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THE AGE OF CHAOS



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The world this week

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The world this week

Politics

April 10th 2025



Donald Trump pulled back from his latest and biggest round of punitive **tariffs** by announcing a 90-day pause for countries that did not impose retaliatory trade duties, taking them down to a 10% tariff. The American president said more than 75 countries were willing to negotiate. He did not offer any relief for China, however, instead raising the tariff rate on Chinese imports. China had earlier vowed to "fight to the end" as it imposed counter-tariffs on American imports. It described the extra duties as "a mistake on top of a mistake".

Mr Trump and his defence secretary, Pete Hegseth, suggested that America's **defence budget** for the next fiscal year will top $1trn for the first time when it is published next month. Congress authorised around $892bn for this year.

Rasputin in the White House

Mr Trump sacked General Timothy Haugh as director of the **National Security Agency**. General Haugh was reportedly ousted by Mr Trump on the advice of Laura Loomer, a 31-year-old conspiracy theorist who has been banned from most social-media sites. She is still on X, where she wrote that General Haugh had been disloyal to Mr Trump. She provided no evidence.

Mr Hegseth became the first American defence secretary in decades to visit the **Panama Canal**, where he reiterated America's intention to wrest the waterway away from what he described as Chinese influence. A deal to sell the canal's ports operated by CK Hutchison, a company in Hong Kong, to BlackRock, an American investment firm, looks increasingly shaky; the Trump-friendly Panamanian government is opening an investigation into CK Hutchison's port contracts.

The legal battle over deporting alleged Venezuelan gang members to El Salvador took another twist. The Supreme Court decided that the **deportations** could continue, but that the migrants could challenge their removal in the legal jurisdictions where they are being held. That caused two judges in New York and Texas to delay the deportation of migrants until they received a hearing.

The IMF announced a preliminary deal with **Argentina** for a funding programme worth $20bn. President Javier Milei, who has radically cut spending and reduced inflation, celebrated the announcement. It is expected to herald the beginning of a difficult but much-needed shift to a more flexible exchange rate.

The death toll from the collapse of a roof at a nightclub in the **Dominican Republic** rose to almost 200. The club was hosting a concert by Rubby Pérez, a popular singer, who was killed. Politicians, sportsmen and celebrities were also at the venue.

During a visit by Binyamin Netanyahu, the Israeli prime minister, to the White House Donald Trump announced that America would start "direct" talks with **Iran** about its nuclear programme. Mr Netanyahu had hoped to persuade the American president that it was time instead to bomb Iran's nuclear sites.

A video was published of Israeli troops killing 15 **Palestinian medics** near Rafah last month. The Israeli army claimed the medics' convoy was driving suspiciously, without lights or sirens. But the footage, obtained from the phone of a dead medic, showed that the ambulances had their lights and signals on. The Israeli army now says the episode is "under thorough examination".

Israel struck a number of military targets in **Syria**, escalating tensions with Turkey. Relations between the two regional powers have worsened since the war in Gaza began. They are now competing for influence in Syria.

Amnesty International recorded more than 1,500 **executions** around the world in 2024, the highest level for a decade. Iran, Iraq and Saudi Arabia accounted for 1,380 of them. The figures do not cover a number of countries, including China, believed to be the world's biggest executioner.

Planned peace talks between **Congo's** government and M23, a rebel group backed by Rwanda, were postponed indefinitely, shattering the latest hope of easing the brutal conflict in eastern Congo. Thousands of people have been killed and tens of thousands displaced in the fighting.



Nigeria received 1m doses of vaccine to help contain a meningitis outbreak that has killed at least 150 people, and probably many more, in the poor

north. The country suffers regular outbreaks of the disease which its underfunded health-care system struggles to control.

Friedrich Merz, **Germany's** all-but-guaranteed next chancellor, unveiled a coalition deal between his Christian Democrats and the Social Democrats (SPD). If SPD members approve the agreement Mr Merz should be sworn into office in May. His popularity has fallen since he decided to increase state borrowing, after campaigning against doing so.

Volodymyr Zelensky said that **Ukraine** had captured two **Chinese** nationals fighting for **Russia** in eastern Ukraine and that at least 155 others were on the battlefield. China's foreign ministry said it was verifying the claims, and that it does not support Chinese nationals' involvement "in any party's military operations". North Korea has sent troops to aid Russia, but they fought in Russia's Kursk region, not on Ukrainian territory. Ukraine has been mostly pushed out of Kursk, though Mr Zelensky has confirmed that his forces are now fighting in Belgorod.

The **British** government dropped plans for official inquiries in five towns where sex grooming gangs had abused young girls. The inquiries had been announced in January amid a furore over the gangs, which largely consisted of perpetrators from Pakistan or with Pakistani heritage. The government will instead make funds available to local authorities and allow them to decide where independent local inquiries are appropriate. The decision was met by claims that the victims of abuse had been betrayed.

Goodbye, Mr Yoon

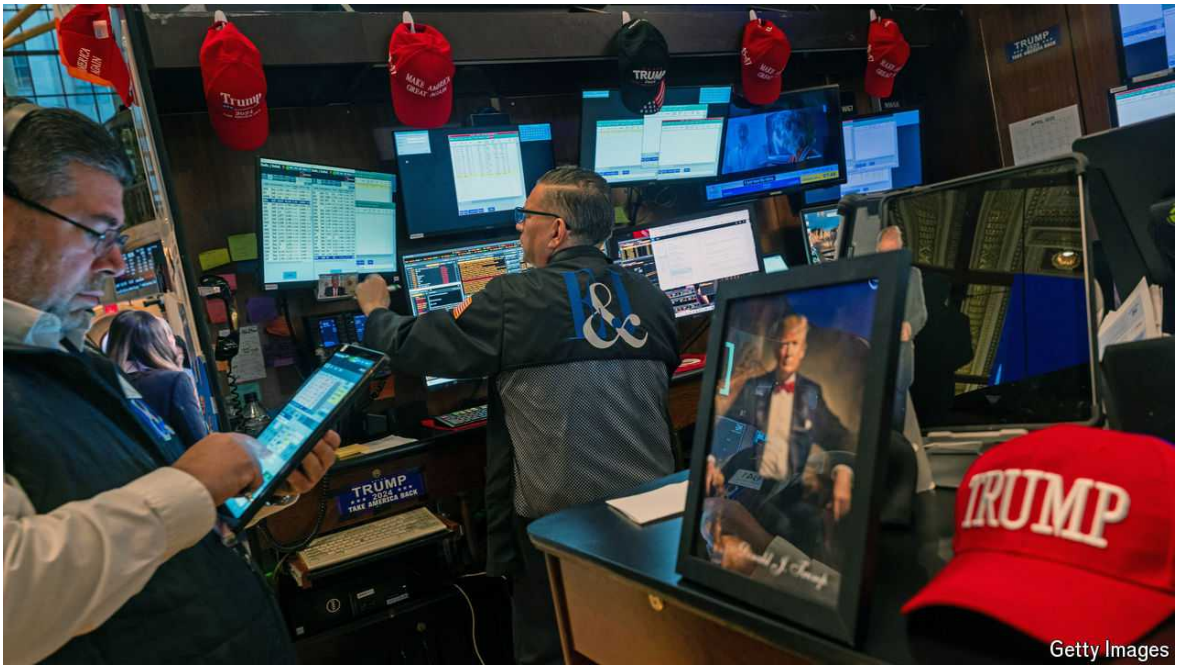
South Korea is to hold a presidential election on June 3rd. The announcement came after the Constitutional Court removed Yoon Suk Yeol from office, following his impeachment by the legislature in mid-December. Mr Yoon had briefly imposed martial law in early December, a political shock that revived memories of the country's military dictatorships from the 1960s to the 1980s. All eight judges on the court voted to remove Mr Yoon, sharply criticising him for violating "the principles of the rule of law and democracy".

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The world this week

Business

April 10th 2025





The Economist

Stockmarkets rebounded on April 9th after Donald Trump announced a 90-day pause on his far-reaching punitive tariffs, clawing back some of their earlier losses. The S&P 500 jumped by 9.5%, adding about $4.2trn to its value. Earlier in the week global markets had gone into meltdown; $5trn was wiped off the S&P 500 in two days. The tech-heavy NASDAQ Composite also soared, having its best day since 2001. It had hit bear territory earlier, having plunged by 23% from its most recent peak. Markets in Europe and Asia also recovered. Asian stocks had endured their worst sessions in decades, with Hong Kong's Hang Seng index plunging by 13% in a day.

The prices of America's government bonds were battered in the market turmoil. Usually **Treasuries** do well in a stockmarket rout, but investors such as hedge funds were said to be cashing out of them under duress. The yield on ten-year Treasuries had jumped over a few days from 3.9% to 4.5%, increasing the cost to the government of servicing its already mighty debt.

Wall Street and business titans voiced their criticisms of Mr Trump's trade policy, which may have been a factor in pushing him to pause his tariffs. Bill Ackman, an investor who once described the administration as the "most pro-growth" he'd seen, said he'd assumed that "economic rationality would be paramount. My bad". (He then said he was "totally supportive of Mr Trump" and described him as "tough, but fair".) Larry Fink warned of a "real downturn". The share price of BlackRock, the firm he leads, is down by 12% this year. Jamie Dimon, the boss of JPMorgan Chase, said America First risked turning into America alone. Even Elon Musk was critical, calling Peter Navarro, Mr Trump's trade guru, a "moron".

Earlier in the week the **dollar** fell amid fears of a recession. Speculation swirled about how far China would go in allowing the **yuan** to weaken in order to boost its exports. The Chinese central bank, which manages the exchange rate at which the currency is traded, had let the yuan fall to 7.2 to the dollar, its supposed soft red line. In Japan the **yen** rallied against the dollar as investors piled into safe-haven assets, though the greenback rebounded on Mr Trump's tariff reversal.

How the mighty fell

Companies that are most exposed to tariffs saw their market value slump. Among them, **Apple's** share price dived by 22% over five days before bouncing back. The iPhone is assembled mostly in China and subject to the extra trade levies. **Nike**, which makes its sports shoes in Vietnam, saw an 18% decline in its stock. Its share price surged when Mr Trump suspended his tariffs and the Vietnamese government announced that it would hold trade talks with America.

Reports emerged about the immediate effect of tariffs on the **car industry**, which remain in place at 25%. Jaguar Land Rover, a carmaker based in Britain, suspended its exports to America. American ports were filling up with cars as manufacturers held their vehicles there to stop them from becoming subject to the levy.

In Britain the government slightly softened its rules surrounding the **phasing-out of petrol cars**. It said the ban on sales of new petrol and diesel car sales would still come into effect in 2030, but that new hybrid vehicles could continue to be sold until 2035. And small manufacturers, such as Aston Martin and McLaren, will now be exempt. The car industry's association responded that given America's car tariffs, which were not included in Mr Trump's wider pause, more action would be needed.

Oil prices sank to their lowest point in nearly four years, as traders bet that demand would fall amid a possible global recession. Brent crude sagged below $60 a barrel before snapping back to $65. It started the year at $75.

India's central bank cut its benchmark interest rate by another quarter of a percentage point, to 6%. It also indicated it would be more open to further cuts to maintain growth amid economic turmoil.

The share price of global **drugs companies** fell sharply, after Mr Trump hinted that the pharmaceutical industry would be his next target for tariffs. They were not included in his recent broadside. Stocks in European and Indian drugmakers were particularly hard-hit. About a third of India's exports of generic versions of popular drugs go to America.

Deluded

Mr Trump signed another 75-day extension to find a way to allow **TikTok** to continue operating in America. The president suggested a deal had been close but fell apart over China's objections to tariffs. He claimed that if he had cut China's trade duties it "would have approved that deal in 15 minutes, which shows the power of tariffs".

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The world this week

The weekly cartoon

April 10th 2025



Dig deeper into the subject of this week's cartoon

Can China fight America alone?
China has a weapon that could hurt America: rare-earth exports
China's shoemakers seem more sanguine than its politicians

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

April 10th 2025

This week our cover looks at the age of chaos brought about by Donald Trump's incoherent trade policy. American markets, which fell sharply after the president announced his "Liberation Day" tariffs on April 2nd, rebounded on April 9th when he declared a 90-day pause on most of the levies. The S&P 500 index of American stocks rose by 9.5%, its fastest daily rise in nearly 17 years. But the scale of the trade shock that Mr Trump has set off is still unlike anything in history. The president's arbitrary policymaking means that not even his advisers know what is coming next. And he is raising tariffs on China, the world's second-biggest economy. A better way for Mr Trump to challenge China would have been to marshal America's allies into a free-trade bloc large enough to force China to change its trade practices as the price of admission. But now that it has bullied its allies and reneged on its past deals, America will find they are less willing to co-operate. In a mere ten days the president has ended the old certainties that underpinned the world economy, replacing them with extraordinary levels of volatility and confusion. It will take a very long time to rebuild what has been lost.



Leader: Trump's incoherent trade policy will do lasting damage
Finance and economics: Can China fight America alone?
Finance and economics: The tariff madness of King Donald, explained
United States: With tariffs paused, Republicans dodge a fight with Trump

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Leaders

- Trump’s incoherent trade policy will do lasting damage
- The campus counter-revolution
- Europe should buy from Ukraine’s defence industry
- Donald Trump’s oddly sensible move: seeking a deal with Iran
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Leaders | The age of chaos

Trump’s incoherent trade policy will do lasting damage

Even after his backtracking, the president has done profound harm to the world economy

April 10th 2025



After the terror, the euphoria. When, on April 9th, President Donald Trump postponed for 90 days the most illogical and destructive of his tariffs, after a meltdown in financial markets, the S&P 500 index of American stocks rose by 9.5%, its fastest daily rise in nearly 17 years. The darkest scenarios for the world economy that had been envisaged by investors until that moment are now unlikely. It seems there is some limit to the market falls the president will tolerate on his watch. After the chaos that had followed Mr Trump’s announcement of “reciprocal” tariffs a week earlier, that is no small source of comfort for the world.

But do not mistake the consolation of having avoided disaster for good fortune. The scale of the shock to global trade set off by Mr Trump is still, even now, unlike anything seen in history. He has replaced the stable trading relations which America spent over half a century building with whimsical and arbitrary policymaking, in which decisions are posted on social media and not even his advisers know what is coming next. And he is still in an extraordinary trade confrontation with China, the world's second-biggest economy.

- Can China fight America alone?
- The tariff madness of King Donald, explained
- With tariffs paused, Republicans dodge a fight with Trump

Investors and companies everywhere have been put through the wringer. Global markets crashed in response to Mr Trump's first tariff announcement. The S&P 500 fell by about 15%. Long-dated Treasuries sold off, as hedge funds were forced to unwind their leveraged positions. The dollar, which is supposed to be a safe haven, fell. After the tariffs were delayed, stockmarkets enjoyed a vertiginous climb. Between its low and high on the day, Nvidia's value fluctuated by over $430bn.

Even after the tariff pause, however, Treasury yields remain elevated. Global stocks are 11% below their highs in February—and justifiably so. Mr Trump has still raised America's average tariff rate to over 25% since January, with the promise of more levies, including on pharmaceuticals imports, to come. The president's advisers display a jaw-dropping insouciance about the damage tariffs can do to the economy. In their view, foreigners foot the bill for tariffs and market declines hurt only rich investors. Yet the dollar's fall all but guarantees that tariffs will cause American consumer prices to surge, hurting households' real incomes. The knock-on hit to consumer spending, including on goods made in America, is likely to be substantial, compounded by the blow to confidence from volatile stocks.

A similar blow will be dealt to capital spending. More than the precise level of tariffs, firms crave certainty that the rules of global trade will remain stable, so that they can plan their long-term investments. For example, although China's accession to the World Trade Organisation (WTO) in 2001 led

to an explosion of trade, it did not involve materially lower trade barriers with America. Instead, businesses gained the confidence that there would not be a trade war, an effect that economists later estimated as being worth a staggering 13-percentage-point reduction in duties.

Mr Trump has now put that confidence effect into reverse, for both America and its trading partners—especially since his tariffs have disregarded America's past trade deals, including those he signed in his first term. It is still unclear what Mr Trump really wants to achieve in his 90-day holding period: his apparent goals of extracting concessions from other nations and reshoring manufacturing jobs contradict one another. If tariffs are lowered, reshoring will not happen. Yet if trading partners suspect he is committed to protectionism, why would they offer concessions? And even if all the tariffs are rolled back, the memory of "Liberation Day" will linger in the minds of any company building a supply chain.

In any case, Mr Trump remains in an open stand-off with China from which it could be hard to back down. As we published this leader, America's new tariff on Chinese imports had reached 125%; China's levies, including in retaliation, came to 84%. These tariffs are high enough to devastate goods trade between the world's two largest economies, which have hitherto been deeply intertwined even as tensions have ratcheted up between the superpowers.

Mr Trump says that "China wants to make a deal". But, as with America's allies, only he knows what such a deal might be. For more than a decade there has been no shortage of Western complaints against China's approach to trade. The country has long violated at least the spirit of the WTO. Its model of state capitalism, in which its exporters are supported by an opaque system of subsidies and state-backed finance, can be hard to square with a transparent, rules-based order. And China's manufacturing surpluses have been so large in part because its own consumption is too low. None of this makes America poorer in aggregate, but it does mean that trade with China is not perceived to be fair—especially by those workers who have been displaced by it.

Superpower showdown

Yet a destructive and unpredictable tariff war was never the right way to approach these problems (which were in any case poised to improve as China stimulates its economy). Both sides' tariffs are causing deep economic harm; they may also raise the risk of a military showdown. A more promising route for America was to marshal its allies into a free-trade bloc large enough to force China to change its trade practices as the price of admission. This was the strategy behind the Trans-Pacific Partnership, a trade deal that Mr Trump binned in his first term. Scott Bessent, the treasury secretary, talks of doing a trade deal with allies and approaching China "as a group". But now that it has bullied its allies and reneged on its past deals, America will find they are less willing to co-operate.

Such is the short-sightedness of Mr Trump's reckless agenda. In a mere ten days the president has ended the old certainties that underpinned the world economy, replacing them with extraordinary levels of volatility and confusion. Some of the chaos may have abated for now. But it will take a very long time to rebuild what has been lost. ■

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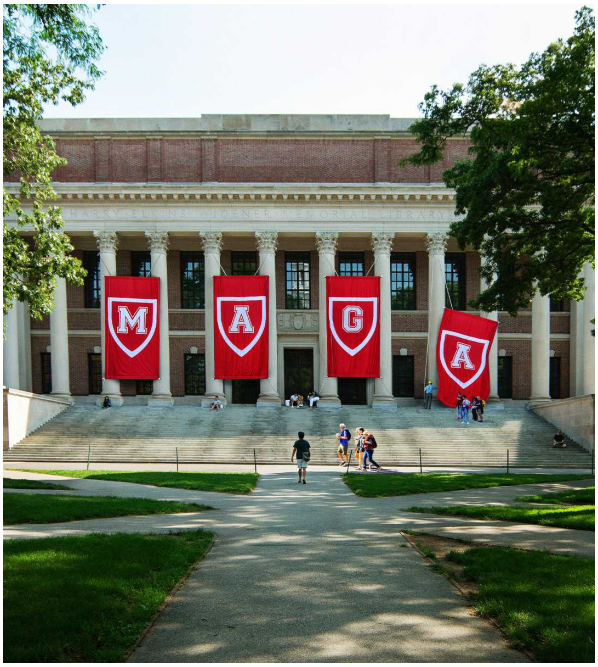
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Leaders

The campus counter-revolution

Donald Trump's plan to remake universities threatens America's prosperity and freedom

April 10th 2025



"THIS IS AN economic revolution and we will win." Donald Trump's line on tariffs sounds like something from Robespierre or Engels. And as any revolutionary knows, to sweep away the old order it is not enough just to raise import duties. You also have to seize and refashion the institutions that control the culture. In America that means wresting control of Ivy League universities which play an outsize role in forming the elite (including Mr Trump's cabinet). The MAGA plan to remake the Ivies could have terrible consequences for higher education, for innovation, for economic growth and even for what sort of country America is. And it is only just beginning.

The target has been exquisitely chosen. Over the past decade elite universities have lost the bipartisan support they used to enjoy. This was

partly their own fault. In too many cases they succumbed to faddish groupthink about oppression, became scared of their student-customers and turned away speakers in the name of safety. At the same time, American politics became more polarised by educational achievement. Kamala Harris lost the popular vote in the 2024 presidential election. But she won Americans with post-graduate degrees by 20 points. This combination left the academy vulnerable.

But the most substantive change has been within the Republican Party. Conservatives considered elite universities to be hostile territory even before William F. Buckley published "God and Man at Yale" in 1951. Yet they also respected the basic compact that exists between universities and the federal government: that taxpayers fund scientific research and provide grants for students from poor families, and in return, universities do world-changing research.

Some of the researchers may have views that irk the White House of the day. Many are foreigners. But their work ends up benefiting America. That is why, in 1962, the government funded a particle accelerator, even though some people who would use it had long hair and hated American foreign policy. And why, later that decade, researchers at American universities invented the internet, with military funding.

This deal has been the source of military as well as economic power. It has contributed to almost every technological leap that has boosted output, from the internet to mRNA vaccines and GLP-1 agonists to artificial intelligence. It has made America a magnet for talented, ambitious people from around the world. It is this compact—not bringing car factories back to the rust belt—that is the key to America's prosperity. And now the Trump administration wants to tear it up.

His government has used federal grants to take revenge on universities: the presidents of Princeton and Cornell criticised the government and promptly had over $1bn in grants cancelled or frozen. It has arrested foreign students who have criticised the conduct of Israel's war in Gaza. It has threatened to increase the tax on endowments: J.D. Vance (Yale Law School) has proposed raising it on large endowments from 1.4% to 35%.

What it wants in return varies. Sometimes it is to eradicate the woke-mind virus. Sometimes it is to eradicate antisemitism. It always involves a double standard on free speech, according to which you can complain about cancel culture and then cheer on the deportation of a foreign student for publishing an op-ed in a college newspaper. This suggests that, as with any revolution, it is about who has power and control.

So far, universities have tried to lie flat and hope Mr Trump leaves them alone, just like many of the big law firms that the president has targeted. The Ivy presidents meet every month or so, but have yet to come up with a common approach. Meanwhile, Harvard is changing the leadership of its Middle East studies department and Columbia is on its third president in a year. This strategy is unlikely to work. The MAGA vanguard cannot believe how quickly the Ivies have capitulated. The Ivies also underestimate the fervour of the revolutionaries they are up against. Some of them don't just want to tax Harvard—they want to burn it down.

Resisting the administration's assault requires courage. Harvard's endowment is about the same size as the sovereign-wealth fund of the oil-rich sultanate of Oman, which should buy some bravery. But that mooted tax could shrink it quickly. Harvard receives over $1bn in grants each year. Columbia's annual budget is $6bn; it receives $1.3bn in grants. Other elite universities are less fortunate. If even the Ivies cannot stand up to bullying, there is not much hope for elite public universities, which are just as dependent on research funding and do not have vast endowments to absorb government pressure.

How, then, should universities respond? Some things that their presidents want to do anyway, such as adopting codes protecting free speech on campus, cutting administrative staff, banning the use of "diversity" statements in hiring and ensuring more diverse viewpoints among academics, accord with the views of many Republicans (and this newspaper). But the universities should draw a clear line: even if it means losing government funding, what they teach and research is for them to decide.

Like Ike

This principle is one reason why America became the world's most innovative economy over the past 70 years, and why Russia and China did not. Yet even that undersells its value. Free inquiry is one of the cornerstones of American liberty, along with the freedom to criticise the president without fear of retribution. True conservatives have always known this. "The free university", said Dwight Eisenhower in his farewell presidential address in 1961, has been "the fountainhead of free ideas and scientific discovery".

Eisenhower, who was president of Columbia before he was president of the United States, warned that when universities become dependent on government grants, the government can control scholarship. For a long time that warning seemed a bit hysterical. America never had a president willing to exert such authority over colleges. Now it does. ■

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Leaders | Give them the money

Europe should buy from Ukraine's defence industry

And invest in it too

April 9th 2025



YOU MAY well think that these are particularly difficult times in Ukraine. Last year's American aid package is nearly used up, and no one expects another. Russia is launching another spring offensive and pummelling Ukraine's cities from the sky. Donald Trump's efforts to secure a peace deal have not yielded even a proposed 30-day ceasefire.

In fact, the mood in Kyiv is arguably more confident than it was when last year's spring offensive loomed. One big reason is that Ukraine is much less reliant on foreign kit. The country's defence industry, largely abandoned after the collapse of the Soviet Union, is once again firing on all cylinders. This year production is expected to amount to around $15bn-worth of

armaments, up from just $1bn in 2022, the year Russia's full-scale invasion began. Hundreds of tech startups have joined older state-run firms in manufacturing artillery, ammunition, armoured vehicles and—above all—drones and missiles.

The drones have transformed the battlefield. Churned out in their millions by newly formed Ukrainian companies, they are cheaper and often better than Western versions. Short-range drones can spot anything that moves, swooping in to take out a tank or an exposed Russian soldier. Longer-range drones and missiles can hit command centres, ammunition dumps, barracks and industrial targets. Being home-made, they are not subject to foreigners' restrictions on what can be hit.

Ukrainian officials claim their troops are now killing between seven and ten Russians for every soldier they lose. So although Ukraine is still heavily outnumbered, the imbalance in manpower matters less than it did. That is why Russia has been battling for almost nine months, at gruesome cost, to take the small city of Pokrovsk (with a pre-war population of 60,000). Russia occupies around 19% of Ukraine, almost exactly the same proportion as it did at the end of 2022. No one now talks, as they used to, of an imminent Ukrainian collapse.

Yet the improvement in Ukraine's battlefield fortunes would be even more striking if European governments, and the EU itself, stepped up. One way to meet Ukraine's defence needs is to send it more Europe-made kit, but that is hard because most defence companies are loth to scale up production without long-term contracts (an exception is Rheinmetall).

Instead, the Europeans should spend their military-assistance money to buttress Ukraine's own defence industry. Officials say it has the capacity to produce around $35bn-worth of equipment this year, if only the government could afford to place more contracts.

One option is for European governments to supply Ukraine with weapons that they buy directly from Ukrainian companies. That would allow domestic defence production to expand to the level of existing capacity, and beyond. EU governments could also encourage, with contracts or even co-investment, joint ventures between European and Ukrainian firms. That

could help the country develop faster and more accurate offensive missiles, and ideally redress Ukraine's biggest remaining weakness: its desperate shortage of air-defence missile systems that can knock out incoming Russian missiles. It would also mean that Ukrainian expertise in drone warfare is shared.

Contracting with Ukraine and setting up joint ventures with its firms would be a cost-effective way to mitigate the end of American assistance. Individual European countries, led by Denmark, have already started down this path. These efforts need to be built on. Give Ukrainian defence firms more money, and they will make their own tools to keep Russia at bay. ■

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Leaders | Talking nuclear

Donald Trump's oddly sensible move: seeking a deal with Iran

The world should welcome America's planned talks, even if the results are modest

April 10th 2025



He started his second term vowing to be a peacemaker, to be judged by the wars he ends and the ones "we never get into". Thus far he has not ended the wars in Ukraine and Gaza. But Donald Trump's unorthodox ways may yet help avert a looming conflict with Iran. Steve Witkoff, his envoy to everywhere—Russia, Gaza and now Iran—is due to begin talks in Oman with Abbas Araghchi, Iran's foreign minister, on April 12th. America wants direct talks; Iran says they should be indirect, via the Omanis, at least initially. Whatever the format, the stakes could not be higher.

Iran is closer than ever to developing a nuclear bomb. Israel wants to take military action to stop it—with America if possible, alone if necessary. American B-2 bombers have massed in Diego Garcia; a second aircraft-carrier group has deployed to the Middle East. America is already bombing the Houthis, Iran's allies in Yemen. If the talks fail, Mr Trump warns, "I think Iran is going to be in great danger." Any use of force, counters Iran, would lead to a "catastrophic war" that would "quickly extend across the region". Better, surely, for the old foes to talk.

The Trump administration faces obstacles. Iran distrusts an erratic president who, in his first term, tore up Barack Obama's nuclear deal, known as the JCPOA, which largely froze Iran's nuclear-weapons programme in exchange for the lifting of many sanctions. Iran will not unlearn the technology it has mastered since then, and has amassed enough near-bomb-grade uranium for several nuclear devices. Moreover, the international co-operation Mr Obama enjoyed has evaporated amid great-power rivalry.

Still, Mr Trump enjoys advantages, too. The Iranian regime is weaker than in the past. Many Iranians are sick of the oppressive mullahs, and the economy is reeling. The "axis of resistance", Iran's network of allies and proxies in the Middle East, has crumbled under an Israeli military onslaught; so have Iran's own air defences. Congressional Republicans are in thrall to Mr Trump, and will not assail him over Israel as they did Mr Obama and Joe Biden.

The president wants to show he can do better than the JCPOA. But he is in a hurry, setting a two-month deadline for an agreement, partly because the ability to "snap back" the UN sanctions lifted under the JCPOA expires in October. A hasty deal may be a bad one. Mr Trump's national-security team is skeletal, inexperienced and ideologically divided. It seems torn between seeking the total dismantling of Iran's nuclear sites (a tall order) or limiting enrichment with outside verification (a more feasible aim). Mr Trump may seek restraints on Iran's ballistic missiles and other weapons, and on its support for proxies, both of which will be difficult. As a businessman, he might add an economic dimension, which Iran is encouraging. Arab states, once dismayed by the JCPOA, cheer him on.

Binyamin Netanyahu, Israel's prime minister, demands a "Libya solution", the decision by Muammar Qaddafi, to give up his nuclear programme in 2003. He knows the mullahs will not accept it; they recall how Qaddafi was subsequently overthrown and killed. Instead, Israel thinks it has an opportunity to strike at Iran's nuclear facilities, which may even hasten the fall of the regime. Israel has shown in Lebanon that military action can reset politics. But America knows from Iraq and Afghanistan that seemingly easy wars can also lead to disaster.

