are keen to sell these so-called “anti-ageing” products to their Gen Z customers to delay or prevent ageing. But there is no benefit to prophylactic use, says Dr Waldman. “The only product on the market that is

truly anti-ageing is sunscreen," says Zoe Draelos, a dermatologist at Duke University. Sunscreen can prevent damage from ultraviolet light that can cause sunspots and wrinkles. For all their benefits, however, ingredients such as retinol and glycolic acid can also cause redness, irritation, dryness, and cracks in the skin. Which might mean another trip to the shops for even more moisturisers.■

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Culture

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Culture | A basketball star for a bullet tsar

Prisoner swaps are controversial, but there are sure to be more

The case of Viktor Bout, Russia's "merchant of death", shows why

March 6th 2025



Russia's Man of War. By Cathy Scott-Clark. *Hurst; 424 pages; $34.99 and £25*

One of the stranger diplomatic scenes took place on the tarmac of an airport in Abu Dhabi in December 2022. Brittney Griner, an American basketball player, arrested by Russia ten months earlier for possessing cannabis oil, shook hands with Viktor Bout, a notorious Russian arms dealer. Ms Griner dined on steak and Coke as she flew home. Mr Bout, returning from 15 years in American custody, was offered vodka. Was it one of history's most reckless prisoner swaps?

Mr Bout, the subject of "Russia's Man of War" by Cathy Scott-Clark, an investigative journalist, is best known by his nickname: the "merchant of death". An American prosecutor described him in 2012 as "international arms-trafficking enemy number one", who had spent decades "arming some of the most violent conflicts around the globe". "Lord of War", a film from 2005, based its cocky and amoral gun-runner protagonist, played by Nicolas Cage, on Mr Bout. "I supplied every army but the Salvation Army," is how the film pithily sums up his business strategy.

Ms Scott-Clark's book is timely. In February the Trump administration exchanged a Russian money-launderer, Alexander Vinnik, for Marc Fogel, an American teacher who, like Ms Griner, was arrested in Russia for possession of cannabis. Last year the Biden administration swapped several Russian convicted criminals in American jails to secure the release of Evan Gershkovich, a blameless journalist at the *Wall Street Journal,* and others.

The Bout-Griner trade was controversial even within the Biden administration. That was partly because of Mr Bout's notoriety. Kevin McCarthy, then Republican leader in America's House of Representatives, called his release "a gift to Vladimir Putin and a threat to American lives". It created an incentive for despots everywhere to seize Americans as de facto hostages. It also violated the custom that swaps involve similar sorts of prisoners—spies for spies, or criminals for criminals. Mr Biden had originally asked Russia to hand over other detainees, including Paul Whelan, a former marine, but folded under pressure from civil-rights and gay-rights activists. (Ms Griner is black and gay.)

"Russia's Man of War" is richly reported and detailed. There have been several previous biographies of Mr Bout. This one benefits from rare extensive interviews with him—though an arms trafficker is perhaps not the most reliable narrator. Ms Scott-Clark describes sneaking into Russia on a tourist visa, meeting Mr Bout in an art gallery in downtown Moscow and facing his "hound-dog gaze" for the first time. When interrogated by a Russian intelligence officer at the airport on another trip, she calls Mr Bout and hands the phone to the officer, who, panicked, promptly backs off. Ms Scott-Clark has also spoken to an impressively wide range of American and European officials, including politicians, prosecutors and spies.



Mr Bout is a Zelig-like figure who pops up at key moments in modern Russian history. Born in Tajikistan, on the fringes of the Soviet empire, he started his professional life as a Russian military interpreter, training at a language academy with close ties to the GRU, Russia's military intelligence agency. He was due to be sent to Afghanistan, which the Soviet Union invaded in 1979. Instead, when a recruit for the Portuguese section of the academy was caught drunk, Mr Bout swapped with him.

It was a fortuitous switch. He cut his teeth in Mozambique, mixing with Soviet soldiers and pilots, an experience that later helped him navigate the market to rent cargo planes, pilots and maintenance crew in Angola (also a former Portuguese colony). Soon he was earning $70,000 per plane each month. "By 25 I was a millionaire," he boasts. "By 30 I had an empire."

Mr Bout sent weapons to Mobutu Sese Seko, the kleptocratic president of Zaire (now Congo), and to Afghan warlords during the civil war of the 1990s, using airports in Belgium and the United Arab Emirates as hubs. In 1995 one of Mr Bout's aircraft vanished over Afghanistan. It had been nabbed by the Taliban, which held the plane and its crew hostage. A year later the crew wrested control of the aircraft, switched on its engines and took off, skimming over trucks on the runway. The audacious escape buoyed

Mr Bout's reputation, with Boris Yeltsin, then Russia's president, calling to offer congratulations.

Is Mr Bout the supervillain portrayed by American prosecutors? He argues he is just a middleman: "Is the rental car company responsible if you put a gun in the car to go kill somebody?"

Ms Scott-Clark concludes that, though Mr Bout is certainly unlikeable, he is just one grubby arms dealer among many. She draws a comparison with Erik Prince, an American mercenary mogul and founder of Blackwater, who, she notes, also sold arms to resource-rich countries in Africa and was also accused of violating multiple UN arms embargoes. (Mr Bout and Mr Prince even allegedly used the same arms supplier.) Surprisingly Shira Scheindlin, the American judge who sentenced Mr Bout to 25 years in jail, seems to agree with Ms Scott-Clark, expressing regret at having to hand down such a long punishment, which was the minimum required by law: "I thought it was so unfair. He was not the head of Hamas. He was not a terrorist."