If the talks collapse, Mr Trump faces bleak choices: risk a nuclear Iran; let Israel bomb Iran; or have America itself lead the strikes to ensure a more thorough job. Like his predecessors, he may opt for a flawed deal—perhaps even a worse one than the JCPOA—that leaves Iran as a latent nuclear power. But that would almost certainly be better than war. For all its fury at Mr Trump's trade madness, the world should wish him well in dealing with Iran. ■

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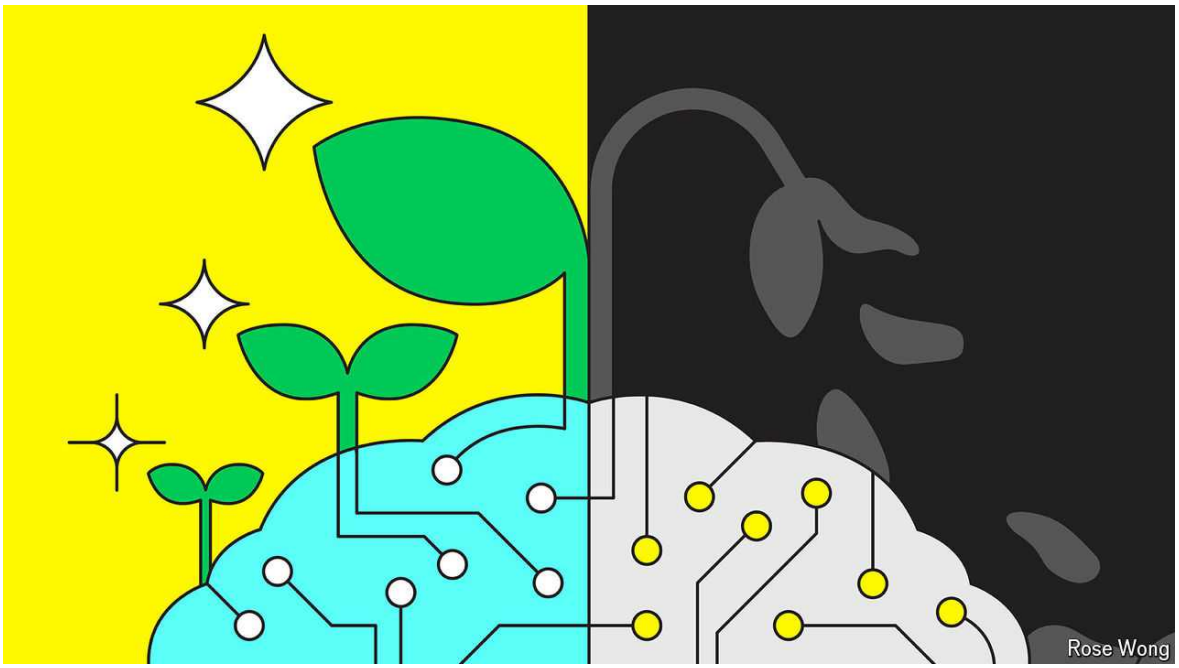
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Leaders | Friend, not foe

How AI could help the climate

The technology could help decarbonise the industries that have proved the hardest to clean up

April 10th 2025



Even if you don't worry that artificial intelligence (AI) will destroy the human race, you might fret that its fearsome appetite for electricity will destroy the environment. Asking ChatGPT a question means using ten times more energy than an old-fashioned search query. Google's greenhouse-gas emissions rose by nearly half between 2019 and 2023, as the AI boom took off; Microsoft's are up by almost 30% since 2020. With huge investments in new data centres planned, more rises seem baked in. But the doom-mongering is misplaced. In absolute terms, AI may be less energy-hungry than many people assume. Better still, AI can help decarbonise the industries that have proved hardest to clean up.

Read our package on AI and the climate:

- The tricky task of calculating AI's energy use
- AI models are helping dirty industries go green
- AI models can help generate cleaner power
- Could data centres ever be built in orbit

Consider AI's appetite for energy first. The International Energy Agency (IEA) reckons that electricity consumption by data centres could as much as treble in the next five years. Even if energy usage soars, though, the base is still low. Data centres today account for about 1.5% of the world's electricity consumption—and the vast majority of that is due to streaming, social media and online shopping, not AI.

Moreover, some of AI's electricity use will help with greening the economy. As we explain in this week's Science & technology section, AI excels at identifying complex patterns, crunching giant data sets and optimising systems, all of which can help slash emissions. AI is already helping improve the efficiency of electrical grids, cut fuel use in shipping and spot otherwise invisible leaks of methane, a potent greenhouse gas.

The task for policymakers and industry bosses is to maximise such benefits while minimising the climate impacts. The most elegant solution would be for governments to impose a proper price on carbon and leave the market to do its work. But because a global carbon price remains a distant dream, it is more realistic to focus on three other measures.

The first is greater transparency. Working out exactly how much power AI models use is frustratingly hard. From August 2026 the EU will require some AI developers to report their energy use in detail. That approach should be copied elsewhere.

A second is to rethink how data centres operate. The IEA notes that being able to shift workloads between different data centres at different times could reduce strain and help balance energy grids. More flexible data centres would also be a better match for the intermittent power produced by renewables such as wind and solar.

Third, tech firms should hold themselves to their own environmental promises. Microsoft, for instance, aims to become “carbon negative” by 2030. Some firms, such as Amazon, rely heavily on buying renewable-energy credits, which allow dirty electricity consumed in one place to be offset by paying for clean energy elsewhere. Such credits have their uses. But they are rife with creative accounting and conceptually fragile—much of the renewable energy might have been generated anyway, for instance.

A better approach would be for the tech firms to use the clout that their large demand for energy gives them to accelerate the decarbonisation of grids. They are already the largest buyers of clean electricity under long-term deals with independent generators in America. They could build and fund more capacity themselves, help unblock the deployment of clean energy more widely by pushing for planning reform, and go further in supporting the development and expansion of alternative sources such as geothermal and nuclear power. Doubling down on such approaches would help transform AI from climate suspect to climate hero. ■

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Letters

- Marine Le Pen’s future, and more

Letters | A selection of correspondence

Marine Le Pen’s future, and more

Also this week, poor high earners, AI safety, superhumans

April 10th 2025



Letters are welcome via e-mail to letters@economist.com
Find out more about how we process your letters.

It is right to ban Ms Le Pen

I disagree with your leader arguing why Marine Le Pen should be allowed to run for president in France (“Ill-suited sentence”, April 5th). *The Economist* is the last newspaper that genuinely represents the classical liberal tradition. So I have difficulty understanding your position that the judicial decision to ban Ms Le Pen from the election is limiting the choice of citizens, who you say are capable of “judging for themselves who should get their vote”.

The constitutional democracy that classical liberalism has historically promoted is precisely based on the idea that political legitimacy should be distinguished from the popular will. Its opposite is populist democracy, where every issue is left to the people to decide by their vote. In Ms Le Pen's case there are solid reasons to think that people are unable or unwilling to judge the matter in a non-partisan way.

How can we trust the judgment of citizens when it is obvious that their view about whether a candidate should be barred from running is completely determined by partisanship? It is exactly this kind of situation where the separation of powers and the rule of law are relevant.

CYRIL HÉDOIN
Professor of economics
Université de Reims Champagne-Ardenn



Horrible for Henrys

Bagehot's column on the plight of those who are High Earners, Not Rich Yet, or Henrys, focused on incomes and taxes (March 29th). But income is not wealth. Plenty of people on high incomes are not rich and the cost-of-living crisis makes it harder for everyone to get rich. Conversely, there are plenty of extremely rich people with low incomes. These folk are asset-rich

and have become a lot more prosperous since the financial crisis of 2008, yet the tax system has not caught up. We still tax earned income far more than wealth or income derived from capital. This is a disincentive to work and exacerbates the unfairness of things like inheritances. So the rich get richer and those who have to work to become rich never do. Poor Henry.

RICHARD BAUM
Burnham-on-Sea, Somerset



AI safety

The By Invitation from Dan Hendrycks on why the development of artificial intelligence is different from the Manhattan Project that worked on the atom bomb raised important questions (March 28th). However, his argument rested on assumptions that are far removed from today's technological reality.

We are still working with systems that recognise patterns and generate plausible responses, not entities that think, reason or act independently. Framing today's developments in terms of a potential superintelligence, and warning against a Manhattan Project on that basis, risks confusing fiction with fact.

The real test isn't hypothetical breakthroughs. It's how we govern the use of existing technologies by people. The potential for damage has always depended on physical control over resources. Since the development of nuclear weapons, humanity has lived with the potential for catastrophe. What has kept us safe are systems of restraint, accountability and deterrence, not the absence of intelligence.

DR HENNING STEIN
Finance fellow
Judge Business School
Cambridge University

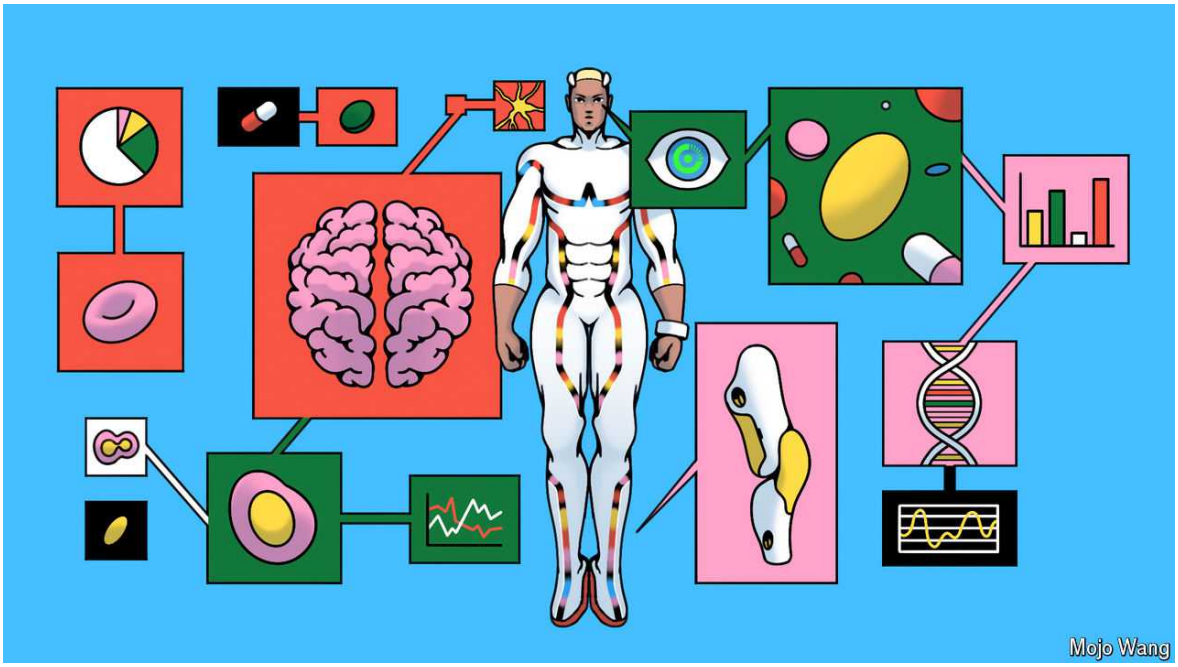


Naming traditions

There is plenty of room for scepticism about the word-association methods you used to infer what parents looked for in a baby's name over the past century and a half ("The importance of being Ernest", March 22nd). But one striking effect you found for America shows increases in names with the connotations "strength", "intelligence", and possibly "religion" and decreases in those associated with "beauty", "benevolence" and "joy", between about 1912 and 1915. This is unlikely to be a coincidence, and suggests a degree of validity in your findings. What could have triggered it?

The first world war? The sinking of the *Titanic*? Or something routine like a change in record-keeping practices?

BOB LADD
Edinburgh



Who wants to live for ever?

Re-engineering people to live longer and healthier lives opens the way for other bioengineering applications ("Cyborgs, superhumans and cranks", March 22nd). For example, the objective of the global space community is to colonise our solar system. But even the most ardent enthusiasts begrudgingly admit there's a big problem. Space is simply no country for humans.

The lethal effects of gamma radiation on fragile flesh, the lack of breathable air and the dire impact of zero gravity on vision, muscles and bones are just a few of an endless list of physical problems that make space a death trap. Even worse, there is no proof that humans can procreate in space, which makes the prospect of living there less enjoyable and erodes the goal of establishing multigenerational colonies. But pioneers pushing back both space and ageing frontiers should proceed cautiously.

A better and longer life here on Earth, or beyond, will breed a host of social, political and legal questions. For example, will these bespoke next-generation super variants of ourselves be accepted as equals by those who choose to remain unmodified? Will our new re-engineered cousins have the same legal rights as the others? Will the “old” and the “new” humans become alien to each other? Would you want your daughter or son to marry one? And those are the easy questions.

DR JACK GREGG
Whittier, California

There is an irony at the heart of the longevity movement often championed by tech visionaries. Although billions are invested in futuristic interventions, basic health in the developed world is deteriorating. Obesity is rising, ultra-processed food dominates diets, physical inactivity is the norm and chronic stress undermines well-being. Before turning to molecular fixes, we might first rediscover stairs over elevators, real food over synthetic snacks and time outdoors over digital screens. The path to longer, healthier lives begins not in the lab but in our kitchens, sidewalks and daily routines.

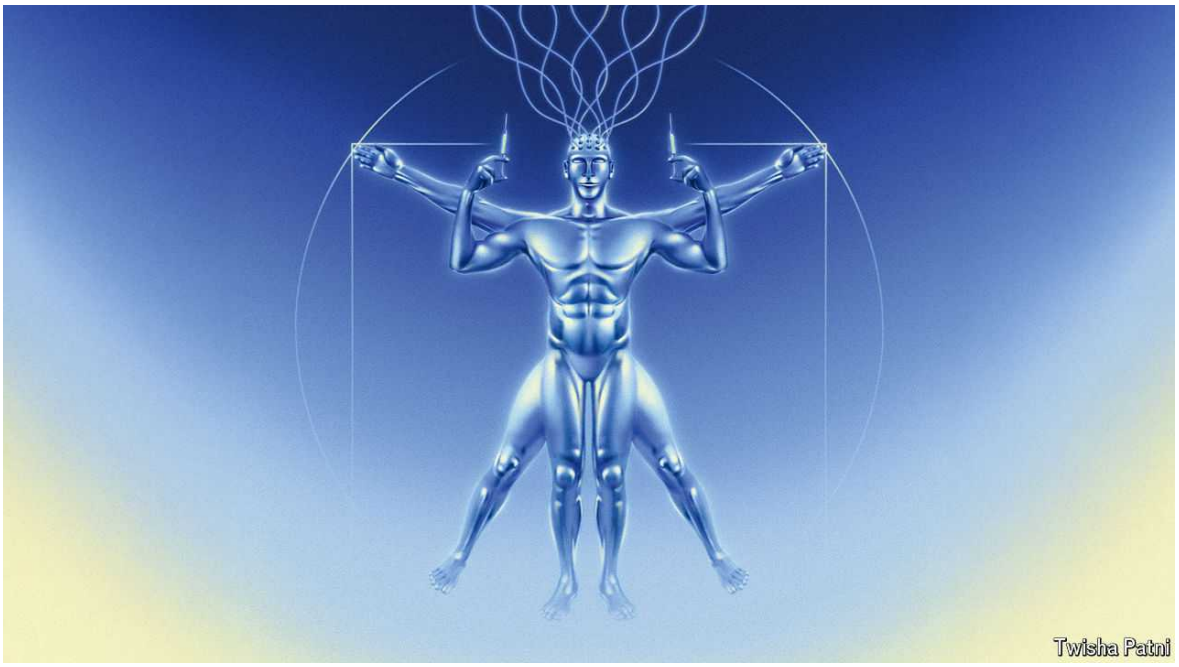
DR OLE FROBERT
Aarhus, Denmark

Wanting to be superhuman is the peak of arrogance. What if Stalin did not die and remained in power for ever? Or J. Edgar Hoover? If the old did not die their ideas and way of life would govern us for ever. We would today be living as people did millennia ago. No, for the sake of humanity, it is best that the old die off (including me, but not yet), so the young can bring about change.

DR JOHN HODGE
Boston

Concerns about longevity must be taken seriously. Otherwise Donald Trump could be with us for ever.

JAMES GIBSON
Quorn, Leicestershire



If your striking cover, based on the Vitruvian Man, is correct our successors will be devoid of genitalia. Seems like everlasting life won't be much fun.

DAVID WATKINS
Bournemouth

And I'll say it again

Bartleby's take on the importance of repetition in the workplace (March 15th) is the best column I've read in *The Economist* in years. Hard to put my finger on why, but certainly the best column I've read in *The Economist* in years.

MAX CAPRONI
Chicago

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By Invitation

- Trump’s approach to geoeconomics carries dark echoes, writes Maurice Obstfeld
- To keep on top of AI, focus on the points where it touches the outside world, writes Martin Chavez

By Invitation | Foreign trade, national power

Trump's approach to geoeconomics carries dark echoes, writes Maurice Obstfeld

Choosing guns over butter in trading relationships will make America both poorer and less safe

April 8th 2025



THE WORLDWIDE stockmarket turmoil that Donald Trump unleashed with "Liberation Day" reflects more than the destructive inefficiencies of tariffs. It also flows from the realisation that Mr Trump is willing to inflict harsh economic pain and break apart global alliances as he seeks to shake up the global economy. The president has admitted that his policies may cause short-term economic loss, but insists that longer-term gains will more than compensate—and bring about "the golden age of America".

In keeping with his zero-sum mindset, Mr Trump's American golden age is not so good for the rest of the world. It restricts American reliance on

international trade and rejects the economic and security co-operation that largely prevailed until 2024—even during his eventful first term—in favour of a transactional approach that exerts economic pressure to bend other countries to America's will.

After fleeing Nazi Europe for America in 1941, Albert Hirschman published "National Power and the Structure of Foreign Trade", inspired by Germany's use of trading relationships to dominate eastern neighbours. Hirschman's book fell into obscurity soon after its publication in 1945 as America and its allies, drawing the right lessons from negative interwar experience, devised a world order based on multilateral co-operation. With that system now under attack by its erstwhile leading sponsor, people are pulling Hirschman's tome from the top shelf and dusting it off.

While imperfect in many ways, the main elements of the post-war settlement —including the Marshall Plan, the IMF and the General Agreement on Tariffs and Trade (later the World Trade Organisation)—helped produce more than half a century of growing trade and prosperity, decolonisation and development, the spread of democracy and a generally peaceful world. In many cases global institutions showed they could evolve, as when the IMF accommodated itself to flexible exchange rates. The conscious goal of economic planners was to give countries space for domestic policy sovereignty while international rules or norms constrained the worst beggar-thy-neighbour impulses, of the sort seen between the two world wars.

Rapid structural transformation—due to globalisation, but even more to new technologies, demographic shifts and "financialisation" (the growth of finance relative to other economic sectors)—increased inequality. This called for farsighted and creative domestic policies, including big investments in improving workplace skills and adaptability. Democratic governments struggled to keep up. The cost of this was growing political polarisation and populism.

After Ronald Reagan's conservative "trickle-down" revolution, American inequality rose sharply. Some regions were hollowed out and their workers left behind. Mr Trump blames America's trade agreements, not domestic policy failings, for this. His approach is to gut the "administrative state" far beyond what even Reaganites dreamed of, to blame trade practices for

America's economic ills and to sharply reduce the country's reliance on imports.

At times Mr Trump's rhetoric has verged on calling for a form of autarky—witness his demands that foreign producers who wish to sell in America build plants there and hire American workers. He also—unlike Reagan—wants to scale down American foreign-security and soft-power engagement. Countries that previously nestled under America's security umbrella should do more to defend themselves, he insists, while America disengages from global trade and aid.

America's close entwinement with global finance—to which it is much more open than it is to trade—is unlikely to survive this transformation. This realisation is yet to sink in, and it does not augur well for encouraging a torrent of inward investment. America's trade partners will seek to limit their exposure to its policy caprice. They will rely more on currencies other than the dollar for reserve holdings, trade invoicing, foreign-exchange intermediation and corporate borrowing.

In Mr Trump's vision, America's future trading relationships will look more like what Hirschman described in 1945. Some in the president's orbit have been candid. In an interview a few months before he became treasury secretary, Scott Bessent proposed that tariffs should favour "like-minded" members of a "security zone" with "shared values, shared economy, shared defence, shared currency goals".

On exchange rates, Mr Bessent has said that he wants foreign currencies to be stronger—thereby promoting American exports—but with the dollar remaining strong too. One interpretation of this is that he is ruling out unilateral weakening of the dollar through pressure on the Federal Reserve, which would be inflationary. But it is fantasy to think trade partners will voluntarily join a "Mar-a-Lago accord" or "new Bretton Woods agreement" in which they adjust their currencies higher and also agree to bankroll unbridled American deficits through purchases of ultra-long-maturity Treasuries at low interest rates. The multi-trillion-dollar question is whether American measures, going even beyond tariffs, could push other large economies in this direction, and if so how far—or whether the attempted coercion would motivate them to loosen economic links with America.

In a textbook from 1948 that set the terms for much of post-war thinking about economic policy, Paul Samuelson, a Nobel laureate, used the choice between producing guns and butter to illustrate how economies must weigh up alternatives when allocating scarce resources. A much darker picture of the trade-off was drawn by Hermann Göring, a German commander, in 1936: "Guns will make us powerful; butter will only make us fat." Influential supporters of Mr Trump's approach to trade likewise believe that Americans' eagerness to consume has left their country weak.

Mr Trump won the 2024 election by convincing voters that his policies, tariffs included, would produce butter: lower prices, growth and manufacturing jobs, all without economic pain. The reality that "Liberation Day" revealed is different. The president has launched a costly, all-fronts assault to restructure the global trading system. It has already caused the odds of recession to jump.

Post-war economic planners believed that international co-operation could underpin a positive-sum world in which prosperity and security reinforced each other—something that is still possible with the right domestic policies. Instead, America now looks set to be both poorer and less secure. ■

Maurice Obstfeld is a senior fellow at the Peterson Institute for International Economics and a former chief economist at the IMF.

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By Invitation | Artificial intelligence

To keep on top of AI, focus on the points where it touches the outside world, writes Martin Chavez

The Alphabet director suggests drawing inspiration from the way financial markets and railways are policed

April 10th 2025



ARTIFICIAL INTELLIGENCE advances relentlessly, presenting both immense potential and profound risks. How do we promote AI innovation while effectively managing those risks?

Current thinking on how to regulate AI largely emphasises governing the models themselves. California's now-vetoed AI Safety Bill, for example, would have held developers liable for system misuse and required a "kill switch". Developing safe, ethical and efficient AI systems inevitably demands standards and testing. As with any tool, we need guidelines for what qualifies as acceptable.

But as Alan Turing proved mathematically nearly a century ago, no approach guarantees the correctness of any sufficiently complex program. Furthermore, the advent of DeepSeek, from China, suggests the world has arrived at a tipping point where open-source models proliferate beyond any governance.

Governance must begin with a practical approach that addresses the junctions where these models interact with—and influence—the outside world.

History offers lessons. Consider the 19th-century railway boom. Society achieved safety not by regulating each train, but by managing track junctions where accidents most often occurred.

Financial markets adopted this approach more recently. The Securities and Exchange Commission's Market Access Rule doesn't constrain the internal workings of traders. Instead, regulators emphasise the points of contact with the market, mandating capital-adequacy checks before algorithms enter each order into the stockmarket. Similarly, the Federal Reserve doesn't micromanage banks. Rather, it requires them to simulate their cashflow, income statement and balance-sheet nine quarters into the future, demonstrating sufficient capital to lend and make markets in severely adverse scenarios of the regulator's choosing. In each case, governing the points of interaction proved more effective than attempting to control the internal complexity of each system.

Apply the same logic to AI. Policymakers and regulators must shift their attention to the interfaces through which AI systems and agents connect with critical infrastructure, financial markets, health care and other sensitive domains. They should design and set clear, testable standards for how AI systems interact with the real world, including stress tests, audit trails, attestations and certifications. We want as little regulation as possible, and no less.

Of course, with so many potential uses, no single approach handles all risk. For example, a chatbot might manipulate humans, or an AI system might create a novel bioweapon. Governance at the system-interface level alone

cannot manage such risks. We must also build resilience through simulation and scenario planning, like the stress tests for monitoring banks.

Standards must sit on a continuum to meet the complexity and risk of AI systems. Rather than set rules with arbitrary thresholds, move those thresholds dynamically to reflect the probability and severity of negative interactions with the outside world.

To truly harness the power of AI, governance must also align corporate incentives with public safety. Collaborative governance and open communication can build trust and pave a way that promotes safety and innovation—using fines, penalties and other mechanisms to encourage developers to prioritise safety.

The European Union's Artificial Intelligence Act offers some ideas for interface-level standards by implementing governance based on the level of risk. But the act also leaves important questions unanswered and at the same time overreaches. Whereas high-risk systems face outright bans or strict obligations, those deemed low-risk—generally systems meant for personal use—remain minimally regulated, despite their very real influence.

As the demand for AI tools outstrips supply, America has the opportunity to lead in establishing global AI standards that promise security without stifling innovation. But it must act quickly and decisively if it is to remain competitive.

Adopting standards at the system-interface level constitutes an important first step. Over-regulation remains a big concern—but the inconsistent approach America has taken thus far has only served as an obstacle for developers and users alike, slowing down creation with incompatible state-by-state rules. With clear, consistent and comprehensive governance, however, America could accelerate domestic innovation and become the global hub for AI.

A public-private partnership will be necessary to build a flexible, forward-thinking and resilient framework. This partnership can develop system-interface standards for AI systems and guarantee that foreign-developed

technology adheres to domestic safety standards when interacting with sensitive systems.

An interface-centric approach offers a first step towards a broader plan for AI safety. In "Genesis", a book published last year, Henry Kissinger, Craig Mundie and Eric Schmidt proposed developing an "AI Book of Laws", informed by legal precedents, jurisprudence, scholarly commentary and human norms, and made the case for encoding the concept of human dignity into AI systems to ensure they operate according to ethical principles. By establishing practical mechanisms for controlling AI's interaction with the real world, we can manage its immediate risks while also working in the long term to align AI with human values.

Governing AI at the point of contact with the real world offers an effective and pragmatic starting point. We must move beyond the futile desire for a perfect solution and embrace a framework that can adapt as quickly as the technology it seeks to govern. By doing so, we can harness the power of AI while managing its risks, delivering innovation together with safety.■

R. Martin Chavez is a board member at Alphabet, vice-chairman of Sixth Street Partners and a former CFO of Goldman Sachs.

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Briefing

- Donald Trump is battling America's elite universities—and winning
- Why can't stinking rich Ivies cope with losing a few hundred million?

Briefing | Besieging the ivory tower

Donald Trump is battling America's elite universities—and winning

The Ivy League sees little point in fighting the federal government in court

April 10th 2025



THIS WAS not a hidden plot, but an open plan. In the eyes of the right, America's elite universities are guilty of a litany of sins: they propagate illiberal, left-wing ideas; they exclude or censor those who question woke views; they discriminate against the majority in the name of diversity, equity and inclusion (DEI); they allow antisemitism to fester. Before Donald Trump's second term as president began, conservative activists had laid out in considerable detail the retribution they were preparing to exact for these misdeeds.

The retribution is now under way. Mr Trump's administration has withheld hundreds of millions of dollars in federal grants from prestigious schools,

mostly in the Ivy League, and threatened to yank billions more. It has rescinded visas for students who participated in pro-Palestinian protests last year, in some cases by having plainclothes officers grab them on the street and push them into unmarked cars. It has capped overhead costs for scientific research in ways that have already led to thousands of lost jobs. Other levers, over access to federal student loans, for instance, have not even been pulled yet.

The letter, not the law

Every university president in America dreads the arrival of "the letter" from the administration. The first was sent to Columbia University on March 13th, shortly after $400m of grants were withheld. To win the money back, the letter demanded that Columbia expel certain students who participated in protests, reform its admissions policies and place its Middle Eastern studies department into "academic receivership". The university capitulated to all the demands. Its president, herself a stand-in, resigned a week later. "The Columbia opening salvo was incredible to me," says Chris Rufo, a prominent culture warrior. "It's almost unbelievable how weak, feckless, and pathetic these folks have been."

More shakedowns have followed. On March 19th Christopher Eisgruber, the president of Princeton University, wrote in the *Atlantic* that the Trump administration's actions presented "the greatest threat to the American universities since the Red Scare of the 1950s". That may be an understatement: Eugene McCarthy, who hounded suspected communists, was a mere senator, without the weight of the federal government behind him. In late March the federal government informed Princeton that it was suspending research grants worth $210m, ostensibly because of antisemitism. On April 3rd a letter from the government arrived at Harvard threatening $9bn-worth of grants unless the university scrapped its DEI programmes and reformed "departments that fuel antisemitic harassment". This week $1bn in funding for Cornell and $790m for Northwestern was frozen.

Disdain for elite universities is not new to the American right. Ronald Reagan won the governorship of California in 1966 by pledging "to clean up

the mess at Berkeley" and clear out the "beatniks, radicals and filthy speech advocates" who had "brought such shame" to the flagship state university. But the long-running antagonism has gradually intensified as education has become more of a dividing line in American politics, with university graduates tending ever more strongly to vote Democratic. In the 1970s there were fewer than two academics who described themselves as liberal for every conservative. Four decades later the ratio was six to one.

To err is humanities

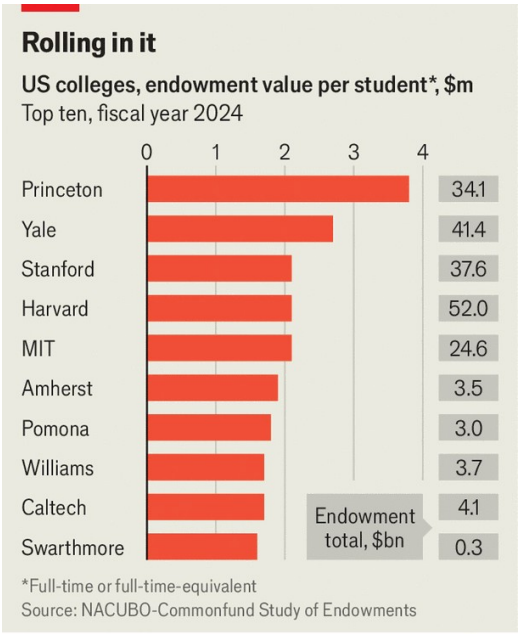
Humanities faculties, in particular, have championed ideas unpopular with ordinary voters: that American society is structurally racist, for example, or that everyone has a "gender identity" unrelated to their sex. Trust in universities has dropped precipitously over the past decade. In 2015 nearly 60% of respondents told Gallup, a pollster, that they had a great deal of confidence in higher education. That has since fallen to 36%, almost the same proportion as say they have "very little" or "no confidence". Republicans are especially critical; only 20% of them express faith in universities, compared with 56% of Democrats.

"The isolation of the academy writ large, from the whole of society, is at the root of a lot of these problems," says Greg Weiner, the president of Assumption University. Loud and lengthy protests against Israel's war in Gaza over the past 18 months have further cemented the idea that campuses are out of kilter with mainstream opinion—and given the right an opportunity to attack universities for not doing enough to make Jewish students and faculty feel safe.

The administration has been using supposed antisemitism as grounds to demand reforms. "In some cases, these are not just unconstitutional demands, but there is also no statutory authority for them," says Jameel Jaffer, a professor of law and journalism at Columbia University. Mr Jaffer points out that Title VI of the Civil Rights Act, which the administration has invoked on behalf of Jewish students and faculty, does allow for sanctions—but only after a formal investigation. Even then, "The remedial measures have to be limited to the programme found to be in violation."

The withdrawal of grants could also be challenged. Universities might argue that the conditions the administration is imposing for their restoration amount to unconstitutional coercion. In 1967 in *Keyishian v Board of Regents*, the Supreme Court found that academic freedom is "a special concern of the First Amendment, which does not tolerate laws that cast a pall of orthodoxy over the classroom".

The deportation of foreign students involved in protests is of dubious legality, too. In *Bridges v Wixon* in 1945 the Supreme Court affirmed, "Freedom of speech and of the press is accorded aliens residing in this country." The Trump administration has explicitly rejected this idea. In its deportation proceedings against Mahmoud Khalil, a Palestinian graduate student at Columbia involved in protests against the war in Gaza, the administration is citing a seldom-used law allowing the secretary of state to cancel visas for migrants whose continued presence could yield "potentially serious adverse foreign-policy consequences". The Supreme Court has never opined on this law, but in 1996 in *Massieu v Reno*, a federal district judge struck it down as unconstitutional. As it happened, the judge in question was Maryanne Trump Barry, the late sister of Mr Trump.



The Economist

It seems unlikely that even the Supreme Court, with its conservative supermajority, would endorse all the Trump administration's attacks on

universities, if asked. Yet most of the victims seem more inclined to capitulate than litigate. That may be because universities are worried that even if they prevail in one instance, the administration will simply find other ways to punish and coerce them. Moreover, judicial relief comes only slowly; there would be lots of financial difficulties during the delay. Talented faculty might decamp to other institutions with fewer government headaches. By the same token, although many of the universities affected are enormously wealthy (see chart), the federal government can impose costs in so many ways that most see no hope of simply enduring the financial pressure.

Instead, universities, whether recipients of letters or not, are disavowing the policies the right so dislikes, academic freedom notwithstanding. The University of Michigan has shuttered its DEI office, on which it had lavished $250m over the past decade. The University of California, which pioneered the requirement that prospective hires provide "diversity statements" (in effect, professions of support for DEI), recently dropped them. "This is the Vichy moment. It's a classic collaborationist dilemma," says Michael Roth, the president of Wesleyan University, an as-yet-untargeted institution. "You can have preserved your school but you live in a sea of authoritarianism."

Bringing universities to heel from "a position of savage strength", as Mr Rufo puts it, may yield only superficial results. Because Mr Trump's approach is so hostile and extreme, it may actually discourage universities from honestly assessing how they went wrong and correcting course. "None of this will make any difference in the long run unless it is accompanied by a full accounting of what has happened for the last two decades in higher education in America," says Anthony Kronman, a former dean of Yale Law School.

There is also little logic in the government's decision to switch off funding for science in order to punish ideas that emanated from humanities departments. Another recent decision, to cap the share of research grants that can be spent on overheads, will diminish the amount of scientific research conducted at all American universities, not just the elite ones. So will the gutting of the National Institutes of Health, which dispense huge amounts of funding for medical research. The administration's general antipathy towards immigrants will presumably also take a toll. "Our universities are

the best in the world. We drain the world of human capital. It's the goose that lays the golden egg," says Nicholas Christakis, a professor at Yale.

Mr Rufo is undaunted. He hints that the campaign against woke academics is only in its infancy. Certainly, more universities will come under attack and more means of coercion will be tested. There is talk in conservative circles of demanding the sacking of particular professors.

Mr Rufo gives short shrift to talk about the sanctity of academic freedom. "Freedom is the wrong lens to analyse the problem," he says. "The Columbia post-colonial studies faculty are not engaged in academic research. They're engaged in political activism. They're engaged in ideological mania. And in order to have academic freedom, you have to accept academic responsibility." But even accepting the remedies Mr Trump is dispensing does not seem to have been enough in Columbia's case, at least. Although it has complied with the administration's demands, it still has not received the $400m that had been frozen. ■

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Briefing | Cash poor

Why can’t stinking rich Ivies cope with losing a few hundred million?

Their huge endowments are not easy to cash in

April 10th 2025



Columbia, the first victim of Donald Trump’s assault on America’s grandest universities, has an endowment of roughly $15bn. Mr Trump’s administration withheld a mere $400m in federal funding when it handed Columbia its peremptory list of demands. Why, indignant alumni ask, did Columbia not simply tell Mr Trump to get lost and fall back on its plump cushion of billions?

Alas for Columbia and other rich universities, the calculus is not so simple. Their endowments are not easy to access. Research grants are not the government’s only leverage. And the chaos Mr Trump has created in the markets makes it a bad time to be selling or borrowing. Indeed, even if

research funding were still flowing, the Ivies' accountants would be losing sleep.

Federal research grants account for a double-digit share of the revenue of most prestigious private universities, so losing them permanently would be a body-blow for any of them. They make up 11%, 15% and 18% of the income of Harvard, Yale and Princeton universities respectively. Columbia, at 20%, is especially vulnerable.

Even for those institutions still receiving such disbursements, the government is imposing arduous new rules. The National Institutes of Health (NIH), which dispense most funds for medical research, announced in February that they will cap the portion of grants that can be spent on overheads at 15%. Previously, about 26% was spent in this way. Universities have challenged the change in court and on April 4th a judge threw out the cap. But the administration has said it will appeal, so all universities may soon have to find extra cash to keep their labs operating.

Universities' endowments are not as much help as their billion-dollar valuations would suggest. For a start, much of the money is reserved for a particular purpose, funding a specific professorship or research centre, say. Legal covenants often prevent it from being diverted for other purposes. In any case, the income from an endowment is typically used to fund a big share of a university's operating costs. Eat into the principal and you eat into that revenue stream.

Liquidity trap

What is more, eating into the principal is difficult. Many endowments, in search of higher income, have invested heavily in illiquid assets, such as private equity, property and venture capital. That is a reasonable strategy for institutions that plan to be around for centuries, but makes it far harder to sell assets to cover a sudden budgetary shortfall. And with markets in turmoil, prices of liquid assets such as stocks and government bonds have gyrated in recent days. Endowments that "decapitalise" now would risk crystallising big losses.

The hullabaloo about the campus protests of the past 18 months has spooked big donors, diminishing fund-raising. No wonder that lots of universities are seeking to borrow to tide themselves over. Investors pay no federal tax on the income from most bonds sold by educational institutions, which allows universities to issue debt at relatively low interest rates. They sold almost $12bn of tax-exempt bonds in the first three months of the year, the highest amount on record. Harvard has sold $434m of tax-exempt bonds this year and plans to issue another $750m of the taxable sort, despite its $52bn endowment. But its first bond sale this year raised less than planned: investors, it seems, are not totally confident about universities' finances.

In part, that is presumably because the Trump administration has many other ways to inflict financial pain on universities apart from withholding research funding. It could make it harder for students to tap the government's financial-aid programmes. It could issue fewer visas to foreign students, who tend to pay full tuition. With Congress's help, it could amend tax laws in ways that would hurt universities.

Mr Trump's previous administration instituted a relatively modest tax on universities' income from endowments, of 1.4% a year on hoards of more than $500,000 per full-time student. That affected only 52 institutions last year, although the threshold was not indexed to inflation so the number will gradually increase.

Republican congressmen want to expand both the reach and scale of the tax. A bill proposed by Mike Lawler of New York would extend the tax to endowments worth more than $200,000 per student. That would double the number of universities that would have to pay. Another bill would raise the excise tax 15-fold to 21%. As a senator, J.D. Vance, now the vice-president, advocated raising the tax to 35% on the richest institutions. All this would hit financial aid for poorer students in particular: almost half of universities' income from endowments is spent on that, according to the National Association of College and University Business Officers (NACUBO), an advocacy group, and Commonfund, an asset-management firm.

In fact, taxing endowments has some advocates on the left, too. Two Democratic state legislators in Massachusetts, home to Harvard and MIT, have proposed a 2.5% state tax on the endowments of the richest private

universities, to fund public education. Democrats in Connecticut (home to Yale) are talking of doing the same.

The untaxed interest on bonds is also in the sights of Republicans who wish to cut taxes in other areas. Eliminating the subsidy not just for universities but also for state and local governments would raise a handy $25bn or so a year. That some of the burden would fall on universities that are bastions of liberal internationalism is merely the cherry on the cake. ■

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United States

- Donald Trump wants to deport foreign students merely for what they say
- With tariffs paused, Republicans dodge a fight with Trump
- Trump’s tariff blitz faces strong legal challenges
- DOGE is coming for American officials’ magnetic tape
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United States | A new Red Scare

Donald Trump wants to deport foreign students merely for what they say

He says his power over immigration overrides the First Amendment

April 10th 2025



“EVERY TIME I find one of these lunatics I take away their visa.” That is how Marco Rubio, the secretary of state, last month described the Trump administration’s push to deport foreign university students who had participated in campus activism. Mr Rubio initially suggested that his department had cancelled at least 300 visas. That number increasingly looks out of date as the deportation campaign has spread beyond elite east-coast schools and for conduct beyond protest and speech. More than 100 students in California alone have had their visas yanked—some of them seemingly for infractions as minor as a speeding ticket.

The crackdown combines two of President Donald Trump's campaign promises: to carry out mass deportations and to expel students involved in campus protests that erupted in response to Israel's invasion of Gaza, following the brutal attacks of October 7th 2023. Deportation is no longer just a way to reduce the number of illegal immigrants in America and deter more from coming, but a means of punishing those whose beliefs differ from the federal government's. The arrests and visa revocations have created widespread anxiety on campuses already reeling from upheavals. Lawsuits ask whether the government can deport non-citizens in good legal standing merely for their speech.

How is the State Department deciding who to target? Officials are reportedly using AI to scour students' social-media accounts for evidence that they have participated in pro-Palestinian campus protests. Betar, an activist group, says it is feeding names to the government. (It is unclear whether immigration officials are working off of such tips.) Locating these students is fairly easy. "International students are the most tracked of all non-immigrants," explains Fanta Aw of NAFSA, an association that promotes student exchanges. A system created in the 1990s that keeps tabs on foreign students was expanded following the September 11th attacks. When university administrators check the system, called SEVIS, they find that students' permissions have been terminated by the government without warning, leaving them vulnerable to deportation.

An early and prominent case involving the arrest of Mahmoud Khalil, a Palestinian graduate student at Columbia University, illuminates the legal arguments the Trump administration is making as it tries to deport protesters. On March 8th Immigration and Customs Enforcement (ICE) agents hustled Mr Khalil away from his very pregnant wife while saying that his visa had been revoked. (According to court documents they seemed to be unaware he had a green card, which confers permanent residency.) He remains detained in Louisiana while a petition challenging his imprisonment moves through federal court in New Jersey, where he was previously held. On Truth Social, Mr Trump alleged that Mr Khalil is a "Radical Foreign Pro-Hamas Student" and that student protesters are "terrorist sympathisers". Mr Khalil's allies see such presidential targeting of individuals as a throwback to dark chapters of American history. "We haven't seen a threat to free speech like this since the Red Scare" of the 1950s, says Esha Bhandari, one of his lawyers.

The Trump administration is targeting a broad group of foreigners by making aggressive use of a 1952 immigration law. Under it, the secretary of state can decree someone "inadmissible" whose presence in the country "would have potentially serious adverse foreign-policy consequences". Further, the government suggests that the courts can't second-guess what constitutes a serious foreign-policy consequence, nor ask for specific evidence of wrongdoing. They are arguing that "it's a blank cheque to the administration to declare anything contrary to our foreign policy, and then revoke people's visas and deport them", says David Cole, who argued a similar case on behalf of Palestinian protesters that was litigated over two decades.

The law has rarely been used in this way. In a court brief, 150 legal scholars reported that the foreign-policy provision had been invoked in just 15 deportation cases since 1990, resulting in only four removals. If its use of the 1952 law fails, the government has also argued that Mr Khalil is deportable for withholding information on his green-card application.

For precedent, the government's lawyers cite several cases from the 1950s when the perceived threats from communism often won out over First Amendment concerns. Yet since then, in large part as a reaction to the trampling of rights during that Red Scare, the courts and Congress have strengthened free-speech protections for non-citizens. The same law Mr Rubio is invoking to deport Mr Khalil was amended in 1990 to prevent deportation based on an immigrant's beliefs, unless the secretary of state tells Congress that there is a compelling reason for deportation. It is unclear whether Mr Rubio has done so, though he asserts that Mr Khalil's presence undermines America's policy of "combating antisemitism across the globe". In a report explaining these changes at the time, lawmakers expressed hope that "this authority would be used sparingly and not merely because there is a likelihood that an alien will make critical remarks about the United States or its policies".

The First Amendment makes no distinction between non-citizens and citizens. But the Supreme Court has tended to defer to the executive where immigration is concerned. "For generations, there have been people on both the left and the right who have argued that the ordinary rules that apply in constitutional law generally don't apply when immigration policies are at

stake", says Adam Cox of New York University. For example, during Mr Trump's first term the court upheld the third iteration of the administration's travel ban on people from several muslim-majority countries, despite the ban's constitutionally questionable discrimination.

There are also doubts about whether the foreign-policy provision is too vague to be enforced. How can an immigrant stay on the right side of the law when they don't know what might get them deported? In a soap-opera-style twist, that was the conclusion of Mr Trump's late sister, Maryanne Trump Barry, then a district-court judge, when she ruled in 1996 that the measure was void because of its vagueness. Her decision was overturned for procedural reasons. But if Mr Khalil's case makes it to the Supreme Court, the justices could rely on her reasoning and avoid confronting the question of whether executive power over immigration takes precedence over the free-speech rights of non-citizens.

While Mr Khalil's litigation plays out, Mr Rubio will no doubt continue revoking student visas. Ms Aw says she expects to see students decide that studying in America isn't worth the stress.■

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United States | Grumbling, not governing

With tariffs paused, Republicans dodge a fight with Trump

Many are reluctant to challenge the president absent deep economic pain

April 9th 2025



DONALD TRUMP HAS scrambled ideological alliances with his assault on global trade. The Chinese Embassy in Washington recently promoted a 1987 video of Ronald Reagan inveighing against protectionism. Meanwhile, an official White House account circulated a speech by Nancy Pelosi in 1996 criticising trade arrangements with China. Jamieson Greer, Mr Trump's trade representative, had a rough ride while testifying to the Senate on April 8th. Thom Tillis, a North Carolina senator and one of the most endangered Republican incumbents in his chamber, told Mr Greer that he would give the administration space to test its "novel approach". Yet he wanted to know: "Whose throat do I get to choke if this proves to be wrong?"

This mix of bravado and helplessness betrays an uncomfortable reality for Republicans on Capitol Hill. Congress has outsourced its constitutional trade authority to the executive branch over decades, but it can reassert that power anytime it wants. Whether lawmakers put an end to the chaos spawned by the "Liberation Day" announcements on April 2nd is solely a matter of political will. Yet the 90-day pause Donald Trump announced on April 9th, delaying most of his so-called reciprocal tariffs—a surprise on the Hill when it came—has halted whatever momentum had been building to take action.

Read more of our coverage of Donald Trump's tariffs

- Trump's incoherent trade policy will do lasting damage
- Can China fight America alone?
- The tariff madness of King Donald, explained

In the days that followed Mr Trump's April 2nd announcement, Democrats united in opposition. And even Republicans began to murmur dissent. Rand Paul, a libertarian otherwise supportive of the president, was perhaps the most direct, calling Mr Trump's views of trade fallacious and arguing they were a political loser. Other free-trade-friendly Republicans directed their criticism at Mr Trump's advisers.

"There are voices in the White House that want high tariffs forever," Ted Cruz, a Republican senator, said on his podcast. "There are angels and demons sitting on President Trump's shoulders. Who does he listen to? I hope he listens to the angels."

The angels, in this telling, would include figures like Kevin Hassett, an economic adviser, and Scott Bessent, the treasury secretary. They are perceived to see Mr Trump's radical actions as a means to an end—a rough way of renegotiating better deals that ultimately lower trade barriers. But Peter Navarro, a trade adviser, and Howard Lutnick, the commerce secretary, have a more hardline view that tariffs are an end in themselves—a way to bring back manufacturing jobs and fill America's treasury. Top Republicans on Capitol Hill, and even within the White House, are never quite sure which camp Mr Trump is in.

While some newer senators are more open to Mr Trump's protectionist instincts, as a whole Republicans in the upper chamber are privately frustrated by his incoherent trade strategy and contempt for allies. A Congress voting anonymously would almost certainly pass a law to repeal Mr Trump's tariffs. But senators calculate that quiet nudging gets them further than public scorn.

Lawsuits challenging the legality of Mr Trump's actions could help resolve the Republican Party's political problem, but it's unclear they will succeed. Legislative action is more certain, albeit politically perilous.

Congress could pass resolutions that declare the national emergency Mr Trump announced to justify his tariffs is not, in fact, an emergency. Or, there is a bill from Chuck Grassley, an Iowa Republican, that would require new tariffs to be approved by Congress. Mike Johnson, the House speaker, as well as the more Trumpified House Republican conference, were already inclined to reject such legislation before the 90-day pause. Now they are even more likely to resist. And given that Mr Trump would veto such an encroachment on his power, only a strong bipartisan consensus could stop the president.

The White House has tried to spin sweeping levies as a positive for the Hill Republicans. "One nice side-effect of the tariffs is that they raise revenue," says Stephen Miran, an adviser to Mr Trump. "If you use revenue raised from taxing foreigners to cut taxes in America, it is an enormous competitiveness improvement." But Republicans who would like to see such tariffs give way to improve trade deals are unlikely to codify them as long-term revenue, despite the expanded fiscal space that would provide.

As the stockmarket was collapsing, one MAGA influencer waxed poetic, "Losing money means nothing. Digital ones and zeroes. In the end, you won't miss any of it." That's easy to say when one's audience and livelihood is based on servicing Mr Trump's fan base, but lawmakers have to face elections in the real world. Republican congressmen think a time may come when inflation and economic pain endanger them enough that breaking with the president is less politically risky than losing their constituents' faith. The massive market convulsions before Mr Trump backed down weren't enough.

Mr Greer's testimony on April 8th had been planned before Liberation Day, but Congress and the administration had known for some time that more aggressive trade action was coming. Mr Tillis and Mr Greer continued their back and forth, with the trade representative telling the senator that ultimately the president was "the final decision maker on all of these things". Later Mr Tillis, speaking for much of his party in the upper chamber, concluded, "I wish you well, but I am sceptical."

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United States | Duty calls

Trump’s tariff blitz faces strong legal challenges

The president has drawn fire from some conservative legal scholars

April 5th 2025



WITH MARKETS gyrating from the tariffs Donald Trump has imposed on around 180 countries, only to pause some of the most punishing ones on April 9th, a conservative organisation has filed a lawsuit challenging an initial round of tariffs the president announced on Chinese imports in February, duties he has since escalated. The New Civil Liberties Alliance (NCLA), which counts Charles Koch, a right-wing billionaire, among its supporters, argues that the president lacked the authority to impose these levies. With Chinese goods still a prime target, the case retains its salience. Similar lawsuits against other tariffs could yet scuttle the boldest—and most destabilising—move of Mr Trump’s second term.

Read more of our coverage of Donald Trump’s tariffs

- President Trump's mindless tariffs will cause economic havoc
- Trump has exposed America's world-leading firms to retaliation
- Even Americans don't want Trump's barmy tariffs, writes Douglas Irwin

The power "to lay and collect taxes, duties, imposts and excises", per Article 1, section 8 of the constitution, lies with Congress. The constitution assigns no direct role to presidents in this domain. In 1977, however, Congress passed the International Emergency Economic Powers Act (IEEPA) in an attempt to curb powers granted to the president during the first world war. This law empowered presidents to restrict imports, freeze assets and impose sanctions in the event of an "unusual and extraordinary threat" to the "national security, foreign policy or economy of the United States". Mr Trump invoked the IEEPA in February, pointing to the influx of fentanyl, to justify tariff hikes on Canada, Mexico and China. He did so again on April 2nd to support his radical tariff overhaul, declaring that America's "large and persistent" trade deficits threaten the nation's security and economic stability.

The NCLA's lawsuit, filed in Florida on April 3rd, does not quarrel with Mr Trump's declaration of a national emergency concerning fentanyl. But it argues that the IEEPA "does not even mention tariffs" and notes that "no previous president" has turned to the statute to introduce tariffs in its nearly five-decade history. Even if tariffs were authorised, the law requires measures to be "necessary" to resolve the emergency, yet there is "no connection between the opioid problem and the tariff he ordered". The lawsuit also claims that "Congress passed the IEEPA to counter external emergencies, not to grant presidents a blank cheque to write domestic economic policy".

In 2023 the Supreme Court balked when Joe Biden stretched statutory language to relieve $430bn in student loans. The loan forgiveness triggered the "major questions doctrine"—the idea that when an executive action involves a question of vast "economic and political significance", it requires clear and specific authorisation from Congress. The NCLA draws on the same

doctrine to condemn Mr Trump's first round of tariffs, calling them "the largest tax increase in a generation".

If the fentanyl tariffs on China raised a major question, reckons Alan Morrison, a law professor at George Washington University, sweeping levies of the type announced by Mr Trump on April 2nd pose a "cataclysmic" one. Asserting presidential authority to upend the global trading system, he argues, "blows the sky off the statute". And the haphazard details—seemingly picking numbers out of a hat, penalising an island inhabited only by penguins, exempting Russia, starting and stopping—suggests Mr Trump's approach to tariffs "could hardly be more of an 'I can do what I want to do.'".

Mr Morrison highlights another legal tool that could be turned against Mr Trump: the "non-delegation doctrine", which holds that Congress cannot just hand over its legislative powers by granting excessive authority to the executive. If the Supreme Court were to accept Mr Trump's expansive reading of the IEEPA, it might be forced to strike down the statute as an unconstitutional delegation of Congress's power over tariffs.

If that argument were to prevail, then Mr Trump's executive order lays out something of a plan B. In addition to the IEEPA, it briefly cites three laws as alternative sources of tariff authority. The National Emergency Act allows presidents to activate emergency powers embedded in other laws. Section 604 of the Trade Act of 1974 permits them to adjust tariff schedules within limits set by Congress. And section 301 of Title 3 of the US Code allows presidents to delegate powers to cabinet members. Yet none of these appears to grant the sweeping tariff powers Mr Trump asserts.

If Mr Trump sticks with punishing tariffs against countries or industries, the pool of potential plaintiffs to take this fight to the courts is vast. Many companies in America stand to suffer. But Nicholas Bagley, a law professor at the University of Michigan, wonders if giant corporations like Walmart and Nike will "pick a high-profile fight with the president on one of his signature policy objectives". Trade groups like the American Petroleum Institute, he reckons, may be more willing to sue in the event tariffs are switched on again in 90 days, as may "scrappy, right-wing property-rights-oriented NGOs".

What happens when this fight reaches the Supreme Court? That, says Mr Bagley, is tricky to predict. On one hand, the justices tend to defer to presidents on policies "with a foreign-affairs connection". On the other, the Roberts court tends to be pro-business and its conservative majority favours a "limited, constrained administrative state that will clash with Mr Trump's muscular use" of the law, Mr Bagley notes.

There are other wrinkles. If a banana importer successfully challenges a tariff on bananas from Costa Rica, courts will not issue a blanket order cancelling Mr Trump's entire tariff regime. (Ilya Somin, a law professor at George Mason University, says a lawsuit he is preparing with the Liberty Justice Centre, a right-wing legal advocacy organisation, will seek relief against "the entire invocation of the IEEPA to impose tariffs, not just those against particular nations".) Ordinarily, the government would withdraw tariff hikes across the board if the Supreme Court rules that it lacks the authority to undertake them. But "that voluntary respect" for the rule of law, Mr Bagley says, "seems very much open to question."

Some conservative activists say they are unimpressed by the April 9th announcement of a 90-day delay to pursue negotiations with dozens of countries, as it does not alter the constitutional issues. "Ten percent tariffs for nearly the whole world are still in effect without pause," notes Mr Somin. "Absolutely moving ahead!" ■

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United States | Burn the tapes

DOGE is coming for American officials' magnetic tape

But more modern methods of data storage are not necessarily better

April 8th 2025



OVER FIFTY years ago, the existence of government records on magnetic tape brought down a president. In 1971 the secret service installed Sony open-reel tape recorders throughout the White House, to guarantee that Richard Nixon's presidency would be "the best chronicled" in American history. Three years later the Supreme Court unanimously agreed that the tapes of 42 conversations had to be handed over to Congress, after Nixon himself had refused. His failure to co-operate was one part of the articles of impeachment prepared against him. The contents of one tape, the so-called "smoking gun", showing Nixon's attempt to cover-up the Watergate scandal, led to his resignation.

Half a century later, despite the invention of solid-state hard drives, magnetic tape remains surprisingly well-used in government. NASA uses it to back up vast amounts of data recorded by its satellites. The IRS stores lots of its records of taxpayers on tape too. The National Archives store vast amounts of it. Yet for how much longer? On April 7th the Department of Government Efficiency (DOGE) tweeted that it had saved $1m by converting 14,000 records on tape at the General Services Administration to "permanent modern digital records." Tape, they noted, was "70-year-old" technology.

The tweet has sparked a modest outcry among government technologists. Updating old records to more accessible media is within DOGE's efficiency remit. And tape is certainly old-fashioned. Unlike say, a hard disk, data on tape has to be read sequentially, which means reaching a specific detail is slow. It requires specialist storage and equipment to read. But there are also good reasons to carry on using tape. Stored properly, tapes last longer than hard-disk drives. They are secure from hacking. Once something is backed up on tape, it does not require any power to maintain.

Even with advances in solid-state storage, tape remains the cheapest way to store vast amounts of data, typically in robotic tape libraries, which have advanced considerably too. According to the European Organisation for Nuclear Research, known by its French initials CERN, tape storage works out at three to five times cheaper than disk drives, and solid state storage—the sort used by mobile phones and laptops—is ten times more expensive than that again. That may explain why Google is also one of the world's biggest purchasers of modern tape libraries.

In fact generative AI is sparking a new boom in digital-tape storage. In 2023 tape manufacturers shipped 153 exabytes—that is, 153bn gigabytes—of tape storage, a record. Chris Whitaker, of the Alliance for Civic Technologists, an association of government tech workers, notes that federal laws require the government to store a lot of records for a long time. Exactly what records DOGE is transferring is not clear. But on this point, DOGE's reputation explains the fear: compliance with the law has hardly been the group's strong point. It seems to have learned that lesson from Nixon. ■

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United States | Failing the test

Texas looks set to pass America's biggest school-voucher scheme

Evidence from other states suggests pupils will do worse as a result

April 6th 2025



GREG ABBOTT was playing retribution politics before it was cool. Two years ago the governor of Texas named his top policy priority: a sprawling school-voucher bill that would give parents $10,000 each year if they sent their children to private schools, opting out of the public system. He wants choice "not just for millionaires" but for the state's nearly 6m schoolchildren, one of every nine in America. But after failing to get his bill passed he went on the attack and backed primary challenges to Republicans who had voted against it, knocking most of them out of the legislature. Now Austin's politicos are betting vouchers will pass. On April 3rd the bill made it out of committee. Mr Abbott is planning a "Texas-sized party" to celebrate its becoming law.

The governor's push reflects how the Republican Party has become fixated on school vouchers despite scant evidence that they improve student performance. Vouchers' proponents—a mix of politicians, disciples of Milton Friedman and religious activists—want parents to be freed to yank their children out of "woke" classrooms that Mr Abbott says are teaching youngsters to cuss and question their gender. In theory vouchers turn education into a marketplace, rewarding good schools and punishing bad ones. In practice it hasn't worked like that in America so far. Research shows that such reforms lead to poor academic outcomes. Fifteen states have passed universal voucher programmes. Early studies of single cities looked promising. But over time statewide analyses showed that on average pupils do worse under voucher systems.

In Louisiana, voucher-carrying students saw their maths test scores fall dramatically within a year and were 50% more likely to fail than those who stayed in public schools. The evidence on whether public schools improved is mixed; in some places, like Indiana, students who stayed in them also slumped. The rare study that shows vouchers to be a boon tends to have been questionably designed: higher college enrolment among early adopters of Florida's scheme can probably be attributed to the participation of better students.

Private schools can choose whether to take vouchers. It tends to be the shoddier ones in lower demand that do. An analysis by *HuffPost* found that 75% of America's voucher-taking schools are religious. Moreover, the primary users of vouchers are children who already go to private schools. "That can't possibly be a good use of public funds from a cost-benefit perspective," says Sarah Cohodes of the University of Michigan.

Yet four states besides Texas are pushing for voucher programmes this year and measures have already passed in three. The policy's contagiousness shows how fed up Republicans are with government-run schools, a sentiment turbocharged by school closings when covid-19 was spreading, a policy that set back learning. In an executive order Donald Trump commanded his education secretary to help states gain access to federal funds for more "education freedom" programmes.