Mr Bout was caught in a sting laid by America's Drug Enforcement Administration in Thailand, in which he was tricked into promising to sell Stinger anti-aircraft missiles and other weapons to Colombian rebels for use against Americans. But, as Ms Scheindlin observed at his trial, he was unlikely to have pursued such a deal in the first place without the sting.

Let's make a deal

People can and will debate whether Mr Bout posed a direct threat to American lives, but he has certainly put many others around the world at risk—above all, civilians caught up in the civil wars fought with his weapons. He probably still does. After the swap, he pursued a career in politics and appeared on various right-wing American podcasts. But in October it was reported that he was back to his old tricks, selling arms to the Houthis, a rebel group in Yemen that has been firing missiles at cargo ships in the Red Sea. "If I needed to be of any help to my country," he tells Ms Scott-Clark, "I would answer those calls."

Donald Trump denounced the Bout-Griner swap as "crazy and bad". He later described Mr Bout as a "great arms dealer", and dismissed Ms Griner

as an unworthy beneficiary who had not stood during America's national anthem. But that did not stop Mr Trump from conducting his own lopsided deal shortly after taking office in January. The lesson, perhaps, is that democracies tend to value their people more highly than autocrats value theirs, allowing the latter to drive harder bargains.

More prisoner swaps surely lie ahead. Mr Trump appears set on normalising ties with Mr Putin, not just over Ukraine but also a range of other issues. "Major Economic Development transactions…will take place between the United States and Russia," he promised last month. There are still at least ten Americans locked up in Russia. Mr Putin is sure to haggle over them for all they are worth. ■

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Culture | Let them eat (and make) cake

Meghan Markle's new Netflix show is out of touch with the times

In it she positions herself as an elite Martha Stewart

March 4th 2025



One scene is "magical". Another is "so pretty". Another is "delightful". Welcome to "With Love, Meghan", Meghan Markle's new cookery and lifestyle show in which she smiles at things in Montecito. In episode one she smiles at raspberries on a cake. In another episode she smiles at hydrangeas. She also smiles at bees, whose hives she keeps on her property. "When I think of honey, I think of bees," she says, in one of the many insights with which the show brims. There have been doubts about whether Netflix was right to fork out a reported $100m in a deal with Ms Markle and her husband, Prince Harry, for this show and other content. Such doubts must now be dispelled.

However, Ms Markle is not just smiling. She is on a mission. As she explains, she wishes to “share some little tips and tricks” for entertaining friends and elevating one’s life. Such as, perhaps: make sure to marry a member of the British royal family. That tends to help no end. Or: ensure you get Netflix to pay you a vast sum to show off an immense property, complete with a vegetable garden, bee hives and chickens to lay fresh eggs. That helps, too.

This new eight-episode Netflix show, released on March 4th, is more or less Martha Stewart for the 0.01%, but aimed at the other 99.99%. In it she offers indispensable tips such as how to make candles with your own beeswax and how to boil noodles with tomatoes. Apparently first you place the noodles in a pan. Then you put in water. Then you take off the lid. Then the water will evaporate. Then they are done. At last. Everyone had been wondering.



The show is not only helpful; it is also following in a royally long tradition. Queenly types have often loved the simple life: Marie Antoinette had a lovely time on her toy farm near the main palace of Versailles—until she didn’t. And royal hangers-on have often monetised the monarchy: Pippa Middleton, the sister of Catherine, the Princess of Wales, once wrote a book entitled “Celebrate”. It too was replete with useful insights, such as how to

toast marshmallows over a fire. (“Long-handled forks” are, Ms Middleton explained, helpful, as are “flames”.)

The problem with Ms Markle’s new show, as with all cookery, is getting the timing right. Hers could hardly be worse. Her show celebrates California living and contains a scene of smoke at the start (used to calm the bees). This is jarring to even the most vaguely news-aware viewers, who watched as fires recently ravaged nearby Los Angeles.

Furthermore, its overall air of wellness feels uncomfortable when two of the royals have been so very—and so quietly—ill. Kate’s two videos about her cancer lasted, in total, under five and a half minutes. Here, Meghan takes almost as long to decorate a cake.

But it would be mean-spirited to carp. For the spirit of this series is generous and aimed at showing people how much you care about them. “Everyone’s invited,” as its trailer says. This is darling, if arguably not entirely true. It seems unlikely, for example, that William and Kate were invited (according to the most recent reports, the couples barely speak) or Charles and Camilla (likewise).

Ms Markle says that she is “not in the pursuit of perfection” but “in the pursuit of joy”. This is charming, if not precisely the wording that some inside the palace use. Their descriptions of her tend to go a little heavier on words like “abrasive”, “bullying”, “difficult” and “rude”. But then, perhaps those palace workers did not stop to smell—and smile at—the hydrangeas. ■

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Culture | A (bit)coin toss

Why the art market is growing more friendly to crypto

Everyone wins: buyers avoid taxes, and auction houses make money

March 6th 2025



Andy Warhol captured the art market's commercialism with his colourful silk-screen dollar signs. "Good business is the best art," he quipped. Were he alive today, bitcoin symbols might be filling his works instead, as a sign of the times. The auction market has recently been embracing crypto with gusto in a bid to bring in younger, more tech-savvy clients.