What works better than vouchers? Charter schools once attracted choice-hungry Republicans. Charters sit in the twilight zone between public and private: government funded, but run by non-profits. Several academic studies have found that charters perform decently relative to public schools overall. They can do wonders in urban areas. New Orleans revamped its education system after Hurricane Katrina by firing all its teachers, allowing union contracts to expire and replacing every public school with a charter. Douglas Harris, an economist at Tulane University, found that after the switch students' test scores soared, as did rates of high-school graduation, college entry and college graduation. The results have persisted for a decade and a half. Mr Harris attributes the success to a ruthlessly competitive process: non-profits that failed had their contracts revoked, leaving only the best in business. It was the combination of strict government oversight—something Mr Abbott rails against in Texas—and market forces that made this possible.

Yet just when the evidence that charter schools worked started to coalesce, Republicans turned away from them. Betsy DeVos, the secretary of education during Mr Trump's first term, was a vouchers crusader. Simultaneously, polarising politics and powerful teachers' unions led Democrats, especially black lawmakers from cities who had once fought for charter schools, to back away from them too.

The American Legislative Exchange Council, a conservative group that writes model legislation, still officially supports charter schools. But the premier bill it is promoting creates a universal voucher system like the one planned in Texas. If Mr Abbott has his way the state will use a state surplus to pay for vouchers—money that could instead support underfunded public and charter schools.

A small bipartisan cadre of lawmakers in Austin is quietly considering ways to put the issue to voters in a referendum in November. Mr Abbott has proven that his wrath can control lawmakers, but voters may think for themselves. In 2024 voters in three states, including deep-red Kentucky, rejected school choice on the ballot. But Texas law requires a two-thirds vote in the legislature to send a bill to the people. James Talarico, a Democrat on the state's House education committee, says some Republican

co-authors of the bill have told him privately that they know vouchers are a bad idea. They say they simply cannot risk crossing the governor. ■

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United States | Lexington

The art of the delay

Donald Trump pauses some of the pain, but not the chaos

April 9th 2025



Who knows what "Liberation Day" may eventually signify in the history books: the end of the post-war trading regime, the acceleration of automated manufacturing in America, the most costly bargaining ploy in history, all of the preceding or maybe something else entirely. To Donald Trump himself, the term used to have a more frivolous meaning, if not a more innocent one. One spring morning in the mid-1990s, Mr Trump telephoned a consultant to his company with a gleeful announcement: "Today is Liberation Day." Later, as the two walked to lunch at the Plaza Hotel, Mr Trump was "gawking at the many jacketless women along the way", Maggie Haberman reports in her biography of Mr Trump, "Confidence Man". "To him," she writes, "the term had a very specific meaning: it was the first warm spring day, when women stopped wearing coats and 'liberated' their upper bodies."

What a confounding fellow this Donald Trump is. He can seem the most ridiculous person in the world at the same moment he seems the most important one in generations. Thin-skinned though Mr Trump is, obsessed with his perceived victimhood, his seemingly granite disregard for accusations of incompetence, dishonesty, corruption, cruelty and hypocrisy has managed up until now to blunt them regardless of their truth, to somehow deny them much political force or even common-sense significance.

Did it outrage you, please you or just make you sort of tired, after all these years of Mr Trump's immunity to shame, to learn that on April 3rd as markets crashed, the day after he made his tariff threats, the president was at the Trump National Doral Golf Club, promoting a Saudi-backed golf league that benefits him financially? ("I don't think I'd ever see Doral again," Mr Trump said back when he was running for president in 2016, as he excoriated President Barack Obama for playing golf in office.) Then he spent the next day, a Friday, golfing at another Trump course in Florida, rather than attending a ceremony at Dover Air Force Base to receive the remains of soldiers killed in an accident in Lithuania.

Democrats ridiculed him, as did some in the press. Then with kingly disregard the White House courted more outrage by issuing a statement on Saturday saying Mr Trump had won his golf match and would move on to the championship round. Maybe he really did not care about the trillions in market value he had vaporised. More likely, he wanted to golf, and he also believed that advertising nonchalance about the turmoil would fortify his hand in trade negotiations to come. The indifference, for Mr Trump, is the point. It is a way he projects strength, the quality he prizes most.

Mr Trump notoriously once claimed, while speaking at a Christian college in Iowa, that he could shoot somebody on Fifth Avenue and not lose any voters. In taking the global economy hostage and threatening to throttle it, he has come closer than ever to testing that proposition. His own top aides appeared not to know what his demands were. Some said the president wanted to negotiate, and others that he would not. Characteristically, the president himself said on April 7th that the answer to whether tariffs were permanent or subject to negotiation was: both.

The conflicting messages brought the Trump administration another hail of criticism, to which the response was another public shrug. For Mr Trump, chaos is a source of leverage, a way to keep his options open and his adversaries guessing. So is the question of what he truly believes—whether the issue is abortion, entitlements or even, when it comes to trade, to what extent tariffs are his means or his end. While he may be committed to the new 10% baseline tariff, having promised a universal tariff of up to 20% during his campaign, the shambolic "reciprocal" tariffs clearly came into existence, intensifying instability worldwide, in order to be bargained away. "This is not a negotiation," Peter Navarro, Mr Trump's senior counsellor for trade and manufacturing, wrote in an article published earlier on April 7th in the *Financial Times*. "It is a national emergency." By then Mr Navarro was a step behind; an anonymous White House aide told *Politico* the piece had been written some time before, "when that was the message". Two days later, on April 9th, Mr Trump stood down from his bluff entirely by ordering his "PAUSE".

As he golfed, Mr Trump was doubtless relishing being the focus of a planetary guessing game. He may also have been betting that a stockmarket rebound would greet his eventual pause—and that his opposition would then be undermined by being retroactively judged as overreacting in the days before. This is an old game for him. Besides past tariff threats, the clearest precedent might be his threats during his first term to "totally destroy" North Korea with "fire and fury", a gambit that led to futile negotiations. Mr Trump is running the same playbook now with Iran.

A deal to end all deals

There is a quality of courage in Mr Trump's leadership that Democrats have ignored, or mocked, at their peril. But he has probably overplayed his hand. Governments are pounding on the White House door to offer concessions Mr Trump can trumpet as victories. But some will have noticed, as Mexico and Canada have learned (but some American universities and law firms have not), that to make concessions to Mr Trump today is to invite more demands in the future. To threaten countermeasures of their own, as Mexico and Canada have also learned, is to inhibit if not deter him. China, which has studied Mr Trump closely, has said it will "fight to the end" in this trade war.

America can cause any other nation more economic pain than it can be caused in return. But Mr Trump's own threshold for pain is not as high as he pretends. His pose of indifference has empowered him but never made him popular, and self-assurance will look more and more like arrogance in a time of slowing growth and rising inflation. ■

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The Americas

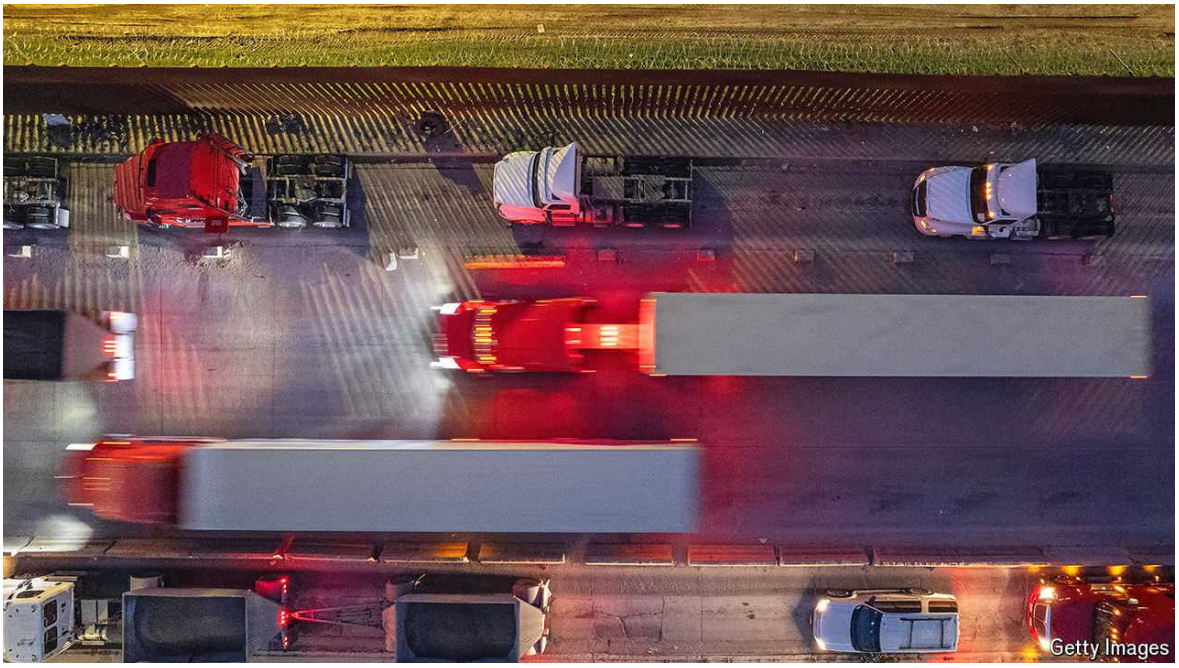
- Can Mexico make hay after avoiding the reciprocal-tariff tantrum?
- Negotiators must prepare for a chaotic COP in Brazil
- The green promises of Colombia’s president ring ever more hollow

The Americas | The neighbour less beggared

Can Mexico make hay after avoiding the reciprocal-tariff tantrum?

It may struggle to do so

April 10th 2025



WhILE the tariffs announced on April 2nd were met with panic and consternation around the world, Mexico celebrated. Along with Canada, it was exempted from sweeping "reciprocal" tariffs imposed by the United States. President Claudia Sheinbaum hailed the escape as "good for the country". The Mexican peso rose, as did the country's stockmarket.

The comparatively gentle treatment by President Donald Trump brought comparative advantage. Even when, on April 9th, Mr Trump paused most of those reciprocal tariffs at a baseline rate of 10%, again Mexico was exempt: the advantage endured.

The United States is Mexico's key trading partner, receiving more than 80% of Mexican exports—equivalent to just under 30% of Mexico's GDP. This is a larger share than any other emerging market's. Although Mexico is still vulnerable to Mr Trump's fickle policymaking, for the time being it has an opportunity to seize.

Mr Trump's first trade war with China, and then the pandemic, spurred firms to reduce their reliance on suppliers in China. While Mexico attracted some of that business, other countries, notably Vietnam, gained more. But with Vietnam now swept up in the reciprocal-tariff whiplash, many investors who chose it are rueing their decisions. Mexico, by contrast, looks more appealing than ever.

Today 49% of Mexican exports travel under the rules-of-origin requirements of the United States-Mexico-Canada Agreement (USMCA), and continue to enjoy tariff-free access. The rest is subject to a 25% tariff that Mr Trump announced in February. However, this could be reduced to 12% if Mexico were to satisfy (nebulous) criteria on slowing illegal flows of migrants and fentanyl. Moreover, officials and analysts reckon a further 41% of Mexico's exports probably meet USMCA'S rules, but previously did not bother to provide evidence because they could get in tariff-free under the general guidelines. "It's a door that's relatively easy to open," says Ana Gutiérrez of IMCO, a think-tank in Mexico City.



The Economist

But a big exception to the tariff-free regime for goods that are compliant with USMCA is finished automobiles, for which Mr Trump has imposed a 25% tariff on non-US content. Today cars and lorries make up around 20% of USMCA trade, and the same tariff will apply to auto parts once a mechanism is agreed. The American levy on steel and aluminium has a smaller impact. All told, the effective tariff rate on Mexican exports is 5-8%.

That comes at a tricky time for Mexico's economy. It contracted in the final quarter of 2024 and is expected to shrink again in the first quarter of 2025, putting the country into recession. JPMorgan Chase, a bank, revised its 2025 growth forecast from 0.4% expansion to a 0.2% contraction.

Mexican officials will continue to lobby in Washington, angling to reduce tariffs and cement Mexico's trade advantage, while Ms Sheinbaum will try to strengthen the economy at home. On April 3rd she unveiled 18 new measures under Plan Mexico, her flagship economic-development initiative to reduce foreign dependence. They include proposals to increase self-sufficiency in food and energy and boost domestic production in strategic sectors from cars to semiconductors. But Ms Sheinbaum has little budget headroom. Many wonder how the government will afford the investments outlined in this plan.

Foreign investors will also remain cautious, says Pedro Casas of the American Chamber of Commerce in Mexico City. “We may be the initial winners but this is a marathon, not a sprint,” he says. Volatility is the enemy of investment: some companies such as Stellantis, a carmaker, have already paused some production in Mexico. And structural issues at home including weak rule of law, shoddy infrastructure and an upcoming judicial overhaul may hold back investment.

Mexico must also be careful to avoid becoming a backdoor into the American market. After Mr Trump’s first-term tariffs, Chinese firms were quick to shift production to Mexico in order to take advantage of USMCA access. That prompted bipartisan pushback in Washington. Mexico is now setting up an investment-screening body designed to block deals that could irritate Mr Trump.

For all the talk of USMCA having survived the tariff torrent somewhat intact, it is by no means out of the woods. Mr Trump wants to use a review of the agreement, scheduled for 2026, to bend it further in the United States’ favour. The escape for Mexico and Canada from the most recent round of levies “isn’t about Trump recognising Mexico as a partner”, says Diego Marroquín, a trade analyst. “It’s because of the interdependence we’ve built.” That is to say, the very interdependence that Mr Trump seeks to undo. ■

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The Americas | Amazon deliverance?

Negotiators must prepare for a chaotic COP in Brazil

The climate meeting will be hot, humid and uncomfortable. That might help

April 9th 2025



Belém is a ragged town in the Brazilian Amazon that is hot, dotted with open sewers and short of hotel beds. Some 40% of its houses are not connected to a sewerage system. And in November it will host COP30, this year's UN climate summit, which is sure to be chaotic. President Donald Trump has pulled the United States out of the Paris agreement, under which countries vowed to try to limit global warming to 1.5°C above pre-industrial levels. That threatening threshold was crossed last year, making climate talks look even more futile. And this will be the first COP in three years not held in an autocratic petro-state. Brazil is a democracy with many vibrant and often rowdy charities and civil-society organisations.

More than most places, the Amazon region shows the awkward trade-offs that must be made between economic growth and environmental protection. That could help sharpen negotiations, which this year will focus on raising cash to help poor countries adapt to climate change.

The previous three COPs have taken place in Sharm el-Sheikh, Dubai and Baku —and had begun to resemble resort holidays. Cocktail parties proliferated and visitor numbers swelled to more than 50,000. Belém will be different. The town of 1.3m inhabitants has enough hotel beds for only 18,000 visitors. Another 5,000 are expected to stay in cruise ships that will be anchored at a nearby port. Public schools and military barracks are being kitted out with air-conditioning and bunk beds to become "hostels". What are normally "love motels" will also be an option. The local government has partnered with rental platforms such as Airbnb to make more places available. Many residents just want to make a quick buck: on Airbnb, one shoddy room is listed for almost $10,000 a day during the weeks of the summit.

Despite such hiccups, Adler Silveira, the infrastructure secretary of Pará, the state of which Belém is the capital, says that reforms to prepare for the COP will leave a positive legacy. Josiele Alves de Castro, a resident of Canudos, a poor neighbourhood, says the stinking stream in front of her house used to overflow in the rainy season; her road is now paved and has proper drainage. Not far away a 400-year-old open-air market will finally receive a sanitation system.

Yet the race to get Belém ready also shows the contradictions of building in the Amazon. A 13km (eight-mile) stretch of pristine forest has been felled to make way for a motorway to alleviate inbound traffic. Some infrastructure projects have required rivers and sewage canals to be dredged and filled with concrete. Lucas Nassar of the Laboratório da Cidade, a local charity, says this will create problems later. "Belém could have constructed a new repertoire of building solutions" for tropical cities, he says. Instead, hosting the COP "was a wasted opportunity".

Again, such frustrations demonstrate the vexing tensions at the heart of discussions over climate change, which pit economic growth against sustainability. Pará is very poor: the average income per person is around $220 per month. And it has been the site of more conflicts over land than

any other Brazilian state. Since 1988, when records on deforestation began, a chunk of rainforest larger than Florida has been razed there.

Vale owns the world's largest iron-ore mine, which is in Pará, and has been held responsible for some of Brazil's largest environmental disasters, including one in 2019 when toxic sludge broke a dam and poured over a village, killing 270 people. Yet its logo adorns the outfits of construction workers building COP sites.

President Luiz Inácio Lula da Silva, known as Lula, and Helder Barbalho, the governor of Pará, have tried to create alternatives to farming and mining in the region. Both have promoted the development of a carbon-credit market, attracted investments in clean energy and touted the potential of the "bio-economy", in which products from the rainforest are used to make materials and energy. Lula has reduced deforestation in the Amazon and raised the share of biofuels mandated in diesel and gasoline blends.

Slippery subject

Yet the limits of such actions are clear. Lula is pressing the environmental regulator to approve a licence for Petrobras, the state oil firm, to drill near the Amazon. Last year oil overtook soyabeans as Brazil's top export and the country is on track to become the world's fifth-largest oil producer by 2030. On February 18th Brazil joined OPEC+, a group of oil-exporting nations.

For his part, Mr Barbalho's assets include over 6,000 head of cattle as well as shares in agribusiness firms, worth a combined $3m, according to Sumaúma, a Brazilian investigative news site. A clutch of his relatives are politicians, including his father, a senator, and his wife, who sits on the council that is charged with auditing Pará's finances. Powerful family links are not unusual in Brazil's Amazonian states, but can make accountability harder, including on environmental issues.

For hard-knuckled climate campaigners, Belém's logistical challenges and environmental inconsistencies are invigorating. "The last few COPs have been a circus," says one veteran negotiator. Arguing the case in a place where poverty is encouraging deforestation may provide the urgency needed to get things done. ■

For more coverage of climate change, sign up for the Climate Issue, our fortnightly subscriber-only newsletter, or visit our climate-change hub.

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The Americas | Carbon contradictions

The green promises of Colombia's president ring ever more hollow

Costly imported gas? Sure! Big gas discovery? Great!

April 10th 2025



TO LOOK AT the Cupiagua gas plant in the Andean foothills of Colombia's north-east is to be struck by its size. Tubes, tanks and towers form tortuous mazes dedicated to processing natural gas from underground reservoirs—enough to supply about 12m households. But the dials tell a revealing tale. The gaseous bounty is thinning, and making up the shortfall is messing up President Gustavo Petro's ostensibly green agenda.

In his vocal war on fossil fuels Mr Petro made Colombia the first major oil-producing country to halt new oil-and-gas-exploration licences, and is pushing a ban on fracking through Congress. But he has conceded (quietly)

that natural gas should get a pass during a green transition, and has insisted that Colombia has plenty of it.

But reserves have shrunk by 58% since 2012. Last year, for the first time in nearly half a century, the country had to import gas for homes and industry. “We’re making the effort to extract the last bit,” says Francy Edith Ramírez Arroyave, the gas-production boss at Ecopetrol, the state-owned oil-and-gas giant. “We’re scraping the pot.”

With Mr Petro’s bans, the hunt for new pots will slow. So the story Mr Petro has been telling has shifted to one of imports. His first big big bet was to attempt a rapprochement with neighbouring Venezuela and then strike cheap-gas deals. But the pipeline between the two countries was dilapidated, the United States put sanctions on Venezuela, and more recently President Donald Trump has tacked a 25% tariff on buyers of Venezuelan petroleum. So Mr Petro is looking farther afield.

Here the greenery fades even faster. Shipping gas involves far higher costs, both monetary and environmental. Liquefying gas near its source and transporting it can triple the price and raise emissions by an estimated 50% compared with local stuff. Last month Mr Petro triumphantly revealed his next source: Qatar. This is likely to mark a rise in both price and emissions compared with current imports, mostly from the United States.

Perhaps the sharpest of contradictions came in December. With glee Mr Petro’s government confirmed the discovery, under an existing exploration licence, of the country’s largest-ever gasfield—one that could triple domestic reserves.

As the cracks in his plans and his reasoning have become clearer, Mr Petro has sought to shift the blame and the focus, often during dramatic televised cabinet meetings. On April 7th he used misleading price figures and specious arguments against Ricardo Roa, the boss of Ecopetrol. That firm is still building the kit needed to import liquefied gas, which leaves SPEC, a private company, with a de facto monopoly on imports.

That could matter less when the new Caribbean gasfield comes online in 2029. And for his part Mr Roa is bullish. He told *The Economist* that

government policy had not changed what he called Ecopetrol's aggressive exploration strategy. "It hasn't affected anything," he says. ■

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Asia

- Xi Jinping may try to woo the victims of Donald Trump’s tariffs
- Japan faces a reckoning over rice
- South Korea’s democracy has passed one big test
- Where new talks between Donald Trump and Kim Jong Un might go

Asia | Asia reels—will China pounce?

Xi Jinping may try to woo the victims of Donald Trump's tariffs

America's chaos is a chance for China to wield influence in the region

April 10th 2025



Cambodians awoke on April 3rd to learn that their exports to America would face tariffs of 49%. As they took in the news, experts warned that the country's garment industry, which accounts for more than half of export revenues and sells most of its wares into America, would be devastated. While President Donald Trump delayed enforcement of the 49% rate on April 9th, it could yet come back.

So it came as some solace to Cambodians that China's president, Xi Jinping, will arrive in Cambodia on April 17th. Though planned months in advance, the visit is shaping up as a much-needed boost to the developing country's morale. "We are a small state, punished by the US," says one Cambodian

official. “And now Xi Jinping, as the leader of the second-largest economy, comes to us. So that helps to build our confidence. It is very emotional.”

South-East Asia was among the hardest-hit regions on Mr Trump’s poster-board in the White House Rose Garden on April 2nd. In addition to Cambodia, Vietnam is looking at 46% tariffs, Thailand 36%, Indonesia 32% and the Philippines 17%. Malaysian goods would receive a 24% levy, but the country benefits from an exemption for semiconductors, its leading export to America. After Mr Trump’s walk-back, rates for the region (as for most of the world) will now be set at 10% for 90 days.

Even Singapore received the baseline 10% tariff. This is despite the fact the city-state imposes no tariffs on America—indeed, it runs a trade deficit with America. Lawrence Wong, Singapore’s prime minister, delivered a statement to parliament on April 8th in which he declared the era of “rules-based globalisation and free trade” over, adding that America had “rejected the very system that it had created”.

Mr Xi’s visit to the region, then, might seem to be well timed to make hay out of his adversary’s mistake. He will first land in Vietnam on April 14th, where he is expected to announce a series of investments in infrastructure and higher-end manufacturing. He will then travel to Malaysia, where more such announcements are planned. Cambodia will be his final stop.

Diplomatic dance

But no country in South-East Asia, least of all Mr Xi’s three hosts, has given up yet on its relationship with America. In fact, they reacted to Mr Trump’s announcement with a sangfroid lacking in other parts of the world, treating it as the beginning of a negotiation and forgoing retaliatory tariffs.

Vietnam’s leader, To Lam, was among the first to call to Mr Trump after the tariffs were announced. He has offered to cut Vietnam’s tariffs on American goods to zero, and sent a negotiator to Washington. Cambodia’s prime minister has likewise offered to cut rates. Malaysia is sending a delegation to pitch a deal on supply chains and critical minerals. The region’s pragmatism now looks smart, with Mr Trump inviting negotiations and only punishing the countries that hit back.

The truth is that South-East Asia has little choice. No country in the region has the leverage of China or the European Union, which would give it a chance of a meaningful retaliation against America. Malaysia, the chair of the Association of South-East Asian Nations (ASEAN), has tried to cobble together a regional response. But few analysts give ASEAN much hope. Its members' economies are very different, and it will be tricky to reconcile their interests in negotiations.

Though some fear that the threat of tariffs will drive South-East Asia closer to China, as yet there are few signs of such a shift. Those ASEAN countries with the closest security relationships with America (such as the Philippines, Thailand and Singapore) have not sought to link them to trade—if they were to try, it might well might backfire, given Mr Trump's tendency towards isolationism. And though ties between China's armed forces and those of Vietnam and Cambodia are close, Mr Xi is not expected to sign any new security deals on his tour of the region.

Hedging against a hegemon

Moreover, American tariffs complicate China's relationship with South-East Asia. Officials fear that Chinese goods otherwise bound for America will now be dumped into their own markets. The region was already suffering from a glut of Chinese goods, which is now expected to increase. These will undermine demand for South-East Asian products, and, along with the accompanying blow to global demand, could lead to deflation. One Malaysian official calls this the "second-level trade war"—not between America and Asia, but among the Asian victims of Mr Trump's tariffs. If ASEAN, which has a free-trade agreement with China, puts up barriers to Chinese exports in response, it will strain the region's ties with the Asian giant.

Indeed, Mr Xi's trip may be poorly timed. His hosts are wary of seeming too close to China just as they open negotiations with Mr Trump, and anxious about a flood of Chinese goods diverting domestic demand away from their own manufactures. Long-planned deals will go ahead, but diplomats do not expect any breakthroughs. That is not to suggest that America is in a position to reap geopolitical benefits from Mr Trump's tariffs. Even if South-

East Asian governments can secure one-off deals with the American president, the hit to global demand will shake economies around the region. Uncertainty over whether Mr Trump will put tariffs back in place or capriciously adjust their levels will leave investors reluctant to back new business in the region.

It is a stark contrast with Mr Xi's visit. Unlike America, where policy swings wildly from day to day, rattling markets, Mr Xi is executing a decades-long strategy to slowly bind South-East Asia's economy more tightly to China's. It is a plan that carries risks for South-East Asia. But at least it is one the region can count on. ■

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Asia | A sticky situation

Japan faces a reckoning over rice

A crisis over its staple reveals cracks in the country's food system

April 10th 2025



A RECENT FARMERS' protest in central Tokyo created an unusual spectacle in a district better known for stylish cafés and luxury boutiques. Dozens of tractors rumbled through the streets, accompanied by thousands of demonstrators. Many of them were rice farmers in jumpsuits and rubber boots, carrying placards declaring "Farmers are a national treasure" or "NO RICE NO LIFE". A combination of factors, such as ageing and poor incomes, have pushed many out of farming, says Kanno Yoshihide, a farmer who organised the protest (which was dubbed *Reiwa no hyakusho ikki*—or, a modern-day peasant revolt). "It's the first time we take to the streets at such scale," says Mr Kanno.

The protest comes on the back of broader anxieties about Japan's most sacred staple. Last year shoppers looking to buy rice faced empty shelves. Rice is now available, but prices remain high: in March the cost in Tokyo jumped by nearly 90% from a year earlier, the steepest rise for half a century. The government recently started releasing 210,000 tonnes of its emergency rice reserves in an unprecedented move to lower prices.

With weak opposition parties, the ruling Liberal Democratic Party is unlikely to be unseated—but mounting frustration among both consumers and rural voters could still weigh on the party as elections loom. The episode has revealed cracks in the country's food system, which has left it vulnerable to climate risks.

The original cause of the shortage was the blistering heat in the summer of 2023, which damaged crops. Because rice is harvested once a year, stored and then distributed gradually, the impact has lingered. Meanwhile demand spiked, explains Ogawa Masayuki, an agricultural economist. Rising prices for imported staples such as wheat—driven in part by the war in Ukraine—made rice a cheaper alternative. Restaurants, buoyed by the return of tourists, stocked up. And some households began hoarding in response to warnings about a possible mega-earthquake last year. "Customers panicked after seeing headlines about shortages," says Akizawa Marie, who runs a rice shop in Tokyo.

But the continuing crisis has also highlighted deeper structural problems. For decades, Japan has quietly restricted rice production under a policy known as *gentan seisaku*, which was introduced in the 1970s. As rice consumption began to decline, driven by changing diets, the government moved to prevent oversupply. Farmers were paid to plant less, in order to stabilise prices. Though officially scrapped in 2018, the policy lives on through subsidies steering farmers away from rice towards alternatives such as soyabeans and animal feed. This has created a market with little room for manoeuvre, where small hiccups trigger serious disruption, says Honma Masayoshi of the Asian Growth Research Institute, a think-tank in Japan.

Each rice crisis has brought policy shifts—the previous one in 1993 led to market liberalisation as well as the creation of an emergency stockpile system. More recently, geopolitical tensions have renewed the debate over

food security and how to raise Japan's low food self-sufficiency rate, which stood at just 38% in 2023, far below Germany's 83%. The country's rice and agriculture policy "is at a turning-point", says Mr Ogawa. The government has pledged to increase rice exports seven-fold by 2030 from around 46,000 tonnes in 2024. It is betting that overseas demand can boost production, without oversupplying the domestic market and crashing the price.

But the farmers at the protest still ask: who will be left to farm? Last year, a record number of farmers went bankrupt or shut down, according to Teikoku Data Bank, a research outfit. Among them, more than 60% were in their 70s or older. Policymakers often promote consolidation and large-scale production as a solution.

Suzuki Nobuhiro of the University of Tokyo points out that much of Japan's farmland is mountainous and fragmented, making it difficult to scale up efficiently. He instead calls for better protection of small farmers; many of them have not benefited from the current price rises, having already sold their rice to agricultural co-operatives at pre-determined prices long ago. "The current situation is unsustainable—more people will continue to leave the industry," says Tenmyo Nobuhiro, a rice farmer in northern Japan. "In the end, it's the consumers who pay the price." ■

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Asia | Democracy rising

South Korea’s democracy has passed one big test

But it faces several more

April 10th 2025



SOUTH KOREA’S presidential seal features two phoenixes, each symbolising leadership, righteousness and wisdom. After the country’s constitutional court ruled on April 4th to officially oust Yoon Suk Yeol for his short-lived attempt to impose martial law in early December, the phoenix flag came down from above the president’s office. The court’s righteous decision ensures that Mr Yoon will not lead again—he has been barred from higher office and faces criminal charges of insurrection. South Korean voters will have a chance to demonstrate their wisdom in new presidential elections, which are schedule to take place on June 3rd.

The next president will inherit a mess. The trial and the election are unlikely to heal the divisions that Mr Yoon has inflamed. Months of uncertainty have

battered South Korea's economy. Without clear leadership, South Korea has struggled to build ties with the administration of President Donald Trump, who has imposed tariffs of 10% on the country for 90 days, which could rise to 25%.

Still, South Koreans can feel relief that their democratic institutions survived Mr Yoon's assault. Though the constitutional court's decision took longer than in two previous presidential impeachment cases, it was unanimous. Some 14,000 police filled the streets ahead of the ruling, fearing clashes between warring camps, but the demonstrations passed off peacefully. Mr Yoon's People Power Party (PPP) accepted the court's authority and called on its supporters to do the same. "We have restored constitutional order through democratic means, showcasing to the world the resilience of our democracy," said Woo Won-shik, the speaker of the National Assembly and a member of the opposition Democratic Party (DP).

But the past four months have also laid bare the weaknesses of the country's democracy. South Korean society has long been polarised, with the big parties divided over their visions of South Korea's past and its future direction.

A post-coup era

Mr Yoon's failed coup has deepened those divisions. Progressives have always relied on mass mobilisation. But right-wingers have learned to do so too, having absorbed bitter lessons from the aftermath of the impeachment of Park Guen-hye, another conservative president, in 2017. The progressive government of Moon Jae-in that followed pursued vengeance. "The right took the lesson that unless they fight back, they may face the same fate," says Shin Gi-wook of Stanford University.

Those divisions will shape the forthcoming presidential campaign. Lee Jae-myung, the leader of the DP, is the front-runner. On March 26th an appeals court overturned an earlier conviction against him for election-law violations, removing a big obstacle to his candidacy. The conservatives have yet to coalesce around a single standard-bearer. Kim Moon-soo, the labour minister under Mr Yoon, has declared his candidacy and in polls leads other

prospective party nominees; more than a dozen others may join the primary process.

The next president will have to move swiftly to stabilise South Korea's relations with America. The alliance between the two has fallen into "a quiet crisis…that neither side will admit to", writes Victor Cha of the Centre for Strategic and International Studies, an American think-tank. Pete Hegseth, America's defence secretary, skipped South Korea on a recent tour of East Asia. Han Duck-soo, South Korea's acting president, spoke briefly with Mr Trump about the new tariffs on April 8th, the first leader-level contact between the two governments since Mr Trump's inauguration. (Mr Han was himself reinstated as acting president on March 24th after the constitutional court overturned his impeachment by the National Assembly.) Mr Trump may soon resume diplomacy with North Korea.

The situation at home is challenging, too. Even before the tariffs, the economy had struggled over the past few months: GDP grew by just 0.1% in the final quarter of 2024 compared with the previous quarter. Production is slowing, business sentiment is weakening and consumption is sluggish. Calls are growing for changes to the constitutional powers of the presidency. Mr Woo has proposed holding a national referendum on reform alongside the presidential vote.

The next president will have to find a way to move South Korea forward. Even as Mr Yoon leaves the presidential residence, he will remain in the spotlight: the charge of insurrection carries a potential sentence of life imprisonment or even the death penalty. His trial will begin on April 14th. Others who were implicated in the plot could face charges, too. Much will depend on how South Korea's new leader balances the need for accountability with that for healing. Or as Mr Shin puts it: "Will he go for reconciliation or revenge?" ■

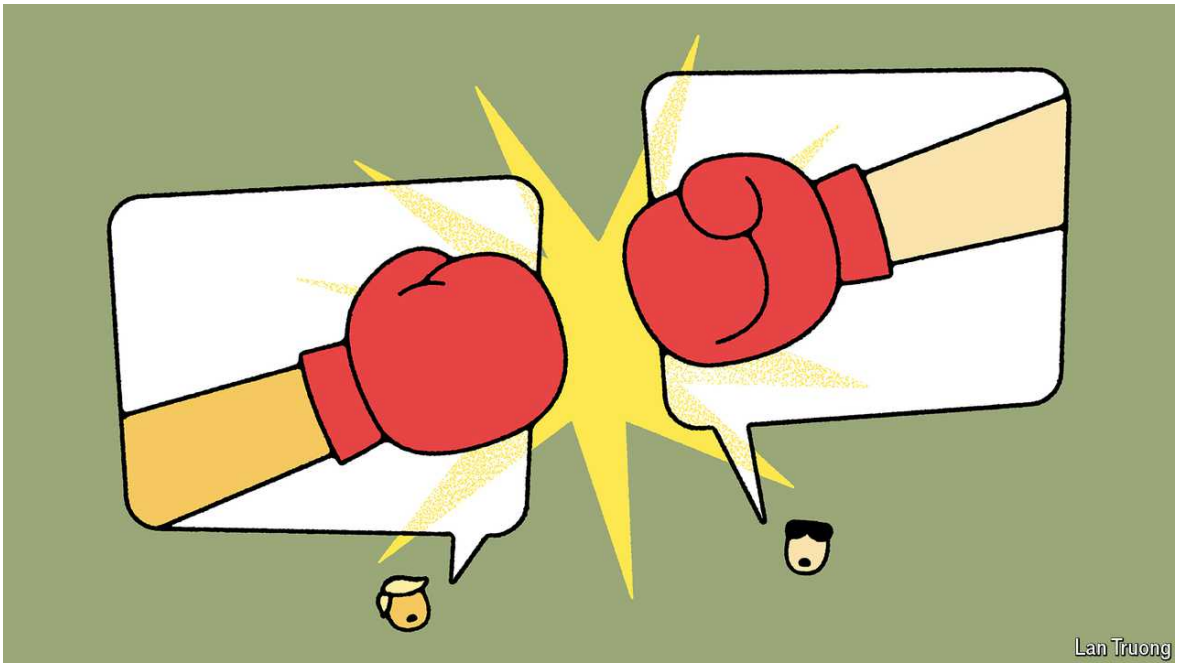
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Asia | Banyan

Where new talks between Donald Trump and Kim Jong Un might go

A crisis is more likely than a genuine breakthrough

April 10th 2025



SEATED BEHIND the Resolute desk, Donald Trump mused on March 31st about everything from ticket touting to a possible third term as president. The musician Kid Rock, an old friend, stood beside him in a bejewelled American flag-themed outfit. It would have been easy to miss Mr Trump's remarks about another pal: Kim Jong Un, North Korea's dictator. "I got along with him fantastically," he said. "A very smart guy."

Mr Trump has thus far focused his diplomatic efforts on Ukraine and the Middle East. But North Korea looms as unfinished business from his first term. "There is communication," Mr Trump said. "We'll probably do

something at some point." A fresh approach to North Korea is urgently needed. But an ill-considered one risks causing a broader crisis in East Asia.

Mr Trump and Mr Kim have met three times before. Their initial summit in Singapore in the summer of 2018 marked the first ever meeting between the leaders of America and North Korea. But the follow-up meeting in Hanoi the next spring fell apart spectacularly. A final rendezvous in the demilitarised zone between North and South Korea produced striking imagery, but no progress. A North Korean diplomat who recently defected says one of the senior officials who organised the talks was jailed and another one executed.

Why did the Hanoi summit collapse? The two leaders came with misaligned expectations. Mr Kim offered the shutdown of his primary nuclear-weapons development facility, Yongbyon, in exchange for sanctions relief; Mr Trump insisted on complete disarmament. Both men thought they could resolve differences through sheer force of personality, and eschewed working-level preparations. Moon Jae-in, then South Korea's president, also fuelled Mr Kim's belief that Mr Trump would accept a limited offer. Mr Trump may have been willing, but senior officials in his administration opposed it. "We weren't able to go all the way to the top of the mountain, but we saw it," Mr Moon, an advocate of engagement with the North, wrote in his memoirs.

The road up the mountain looks different this time. Mr Kim starts in a stronger position. North Korea has a far larger nuclear arsenal than it did in 2018; it tested more missiles in the three years from 2022-24 than in the three decades preceding Mr Trump's and Mr Kim's first meeting. Russia's invasion of Ukraine, which relinquished its share of the Soviet nuclear arsenal in exchange for vague security guarantees in 1994, will have only strengthened Mr Kim's determination to hang on to his nukes. That war has led to a partnership with Russia that is helping Mr Kim weather American-led sanctions.

Mr Trump, for his part, will be freer to carve his own path. Gone are aides like John Bolton, a former national security adviser, who sought to guide the president down more conventional trails. Allies in the region will have less say this time: South Korea is mired in a political crisis following the impeachment of Yoon Suk Yeol, the disgraced former president; Abe

Shinzo, Japan's former prime minister, had influence with Mr Trump, but its current leader, Ishiba Shigeru, does not.

America remains officially determined to dismantle North Korea's nuclear programme completely. But Mr Trump has proved willing to cast aside many shibboleths of American foreign policy. He has already taken to referring to North Korea as a "nuclear power", hinting at an openness to accepting it as a nuclear state.

Summitry that ends with no deal would leave Mr Kim more embittered. But the greater risk is that Mr Trump accepts a bad one. Mr Kim could, for instance, offer to dismantle his intercontinental ballistic missiles. That would largely remove the threat to the American mainland, allowing Mr Trump to claim that he Made America Safe Again. He may not care that South Korea and Japan, America's allies in the region, would still face threats from North Korea's short- and mid-range missiles.

Or America and North Korea could agree to issue a declaration that would formally conclude the Korean war, frozen by an armistice for 70 years. Mr Trump could use it to bolster his campaign for a Nobel peace prize. North Korea might suggest that in such a situation America no longer needs the troops it has stationed in South Korea. Mr Trump, who has long spoken of withdrawing those forces, might agree. A chronic crisis on the Korean peninsula could be replaced by an acute one.■

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China

- To secure exports to Europe, China reconfigures its rail links
- Why are Chinese soldiers fighting in Ukraine?
- China’s shoemakers seem more sanguine than its politicians

China | Reweaving the Silk Road

To secure exports to Europe, China reconfigures its rail links

A new line will bypass its best friend, Russia

April 6th 2025



China says its ties with Russia involve “back-to-back, shoulder-to-shoulder” co-operation. Yet when it comes to concerns about security for its massive exports to Europe, the People’s Republic would rather not depend on its best friend.

In December work officially began on a multi-billion-dollar railway through Kyrgyzstan and Uzbekistan that will link China more closely to Europe, bypassing Russia (see map). The connection could become all the more important for China should President Trump’s escalating trade war squeeze its markets in America; China already sells more to the EU than to the United States. Crises from Ukraine to the Red Sea have dealt a blow to central parts

of China's plans for better-connected global infrastructure and are forcing it to reconfigure its trade routes. Whether the railway would help in a war with America over, say, Taiwan is more doubtful.



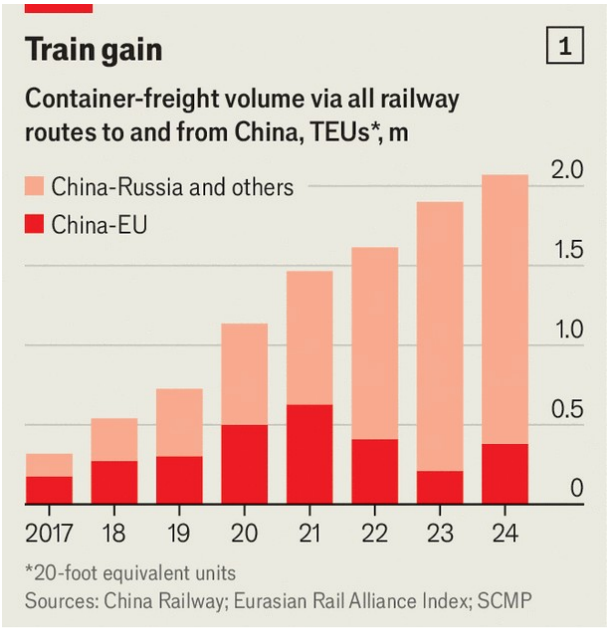
The Economist

Talk of building the new line began 30 years ago. But its determination to get it done firmed up only after Russia invaded Ukraine in 2022. Before that, China's main rail links with Europe ran through Russia, often via Kazakhstan. The war made that route tricky: European shippers, worried about safety and rising insurance costs, began to avoid it. Sanctions battered Russia's ability to maintain lines through its territory, adding to journey times.

Freight companies, seeking to avoid routes through Russia, diverted them towards Kazakhstan's ports on the Caspian Sea, on the "trans-Caspian" or southern route, also known as the "Middle Corridor". Linking China's train network with those of Kyrgyzstan and Uzbekistan would offer another, even shorter Middle Corridor route to Europe. In June China reached agreements with them on how to proceed with the 520km line.

The Chinese are not cold-shouldering Russia. They see it as a key component of their global infrastructure-building Belt and Road Initiative, launched by Xi Jinping in 2013, a year after he became China's leader. One

motive was to boost rail links with Central Asia and Russia for security reasons: they could supply energy and raw materials in the event of war with America. Now China's enthusiasm for the Middle Corridor is driven by trade: exports fuel growth, which has been faltering.



Routes through Russia remain vital arteries for Chinese goods, including machinery for Russian weapons manufacturers. Since the invasion of Ukraine, rail-borne trade between China and Europe has faltered, even as trade between China and Russia has soared (See chart 1). But alternative rail connections with Europe offer faster access to the continent's markets for time-sensitive goods, a chance to boost Chinese influence in countries along the way, and more resilient potential supply lines.

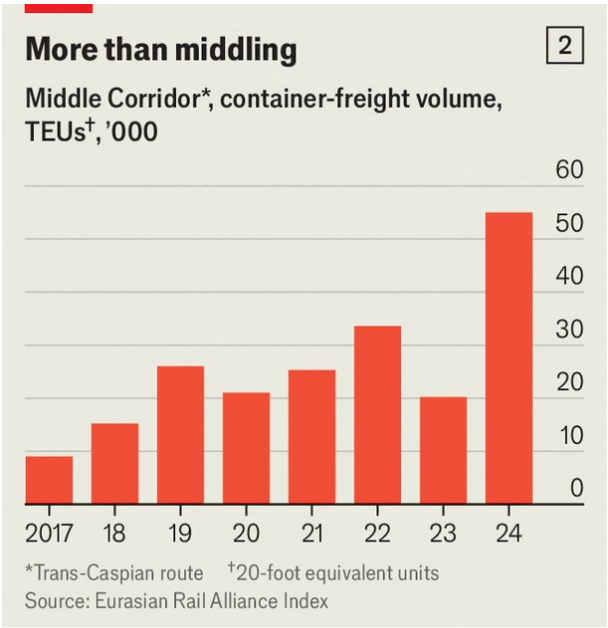
Since late 2023, attacks by Houthi militants on shipping in the Red Sea, a vital conduit for Chinese trade with Europe, have increased China's desire to diversify. "The Houthi attacks showed China that maritime routes are still risky," says Yunis Sharifli of the China Global South Project, an independent research outfit. Trains could never replace ships, one of which can carry many times more containers. Sending most goods by sea remains much cheaper: some vessels have avoided the risk of missile or drone strikes by going around the Cape of Good Hope. Even so, China wants to hedge.

It will take several years to build the new line. (Kyrgyzstan says China is providing a loan of $2.35bn.) In the meantime, China and other countries—but not Russia—have been working on other improvements to the Middle Corridor.

Though it offers a shorter link between China and Europe, it takes longer. More borders must be crossed. So must the Caspian Sea, where containers must be loaded onto ships, and optionally the Black Sea. Since the war in Ukraine, China has pushed for the route to be upgraded.

The topic featured prominently at the first China-Central Asia summit, held in 2023 in the Chinese city of Xi'an. "The Middle Corridor is no longer merely a supplementary option but is gradually becoming a major transportation channel," wrote two scholars from Lanzhou University in a journal published last year by the China Institutes of Contemporary International Relations, an arm of the Ministry of State Security. They say its "strategic position" has grown "conspicuously" since 2022.

The Middle Corridor is still "35% more expensive", says Korcan Tugrul, managing director in Istanbul of Rhenus, a German logistics firm. But it is picking up more of the China-Europe traffic. Port improvements on the Caspian, upgrades on the route between Azerbaijan and Turkey and quicker customs procedures have helped to cut journey times from 38-53 days to 18-23 days, say the Chinese scholars. That is still longer than the Russian route (less than 14 days, if all goes smoothly), but much more competitive than before. The journey by sea takes about a month.



The Economist

Between 2021 and 2024 the annual volume of international freight sent along the Caspian route more than doubled to 55,000 twenty-foot-equivalent units (TEUs), the standard measure of container size (see chart 2). That is only about as much as two or three ultra-large container ships can carry. But the value of rail-borne China-Europe trade by all routes is large. It grew from $8bn in 2016 to $57bn in 2023, according to Chinese data. Total China-EU trade was worth €518bn ($568bn) last year.

Bottlenecks remain. One is at the Caspian, where there is a shortage of ships. The route could avoid that sea by passing through Iran, but that would entail political risks like those in Russia. Though Turkey offers a relatively secure route, its infrastructure needs a lot of work to sustain high volumes of freight traffic. It is arranging finance for a new railway across the Bosporus. Turkish officials say they would welcome Chinese involvement in it. Turkey's ties with China have been strained by its welcoming many thousands of Uyghurs from China's Xinjiang region. But China, seeing it as a gateway to European markets, is keen not to let that get in the way.

The EU is also keen for rail links with Central Asia and China to improve, despite its misgivings about China's industrial policies and growing political assertiveness. It says the corridor through Turkey matches the goals of its own infrastructure-building scheme, Global Gateway.

The European Commission's president, Ursula von der Leyen, attended the first EU summit with Central Asian leaders in Uzbekistan on April 4th. Ways to develop the trans-Caspian route featured prominently in her talks, including the possibility of billions of dollars of European investment. The EU also wants to bypass Russia and has eyes on Central Asia's raw materials, including rare earths and uranium.

Europe and China may agree on the need to circumvent Russia, but they disagree on much else. For Europe, Russia is an existential threat; for China it remains an ally. For all their tensions with America, Europeans are likely to abide by an American effort to blockade China, should war in Asia break out. Meanwhile, China's most essential supplies—oil and gas from Russia and Central Asia—are now better secured. That helps to explain why, ahead of a visit by Mr Xi to Moscow in May, China's foreign minister, Wang Yi, this month called Russia and China "forever friends and never enemies". The freight may be diverted but the political relationship remains firmly on track. ■

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China | Soldiers of misfortune

Why are Chinese soldiers fighting in Ukraine?

They have been showing up on both sides of the battlefield throughout the war

April 10th 2025



On april 8th Ukraine's president, Volodymyr Zelensky, posted a video on X that he said showed one of two Chinese citizens captured by Ukrainian forces while fighting for Russia. China was now militarily supporting Russia, he added in a press briefing, and "the United States of America should pay attention". The next day he posted a second video of both men, who gave their names as Zhang Renbo and Wang Guangjun, and shots of their Chinese passports. Mr Zelensky claimed Ukraine knows of more than 150 Chinese nationals fighting on Russia's side.

China's foreign ministry responded that it is verifying the Ukrainians' claims and that it does not support its nationals' participation "in any party's

military operations". Though China has supplied dual-use components for Russia's defence industry, kept Russia's economy afloat with energy purchases, and promoted propaganda blaming Ukraine and NATO for the war, its leaders have consistently claimed neutrality and been careful to avoid direct military involvement. There is no proof that the Chinese nationals fighting for Russia in Ukraine are state-supported. It is no surprise, however, that they are there. Chinese fighters on both sides in Ukraine have been posting videos of their exploits on social media throughout the war.

Those who fight for Russia have said they go seeking thrills and cash. Some are also driven by nationalism. A 23-year-old from Gansu province told Initium, an independent outlet based outside China, that he flew to Moscow in 2023 after seeing a social-media video promising high wages. He had been a firefighter making 3,000 yuan ($400) a month. As a mercenary he could make five times more. Another fighter calling himself "Red Macaron" on Douyin, China's TikTok, said he wanted to experience war, inspired by jingoistic Chinese films. He joined the Russian side because it was easier to get a visa, he told Chinese media. Zhao Rui, a 38-year-old from Chongqing, reportedly joined the war because he wanted to fight any Japanese who were helping Ukraine. He was killed in 2023 by a Ukrainian drone.

What unites most Chinese soldiers is regret. Before his death, Mr Zhao had posted videos on Douyin telling fellow Chinese not to come. "Find a job in China, you can make the same amount," he said. Zhou Zhiqiang, another mercenary, said on Douyin that the Russians "don't treat us like humans". In a recent interview with Chai Jing, an exiled Chinese journalist, "Red Macaron" said the Russians were using them for "cannon fodder". He had been locked in a pit alongside Russian deserters after complaining about poor equipment. Now he had lost the will to fight but was not allowed to leave, and did not think the Chinese embassy would help.

Some volunteers are also fighting on Ukraine's side. Peng Chenliang from Yunnan province had been detained in China for seven months after posting anti-Russia and pro-Ukraine messages on X in 2023. In 2024 he joined the Ukrainian army's foreign legion. He was killed later that year. Before his death Mr Peng made a video holding a Taiwan flag, saying he wanted to be remembered alongside Tseng Sheng-kuang, a Taiwanese volunteer who died fighting for Ukraine in 2022.

The deaths of Chinese fighters on both sides have sparked debate on the internet over whether they are brave heroes, dirty mercenaries or deluded nationalists. The Chinese government has not weighed in on that debate. Now it might have to. ■

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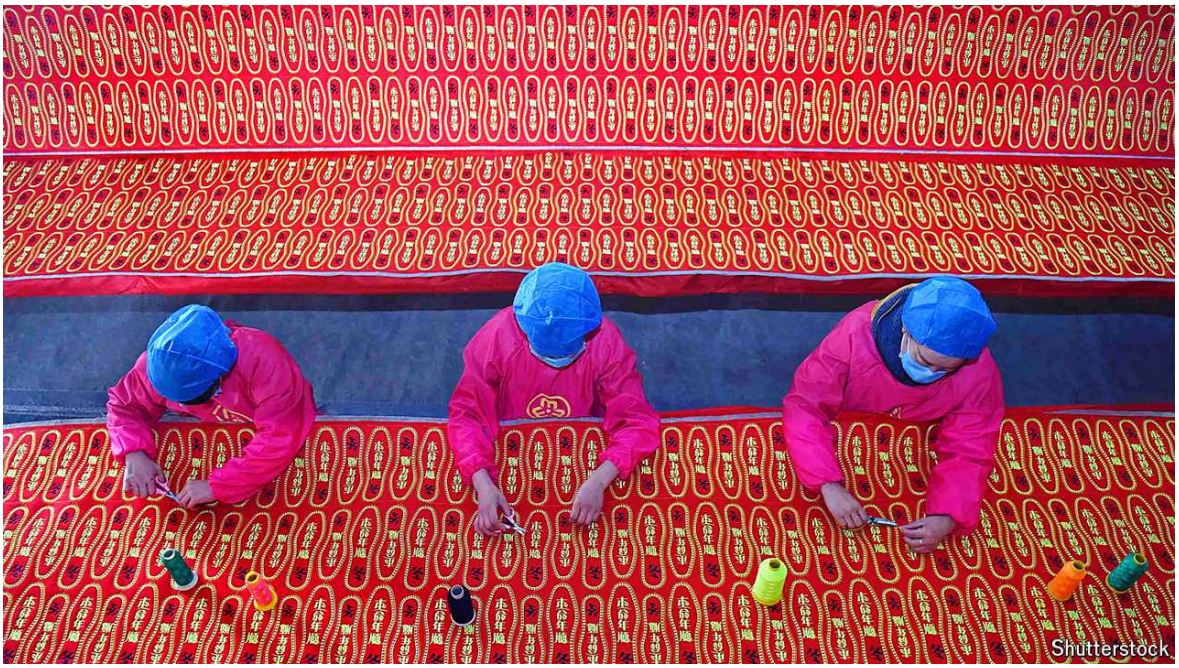
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China | A load of cobblers

China’s shoemakers seem more sanguine than its politicians

A trade war will cause a lot of damage, but many have weathered storms before

April 8th 2025



Some 1,200 miles south of where government officials in Beijing have been breathing retaliatory fire at American tariffs lies the coastal province of Fujian. This is where the rubber of a million running shoes will hit the road as the tariffs take effect.

Fujian exported footwear worth 79bn yuan ($11bn) in 2024, a quarter of China’s total, bound mainly for North America and Europe. The city of Quanzhou is home to some 3,000 footwear firms. Its streets are draped in everything needed to make shoes, from reams of fabrics spilling out of shop

fronts, to plastic soles displayed alongside laces of every colour. Mr Trump's tariffs are top of workers' minds, but the mood is surprisingly sanguine.

Many manufacturers had thought ahead, and stopped taking new American orders after Mr Trump was elected in November, says Mr Ding, a shoe-leather supplier in town. They knew tariffs might be coming and did not want to be locked into contracts that would result in losses.

Mr Ding's sales are down as a result, at least 70% this year, largely owing to the loss of his customers' American orders. While the burden of lower tariffs in the past could be shared along the supply chain, he says, the American tariff wall is now far too high to scale. "You have to endure this period of pain and see who can persevere to the end." It is likely that many will not make it.

Tariffs imposed by Mr Trump in his first term led Chinese manufacturers to move some production to South-East Asia, sending materials from Quanzhou for final processing. That loophole looked set to close, with 46% American tariffs placed on Vietnam, but Mr Trump paused those on April 9th. Ms Wu, an insole maker, said she recently made a sample for a friend in Vietnam who expected an order of 60,000, but the deal disappeared after the announcement of the high tariff. Co-operation may now continue, but so will uncertainty.

With few other export options available, some are looking within China's own borders. Only about a quarter of the shoemakers Mr Ding serves sell to Chinese consumers, and the domestic market is saturated. "We have to see whether domestic demand can take off," he says. "No one has any business or any money, so they dare not consume."

The same price wars that afflict many competitive industries mean that margins are razor thin. By the end of last year's third quarter, nearly a quarter of China's listed firms were losing money, more than double the number five years ago. Mr Zhang, who makes a few million shoes in a good year in Quanzhou, is not in the red yet. But since entering the industry eight years ago, he has seen the profit on a pair of shoes drop from 30 yuan to less than ten yuan.

State media's projection of confidence has persuaded some. "The Chinese government will find a way forward," says Ms Wu. "I believe in them." Even those not looking to the government are surprisingly upbeat. Many have weathered storms before, including during Mr Trump's first term and the pandemic. Mr Ding offers the advice of a veteran who has seen a few business cycles. "If you don't have any orders, you should basically consider taking a holiday in the second half of the year."

Some will do exactly that. They can only drop their prices by one yuan at most if they are to pay workers and rent, says Mr Zhang. "I'm still confused and not sure what to do." ■

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Middle East & Africa

- Trump rebuffs Netanyahu and gambles on a deal with Iran
- The Israelis are intent on destroying Gaza
- Turkey and Israel are becoming deadly rivals in Syria
- Meet Ibrahim Traoré, Burkina Faso’s retro revolutionary

Middle East & Africa | Not now, Bibi

Trump rebuffs Netanyahu and gambles on a deal with Iran

Israel's prime minister tied his country's fate to Donald Trump. Now America is talking to its enemy

April 8th 2025



AT LEAST Binyamin Netanyahu wore a suit. The Israeli prime minister had a few goals when he met Donald Trump at the White House on April 7th. He needed relief from a newly imposed 17% tariff on Israeli goods. He hoped to convince Mr Trump that Recep Tayyip Erdogan, the Turkish president, was meddling dangerously in Syria. And he wanted to explain that the time was right to bomb Iran's nuclear facilities: diplomacy would be futile.

The meeting did not go as he had planned. It was not as bad as the humiliation of Volodymyr Zelensky, Ukraine's president, in February. But it was not much better. The tariffs stayed put. Mr Trump praised Mr Erdogan

as a friend. And he announced that America would start “direct” talks with Iran on April 12th. “Trump gave Netanyahu a red line: don’t do anything and mess this up,” says an Israeli source.

Israel has been feeling bullish. It retaliated against Iran’s missile strike in October by destroying most of its air-defence network. “Iran is at its most vulnerable,” says an Israeli security official. He notes that in the past Mr Netanyahu hesitated to give the order to strike Iran’s nuclear sites, but now he has less reason to hold back—apart from Mr Trump. The prime minister has defied other presidents publicly, while gaining popularity at home, but it is much harder for him to say no to Mr Trump. He has “shackled Israel’s foreign policy to him”, says an Israeli diplomat.

The negotiations between America and Iran will begin in Oman. Abbas Araghchi, the Iranian foreign minister, will represent Iran, while Steve Witkoff, Mr Trump’s Middle East envoy, is expected to lead the American delegation. The format remains unclear. So far Iran has refused direct negotiations. Mr Araghchi said messages would be passed through the Omanis.

The talks could not be more urgent. In 2015 Iran and seven world powers signed the Joint Comprehensive Plan of Action (JCPOA). It curbed Iran’s nuclear work in return for sanctions relief. Since Mr Trump abandoned the deal in 2018, however, Iran’s uranium enrichment has reached unprecedented levels. The UN’s International Atomic Energy Agency said in February that Iran had enriched 275kg of uranium to 60% purity, close to weapons-grade.

That would be enough to produce six nuclear bombs if refined further. Iran’s “breakout time”, the period it would need to enrich a bomb’s worth of uranium, is now a matter of days or at best weeks. Without a deal, it seems probable that America or Israel (or both) will decide to bomb Iran’s nuclear sites later this year.

Yet it is far from clear what sort of deal both sides want. Start with America. Mike Waltz, the national security adviser, favours an agreement that dismantles Iran’s nuclear facilities. Mr Netanyahu concurs: he called for a

deal “the way that it was done in Libya”, which agreed in 2003 to break up its fledgling nuclear programme.

His choice of words will have alarmed the Iranians. Muammar Qaddafi, the Libyan dictator, was overthrown and killed eight years later. Ali Khamenei, Iran’s supreme leader, is keen for his regime to avoid a similar fate. He views the nuclear programme as an insurance policy. The ayatollah may be willing to mothball Iran’s centrifuges, but not to destroy them.

Fortunately for him, Trumpworld contains multitudes. In an interview with Tucker Carlson, an influential pro-Trump podcaster, Mr Witkoff said his aim was a “verification programme so that nobody worries about weaponisation”. That seems a more realistic goal. It also seems to have the president’s support—and that of isolationist Republicans. “Anyone advocating for conflict with Iran is not an ally of the United States, but an enemy,” Mr Carlson wrote on X, a social-media platform.

Even a modest deal would require America to make concessions as well. Mr Trump’s advisers have offered few clues on this. They would certainly lift sanctions on Iranian oil, allowing it to sell crude on the open market rather than at a discount through shadowy intermediaries.