In an auction of AI-generated art ending on March 5th, Christie's, the world's second-largest auction house, will accept crypto on most lots. Sotheby's, the largest, accepted crypto on all lots for the first time in February during an auction in Saudi Arabia. Crypto-holders are "adding up to a more significant

share of the population than four years ago, when it was niche and poorly understood by the mainstream", says Marcus Fox of Christie's.

The logic for accepting crypto is simple: auction houses sell art for money, and crypto is money. Buying art at auction can be intimidating for first-time buyers; if paying with crypto helps them feel comfortable, that increases the odds that they will submit a bid and even buy again. As David Galperin, Sotheby's head of contemporary art, explains, "One of our primary objectives is cultivating new collector bases and bringing new people into the Sotheby's universe."

Buyers' motivation for using crypto to pay may extend beyond ease. In most jurisdictions, when people sell their crypto, they are supposed to pay capital-gains tax on the sale. But if instead of cashing out, they use crypto to buy art, they can try to avoid taxation while diversifying their portfolio (though they risk stiff consequences if caught).

Some may also want to turn dirty crypto into clean assets. Crypto proponents will point out, correctly, that traditional currency can also be laundered. Crypto is supposed to be more traceable because its history is recorded on publicly available blockchains. But services such as crypto mixers, which mingle customers' crypto together and allow owners to withdraw deposits with obscured sources, exist to evade the blockchain's supposed transparency. Both Sotheby's and Christie's say their compliance checks and due diligence are rigorous for crypto, and neither accepts payments that come from mixers. But one prominent crypto critic notes that blockchain traceability can be altered "in ways that are very challenging to trace".

The Trump administration's crypto bullishness means that buying art with crypto will only grow more common. Compliance departments will be busy; auction houses will be richer; and crypto bros will have some lovely new decor.■

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Culture | Let the camera troll

AI unleashes a weird new genre of political communication

Donald Trump's Gaza video offers a taste of what is to come

February 28th 2025



The leader of the free world basks on a sun lounger in his swimming shorts, sipping a beer next to the prime minister of Israel. Elon Musk dances on the beach, throwing banknotes into the air. A child carries a gold balloon bearing the likeness of Donald Trump, as a giant golden statue of the president towers over passers-by.

This fever dream of an American-occupied Gaza was brought to life in an AI-generated video that lit up on social media after Mr Trump shared it on February 26th. The 30-second clip, whose creator remains unknown, is slick in its production, outlandish in its content and hugely successful in its reach.

Tens of thousands of people have “liked” Mr Trump’s post—and at least as many have hated it.

Much is made of AI’s potential to spread misinformation. The “Trump Gaza” video exemplifies a different use of the technology. Knowingly absurd, it is a high-fidelity provocation perfectly suited to tickle Mr Trump’s fans and bait his critics. No one is being fooled by the video, but it seems everyone is talking about it.

More communication of this kind can be expected for two reasons. One is technical. Until recently making a video like this would have required a team of professional animators. Today any amateur can have a go. Sora, OpenAI’s video generator, was made available to Americans in December and launched in Europe on February 28th.

The democratisation of the technology was demonstrated by the speed of the response to the Trump video. Within 48 hours Palestinian activists had hit back with a professional-looking AI video of their own, “Gaza is Ours”, showing Mr Trump sobbing in prison as Gazans celebrated, backed by an AI-made rock song.

The second reason such clips will spread is political. Mr Trump and his allies delight in saying the unsayable and posting the unpostable, using humour for cover. Outrageous statements—in this case about Gaza’s future as an American-run beach resort—are given plausible deniability by the jokiness of the medium, even as the underlying message is conveyed to supporters. Expect other politicians to push boundaries in their posts.

The left has traditionally led the way in mastering new media, aided by its generally younger, tech-savvy supporters. Barack Obama used Facebook to win the White House in 2008. Today America’s right is ahead. Mr Trump has cultivated a following among meme-sharing, crypto-trading techies, who are more gung-ho about AI than liberals, who fret about boring things like copyright and content “guardrails”. Britain’s leftish Labour Party released an AI video in January, only to be criticised by supporters for undermining the work of human creatives. Mr Trump’s antics may cause outrage. But if those on the left want to get even online, they too will have to seize the memes of production. ■

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Culture | Back Story

Surreal “Severance” brilliantly captures the reality of office life

Which is the real you—your “innie” or your “outie”?

March 6th 2025



Every morning you heave on your armour and steel yourself for the office. The real you is in there somewhere, but in disguise, peeping through your carapace like a warrior through his visor. In the evening you slip out of your workday persona, much as you part with your shadow at dusk.

Or maybe it’s the other way round. After all, the office is where you spend many of your waking hours; it may linger in your reveries after you clock off. For some people it is less a trial than a refuge. Who’s to say whether the home or office version is the authentic you?

The friction between domestic and professional life has powered many of the finest TV dramas. Tony Soprano throttles mobsters and wrangles teenagers. In "Mad Men" faithless Don Draper slinks back from Madison Avenue to his brooding wife. But the split-personality syndrome, common to wage-slaves everywhere, is depicted supremely in "Severance" (the finale of its second season airs on Apple TV+ on March 21st). Its madcap genius is to turn this daily bifurcation into neurological reality.