Iran will also want guarantees that a new deal would be more durable than the old one. They hope it would be a Senate-ratified treaty; but it is unclear if Mr Trump can find 67 votes for that. “It really depends on what the deal looks like, and whether you can get normalisation between Israel and Saudi Arabia at the same time,” says one Republican senator.

Time is short. Asked how long they think Mr Trump would be willing to negotiate, several American, Israeli and Arab sources gave the same answer: a few months. The JCPOA took two years.

Another factor limiting the time for talks is the American military build-up already under way in the region. It is meant to show Iran that the threat of a strike is real. But it cannot be maintained for long. Drawing it down prematurely could suggest a lack of determination to the Iranians and encourage the Israelis to go it alone.

Regional officials draw a parallel with Mr Witkoff's talks with Russia. When they began in February, Mr Trump seemed optimistic he could bring the war in Ukraine to a swift end. Today the process is bogged down: Vladimir Putin, unsurprisingly, turned out to be a tough negotiator.

The risk is of something similar with Iran. Whenever a deal seems close, it adds more demands. A hasty deal will probably be a shoddy one—what a former American ambassador to Israel calls a "JCPOA-lite". Mr Netanyahu may hope he still has enough allies in Washington to spike such an agreement. This week's meeting with Mr Trump may have been disappointing. If America's talks with Iran flounder, though, the next may be more to his liking. ■

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Middle East & Africa | No end in sight

The Israelis are intent on destroying Gaza

Without pressure from America, it is hard to see anything stopping them

April 9th 2025



The generals wanted the operation launched on April 1st to go unnoticed until their soldiers had taken up secure positions. But the politicians were quick to crow. The Israel Defence Forces (IDF) had embarked on a new operation to "smash and clean the area of terrorists", said Israel's defence minister, Israel Katz. It was aimed at "capturing wide areas [of Gaza] and adding them to Israel's security zones" (see buffer zones on map), he continued.



The Economist

A few hours later Binyamin Netanyahu, the prime minister, put out a video in which he boasted that Israel was "changing gear". To the generals' consternation he also disclosed the name and location of the operation: "the Morag route". It was a message to his nationalist base. Morag was a small Israeli settlement, nestled between Rafah and Khan Younis, when Israel occupied all of Gaza. Now Israeli troops are back. Their aim is to break the coastal strip of 365 square km into separate areas in which the IDF will destroy entire neighbourhoods, hoping this time at last to obliterate Hamas, the Islamists who still control parts of Gaza. The residents of Rafah have been ordered to take refuge in cramped "shelters" on the coast.

Israeli security officials have confirmed to *The Economist* that the plan is to empty permanently the Rafah area, in Gaza's south, which represents around 20% of the entire territory. A similar operation is under way in a smaller area in the north.

Read all our coverage of the war in the Middle East

These moves are part of a wider plan to force over 2m Gazans out of the cities and towns and to the coast. In the short run, this is to create "kill zones" in which, in theory, only Hamas fighters will remain. In the longer term, Israel hopes that Gazans will "voluntarily" emigrate.

The new route may have another purpose, say some Israeli officers. A month ago Israel cut off aid to Gaza. It claims there is plenty of food in the strip and that Hamas controls it. Once Gaza's civilians are concentrated on the coast, the Israelis intend to use the Morag route for supply convoys "bypassing Hamas".

This would be a big change in Israeli policy. Until recently the IDF refused to take responsibility for Gaza's humanitarian needs, preferring to co-ordinate aid convoys with international organisations. In private the generals said they wanted to avoid a de facto reoccupation of Gaza. Now, under pressure from politicians who want to control supplies to Gaza as a prelude to establishing long-term Israeli authority, they have relented. Under the new plans the IDF will distribute supplies directly to civilians sheltering on the coast. In the rest of Gaza they will carry out a scorched-earth policy aimed at finally eradicating Hamas.

It is unclear when this stage will begin. Meanwhile, supplies are again running short. The UN's World Food Programme has closed 25 bakeries that produced pita bread, as it can no longer supply them with fuel or flour. Nor can families bake their own bread: a kilogram of cooking gas now costs at least 250 shekels ($66), compared with 8-10 shekels before the aid cut-off, and a bag of flour weighing 25kg is almost twice that. Staples like sugar and cooking oil are disappearing from markets.

Water is scarce, too. Output from the main desalination plant in southern Gaza has dropped by 85% since Israel stopped supplying it with electricity last month. Most Gazans have access to just six litres of clean water a day, according to the UN.

Hunger is not the only threat to life. Last month Israeli troops killed 15 Palestinian medics near Rafah. The IDF claimed that their convoy was driving suspiciously, without lights or sirens. A video obtained by the *New York Times* showed that the army's story was bogus: the ambulances had their lights and emergency signals on. The uniformed medics were cut down in a hail of gunfire.

All this has fuelled rare protests against Hamas in Gaza over the past few weeks. Some drew thousands of people. It allowed the demonstrations to

happen but subsequently tortured and killed several critics.

Israel broke the ceasefire in Gaza first with air strikes, on March 18th and then with its ground operations. It has killed over a thousand people since then. Hamas, fearing more protests, has indicated it is prepared to accept another temporary truce lasting a few weeks, during which it would exchange a small number of the 59 Israeli hostages still in Gaza (most of them assumed dead) for the release of Palestinian prisoners. But even if that happens, Israel intends to resume its war.

The outlook is bleak. “There are currently no plans being seriously discussed for the day after the war in Gaza,” says a diplomat previously active in such talks. The only chink of light came in a meeting between President Donald Trump and Mr Netanyahu on April 7th. “I’d like to see the war [in Gaza] stop,” said Mr Trump. “I think the war will stop at some point, that won’t be in the too distant future.”

Mr Trump’s team forced the first stage of the ceasefire on Israel. But the president now seems preoccupied by other matters. Without pressure from him, it is hard to see anything else that could prevent Israel’s final destruction of Gaza. ■

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Middle East & Africa | Proxy wars

Turkey and Israel are becoming deadly rivals in Syria

The Middle East's beefiest powers are playing out their regional ambitions there

April 7th 2025



FOR WEEKS Turkish army officials had been travelling to Syrian air bases, and hashing out plans to equip some with air-defence systems and armed drones. Preparations for Turkey's takeover of the T4 air base near Palmyra were said to be under way. Then, on April 2nd, Israel attacked. Israeli planes bombed T4's runway and radar systems. They hit at least two more bases and other military targets in Syria.

Syria was in danger of becoming a Turkish protectorate, explained Gideon Sa'ar, Israel's foreign minister. Syria's leaders would pay a heavy price if

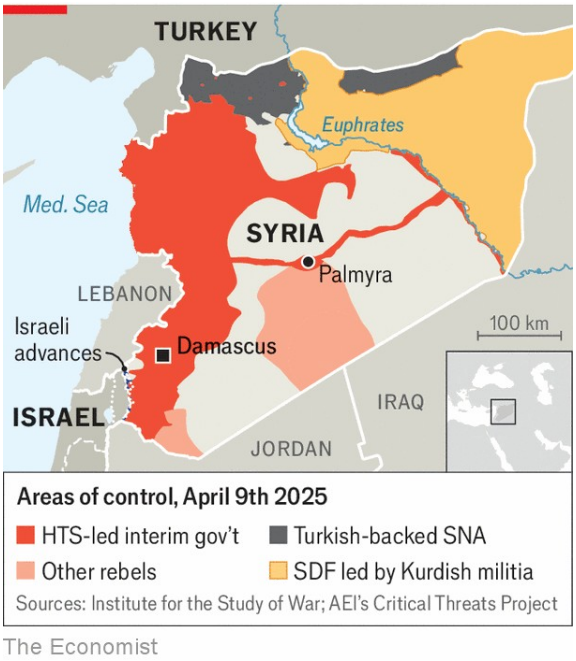
they allowed forces hostile to Israel to enter Syria and endanger the Jewish state's security interests, said Israel Katz, its defence minister.

Israel worries about Turkey's involvement in Syria, including its plans to set up military bases and equip the new army. Turkey fears that Israel wants Syria to implode, or break apart. Each accuses the other of preparing to wage war by proxy.

Israel seems set on keeping Syria weak and divided. Israeli attacks have destroyed many of the Assad regime's ageing Soviet-built aircraft. Binyamin Netanyahu, the Israeli prime minister, has also invoked the rights of Syria's Druze minority to demand the demilitarisation of the country's south.

Ahmed al-Sharaa has vowed to prevent his country from becoming a hub for foreign radicals, as it was under the Assads. But Israel fears that Syria's new leader, backed by Turkey's president, Recep Tayyip Erdogan, a longtime supporter of Hamas, may welcome the group in.

Israel and Turkey also disagree about governance. Israeli officials have openly suggested a federal model for Syria, whereby different minorities, including the Kurds and the Alawites (a Muslim sect from which the Assads hail), would enjoy extensive autonomy. The recent massacres of Alawite civilians by armed groups loyal to Syria's new rulers, they argue, show that Mr Sharaa cannot be trusted.



Mr Sharaa and his Turkish allies want a strong central government led by a president with sweeping executive powers. On March 13th Mr Sharaa signed a new constitution based on such a model. Days earlier, the Syrian Democratic Forces (SDF), a militia in Syria's north-east led by Kurds, agreed to join the interim government.

Mr Erdogan has accused Israel of stirring up Syria's ethnic and religious minorities to destabilise a country emerging from one of this century's deadliest wars. But what worries him most is the relationship between Israel and the Kurds. Turkey suspects Israel of using the SDF to undermine Turkish influence in Syria and foment separatism within Turkey. Turkey sees the group as a front for the Kurdistan Workers' Party (PKK), which Turkey and most Western countries list as terrorists.

Israel has not exactly allayed such concerns. Last year, Mr Sa'ar referred to the SDF and the Kurds as his country's "natural allies" and called on the outside world to protect them from Turkey. It is unclear whether such overtures mean that Israel may help arm the Kurds in Syria, though many Israelis would relish a chance to give Mr Erdogan a taste of his own medicine.

Fear of an Israeli-Kurdish alliance was key to Turkey's decision last year to launch secret talks with the PKK's imprisoned leader, Abdullah Ocalan. These bore fruit in March, when the PKK declared a temporary truce. "Turkey thinks Israel wants to create a PKK statelet on its border," says Dareen Khalifa of the International Crisis Group, a Brussels-based think-tank. "The Israelis think Turkey could use Syria against them the same way."

Relations between Turkey and Israel, already poisoned by the war in Gaza, may still worsen. But actual armed conflict between NATO's second-biggest army and America's main regional ally is unlikely. Turkey and Israel are setting the stage for deterrence, not war. Mr Erdogan regards Donald Trump as an old friend and reckons that, with him as president, Turkey's relations with America may improve. He is also hoping for better relations with Europe, which wants him to help with security guarantees and peacekeeping in Ukraine. Mr Erdogan is unlikely to jeopardise all this by courting war with Israel.

Turkey and Israel may yet find some common ground. Both want to keep Iran from re-establishing a foothold in Syria. Both will lose if the new Syria fails. "If [Mr Erdogan] succeeds in stabilising what could have become a chaotic jihadist state," says an Israeli intelligence source, "that is good for Israel as well." ■

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Middle East & Africa | Back to the 80s

Meet Ibrahim Traoré, Burkina Faso's retro revolutionary

Africa's youngest leader is the face of the continent's changing geopolitics

April 10th 2025



Four decades ago a 34-year-old army captain from Burkina Faso stood before the UN General Assembly and demanded a new world order. The speech, which was watched eagerly by young people across west Africa, heralded the birth of a revolutionary icon sometimes called "Africa's Che Guevara". Back home Thomas Sankara, who had seized power in a coup the previous year, had embarked on a radical programme of national self-reliance. On the global stage, he sought to "anoint Burkina Faso as the Third World's vanguard", as America's ambassador to the UN wrote.

Sankara was assassinated by his army colleagues just three years later. But his spirit lives on in Burkina Faso's latest military ruler, Ibrahim Traoré, an

army captain who took power in a coup in 2022 at the age of 34. At home Mr Traoré is trying to stem the spread of jihadist insurgency while reviving Sankara's autarkic economic policies in what he calls a "progressive popular revolution". Abroad he has become one of Africa's most prominent champions of a multipolar world and the face of the tripartite Alliance of Sahel States (AES), an anti-Western regional bloc formed with neighbouring Mali and Niger last year.

As with his fellow military leaders in the Sahel, Mr Traoré's overriding priority is to curb the spread of jihadism by military means, refusing any dialogue with the militants. It is hard to tell how that is going. The government appears to be in control of Ouagadougou, the capital, and its surroundings, where attacks are rare. But it is near-impossible to verify the regime's claims of glorious victories elsewhere in the country, where it does not have a monopoly on violence.

All eyes on me

To ensure that such uncertainty does not dent his power, Mr Traoré brooks no dissent. Much more than in either Mali and Niger, Burkina Faso's junta is a one-man show. All opposition activities are banned. Though the president initially promised to hand over to civilians by 2024, he is now set to remain in power until at least 2029. Almost two years after an attempted coup prompted Mr Traoré to purge the army, the security apparatus seems to be under his thumb. Critics, or Western-backed "enemies", as Mr Traoré calls them, are either thrown in jail or sent to the front in the battle against jihadists.

He is careful to cultivate his image. On billboards across Ouagadougou he is shown opening factories and meeting foreign dignitaries. At the inauguration of Ghana's president in January, Mr Traoré appeared bearing a sidearm along with his signature red beret and military gloves and was greeted with loud cheers. Russia, which dispatched military advisers to Ouagadougou shortly after he took power, may have helped boost his star appeal. The African Initiative, a Kremlin-linked media outlet, has made Burkina Faso the focus for its "soft-power efforts" in the region, explains Ulf Laessing, an expert on the Sahel region at the Konrad Adenauer Foundation in Germany.

Much of what Mr Traoré does is clearly intended to invite comparisons with Sankara, who is still idolised in Burkina Faso. “Thomas Sankara inspires us,” says Samuel Kalkoumdo, an adviser to the president. Like his idol, Mr Traoré is said to have declined his presidential salary and kept the humble military rank of captain. Next month he is set to inaugurate a mausoleum at the site where Sankara was murdered.

The parallels with Sankara go beyond surface-level posturing. Like Sankara, Mr Traoré seeks to boost economic self-sufficiency and root out corruption. Last year the young leader launched the country’s first state-owned bank. His government has nationalised two mines, threatened to withdraw licences from foreign companies, and seized gold from a Canadian firm. A flagship “agricultural offensive”, which aims to achieve food “sovereignty” by the end of the year, bans the export of staples including rice. The government is distributing free tractors to farmers.

The farming initiative has yet to make headway. But a tough and much publicised campaign against corruption appears to be bearing some fruit. One Western ambassador, who believes graft is on the wane, describes a recent case as “almost like a Stalinist show trial”. A local journalist reckons that corruption has declined because “they will humiliate you if they catch you.”

It is unclear how popular Mr Traoré really is. Data from Afrobarometer, a pollster, show that in 2023 opposition to military rule had fallen further in Burkina Faso than in any African country bar Mali. But such sentiments are hardly reliable given the lack of an opposition or a free press. “Right now you have to follow,” says a journalist working for a state media outlet. “If not, you know where you are going.”

Eventually, the young leader’s uncompromising instincts seem more likely to damage the country than to fix it. The government hopes that its agricultural initiatives will fill the gap in food assistance left by Western aid cuts. But “if you want to practise farming, you need access to land,” notes an aid worker in Ouagadougou. Mr Traoré’s refusal to countenance any dialogue with jihadists makes that harder.

Nor does he seem receptive to criticism. In a fiery speech on April 1st Mr Traoré warned of a repeat of "the events of '87" (when Sankara was assassinated). Foreign powers, he suggested, were conspiring to topple him, requiring the arrest of yet more "traitors". That does not bode well for Burkina Faso or the region. ■

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Europe

- Germany’s new centrist government is reassuring but bland
- The EU’s response to Donald Trump’s tariffs seems to work
- Ukraine thinks it can hold off Russia as long as it needs to
- How Europe hopes to turn Ukraine into a “steel porcupine”
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- Spanish morgues are straining to identify migrants
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Europe | Less bold than promised

Germany's new centrist government is reassuring but bland

Friedrich Merz's promises to transform the country have been scaled back

April 9th 2025



FOR ANYONE seeking respite from Donald Trump's political and financial maelstroms, on April 9th Germany proved happy to oblige. After what by German standards was a relatively swift negotiation, the centre-right Christian Democratic bloc, led by Friedrich Merz, sewed up its coalition talks with the Social Democrats (SPD) and published its programme for government. After winning Germany's election on February 23rd, Mr Merz had shocked observers by questioning NATO's future under Mr Trump and declaring that Europe must "achieve independence from America". But there were no such fireworks on offer this week. Asked if he had a message for America's president, Mr Merz replied simply that "Germany is back on

track." Fittingly, many investors spooked by Mr Trump's caprices abandoned US Treasuries for the calmer waters of Germany's bond market.

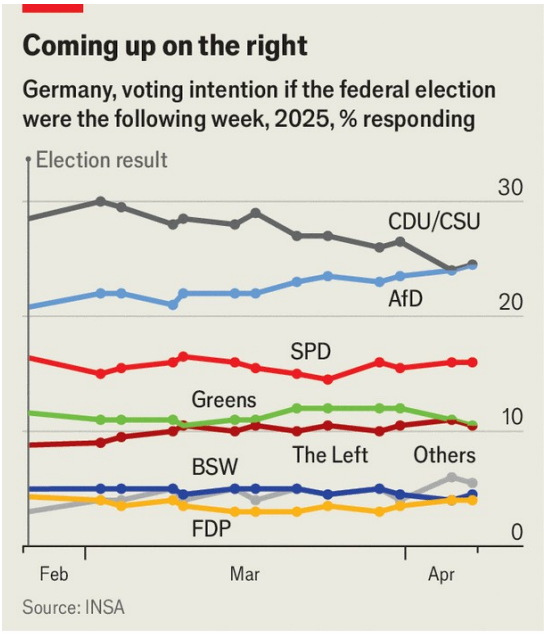
The coalition deal, a 146-page doorstopper, is a workaday, centrist document with few surprises. So distilled are its policy proposals that Markus Söder, head of the Christian Social Union (CSU), the Bavarian sister party to Mr Merz's Christian Democrats (CDU), joked that it was destined for the bestseller charts. Yet it bears few traces of the transformative spirit that seemed to inhabit Mr Merz on the campaign trail, where he portrayed himself as a disrupter who would sweep away the complacency he said had driven Germany into the economic mire in recent years. Perhaps its most ambitious pledge is a literal moon shot: the government wants a German astronaut to join a lunar-landing mission.

One chapter is devoted to cutting bureaucracy, a common gripe that Lars Klingbeil, the SPD's co-leader and the probable next finance minister, appears to have adopted as an animating mission. (He also pledged to rid Germany's public administration of the faxes on which much of it still runs.) Modest promises on tax, investment, welfare and energy prices point broadly in the right direction; the parties' worst instincts may have cancelled each other out. One important sentence requires that all promises be subjected to a fiscal test, notes Jens Südekum, an economist at Heinrich Heine University in Düsseldorf. That may restrain some proposed giveaways. Yet it is hard to spot any serious reckoning with deeper issues, including Germany's looming demographic crunch. Many have been booted to commissions.

It is a similar story on immigration. In January Mr Merz jolted the election campaign with a rash promise to unilaterally turn away asylum-seekers at Germany's borders, even voting with the hard-right Alternative for Germany (AfD) to push a symbolic anti-immigration measure through parliament. That has been watered down to a pledge to reject irregular migrants "in co-ordination with our European neighbours". Many recipients of protection in Germany will be barred from bringing over family members, and deportations will be accelerated, pleasing hardliners in the CDU/CSU's ranks. Yet in truth developments outside Germany will have a greater impact on the immigration numbers. Thanks in part to the fall of Bashar al-Assad in Syria, the number of asylum claims in Germany has plummeted.

Caution is the watchword on foreign policy, too. Soon after his head-turning statements on election night Mr Merz pushed a whopping constitutional change through the Bundestag, exempting most defence spending from the "debt brake", which constrains government borrowing, and establishing a €500bn ($547bn) infrastructure fund. Already concerned by the poor election result of the CDU/CSU, many in the alliance's ranks were deeply unnerved. Mr Merz justified his U-turn in part by pointing to the Trump shock.

Yet there is little of that spirit in the coalition agreement, notes Jana Puglierin, who runs the Berlin office of the European Council on Foreign Relations think-tank. The text contains familiar pabulum about the "great success story" of the relationship with America and a commitment to strengthen transatlantic links within NATO. There are few ideas on Europe. Meanwhile, despite the recruitment difficulties of the Bundeswehr, the CDU/CSU appears to have failed to convince the SPD to restore a form of conscription, at least for now. "It looks like a lot of old wine in new bottles," says Ms Puglierin. "It doesn't do anything for Merz's credibility."



The Economist

Indeed, there is a widespread feeling inside the CDU that Mr Merz, a political naïf who has never held executive office, prepared badly in the coalition talks and allowed himself to be steamrollered by the SPD—which, bar a four-

year break, has been in government since 1998. Assuming that the SPD ratifies the deal in a membership vote later this month, Mr Merz will take office in May confronting a sea of scepticism: even 28% of his party's voters do not believe he has what it takes. The CDU/CSU has slid in polls since the election (see chart); this week one saw it fall behind the AfD for the first time. Were an election held tomorrow the governing parties would not command a majority.

Yet this is "only a temporary picture", says Günter Krings, a CDU MP. "It's important to stay calm and get down to work." Last month's debt deal should at least ensure that Mr Merz's government is not waylaid by the sort of fiscal rows that felled its predecessor, under Olaf Scholz. And the signs are that the senior coalition figures, chief among them Messrs Merz and Klingbeil, have forged an effective working relationship. Returning an export-dependent economy to growth will not be easy in a world falling prey to trade wars, but at least they share the goal.

The deal comes not a moment too soon for Germany's partners. Many in Europe lamented the retrenchment of German diplomacy under Mr Scholz, and the country's voice has been conspicuously absent amid the recent geopolitical tumult. Allies welcomed Mr Merz's move on the debt brake as an early sign of his commitment to European security. But rarely has a coalition agreement emerged into such a chaotic world. It will fall to Germany's next chancellor to ensure he can navigate it. ■

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Europe | Trade-fight club

The EU's response to Donald Trump's tariffs seems to work

The world's biggest trade bloc takes its time and uses its weight

April 9th 2025



*Editor's n**ote (April 10th)**: This article has been updated.*

"She scolded me for half an hour, saying I was a complete idiot," quipped Robert Fico, Slovakia's prime minister, on March 31st. Ursula von der Leyen, the president of the European Commission, had just called to chastise him for speaking bilaterally with the Trump administration about tariffs. He had violated the first rule of the European Union's trade-fight club: you, national leader, do not talk about trade. The EU speaks with one voice.



The Economist

It also acts methodically. On April 9th the bloc agreed on its retaliation for Donald Trump's steel and aluminium tariffs, imposed on February 10th. How to answer his subsequent car tariffs and capricious "reciprocal" tariffs will be decided later, illustrating another rule: one fight at a time.

The approach seems to work well. Crashing stockmarkets (see chart) and China's swingeing counter-tariffs (up to 84% now) seem to have given Mr Trump enough pushback. On the same day as the EU's counter-tariff decision, he backed down and lowered his latest tariffs for 90 days to 10%. The exception is China, the only country that retaliated against them immediately. Its rate is now 125%. On April 10th, the EU in turn paused its retaliatory tariffs against his metals tariffs for 90 days, "to give negotiations a chance" as Ms von der Leyen put it.

Read more of our coverage of Donald Trump's tariffs

- Trump's incoherent trade policy will do lasting damage
- Can China fight America alone?
- The tariff madness of King Donald, explained

The EU suspended its counter-tariffs in part to avoid landing on the naughty list with China. But Europe also has one big advantage. Unlike America, it is

still trading with the rest of the world on the same terms as before. That will limit any damage from tariffs. "It's a matter of reassigning resources and markets," said Alvaro Muñoz, the CEO of AMFRESH, a big Spanish fresh-produce company. In a topsy-turvy global economy, the EU's rule-loving bureaucracy is now an asset, promising stability. Europe does not have to engage in a pointless trade spat.

The current relief gives policymakers yet more time to find the right response. Giorgia Meloni, Italy's prime minister, is preparing a visit to the White House to negotiate on Europe's collective behalf. Germany's new government and its chancellor, Friedrich Merz, will now be able to play a stronger role in shaping the response, after being preoccupied for many weeks by coalition negotiations.



The Economist

Unity will be paramount. Mr Trump missed one opportunity to sow discord. His tariffs treat the EU as a single trading bloc, as it legally is; applying different rates to different countries would pit them against each other (see chart). Even so, there is plenty the EU and its firms disagree on. Emmanuel Macron, France's president, hosted industrialists at the Elysée to urge them to suspend investments in America. Not everyone was pleased. German officials fear that firms may lobby for favours in Washington, undermining the EU's response. Politicians who have always wanted to go after American

tech firms want to use the trade war as an excuse; Ireland, which hosts many such firms' European headquarters, is horrified. France and Italy successfully pleaded to exempt whisky from the EU retaliatory measures for America's steel tariffs, lest Mr Trump take revenge with a 200% levy on European wine.

Under EU law, counter-tariffs are for the commission to set, unless a qualified majority of member states block them. But heavier countermeasures, such as restricting market access, require a qualified majority in favour. And some policies, such as taxing tech giants, are in national hands. Ms von der Leyen has repeated an old offer to eliminate tariffs on industrial goods between the EU and America. But Mr Trump rejected the bid immediately, demanding the EU buy $350bn-worth of American fossil fuels (roughly its total annual energy imports). The EU is likely to raise the offer again, if only to signal its intentions.

Europe's strategy has three prongs. First, it wants to show strength. As with metals, the EU will probably retaliate against the car tariffs. It will also put together a response to the now-lowered across-the-board tariffs, to signal that it does not intend to roll over (and will use its huge market for leverage). Ms von der Leyen said that even as it puts its current countermeasures on hold for 90 days, it will continue preparing them to be implemented if they become necessary.

The EU's fiercest tool, the anti-coercion instrument (ACI), is unlikely to be used unless Mr Trump goes back to escalating the trade war. The ACI allows the bloc to use a range of measures beyond tariffs to hit back at countries that exert economic pressure on its members. These could include blocking the export of products Americans will find hard to replace, or excluding some American companies from the European market.

The second prong of the EU's strategy is to ratchet up counter-tariffs steadily, in order to push for negotiations. Mr Trump imposed steel and aluminium tariffs first, automobile tariffs second and the new "retaliatory" tariffs third. That lets the EU escalate gradually too. The metals tariffs affect EU exports of about €26bn, but the bloc decided to hit back against a smaller quantity of American exports, signalling that it does not want a trade war. The 90-day reprieve means its retaliation for the metals tariffs will come

back into force unless there is some agreement. The EU is also likely to prepare retaliatory measures for Mr Trump's auto tariffs, and then move on to the broader tariffs. The threat of implementing them would add urgency to the talks.

The third part will be support for European businesses. Mr Sánchez met business leaders immediately after Mr Trump's initial tariff announcement on April 2nd and presented a €14bn plan, including €5bn in credit guarantees to firms that have lost orders. (The Spanish leader spoke in front of a billboard reading "Our values are not for sale, our [wines] are".) Other countries are sure to offer relief to their own firms. For its part, the European Central Bank next week could announce a steeper-than-expected rate cut to boost Europe's economy.

The EU has an unusual opportunity to forgo protectionism and become the chief global champion of free trade. If it intends to do so, it has not begun well. The bloc means to erect barriers to stop global overproduction from washing up on its shores as America's market closes; Ms von der Leyen said as much to Li Qiang, China's prime minister, in a call on April 8th. The EU is not discussing seizing this moment of crisis to lower its pointlessly high tariffs on agricultural imports. Nor is it moving to apply to the 12-member CPTPP, a Pacific trading zone that excludes China. Its only notable progress has been on the deal reached in December between the EU and Mercosur, a South American trading bloc. Austria, which previously opposed the deal, has now come around; France, the main opponent, is reconsidering.

Another rule of the trade-fight club is that fights go on for as long as they have to. With the global order and Europe's security at stake, this trade war is about more than tariffs. So are Europe's goals. "What does it take for Republicans to abandon Trump, or the party to lose both houses badly in the midterms?" asks one Brussels wonk. "And is that worth a recession in Europe? The answer is probably yes." ■

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Europe | Advantage, defence

Ukraine thinks it can hold off Russia as long as it needs to

Russia may have Chinese volunteers, but Ukraine has drones

April 8th 2025



LAST MONTH Russia drove Ukrainian forces out of most of the territory in Russia's Kursk region that they had seized the previous August. The Russians deployed their own elite brigades, North Korean troops and a new weapon—fibre-optic drones that are controlled by a long, lightweight filament rather than by radio signals, making them impossible to jam. Now the fighting has spilled back over the border into Ukraine. Settlements close to the frontier are being pummelled, and several thousand civilians have fled or been evacuated. Some Russian assault units have crossed the border—though so far, insists Volodymyr Artyukh, the head of Sumy province's military administration, "they have been eliminated."

Ukrainian troops still hold slivers of territory inside Russia. In a diversionary attack in the last week of March, they advanced over the border into the neighbouring Belgorod region. Russian forces are bombing the towns and villages inside Ukraine through which Ukrainian forces passed to get to Belgorod. To the east, meanwhile, in the Donbas region, the fighting continues. On April 8th Volodymyr Zelensky, Ukraine's president, said Ukrainian forces had captured two Chinese citizens fighting with the Russians—confirming months-old reports from other foreign prisoners of war of a Chinese presence. Mr Zelensky said he would raise the issue with China's government.

Read more of our recent coverage of the Ukraine war

Many of those fleeing the border regions near Kursk end up in Sumy, a modest city 23km south of the border with a prewar population of about 250,000. Nadia Gorbliuk, aged 64, was evacuated from the rural village of Uhroidy. She had not wanted to leave her livestock, she says, bursting into tears: as the bombs fell she thought: "This is my destiny, to die with my turkeys!" When soldiers ordered her to leave, she kissed the birds farewell. All nine of them, she has since heard, were evacuated to safety.

Russia tried and failed to seize Sumy in February 2022, at the start of its full-scale invasion of Ukraine. Within six weeks its forces had been driven out of the entire region. Now, says Mr Zelensky, Russia is preparing for a new offensive here. It is unclear whether that might entail a real effort to occupy the area, or simply a relentless series of attacks aimed at tying down Ukrainian troops and creating a buffer zone.



The Economist

Access to the city is strictly controlled by the SBU, Ukraine's domestic intelligence service. Beyond the checkpoints, new bunkers, trenches and defensive lines can be seen slicing across the fields which surround the city. Sumy itself is bustling: despite the increase in attacks, its population has grown since the war's start, says Mr Artyukh. The number of displaced people arriving from border regions is double that of former residents who have left. He interrupts the conversation periodically to identify background noises: first the boom of something outgoing; then two low roars from Ukrainian jets overhead, one a Soviet-era MiG, the other an American-made F-16.

In the first three months of the year the Sumy region was hit by 8,925 drones, glide bombs and other missiles, up from 3,693 in the same period last year, says Mr Artyukh. Yet there is no sign of panic in the city. It is too well-defended for the Russians to take, says Yurii Butuzov, a military analyst. He thinks their current aim is to retake the hills along the Russian side of the border still occupied by Ukrainian forces.

Control of those hilltops would make it easier for them to use drones to try to establish a 10km-wide, Russian-controlled buffer zone inside Ukraine. That, says Mr Butuzov, would allow the Russians to redeploy most of the troops fighting here to eastern Donbas. Russia has officially annexed that

region, but virtually no countries recognise its claim, and some of it remains under Ukrainian control. “Donbas is a strategic goal for Putin,” says Mr Butuzov.

It is unclear whether the traumatised evacuees from border towns and villages will ever return home. Ms Gorbliuk is now sleeping in a former clinic with other evacuees, cared for by Pluriton, an organisation which helps the displaced. It is run by Kateryna Arisoy, herself a refugee from Donbas. Many elderly evacuees whose lives revolved around their homes, gardens and animals find it impossible to adapt once uprooted, she says: they develop “health conditions, mental problems and die”.

Many in Sumy would welcome a ceasefire, but no one is counting on one. The residents are phlegmatic; the mood is that life must go on. The same holds for Kharkiv, the much bigger city to Sumy’s south-east. On a Saturday afternoon dozens of energetic pensioners bopped lustily to music in the city’s central Freedom Square. The dance event has gone on every weekend for more than a decade; it moved to the square after the park where it was previously held was bombed twice.

Further east, in a village between the Russian border and the frontline region of Kupiansk, soldiers from a drone unit known as Typhoon said things were quiet. No new Russian offensive was expected, and they were preparing to redeploy to Pokrovsk, a besieged town in Donbas. In the last month the unit has started using its own fibre-optic drones, says Mihailo, its commander—a couple of months after the Russians got them.

The drones will make it even harder for soldiers or vehicles to move along the front lines than it is now, says Mihailo. That means fewer soldiers are required to man positions. Where six months ago Ukraine’s forces worried that the enemy was slowly rolling them back, they now think that drones and well-prepared defensive positions can hold the Russians off. Indeed, Russian forces have made very little progress for well over two years. Whether a ceasefire deal will come is uncertain. Ukraine is relying on its own strengths. ■

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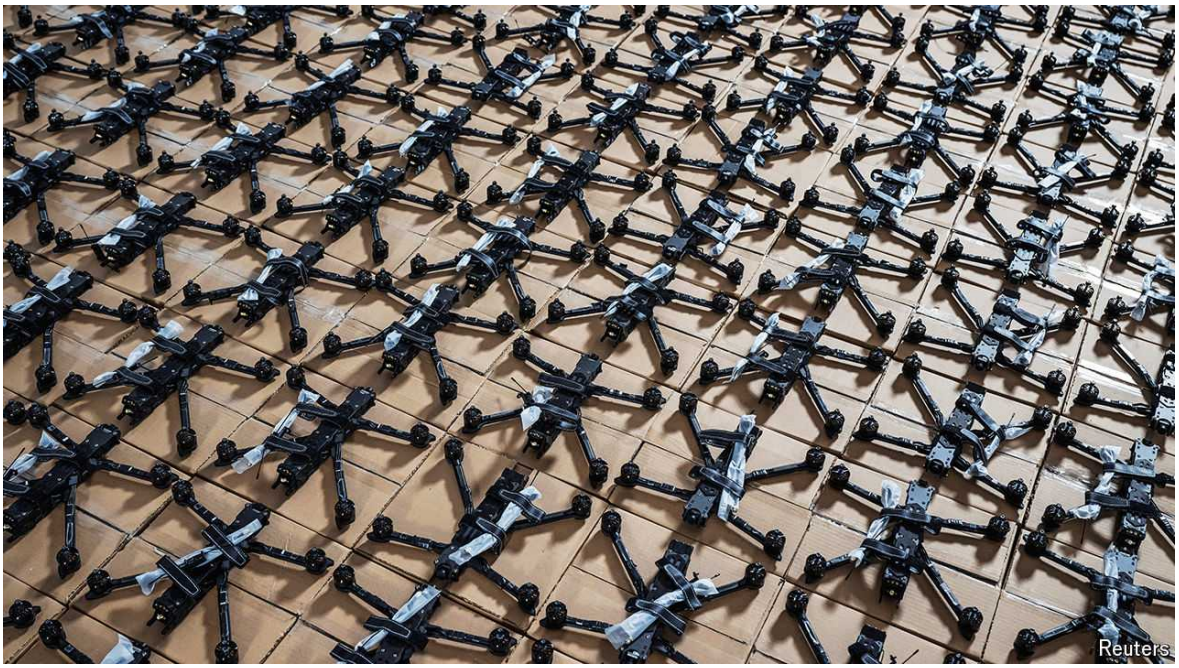
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Europe | Made in Ukraine

How Europe hopes to turn Ukraine into a “steel porcupine”

Investing in the country’s defence industry is the best way to keep it in the fight

April 6th 2025



With a ceasefire between Russia and Ukraine still far off, the best way to guarantee Ukraine’s security, its supporters say, is to arm it to the teeth. To that end, on March 19th the European Commission outlined a two-part “porcupine strategy”. First, Europe would procure more weapons on Ukraine’s behalf, including crucial air-defence missiles. Second, it would boost Ukraine’s own defence industry, which it calls the most “cost-efficient way to support Ukraine’s military efforts”. The plan is the brainchild of Kaja Kallas, a former Estonian prime minister who is now the European Union’s top diplomat. She wants to double military aid to Ukraine this year, to €40bn ($44bn).

Ukraine had a big weapons industry during the Soviet era, but it largely vanished after independence in 1991. Nonetheless, there was an engineering base and a thriving new tech sector when Russia launched its full-scale invasion three years ago. The country had a solid manufacturing core and loads of engineering schools from which people with specialist knowledge switched over to defence, says Andriy Zagorodnyuk, a former defence minister who chairs the Centre for Defence Strategies, a think-tank in Kyiv. "Since 2022 the development has been extremely active," he adds. Whereas arms procurement in the West typically takes years, in Ukraine an idea can be turned into a weapon in a soldier's hands within months.

Read more of our recent coverage of the Ukraine war

Last year Ukrainian arms firms churned out $10bn-worth of kit, according to a report by the Ukrainian Institute for the Future (UIF), another think-tank. That was a three-fold increase from 2023, and ten-fold from 2022. The more than 800 private and state-owned enterprises in the defence field employ 300,000 skilled workers. Oleksandr Kamyshin, who oversees the defence industry for Volodymyr Zelensky, Ukraine's president, says that this year production will be worth about $15bn, but the sector has the capacity for $35bn. The constraint is lack of money.

The UIF report says 30% of Ukraine's needs are being met by local production, but Mr Zagorodnyuk thinks it nearer 50%. Production is steadily rising, despite Russian strikes on factories. "Some facilities have been hit five times or more," says Mr Zagorodnyuk. "But they survive." The factories are both dispersed and sprawling, which makes them resilient to attacks.

This year Ukraine expects to build 5m first-person-view (FPV) battlefield drones, up from 2m last year. It aims to make 30,000 bigger long-range drones. And Mr Zelensky has set a target of 3,000 sophisticated cruise missiles, such as the new Long Neptune, with a range of 1,000km, and "missile-drones", such as the turbojet-powered Palianytsia. Ukraine is also testing its own ballistic missiles on Russian targets. (Fabian Hoffmann, a missile expert, reckons those numbers for big missiles may be ambitious.)

Innovation has made Ukraine's electronic-warfare technology cutting-edge. Nico Lange, a former German defence-ministry official, thinks it now outstrips Russian and Western systems. One recent success has been the Lima jammer, which scrambles the guidance system of the Russian glide bombs that had been devastating Ukraine's defensive positions.

Ukraine is also boosting production of traditional materiel. Last year it made over 2.5m artillery and mortar shells, helped by partnerships with Norway's Nammo and KNDS, a Franco-German firm. Monthly production of the highly regarded Bohdana self-propelled howitzer, made by Ukraine's KZVV, has accelerated from six to around 20. That is three times as fast as Nexter, a French firm, can make its expensive CAESAR guns.

Yet there are gaps in what Ukraine can produce, making joint ventures with European and American firms vital. The chassis for armoured vehicles must still be imported. Rheinmetall, a German defence giant, recently opened the first of two factories in Ukraine to make its Lynx infantry fighting vehicle. Another challenge is to reduce reliance on Western air-defence systems, especially American ones. The quantity needed is "so vast that it can't be met with imports", says Mr Zagorodnyuk. In January Oleksandr Syrskyi, the country's commander-in-chief, confirmed that Ukraine is developing a system that can shoot down ballistic missiles. A joint venture with the French firm Thales will provide radar and optoelectronics.

Direct European investment in Ukrainian defence firms is hampered by the country's dodgy legal system. Mr Lange says investments should go to more dynamic private companies, not state ones. Ukrainian companies' supply chains also have problems. Fabrice Pothier, a former NATO official, worries about dependence on Chinese components for drones. Europe, he says, should provide the Ukrainians with "optics, gyroscopes, sensors and flight controllers".

One quick way to get kit into Ukrainian fighters' hands is the "Danish model". Ukraine identifies priorities; Denmark pays; and Danish experts evaluate suppliers and oversee fulfilment. Last year the Danes bought 18 Bohdana howitzers for Ukraine's armed forces. On April 3rd Denmark pledged a further €264m. But at a European summit on March 20th, Ms Kallas's proposal was watered down to a €5bn effort, mainly to buy

ammunition. Some accused her of failing to do the diplomatic groundwork. She is determined to revive her plan. ■

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Europe | Vicious circle

Turkey's government is trying to repress its way out of a crisis

Protests against the arrest of an opposition leader continue to boil

April 10th 2025



IT WAS THE biggest opposition rally in years. Hundreds of thousands of people came out in Istanbul on March 29th to demand the release of Turkey's best-known recent political prisoner, Ekrem Imamoglu. The country's news media rose to the challenge: the state broadcaster offered tips for prospective home owners. One channel showed traffic police handing out sweets to drivers. Another featured chefs preparing snacks for the Eid al-Fitr holiday.

The news blackout was the latest example of the stranglehold that Turkey's president, Recep Tayyip Erdogan, has over the country's media. But it also

revealed the extent to which Turkey's leader continues to fear the fallout from his rival's arrest.

The good news for Mr Erdogan is that the shock waves that rocked Turkish markets on March 19th, when police detained Mr Imamoglu, the opposition Republican People's Party (CHP) nominee for president, outside his home, have since faded. Street protests have given way to more orderly CHP rallies. And Mr Erdogan's strategy of using the prospect of peace talks with Kurdish insurgents to keep Kurdish politicians from closing ranks with the CHP seems to have paid off.

Mr Imamoglu will almost certainly not come out of prison ahead of the presidential elections, set for 2028 but expected to take place earlier. As Mr Erdogan knows from his own experience, a short spell behind bars would turn Mr Imamoglu into an unstoppable force. Turkey's leader will make sure his is a long one. But the blowback from the arrest has been much bigger than Mr Erdogan and his Justice and Development (AK) party expected. An opposition boycott of companies considered to be part of Mr Erdogan's patronage network, as well as those that advertise with the pro-government media, has caught Turkey's leader off guard.

Ozgur Ozel, the CHP's leader, has accused Mr Erdogan of presiding over a "junta" and challenged him and AK to call an early election. The response has been more repression; 11 people have been detained in connection with the consumer boycott. On April 8th Mr Erdogan's lawyers filed a criminal complaint against Mr Ozel for "insulting the president".

That may be a hint of worse to come. With the economy still in the doldrums (despite some signs of improvement), Mr Erdogan and his camp may have concluded their only hope is to bulldoze the CHP into submission. That may mean more arrests and attempts to replace the CHP's leaders with more pliable ones. "They might just try to repress their way out of this," says Selim Koru, a fellow at the Foreign Policy Research Institute. "At the end of the day, they're not willing to tolerate an opposition that's actually competitive." ■

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Europe | The nameless dead

Spanish morgues are straining to identify migrants

For those who drown trying to reach Europe, the freezers are full

April 10th 2025



Borja Moreno has less than 48 hours before he bids goodbye to the corpses. As the head of the forensic institute on Ceuta, a Spanish exclave in North Africa, his job is to do autopsies on the bodies of migrants who die en route. He has no freezing chamber, so every drowned swimmer must be buried swiftly. Ceuta sees a few dozen per year. Numbers in the Canary Islands, where 73% of migrants to Spain arrive, are much higher: in January some 50 died in one accident. Even islands that have freezers have trouble managing the volume.

Bodies are kept for weeks awaiting judicial authorisation and space in cemeteries, says Ramón Llorente, the sole forensic doctor on the tiny island of La Gomera. Neighbouring El Hierro has managed the surge by buying

more freezers and using public funeral homes. “Resources are getting slimmer,” says Haridian Marichal, a journalist who organises funerals for unidentified migrants. Shipping bodies to bigger islands helps, but they get crowded too. Last year Tenerife’s storage space repeatedly hit the limit.

A record 61,323 migrants reached Spanish shores in 2024. According to Caminando Fronteras, a migration NGO, 30 people a day died making the journey, up by over 60% from 2023. Most bodies are never recovered. In September Andalusia’s regional government began requiring forensic doctors to collect DNA within 48 hours to hurry things along. But speed has a trade-off: it means migrants may be buried in unmarked graves while their families are still searching. Spanish authorities identified fewer than half of those recovered between 2014 and 2019.

Maria Angeles Colsa Herrera of the International Centre for Identifying Missing Migrants, an NGO, recommends waiting longer before burial. Exhuming bones requires red tape and violates Islamic law. In 2021 the European Parliament called for better identification processes for migrants’ bodies, but little progress has been made. “This cannot be normalised,” says Mr Moreno. “If I have to emigrate and I die somewhere, I would want my body to be stored and returned to my mother.”■

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Europe | Charlemagne

The thing about Europe: it's the actual land of the free now

Europe's very real problems don't look so bad by comparison

April 10th 2025



The thing about Europe, the sneerers say, is that it is over-regulated. Mounds of red tape and punitive taxes mean there are no trillion-dollar entrepreneurial ventures in France or Germany to match Amazon, Google or Tesla. But that is not all Europe is lacking. Also absent from the continent are the broligarchs who sit atop such behemoths, some of whom have a tighter grip on power than on reality. There are thus no European Rasputins pumping untold millions into political campaigns, getting pride of place at leaders' inaugurations or their own new-minted government departments to run. There are few unicorns in Europe, alas, and too little innovation. That said, there are absolutely no tech executives boasting on social media of spending their weekends feeding bits of the state "into the wood chipper".

The thing about Europe is that it is indecisive, too slow to act. Every crisis requires multiple summits of the European Union's national leaders, often quibbling late into the night. The boring processes of rule by consensus can slow the EU to a crawl: it took four days and four nights of haggling to agree on the bloc's latest seven-year budget, in 2020. Then again, the European state apparatus does not arbitrarily shut down every few years when political agreement over funding proves elusive, leaving millions of public employees on furlough and basic services unavailable for days or weeks. Consensus rule also means that the petulant policy tweets of one misguided politician—125% tariffs on China, anyone?—do not result in global stockmarkets being sent into a tailspin. The EU's top brass are unelected and sometimes unaccountable. Still, they would not dare be photographed playing a round of golf after having wiped out the savings of millions of their compatriots.

The thing about Europe is it freeloads on defence, not spending enough on its armed forces to single-handedly fend off threats. This will continue to be true for a long time, even as defence budgets are hiked across most of the continent. But it also reflects a different understanding of what "defence" means. For one, nobody in Europe—outside Russia, at least—is even casually implying they will invade other countries. There is no Brussels quip about turning an unwilling neighbour into "our 28th state" (on the contrary, many of the EU's neighbours are desperate to join the club). Nor do European vice-presidents fly uninvited to places they are seeking to annex, on the pretext that their spouse wants to watch a sledge race. Europe may have scrimped on intelligence-gathering, but its various leaders do know the identity of the aggressor who initiated the fighting in Ukraine (hint: it is not Ukraine). Many foresaw the pitfalls of invading Iraq a while back.

The thing about Europe is that it lacks an absolutist attachment to free speech. See how judges in Romania and France derailed the careers of hard-right politicians, who have convinced themselves (with little evidence) that it was their ideology rather than their lawbreaking that got them in trouble. Yet to many Europeans the idea that free expression is under threat seems odd. Europeans can say almost anything they want, both in theory and in practice. Europe's universities never became hotbeds of speech-policing by one breed of culture warrior or the other. You can express a controversial view on any European campus (outside Hungary, at least) without fear of

losing your tenure or your grant. No detention centres await foreign students who hold the wrong views on Gaza; news outfits are not sued for interviewing opposition politicians. Law firms are not compelled to kow-tow to presidents as penance for having worked for their political foes.

The thing about Europe is that it is facing a demographic crisis. It is staving off a sharp decline in population only by shoring up its workforce with immigrants, some of whom have integrated poorly. Such immigration shows the appeal of the European way of life; for those who come seeking refuge from war, it shows Europeans' generosity (sometimes misguided). And while Europeans occasionally make a show of cracking down on illegal migrants, they generally rely on legal ones to pick their crops.

The thing about Europe is its economy is permanently stuck in the doldrums, a global cautionary tale. And no wonder. Europeans enjoy August off, retire in their prime and spend more time eating and socialising with their families than inhabitants of any other region. Oddly, surveys show people in countries both rich and poor value such leisure time; somehow Europeans managed to squeeze their employers into giving them more of it. Even as they were depressing GDP by wasting time playing with their kids, the denizens of Europe also managed to keep inequality relatively low while it ballooned elsewhere in the past 20 years. Nobody in Europe has spent the past week looking at their stock portfolio, wondering if they could still afford to send their kids to university. Europeans have no idea what "medical bankruptcy" is. Oh, and no EU leader has ever launched their own cryptocurrency.

Huddled masses: have you considered Europe?

The thing about Europe is it is naive, the only global trading bloc attached to moral norms. It insists on complying with the edicts of the World Trade Organisation, say, or doing its part to cut carbon emissions. It is not a place that demands allies come crawling to it begging for "favours" on tariffs.

The thing about Europe is that it is like an open-air museum, yesterday's continent. Is its model even sustainable? A good question—one that

presupposes the European model is worth defending. It is a place blessed with walkable cities, long life expectancies and vaccinated kids who do not need to be trained to dodge school shooters. Charlemagne's realm is a place of many flaws, lots of them enduring. But in their own plodding way, Europeans have created a place where they are guaranteed rights to what others yearn for: life, liberty, and the pursuit of happiness. ■

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Britain

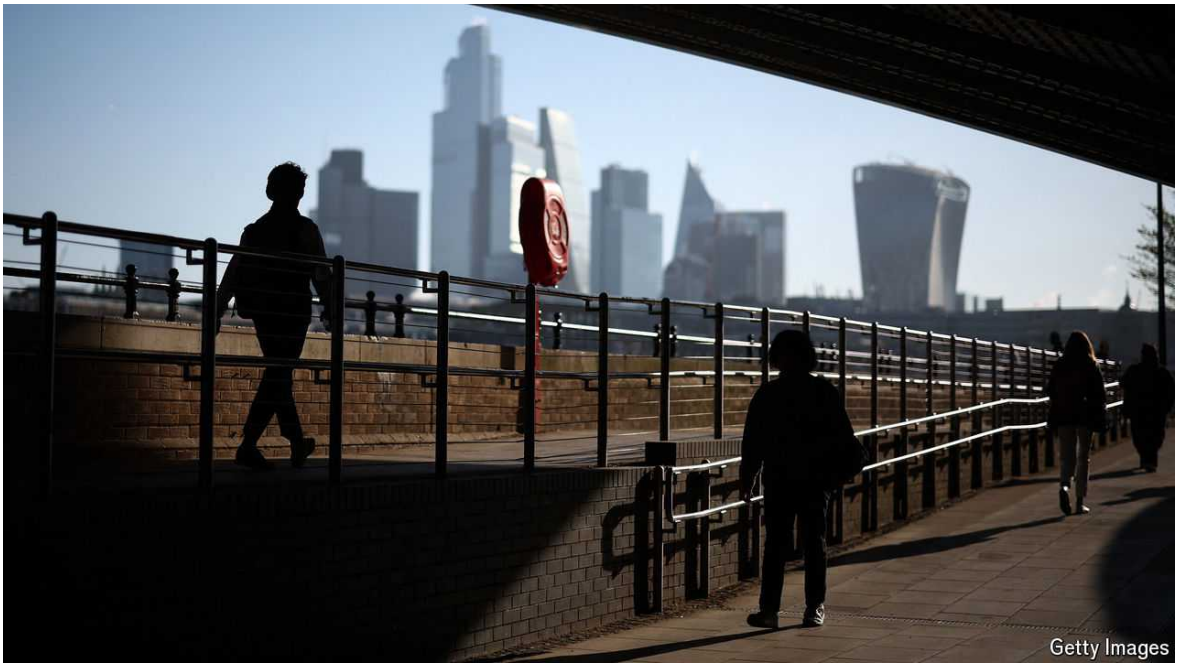
- Britain is unusually well shielded from a tariff shock
- How the British government sounds like a tabloid
- British telephone boxes are getting a facelift, of sorts
- The most conservative place in Britain
- The British are learning to love cheap overseas health care
- The philosopher changing free speech in Britain
- Zombie politics: how Dead Man dominates British politics

Britain | John Bull

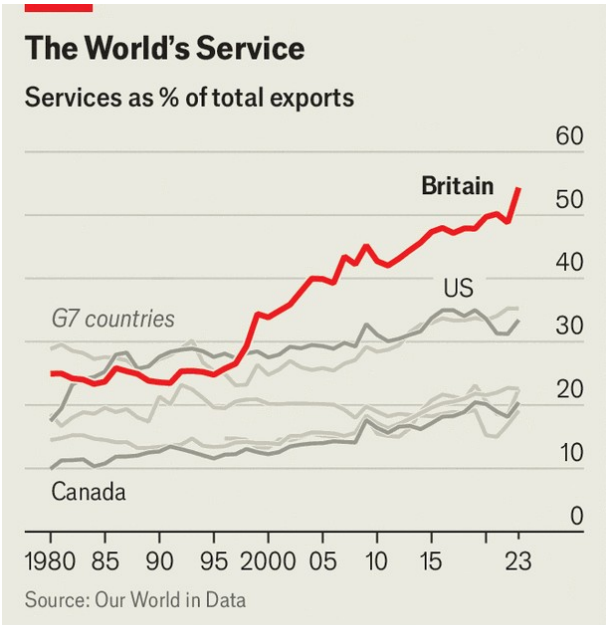
Britain is unusually well shielded from a tariff shock

Credit good luck more than diplomatic ingenuity

April 8th 2025



Each of the past few decades' big shocks has battered Britain harder than many of its peers. The crash of 2008 pummelled its finance-heavy economy. Then, in 2020-21, came the one-two punch of Brexit and the pandemic. Most recently, spiking European gas prices in 2022 squeezed Britain's gas-reliant grid especially hard.

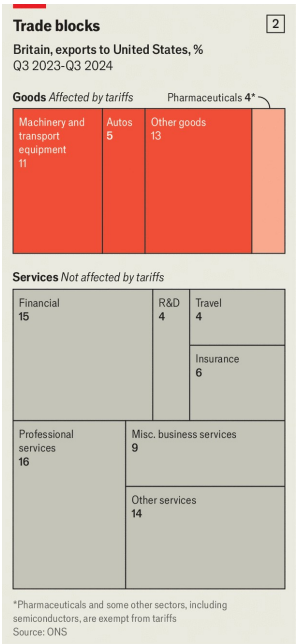


The Economist

But as Donald Trump's on-and-off-again tariff rodeo shakes the world economy, Britain has found itself in the rather unfamiliar position of being quite well insulated, and even in places poised to benefit from the turmoil. Certainly, any global slowdown would be bad news for an open and internationally exposed economy like Britain's. But the direct hit from Mr Trump's new tariffs is unlikely to be vast. Even before Mr Trump appeared to climb down on April 9th, offering a 90-day pause on tariffs above 10% to all countries except China, Britain had landed with the lowest 10% rate on most of its goods exports.

Unlike every other economy of comparable size, though, the bulk of British exports are in services, which are not directly affected by the tariff conversation (see chart 1). America is Britain's second-largest trading partner, after the European Union (EU), but two-thirds of that trade is in services, mostly in desk work like banking or law (see chart 2).

If serious pain comes, a likelier channel is through a global slowdown spilling over to Britain. But that sort of shock, a reduction in global demand, is something that traditional recession-fighting tools are equipped to handle. The Bank of England has interest rates at 4.5%, well above what most economists would consider "neutral". That leaves plenty of space for stimulatory rate cuts if needed.



The Economist

True, the tariffs could cause inflation, bringing the dread prospect of stagflation. That would complicate the case for monetary stimulus. After years of above-target inflation, the bank's credibility is already wobbly, which increases the odds that a one-off rise in prices could become self-reinforcing. But—especially if the British government continues not to retaliate—an economic slowdown would if anything probably pull inflation down. Oil prices fell by more than 20% after Mr Trump's tariff announcements on April 2nd, and have recovered only slightly since. Import prices more broadly may fall too, if foreign producers no longer as competitive in America sell instead to Britain and other free-traders.

Another risk is that knock-on effects of the tariffs tangle global supply chains, which have evolved to rely heavily on inputs from a wide range of countries. Even 10% tariffs could jam up global production, making goods scarcer. "The question is whether we see orderly or disorderly fragmentation [of trade]," says Emily Fry of the Resolution Foundation, a think-tank. But supply chains do have a record of adapting. During the covid-19 pandemic, a much bigger shock to global supply chains, goods consumption overall still rose.

Keep calm and carry on

Still, the British economy will almost certainly suffer in the short run. The Office for Budget Responsibility, Britain's fiscal watchdog, laid out several tariff scenarios in its latest set of forecasts, put out a week before Mr Trump's initial announcements. Those suggest around a 0.6% short-term hit to British GDP, narrowing eventually to 0.3% over the medium term.

The comparatively fortunate position that Britain has found itself in reflects luck more than geopolitical ingenuity (although Sir Keir Starmer does deserve some credit for keeping relations with Mr Trump friendly). The prime minister says that his tariff strategy has four legs: sign a deal with America to lower the tariffs on Britain; discourage allies from an "all-out trade war"; push free-traders to lower barriers among themselves; and liberalise more at home (as the government recently has on its electric-vehicle targets for carmakers).

Extracting concessions from America will no doubt be tricky. But Mr Trump did emphasise in his statement of April 9th, in which he announced a partial tariff pause, that he was enthusiastic about negotiating with countries that had chosen not to retaliate. That will be music to Sir Keir's calm-and-collected ears. Expect an orchestrated diplomatic overture.

The outlines of Britain's offer are already clear. The government has indicated that as part of a deal it might offer concessions on Britain's heavy-handed taxes and regulations for big technology companies. American tech giants are unpopular with British voters; blaming Mr Trump may be a convenient pretext to ditch rules that were choking growth anyway.

How open Mr Trump will be to this sort of gambit remains less clear. Previous efforts at a trade deal with America have stumbled over food standards. That may be avoidable this time, as the emphasis would be narrowly on squeezing tariffs, not on reaching a comprehensive agreement. This would also avoid complicating slow-moving talks with the EU, over harmonising food trade, which could be a bridgehead to a broader deal with the bloc.

Focusing minds there would be a promising route; compared with America, the EU is twice as valuable as an export market for Britain. And it has proven to be far more reliable. Sir Keir has said a "much better trading relationship

with the EU" is feasible. Perhaps "Liberation Day" may be just the jolt required to deliver it.■

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Britain | Your super soaraway Starmer

How the British government sounds like a tabloid

Whitehall talk of "boosts" and "bumper packages" is meant to clarify. Instead it confuses.

April 10th 2025



Here's a quiz. Which of the following sentences were published by: 1) The *Sun* newspaper; 2) His Majesty's Treasury; or 3) The Home Office?

a. "The evil linchpins at the top of people-smuggling gangs who consider themselves untouchable will be hunted down…"

b. "Up to 60,000 more engineers, brickies, sparkies, and chippies to be trained…"

c. "Sir Keir Starmer has vowed to unleash a home building bonanza…"

Few Britons buy tabloid newspapers these days, but their strange form of the English language lives on in Whitehall. (The answers are 1c, 2b, 3a.) To read a press notice from a government department is to encounter the vocabulary of 1960s Fleet Street: there are “bumper packages”, “boosts” and ministers “banging the drum for Britain”. This quaint world is inhabited by “hardworking Brits”, who want “bobbies on the beat” to arrest the perpetrators of “vile crimes”.

For decades journalese has been a “self-conscious pastiche”, notes Robert Hutton, the author of “Romps, Tots and Boffins”, a guide to newspaper vocabulary. “When I was a *Mirror* sub-editor in the early 2000s, none of us would have talked like that, but we felt that was how people expected the newspaper to read.”

What was old-fashioned then is ancient now. The Treasury recently referred to the chief executives of manufacturing companies as “captains of industry”, a term with a whiff of the 1970s. Few of Sir Keir Starmer’s Millennial voters will know how to “kickstart”, since motorbikes now use more reliable electric starter motors. Still, in recent weeks his government has promised to do such a thing to, among others, the Liverpool-Hull corridor, the carbon-capture industry, a defence agreement with Norway and social-care reform. Even fewer will know that a “turbocharger” makes a car go faster by compressing exhaust gases with fuel, but Sir Keir wishes to do this to housebuilding, defence innovation, infrastructure investment and financial services.