For the uninitiated: employees on the "severed floor" of Lumon Industries, a cultish mega-corporation, have a chip implanted in their brains that cleaves their consciousness in two. Their "outies" have no knowledge of their stints at work, their "innies" no memory of their outside lives. In effect the innies never leave the office. The first season introduced Mark (played by Adam Scott, pictured), who chose to be severed after losing his wife. He and his colleagues in "Macrodata Refinement" (MDR) stage a rebellion against their spooky managers.

Fans may have questioned how much further the show could push its zany premise. Season two's answer is: mind-bendingly far. Short-circuiting the severance process, some innies glimpse their outie selves, and judge them—as you might if you stumbled on your own life afresh. They wonder why they were condemned to the limbo of the severed floor—just as everyone wonders, now and then, how they wound up where they have. Lumon's corporate lore grows ever more outlandish. The external world, off-kilter in season one, turns downright dystopian.

Part of the show's triumph is the tension it generates amid the surrealism. Viewers want to know what happened to Mark's wife, what Lumon truly does and why it keeps a herd of baby goats. The cast, which includes Christopher Walken and Patricia Arquette, is terrific. Above all, "Severance" shines in the distorted light it sheds on the quotidian drama of work.

Take the psychogeography of the office. In some ways the Lumon workplace is deranged. The architecture is part Soviet monumentalism, part Silicon Valley hubris. The delightfully retro stylings include antiquated computer terminals, blazing fluorescent lights and nightmarishly endless corridors. The severed floor has a "break room" where staff endure marathon re-education sessions. In the wellness centre they are soothed with

upbeat snippets of their inscrutable outie lives: “Your outie is skilled at kissing…Your outie can parallel park in less than 20 seconds.”

Yet the set-up is also uncannily familiar. People linger in indecision at the vending machine. Confidences are shared in the kitchenette or washrooms. The elevator is a shuttle between worlds. Likewise the corporate rituals are bizarre but recognisable—stilted parties, excruciating team-building events, measly perks and opaque quarterly targets. Performance reviews can last six hours.

Meanwhile “Severance” captures the quirks of office relationships, all the rivalries, alliances, flirtations and suspicion of other departments: the MDR team are rumoured to carry their young in pouches like kangaroos. In bleak circumstances, Mark and the others find friendship and a narrow but deep intimacy. The show conveys the awkwardness of running into a manager in down time, and the mini-bereavement of quittings and firings (since when a severed worker leaves, their innie expires).

Naturally, this screwball, sci-fi satire omits some aspects of work today. Lots of jobs are more rewarding than the drudgery of macrodata refinement. Some bosses are actually nice. “Severance” isn’t very interested in salaries or money. And the pandemic chipped away at the innie/outie barrier; people eavesdropped on their spouses’ Zoom calls and found they were living with a stranger. Still, this is TV’s most insightful commentary on the absurdities and consolations of office life. “Work is just work,” Mark says. “Right?” Wrong.■

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Culture | Dream on

Chimamanda Ngozi Adichie: novelist or polemicist?

The celebrated thinker and writer is at her best not in the realm of fiction, but of fact

March 6th 2025



Dream Count. By Chimamanda Ngozi Adichie. *Knopf; 416 pages; $32. Fourth Estate; £20*

Can you be a good polemicist and a good novelist? To judge by the accolades offered to Chimamanda Ngozi Adichie, you can. Her novels have been lavished with awards and praise: "Americanah", her third novel, won a National Book Critics Circle award in 2013 and was named one of the *New York Times*'s 100 best books of the century. Meanwhile, her polemics have been acclaimed by readers and, better yet, by Beyoncé (the singer used lines from a speech by Ms Adichie in a song, "Flawless").

Some of this hoopla is justified. As a polemicist Ms Adichie is brilliant: funny, eloquent, prescient and brave. In 2012 she gave a TED talk, "We should all be feminists", which has since been viewed nearly 14m times. In 2017, years before people had started to debate whether trans women really were women—and wonder whether it was permissible to say if they thought not—she argued that "Trans women are trans women."

In 2021, just as the world was waking up to "woke", she wrote a scathing essay on social-media "sanctimony": "We are no longer human beings" but "angels jostling to out-angel one another…God help us." It was so popular it crashed her website. Ms Adichie does not merely articulate a new orthodoxy, she argues it into being.

But being a great polemicist does not necessarily make you a great novelist. Few writers manage both (George Orwell, Leo Tolstoy and Emile Zola are rare exceptions). To the outside eye, this seems odd: the skills look so similar. Both novelists and polemicists sit on their bottoms and put words onto a page. But in truth the skills are almost entirely opposite. A polemic must tell you what to think; a novel never should. A polemic is explicit; a novel implicit. The problem with "Dream Count" is that it attempts to be both—and so succeeds as neither.

The book's structure is simple: it moves between the interlocking lives of four women as they themselves move between places such as America, Britain and Nigeria. Along the way they endure genital mutilation, forced marriage, sexual assault and the bloodier assault of childbirth, with its "vulgar helplessness". The possibility for polemic is clear: women's lives are filled with struggles and pain.

Of the four characters the main one, Chia, a writer, is the best-drawn and most likeable. She goes to drab academic parties at a glittering American university where people say things like "problematic" a lot. She reads books on Denmark's slave trade to attract a hunky academic. "I wasn't interested in Denmark's slave trade but I wanted him to think I was; it was a sombre subject, and weighty enough."

Unfortunately each section is written in that character's voice, and the novel shifts to a less well-drawn friend, to Kadi (Chia's maid) and then to a cousin.

Kadi is not much like Chia: she does not think acutely clever things about academic pretension. Instead she scrubs floors on her knees and does not complain. Kadi's speech is rendered simply: as a girl we learn "She liked to shoo the chickens." As a wife "She knew she should surrender." She thinks a lot of sentences that start with "she". Rarely is she given very complicated ones.

Kadi also has a tiresome fondness for the homespun simile: one man has a heart "full of dead leaves", and a sister is "a winged angel made of sun rays", a description so sickly that when she dies a few pages later it feels less like a tragedy than a lucky escape from any more adjectives.

Things get worse when Kadi moves to America and is assaulted in the hotel where she works by "this VIP, this naked White man" who is head of the "Multilateral Nations". What quickly becomes clear, from that ineffectually anonymising "Multilateral Nations", and even more so from the "author's note" that follows, is that Kadi is less a person than a parable.

In 2011 Dominique Strauss-Kahn, then head of the International Monetary Fund, was accused of sexual assault by a maid at his swanky New York hotel. She, in turn, was accused by his lawyer of being "evil or pathetic or both". Fascinated and appalled, Ms Adichie decided to try "to 'write' a wrong" and retell this story as a novel.

It is all very noble. What it is not is very novelistic. This book does not work. This is not because of appropriation. All artists are thieves. Any event, to a writer, offers not merely emotion but material to plunder. "There is a splinter of ice in the heart of a writer," Graham Greene, an English novelist, said. This is not necessarily nice—but it is normal.

What a "novel" concept

The problem in "Dream Count" is a lack of artistry. This book has too many characters, and too many are poorly drawn. There are not just the four leads; there are also their families, cooks, cleaners, drivers and their many lovers. There is Darnell and Chuka and Luuk and then, just when you think it is all over, on page 382 Chia remembers her lover Johan. "Why had I forgotten

Johan?" she wonders. Why indeed? And, given that she had, why must she remind the poor reader of him so soon before the book ends?

But the worst section is Kadi's. It feels utterly unconvincing; worse, you feel lectured. And most readers do not want to be educated. They want to be entertained. A polemical novel can do the former. But it must make sure that it does the latter first. This one fails to, and so fails. ■

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Economic & financial indicators

- Economic data, commodities and markets

Economic data, commodities and markets

March 6th 2025

Economic data

1 of 2

	Gross domestic product, % change on year ago: latest		quarter*	2024†	Consumer prices, % change on year ago: latest		2024†	Unemployment rate, %	
United States	2.5	Q4	2.3	2.8	3.0	Jan	2.9	4.0	Jan
China	5.4	Q4	6.6	5.0	0.5	Jan	0.2	5.2	Jan‡§
Japan	1.2	Q4	2.8	-0.2	4.0	Jan	2.7	2.5	Jan
Britain	1.4	Q4	0.4	0.8	3.0	Jan	3.3	4.4	Nov‡†
Canada	2.4	Q4	2.6	1.3	1.9	Jan	2.4	6.6	Jan
Euro area	0.9	Q4	0.2	0.7	2.4	Feb	2.4	6.2	Jan
Austria	-0.5	Q4	-1.5‡	-1.0	3.5	Feb	2.9	5.5	Jan
Belgium	1.1	Q4	0.7	1.0	4.4	Feb	4.3	5.8	Jan
France	0.6	Q4	-0.4	1.1	0.9	Feb	2.3	7.3	Jan
Germany	-0.2	Q4	-0.8	-0.2	2.8	Feb	2.5	3.5	Jan
Greece	2.5	Q3	1.1	2.2	3.1	Jan	3.0	8.7	Jan
Italy	0.6	Q4	0.5	0.6	1.7	Feb	1.1	6.3	Jan
Netherlands	1.8	Q4	1.6	0.9	3.5	Feb	3.2	3.8	Jan
Spain	3.5	Q4	3.1	3.0	2.9	Feb	2.9	10.4	Jan
Czech Republic	1.8	Q4	2.7	1.0	2.7	Feb	2.4	2.7	Jan§
Denmark	3.6	Q4	6.5	3.6	1.5	Jan	1.4	2.9	Jan
Norway	-0.3	Q4	-2.5	1.7	2.3	Jan	2.2	3.9	Dec‡‡
Poland	3.2	Q4	5.3	2.9	5.3	Jan	3.8	5.4	Jan§
Russia	3.1	Q3	2.7	3.8	9.9	Jan	8.4	2.4	Jan§
Sweden	2.3	Q4	3.1	0.5	0.9	Jan	1.9	10.4	Jan§
Switzerland	1.5	Q4	0.8	1.2	0.3	Feb	1.1	2.7	Feb
Turkey	3.0	Q4	6.9	3.1	39.1	Feb	58.5	9.0	Jan§
Australia	1.3	Q4	2.4	1.0	2.4	Q4	3.2	4.1	Jan
Hong Kong	2.4	Q4	3.2	2.6	2.0	Jan	1.7	3.1	Jan**
India	6.2	Q4	9.3	6.3	4.3	Jan	5.0	8.4	Feb
Indonesia	5.0	Q4	5.5	5.0	-0.1	Feb	2.3	4.9	Aug§
Malaysia	5.0	Q4	2.2	5.1	1.7	Jan	1.8	3.1	Dec§
Pakistan	3.2	2024**	na	3.2	1.5	Feb	12.6	6.3	2021
Philippines	5.2	Q4	7.4	5.6	2.1	Feb	3.2	4.3	Q3§
Singapore	5.0	Q4	2.0	4.4	1.2	Jan	2.4	1.9	Q4
South Korea	1.2	Q4	0.3	2.1	2.0	Feb	2.3	3.7	Jan§
Taiwan	2.9	Q4	6.6	4.3	2.7	Jan	2.2	3.4	Jan
Thailand	3.2	Q4	1.5	2.5	1.3	Jan	0.4	0.8	Dec§
Argentina	-2.1	Q3	16.4	-2.4	84.5	Jan	220	6.9	Q3§
Brazil	4.0	Q3	3.7	3.4	4.6	Jan	4.4	6.5	Jan§‡‡
Chile	2.3	Q3	2.7	2.3	4.9	Jan	3.9	8.0	Jan§**
Colombia	2.4	Q4	2.5	1.7	5.2	Jan	6.6	11.6	Jan§
Mexico	0.5	Q4	-2.5	1.5	3.6	Jan	4.7	2.6	Jan
Peru	4.2	Q4	2.0	3.3	1.5	Feb	2.4	7.8	Jan§
Egypt	3.5	Q3	38.0	2.4	23.9	Jan	28.3	6.4	Q4§
Israel	6.8	Q4	2.5	0.1	3.8	Jan	3.1	2.6	Jan
Saudi Arabia	1.3	2024	na	1.3	2.0	Jan	1.7	3.7	Q3
South Africa	0.9	Q4	2.3	0.8	3.1	Jan	4.4	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.

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Economic data

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	Current-account balance, % of GDP, 2024†	Budget balance, % of GDP, 2024†	Interest rates, 10-yr gov't bonds latest, %		change on year ago, bp	Currency units, per $ Mar 5th	% change on year ago
United States	-3.4	-6.6	4.3		15.0	-	
China	2.1	-5.0	1.6	§§	-68.0	7.26	-0.8
Japan	4.2	-4.7	1.4		73.0	149	0.7
Britain	-2.8	-4.5	4.6		45.0	0.78	1.3
Canada	-0.5	-2.3	3.0		-39.0	1.44	-5.6
Euro area	3.2	-3.2	2.8		48.0	0.93	-1.1
Austria	2.3	-3.7	3.2		37.0	0.93	-1.1
Belgium	-0.3	-4.5	3.3		39.0	0.93	-1.1
France	-0.4	-6.1	3.5		72.0	0.93	-1.1
Germany	5.8	-1.8	2.8		48.0	0.93	-1.1
Greece	-6.7	-1.4	3.6		26.0	0.93	-1.1
Italy	1.3	-4.2	3.9		16.0	0.93	-1.1
Netherlands	9.5	-0.7	3.0		37.0	0.93	-1.1
Spain	3.1	-3.2	3.1		-17.0	0.93	-1.1
Czech Republic	1.6	-2.4	4.2		42.0	23.2	0.4
Denmark	12.5	1.9	2.5		16.0	6.93	-1.0
Norway	17.3	12.5	3.8		6.0	11.0	-3.9
Poland	0.1	-5.7	5.8		61.0	3.86	2.9
Russia	2.6	-1.8	15.3		269	89.7	1.4
Sweden	6.6	-1.2	2.3		-20.0	10.3	1.1
Switzerland	7.0	-0.9	0.5		-19.0	0.89	-1.1
Turkey	-1.1	-4.8	25.9		-76.0	36.4	-13.2
Australia	-2.1	-1.0	4.4		27.0	1.59	-3.1
Hong Kong	12.0	-3.2	3.6		-25.0	7.77	0.6
India	-0.5	-4.8	6.7		-34.0	87.0	-4.7
Indonesia	-0.2	-2.5	6.8		20.0	16,312	-3.3
Malaysia	1.6	-4.4	3.8		-8.0	4.43	7.0
Pakistan	0.2	-6.8	12.3	†††	-195	280	-0.2
Philippines	-2.4	-5.6	6.2		-14.0	57.4	-2.4
Singapore	17.5	0.3	2.7		-34.0	1.33	0.8
South Korea	5.5	-1.8	2.8		-65.0	1,455	-8.3
Taiwan	14.1	0.5	1.6		42.0	32.8	-3.7
Thailand	2.3	-5.7	2.2		-36.0	33.6	6.5
Argentina	0.4	0.3	na		na	1,063	-20.5
Brazil	-2.6	-7.5	15.1		445	5.85	-15.4
Chile	-2.6	-2.9	5.9		12.0	936	4.5
Colombia	-2.8	-6.6	11.0		124	4,129	-4.5
Mexico	-1.1	-4.9	9.5		33.0	20.4	-17.1
Peru	2.2	-3.8	6.3		-56.0	3.66	3.0
Egypt	-6.2	-3.7	na		na	50.7	-39.0
Israel	4.2	-6.8	4.3		19.0	3.62	-0.8
Saudi Arabia	-0.5	-2.8	na		na	3.75	nil
South Africa	-2.1	-5.3	10.4		33.0	18.4	2.9

Source: Haver Analytics. §§5-year yield. †††Dollar-denominated bonds.

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Markets

In local currency	Index Mar 5th	% change on: one week	Dec 31st 2024
United States S&P 500	5,842.6	-1.9	-0.7
United States NAS Comp	18,552.7	-2.7	-3.9
China Shanghai Comp	3,342.0	-1.1	-0.3
China Shenzhen Comp	2,054.2	-2.0	4.9
Japan Nikkei 225	37,418.2	-1.9	-6.2
Japan Topix	2,718.2	0.1	-2.4
Britain FTSE 100	8,755.8	0.3	7.1
Canada S&P TSX	24,870.8	-1.8	0.6
Euro area EURO STOXX 50	5,489.1	-0.7	12.1
France CAC 40	8,173.8	0.4	10.7
Germany DAX*	23,081.0	1.3	15.9
Italy FTSE/MIB	38,519.4	-1.8	12.7
Netherlands AEX	909.5	-2.4	3.5
Spain IBEX 35	13,214.0	-0.9	14.0
Poland WIG	92,060.9	-1.3	15.7
Russia RTS, $ terms	1,145.1	-4.7	28.2
Switzerland SMI	13,112.8	0.5	13.0
Turkey BIST	10,188.9	6.4	3.6
Australia All Ord.	8,363.1	-1.3	-0.7
Hong Kong Hang Seng	23,594.2	-0.8	17.6
India BSE	73,730.3	-1.2	-5.6
Indonesia IDX	6,531.4	-1.1	-7.7
Malaysia KLSE	1,564.4	-1.5	-4.7
Pakistan KSE	112,253.8	-1.4	-2.5
Singapore STI	3,898.4	-0.2	2.9
South Korea KOSPI	2,558.1	-3.1	6.6
Taiwan TWI	22,871.9	-2.3	-0.7
Thailand SET	1,207.0	-2.0	-13.8
Argentina MERV	2,290,050.0	0.7	-9.6
Brazil BVSP*	123,046.9	-1.4	2.3
Mexico IPC	52,709.4	-1.1	6.5
Egypt EGX 30	30,876.4	0.8	3.8
Israel TA-125	2,535.6	-0.3	4.5
Saudi Arabia Tadawul	11,898.9	-2.7	-1.1
South Africa JSE AS	87,717.6	-0.7	4.3
World, dev'd MSCI	3,777.6	-1.1	1.9
Emerging markets MSCI	1,115.5	-1.7	3.7

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	106	95
High-yield	353	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. *Total return index.

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Commodities

The Economist **commodity-price index**

2020=100	Feb 25th	Mar 4th*	% change on month	% change on year
Dollar Index				
All items	140.7	137.5	-1.8	8.8
Food	156.4	153.0	-4.6	15.6
Industrials				
All	127.8	124.7	1.3	2.7
Non-food agriculturals	140.8	140.9	7.0	4.9
Metals	124.4	120.6	-0.3	2.0
Sterling Index				
All items	142.9	139.0	-3.6	8.9
Euro Index				
All items	153.2	149.3	-3.1	12.4
Gold				
$ per oz	2,899.3	2,909.6	2.5	36.8
Brent				
$ per barrel	73.1	71.5	-6.2	-13.7

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

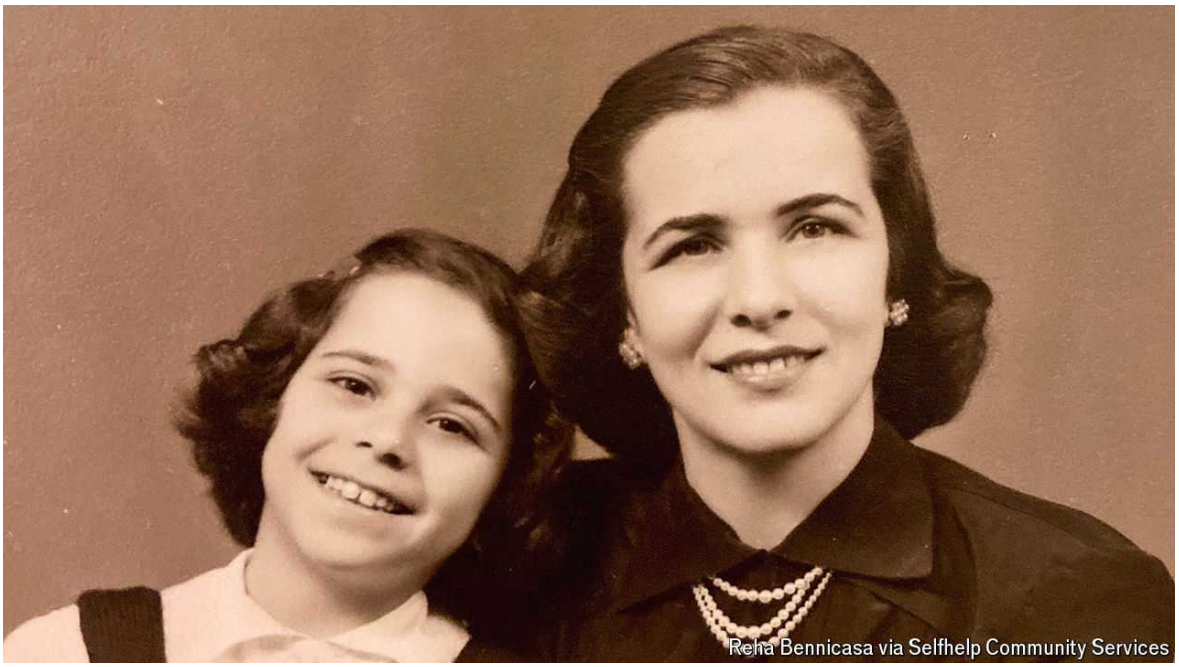
- Stitch by stitch, Rose Girone kept her family going

Obituary | Knit one, purl one

Stitch by stitch, Rose Girone kept her family going

The oldest known Holocaust survivor died on February 24th, aged 113

March 6th 2025



Knitting divides opinion. On one side are those for whom it is traumatic. First, the very look of a knitting pattern, in which a suave and fancy-sweatered man introduces two pages of impenetrable mathematical code; the fiddliness of casting on; the reluctance of the needles to co-operate; the panic of a dropped stitch, the aborted rescue, the unravelling; and then the indescribable sadness of the finished object, whatever it was meant to be, tight, shapeless and useless.

For others, though, it is a delightful symbol of slow living, best practised in a Scandinavian hut glowing with *hygge*, with thick needles and thicker yarn, to make designs as intricate as snowflakes. It can also be fished from a bag whenever calmness is called for, in queues or at airports, or when frustrated.

With a piece of knitting on the go, there is no dead or unprofitable time. Every moment can be devoted to progress and satisfaction.

Rose Girone was definitely in the latter camp. She loved knitting from childhood, when an aunt in Hamburg first put the needles in her hands, to when, at 110, she was given nice new needles and a ball of red wool for her birthday. By then it was tricky for her to do the slip-knot for casting on, but she managed a few stitches all the same. Until she was 105 she had been teaching at the Knitting Place in Port Washington, New York; until she was 102 she had kept briskly clicking away; and in her 90s she had thought nothing of crawling on the floor to pin out still-damp knitted pieces into the shape of a jumper or a dress. When people brought her pictures from *Vogue* and wanted the same, she might stay up all night with her measure and graph paper, doing the maths. Quite simply, she could not imagine a life without knitting.

Yet plenty had occurred in hers to disrupt a knitter's calm. In 1938 she endured Kristallnacht in Breslau, when everything Jewish in the city was smashed or set on fire. Soon afterwards, the Nazis arrested her husband Julius and sent him to Buchenwald; she was spared because she was hugely pregnant with her first and only child. With luck and ingenuity, her relations obtained Chinese exit visas that allowed her, her baby Reha and even Julius to escape to Shanghai, one of the few open ports that still accepted Jews. By 1941, though, the Japanese took over Shanghai and set up a mile-square ghetto for the city's 20,000 Jewish refugees. She and her family saw out the war there, before seeking refuge in America in 1947. There, her life had to start again from scratch.

She did not forget her knitting, though. No other career had appealed to her anyway, and after marrying Julius (an arranged marriage, but he was plump and prosperous, in the shipping business) she was happy to be a *Hausfrau*. Soon enough there was little Reha to knit for, chunky little items that could wrap her from the breeze on the deck of a ship. Reha was not the name Rose had wanted; it was the one she disliked least on Hitler's list of permissible names for Jewish babies. But she did not believe in fretting over foolishness, or small things. She did not complain about the money and jewellery they had been made to leave behind, nor about their place in the Japanese ghetto, in a tiny room that had once been a bathroom under a staircase in a block of

flats. True, there was only a single bed for the three of them, ticklish with cockroaches and bed-bugs, where rats ran over them as they slept. But, as she kept reminding the family, weren't they lucky? They were together, and out of Europe.

She had also, luckily, found work. A man she met persuaded her to show her knitwear to an elegant boutique in Shanghai, which took her on. So many orders came in that she recruited Chinese women to a workshop to help her, acting out any parts of the patterns they did not understand. Julius meanwhile traded the few things they had brought with them, trinkets and linens, and went hunting, bringing back pheasant and quail full of buckshot. He could not make much money, though, and she could. She was soon providing knits for the most fashionable folk in Shanghai, all while living under the stairs. When they finally left, and could take only $10 with them, she folded eight $10 bills very, very small and stitched them over with yarn, to make buttons on one of her sweaters. That way, they took $80 out.

Her time in America showed similar ingenuity. After two weeks she applied for a job, even though she hardly spoke English (let alone knitting English, with its swatches and blockings and bloomings), and got it. After she divorced Julius for not pulling his weight, and she and Reha were scrimping in furnished rooms, by sheer luck she met a man who owned a resort in the Adirondacks, where the rich of the north-east went on holiday. He set her up with a stall in the hotel lobby, and soon she was opening her own business in Queens. It expanded to Rose's Knitting Studio in Forest Hills, which ran for years before, in 1980, she sold it. By then she had long met and married Jack Girone, her perfect partner.

She did not stop teaching knitting, though, and her classes were among the most sought-after in New York. As a teacher she was kind, telling novices to have a coffee in Dunkin' Donuts rather than watch as she ripped their efforts undone. After all, she had known her own disasters, including a batch of white sweaters in Shanghai which she tried to dry too fast, and singed in the oven.

Her instructions for life remained the same. Anything you could fix with money was not a problem. Nothing was so very bad that something good couldn't come of it. Don't sweat the small stuff. Her recipe for longevity

was good children (you had to be lucky with that. She had the best child in the world), and lots of dark chocolate. Most important, though, was always to have a plan. Don’t wake up and say, “What am I going to do today?”

She definitely had a plan. Sometimes as she snoozed in very old age her daughter would hear her muttering in German, *eins, zwei*, *drei, vier*. She was counting stitches again. ■

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The Economist
Can Winston Starmer pull it off?
Germany rearms
Time to lift Syria's sanctions
RIP foreign aid
MARCH 8TH–14TH 2025
The revised economic outlook

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