This stuff is meant to make government more intelligible; the civil service says that a nine-year-old should be able to read its website. In fact, it obscures meaning: it is far clearer to say that ministers will “begin a consultation on draft regulations” than to say they will “vow a crackdown”.

For some in Labour, government-by-tabloidese reflects a deeper problem. These terms are what George Orwell, an English essayist, called dying metaphors: worn-out images which have lost all evocative power and are used out of laziness and habit. “The appropriate noises are coming out of his larynx, but his brain is not involved as it would be if he were choosing his words for himself,” wrote Orwell, of the politician who employs them.

In opposition, Sir Keir's speeches were at times lyrical, and rich in original phrasing. Yet the clichés that now emanate from the civil service under his Labour government are invariably identical to those that were issued in the name of the Conservative government he replaced, with a promise to "slash red tape" here and "unlock growth" there. The editor has changed; the style guide remains the same. Sir Keir's government speaks like a tabloid because it is still not speaking for itself. ■

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Britain | Phone boxes

British telephone boxes are getting a facelift, of sorts

Grimy phone boxes are becoming shiny billboards

April 10th 2025



Few things are as quintessentially British as a red telephone box. In Covent Garden, in central London, tourists queue to pose for selfies with the analogue receivers. But locals are more familiar with their uglier cousins: as design trends shifted in the second half of the 20th century, bright-red metal boxes gave way to dull, grey plastic ones. Many are in a decrepit state. Even sex workers don't leave their cards anymore.

Some of these unloved boxes could now receive a facelift. Beginning this year, a deal between BT, a telecoms firm, and Global, an advertising company, aims to convert around 2,000 telephone boxes, about an eighth of the remaining total, into digital billboards. As with most cosmetic procedures,

whether the shift from grimy boxes to six-foot-tall fast-food adverts is an improvement will be in the eye of the beholder.

Technically these billboards—or "street hubs"—are still public phones (a small dialling screen has been sandwiched in between the advertising). Some provide Wi-Fi within a small radius, or charging for mobile phones. But in contrast to the days of the red box, the business model is not to make money through pennies; calls are free.

Instead the revenue comes from advertising. Until the courts ruled otherwise, that little phone keypad enabled firms to convert the boxes into billboards without planning permission. Given their prime locations, these are hot commodities. JCDecaux, which also owns such billboards, gushes that "one in four city sophisticates have heavy exposure to street furniture."

Yet not everyone is a fan. Citizen-advocacy groups complain the bright flashing screens clog up busy streets and distract drivers. Free calls had to be suspended in Tower Hamlets, a borough of London, after CCTV surveillance of one billboard phone showed that of the 80 people who used it over a day, 72 did so to buy drugs. Police said they have photos of groups "forming an orderly queue" to use the phones to order drugs using the free 30-second call. One kiosk alone made gangs £1.3m ($1.7m).

Why not just get rid of them? Historical rules mean councils cannot easily remove phone boxes without the permission of the firms that own them. That has given rise to an odd kind of bargaining: telecoms firms offering to remove two phones in exchange for placing one billboard. Councillors complain they often have little option but to acquiesce.

One alternative would be to follow in the footsteps of some of their shinier, red, cousins, many of which exchanged their handset for a defibrillator. Such resuscitation won't make Britain's streets any prettier, but at least some good will come from them. Conveniently, telecoms firms are keen on this as well —provided they can include a billboard in the back. ■

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Britain | The flat bit

The most conservative place in Britain

Rural Lincolnshire is mysteriously right-wing

April 10th 2025



In a churchyard 12 miles south of Boston in Lincolnshire, a red granite obelisk marks the grave of the last man who represented that town as a Labour MP. Shiny and sharp-edged, the obelisk could have been cut in the past year. But that's granite for you. The MP, William Stapleton Royce, died 101 years ago.

Labour and the Liberal Democrats crushed the Conservatives in rural counties like Cumbria and Somerset in the 2024 general election. Lincolnshire, in eastern England, held firm. "Ever since I can remember it's been Conservative," says Nick Worth, the leader of South Holland District Council, which has no Labour, Lib Dem or Green members. His party faces a challenge in local elections on May 1st, but mostly from its right. Reform

UK, the party led by Nigel Farage, will try to grab seats on the county council and win the mayoralty of Greater Lincolnshire, a new office.

Lincolnshire is not just very right-wing; it is mysteriously so. Two academics, Jamie Furlong and Will Jennings, have created a statistical model that attempts to explain voting patterns by weighing local characteristics such as urbanity, housing tenure, age and health. The model is baffled by two places. Merseyside is more left-wing than it ought to be, given its population. Rural Lincolnshire is more right-wing.

Derek Turner, the author of "Edge of England", a book about Lincolnshire, says the county has long been unfashionable and overlooked. It has few great estates, and a history of religious nonconformity. Its inhabitants look askance at interlopers and meddlers, from the Dutch engineers who began to drain the fens in the 17th century to the European Union. The vote to leave the EU was higher in Boston than anywhere else in Britain.

Today some residents scorn the energy firms that want to build solar farms in Lincolnshire, and National Grid Group, which proposes to erect pylons to carry electricity from wind farms in the North Sea. Local Conservatives and Reform UK oppose the schemes—in different ways. The Tories will the ends, not the means: they want to slash carbon emissions but think the solar farms should be on less fertile land. Reform UK does not even will the ends.

Lincolnshire's farmers depend on casual labour. The labourers might have moderated the county's conservatism, but many are east European immigrants who cannot vote in general elections. Few participate in local politics either, although they are entitled to. Anton Dani, a Conservative politician who was once a mayor of Boston, says that some are deterred by online abuse. "I'm the only one who sneaked in," says Mr Dani, a Morocco-born Briton.

Reform's candidate for mayor of Greater Lincolnshire is Andrea Jenkyns. She was a Tory MP until losing her seat in July, and joined Reform UK in November. Elsewhere that might count against her. But the people of Lincolnshire have overlooked inconstancy before. Royce switched to Labour just before the 1918 general election, causing "a sensation of the first

magnitude", wrote a biographer. His previous home was, of course, the Conservative Party.■

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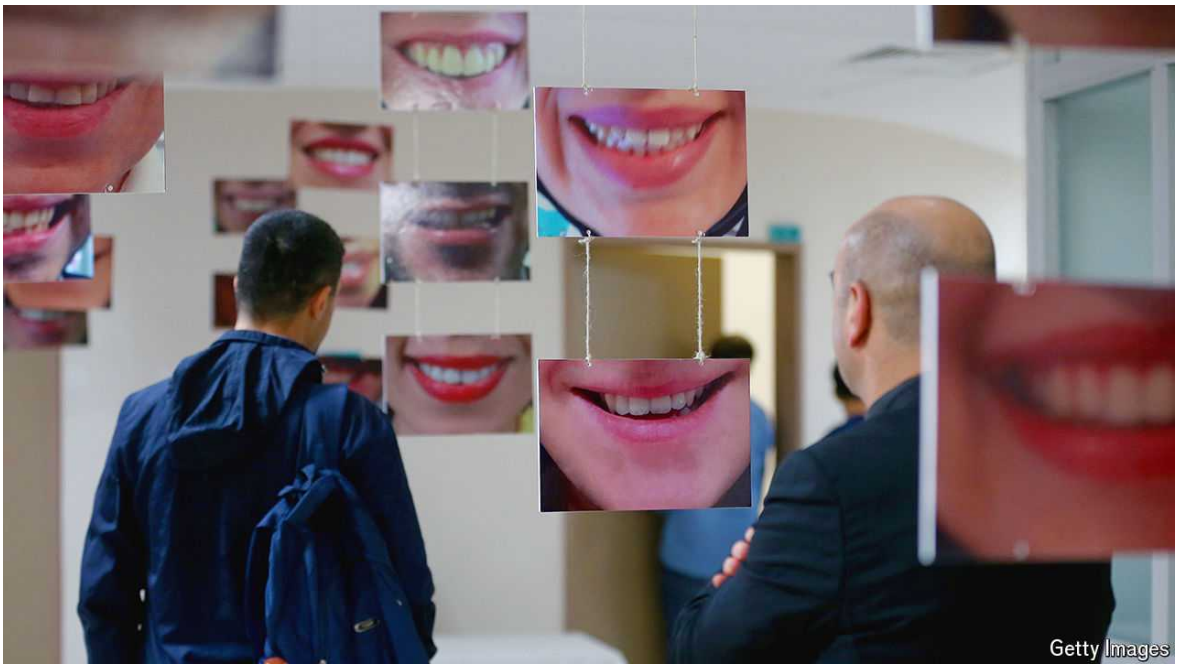
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Britain | Nip and Turk

The British are learning to love cheap overseas health care

Growing numbers are heading abroad for cosmetic and other medical procedures

April 10th 2025



Audrey and Sarah Thompson are poring over a notebook during a break from browsing stands at the Health Tourism Expo in Westminster. Sarah is in the market for some cosmetic dental work. Her mother is investigating weight-loss procedures. After speaking to a few providers—including some they know from Instagram—the Londoners are building a checklist. Does the company seem professional? Are the salespeople too pushy? They add one more: do the clinics, which are in Turkey, provide a translator?

Around 431,000 people from Britain sought medical treatment abroad in 2023, five times more than a decade ago, according to the Office for

National Statistics. They travel for hair transplants, dental veneers and nose jobs, as well as more serious procedures such as hip replacements. They are enticed by slick social-media marketing, word-of-mouth recommendations and all-inclusive packages costing as little as £2,000 ($2,560).

Price is central to the pitch from the 80-odd Turkish clinics (plus a handful from other countries) at the expo in February: high-quality private care at a fraction of the cost in Britain. Most tout hair and dental work; a few offer more exotic services such as "cosmetic gynaecology". The Hermest Hair Clinic says it's only one of about 3,000 hair-transplant providers in Istanbul; it estimates that 95% of clients are foreign. Some operators highlight the perk of a few days in the sun to accompany an invasive procedure. "In London it's always raining," observes a salesman for the Baskent University Healthcare Group.

The travel was definitely a bonus, says Neale, a charity worker from London, who undertook two Turkish trips last year to fix some long-standing dental problems. After inheriting money, he spent £12,000 on crowns, travel, accommodation, food and booze. Based on quotes, Neale reckons that the treatment would have cost roughly double in Britain. Three months after returning home, he marvels at the "state of the art" clinic in Antalya, a hub for Turkish health care. "The equipment in there looks like something out of 'Terminator'," he says. The only hitch was the clinicians' poor English.

At the hotel where he stayed between appointments, most residents seemed to be having some kind of treatment, according to Neale. He paints a picture of a post-op party atmosphere where patients-cum-holidaymakers bond over their shared discomforts, with special soup laid on for bariatric-surgery recovery and soft food for those getting to grips with their new set of zirconium teeth.

Yet there are risks. Faced with bandaged Brits at Turkish check-ins, Wizz Air has trained staff to ensure passengers are fit to fly. The British Association of Aesthetic Plastic Surgeons (BAAPS), a lobby group, says 324 people required corrective surgery upon returning from overseas in the four years to 2022. And at least 28 Brits have died in Turkey following medical procedures since 2019, according to the British government. Neither BAAPS nor

the government has comparable data for deaths following cosmetic procedures in Britain.

British doctors complain about the burden of foreign misadventures. The NHS "can't be expected to correct a procedure that has gone wrong," says Professor Vivien Lees, vice-president of the Royal College of Surgeons of England. Still, some of the medical tourists from Britain relieve pressure on the health service back home. And the experience of private medicine overseas is often a step up from the "take what you're given" attitude back home. "If you want more, you have to pay," concludes Audrey Thompson. ■

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Britain | Locke, Stock and both barrels

The philosopher changing free speech in Britain

Arif Ahmed is forcing universities to behave better

April 10th 2025



A GOOD WAY to understand Arif Ahmed, a philosopher, is to have visited him in his old rooms at Cambridge University. In some ways the study was standard philosopher fare: wood floors, air of faded grandeur. Peer from its paned windows and you could see King's College, where Ludwig Wittgenstein argued with Karl Popper with a poker. Wander down the street, and you'd be at Trinity, where Bertrand Russell argued with almost everyone.

In many ways, Mr Ahmed was the standard philosopher. Visit him there—he was a professor at Gonville & Caius College until 2023—and he would make you tea with mild ineptitude and talk with quiet exactitude about John Locke or free speech. But he wasn't quite typical. For one thing, he talked

openly to journalists about threats to speech in universities, and had forced Cambridge to change its own policy on free speech. For another, in the corner of his room were hefty weights: this was a philosopher with muscle; a philosopher who could, if necessary, pack a punch.

Last month, the punch landed. Sussex University has been fined £585,000 ($752,000) by the Office for Students (ofs), a university regulator, for "free speech and governance breaches". It is Mr Ahmed who—having resigned his professorship in 2023 to take over as the ofs's director of free speech—is behind it. The fine is a whopper: nearly 16 times bigger than any the ofs has previously issued. Mr Ahmed, philosophically, notes that it could have been worse: "There's potential for those fines to be higher," he says. Sussex, which is not being philosophical at all, is taking legal action against the ofs and has accused it of wanting to "persecute" it.

The choice of word is unfortunate. Sussex is well known for persecution—but chiefly for hosting it not suffering it. It was there that Kathleen Stock, a philosophy professor, was hounded so badly for her beliefs (among other things she does not consider trans women to be women) that the police told her to stay off campus. Other British universities also underwhelm; on the Academic Freedom Index produced by Friedrich-Alexander University and the V-Dem Institute Britain has, over the past decade, fallen from among the best in the world to 64th, ahead of Niger but behind Albania. This bothers Mr Ahmed: if speech is suppressed at university "it's dangerous for the whole country"—words that would resonate powerfully on American campuses right now.

That tone is, for him, unusually strong. Free speech in Britain suffers not merely from those who oppose it but from those who champion it, as their speech is often an eloquent argument for silence. A brief predecessor at the ofs was Toby Young, who has written articles with titles like "Could I limit myself to 100 bottles of wine in a year?" and books with sentences like: "She had Baywatch tits, perfect 34DS".

Mr Ahmed is a more muted and meritocratic choice. His parents arrived in Britain from India in the 1970s. He grew up in Somerset (as a boy, he pronounced it "Zomerzet"), then did maths at Oxford before a PhD in philosophy at Cambridge. Unlike Mr Young, he tweets about nothing and

writes articles with titles like “Causal Decision Theory: a Counterexample”. Though he too has written books appealing to the popular market, his was called “Wittgenstein’s ‘Philosophical Investigations’: A Reader’s Guide”. It was rich in phrases like: “Let us now return to Wittgenstein’s discussion of…‘dispositions’.” It was not rich in phrases about tits.

His discussions of free speech are similarly learned—he often refers to Locke and Hume and Mill—and subtle. All Western philosophy, it has been said, is a footnote to Plato; but Mr Ahmed seems happy in the footnotes. His most famous intervention was almost a mere addendum: in 2020 he made Cambridge introduce Amendment 1 to Paragraph 2 of its free-speech policy. Which hardly sounds thrilling but was: the university was about to demand that staff and students “be respectful of the diverse identities of others”. Mr Ahmed argued that “respectful” should be changed to “tolerant” since “while people should be treated with respect, ideas should not be.” He forced a vote, and won.

The freedom to disagree matters to him, philosophically (Locke’s “Letter Concerning Toleration” lurked behind that new wording) and personally. He was brought up Muslim, is now atheist and thinks that “being able to talk freely about [religion] is especially important.” As “a teenager in the cold war”, he was aware of “people like Vaclav Havel”, a dissident who became Czech president. In an essay on free speech, Havel considers a greengrocer who puts a “Workers of the World, Unite!” sign, delivered from HQ, in his window. “Why does he do it?” Havel asked. Not because he believes but to show “I am obedient” so “have the right to be left in peace”.

For Hume the bell tolls

The fine on Sussex is also subtle; issued not for the egregious experience of Ms Stock but for documents that, says the OfS, could have a “chilling effect” on free speech, such as a trans-equality policy demanding all course materials “positively represent trans people”. This might seem trivial. Mr Ahmed thinks otherwise. “What’s really important is that you don’t restrict what viewpoints can be expressed.”

Sussex, incidentally, did not write that policy itself. It based it on a central template. Perhaps its administrators believed it. Or perhaps they too were showing that they were obedient; they too had the right to be left in peace. With Mr Ahmed about, they and others are now unlikely to be. ■

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Britain | Bagehot

Zombie politics: how Dead Man dominates British politics

Britain's parties are catering to a voter who is, often literally, dead

April 9th 2025



British politics revolves around an imagined voter. It is this voter who stops Labour moving too close, too quickly to Europe, even if practically every Labour voter would support rejoining the European Union (EU)—forget faffing about with a veterinary deal or a customs union. It is this voter who stops the Conservatives offering much to people in their former heartlands of well-to-do southern England. And it is the prospect of this voter's departure to the likes of Reform that gives both Labour and the Conservatives the heebie-jeebies. Where does this voter live? In the graveyard, usually.

Sift through the British Election Study and one demographic is of particular interest to Westminster's inhabitants: those who dropped dead after the 2019

election. If, like everyone else in British politics, one is looking for right-leaning, Leave-voting non-graduates with particularly authoritarian views to attend a focus group, then the best place to find them is the morgue. To understand British politics, one must understand Dead Man.

After all, death stalks British politics. Since politics is now split by age, the Grim Reaper plays an outsize role. The Conservatives received a historic thrashing at the last election. If the over-70s alone could vote, they would have won 568 seats (their best-ever result) rather than 121 (their worst-ever). During that campaign, Labour had a relentless focus on winning over wavering Tories. But the Reaper proved just as helpful. Between the elections of 2019 and 2024, roughly as many Conservative voters dropped dead as switched from Conservative to Labour.

Dead Man's influence is felt in policy as well as at the ballot box. The dead are among the strongest supporters of Brexit. Two-thirds of those who shuffled off this mortal coil after 2020 supported leaving the EU. When, on April 2nd, America slapped a mere 10% tariff on British goods, compared with the 20% that was threatened for the EU, Conservative shadow ministers launched a sally of I-Told-You-Sos. "It was vindication for those who were pilloried and abused for Brexit," said Andrew Griffith, the shadow business secretary, to impress the dead. Labour MPs were cajoled into admitting that the lower tariffs were a "benefit of Brexit".

Each party is in hock to a Britain that has been dead for years. Death had whittled away the Leave majority by 2019, according to one analysis. Among the ranks of the living, Brexit is seen as a clownish endeavour, even among those who supported it. Demography combined with the pointless, damaging reality of leaving the EU to kill Brexit Britain. Yet it lives on in the minds of the country's politicians, where it is forever 2016.

If British politicians worship voters who are no longer among the living, it is natural that they do the same to a version of the British economy that has long departed. "There are people in this country who love to talk down our manufacturing," said Sir Keir Starmer, the prime minister, while speaking in Jaguar Land Rover's (JLR) factory in Birmingham. During the 1970s, one in four people worked in manufacturing, like Sir Keir's dad, who died in 2018. Now fewer than one in ten do.

Manufacturing, a small part of the economy, plays a big role in politics everywhere. Britain is no exception. A speech at a JLR plant has become a rite of passage for any leading politician in recent years. Dead Man's old job comes first for Britain's politicos. The lives of workers in Britain's services economy come second. True, manufacturing's weak performance after the financial crisis is one reason for Britain's woeful productivity growth. Yet politicians cling on to a primitive vision of it. "He made things with his hands," said Sir Keir of his father. That modern manufacturing requires oodles of educated workers is ignored. Living graduates play little role in political discourse beyond politicians moaning that there are too many of them. After all, Dead Man did not attend university. Why should his grandchildren bother?

Politicians are beholden to a long-dead world of media. Downing Street's media operation is still dominated by the newspapers Dead Man reads. The recently departed were roughly twice as likely to be a tabloid reader compared with the still-breathing. When the *Sun* sold 3m copies a day and could boast a readership of three times that, politicians had reason to genuflect before the "super, soaraway *Sun*". Now, its print circulation is a shameful secret. Yet still Sir Keir and other cabinet ministers pay homage.

Esprit de corpse

Perhaps both main parties obsess about the dead because they are fed up with the living. Familiarity has bred contempt in both Labour and the Conservatives. Each treats its heart-beating base with derision. Labour is at war with its soft-hearted supporters who prefer higher taxes to benefit cuts and want full-throated condemnation from Sir Keir of the Israeli government blowing Gazans to bits. The Conservatives, meanwhile, have picked fights with Britain's most successful corners, disdaining those in the home counties who work from home for two days a week or complain about the queue at Geneva Airport before a skiing holiday.

British politics is shackled to a corpse. Undoing those chains would leave everyone better off. A closer relationship with Europe is the quickest and easiest way—both in terms of politics and policy—to generate growth. Accepting the economy for how it is rather than what it used to be is the best

way of fixing it. Plenty of living voters share some of Dead Man's opinions and background: Britain still has authoritarian Eurosceptics whom politicians must take into account, while even now, less than half of young people go to university. Yet politicians leading parties plumbing all-time lows in the polls, as both the Conservatives and Labour are, behave as if no other voters exist. The fix is simple: a politics that caters for the living rather than just the whims of the dead. ■

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International

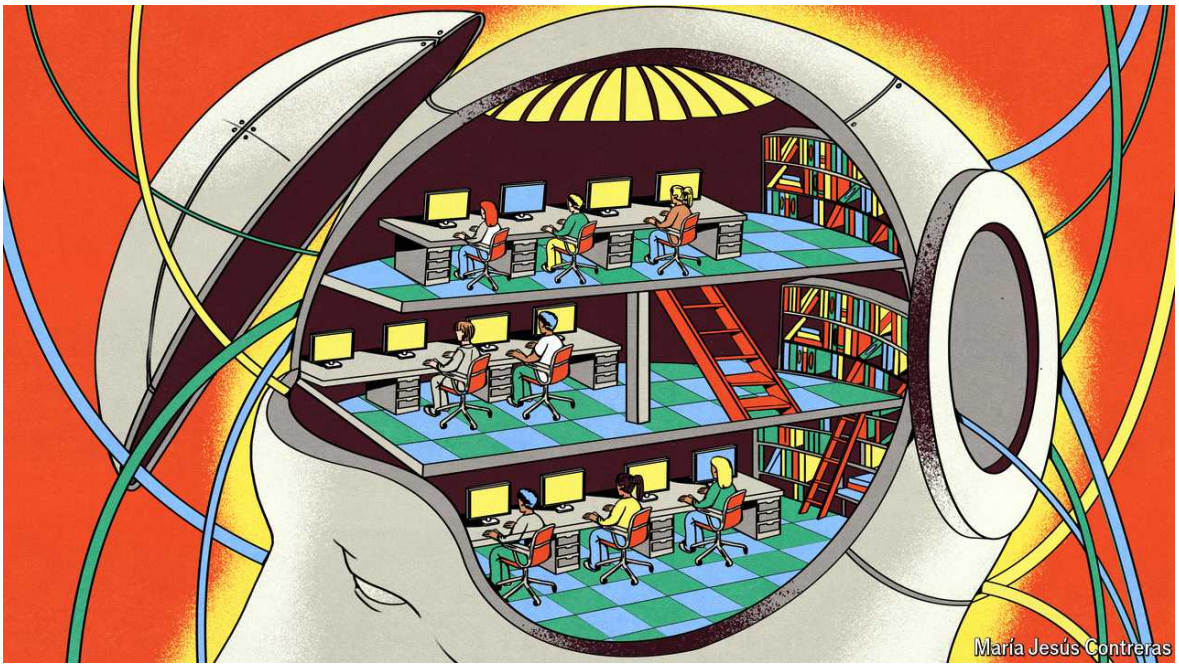
- There is a vast hidden workforce behind AI
- The dangers of Donald Trump’s instinct for dealmaking

International | Humans in the loop

There is a vast hidden workforce behind AI

Will they become redundant as the technology develops?

April 10th 2025



WHEN DEEPSEEK, a hotshot Chinese firm, released its cheap large language model late last year it overturned long-standing assumptions about what it will take to build the next generation of artificial intelligence (AI). This will matter to whoever comes out on top in the epic global battle for AI supremacy. Developers are now reconsidering how much hardware, energy and data are needed. Yet another, less discussed, input in machine intelligence is in flux too: the workforce.

To the layman, AI is all robots, machines and models. It is a technology that kills jobs. In fact, there are millions of workers involved in producing AI models. Much of their work has involved tasks like tagging objects in images of roads in order to train self-driving cars and labelling words in the

audio recordings used to train speech-recognition systems. Technically, annotators give data the contextual information computers need to work out the statistical associations between components of a dataset and their meaning to human beings. In fact, anyone who has completed a CAPTCHA test, selecting photos containing zebra crossings, may have inadvertently helped train an AI.

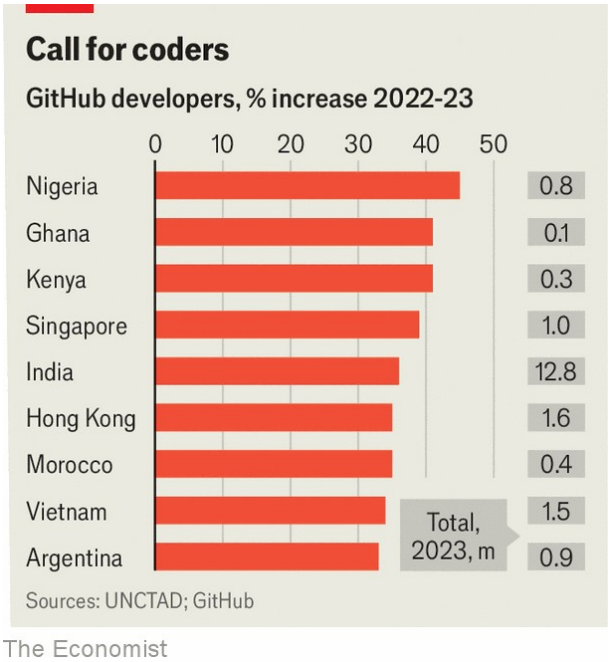
This is the "unsexy" part of the industry, as Alex Wang, the boss of Scale AI, a data firm, puts it. But it is a vast business. Much of the labour is outsourced to poor parts of the world, where lots of educated people are looking for work. The Chinese government has teamed up with tech companies, such as Alibaba and JD.com, to bring annotation jobs to far-flung parts of the country. In India the IT industry body, Nasscom, reckons annotation revenues could reach $7bn a year and employ 1m people there by 2030. That is significant, since India's entire IT industry is worth $254bn a year (including hardware) and employs 5.5m people.

Annotators have long been compared to parents, teaching models and helping them make sense of the world. But the latest models don't need their guidance in the same way. As the technology grows up, are its teachers becoming redundant?

Data annotation is not new. Fei Fei Li, an American computer scientist known as "the godmother of AI", is credited with firing the industry's starting gun in the mid-2000s when she created ImageNet, the largest image dataset at the time. Ms Li realised that if she paid college students to categorise the images, which was then how most researchers did things, the task would take 90 years. Instead, she hired workers around the world using Mechanical Turk, an online gig-work platform run by Amazon. She got some 3.2m images organised into a dataset in two and a half years. Soon other AI labs were outsourcing annotation work this way, too.

Over time developers got fed up with the low-quality annotation done by untrained workers on gig-work sites. AI-data firms, such as Sama and iMerit, emerged. They hired workers across the poor world. Informal annotation work continued but specialist platforms emerged for AI work, like those run by Scale AI, which tests and trains workers. The World Bank reckons that between 4.4% and 12.4% of the global workforce is involved in gig work,

including annotation for AI. Krystal Kauffman, a Michigan resident who has been doing data work online for a decade, reckons that tech companies have an interest in keeping this workforce hidden. “They are selling magic—this idea that all these things happen by themselves,” Ms Kauffman, says. “Without the magic part of it, AI is just another product.”



A debate in the industry has been about the treatment of the workers behind AI. Firms are reluctant to share information on wages. But American annotators generally consider $10-20 per hour to be decent pay on online platforms. Those in poor countries often get $4-8 per hour. Many must use monitoring tools that track their computer activity and are penalised for being slow. Scale AI has been hit with several lawsuits over its employment practices. The firm denies wrongdoing and says: “We plan to defend ourselves vigorously.”

The bigger issue, though, is that basic annotation work is drying up. In part, this was inevitable. If AI was once a toddler who needed a parent to point things out and to help it make sense of the world around it, the technology has grown into an adolescent who needs occasional specialist guidance and advice. AI labs increasingly use pre-labelled data from other AI labs, which use algorithms to apply labels to datasets.

Take the example of self-driving tractors developed by Blue River Technology, a subsidiary of John Deere, an agricultural-equipment giant. Three years ago the group's engineers in America would upload pictures of farmland into the cloud and provide iMerit staff in Hubli, India, with careful instructions on what to label: tractors, buildings, irrigation equipment. Now the developers use pre-labelled data. They still need iMerit staff to check that labelling and to deal with "edge cases", for example where a dust cloud obscures part of the landscape or a tree throws shade over crops, confusing the model. A process that took months now takes weeks.

From baby steps

The most recent wave of AI models has changed data work more dramatically. Since 2022, when OpenAI first let the public play with its ChatGPT chatbot, there has been a rush of interest in large language models. Data from Pitchbook, a research firm, suggest that global venture-capital funding for AI startups jumped by more than 50% in 2024 to $131.5bn, even as funding for other startups fell. Much of it is going into newer techniques for developing AI, which do not need data annotated in the same way. Iva Gumnishka at Humans in the Loop, a social enterprise, says firms doing low-skilled annotation for older computer-vision and natural-language-processing clients are being "left behind".

There is still demand for annotators, but their work has changed. As businesses start to deploy AI, they are building smaller specialised models and looking for highly educated annotators to help. It has become fairly common for adverts for annotation jobs to require a PhD or skills in coding and science. Now that researchers are trying to make AI more multilingual, demand for annotators who speak languages other than English is growing, too. Sushovan Das, a dentist working on medical-AI projects at iMerit, reckons that annotation work will never disappear. "This world is constantly evolving," he says. "So the AI needs to be improved time and again."

New roles for humans in training AI are emerging. Epoch AI, a research firm, reckons the stock of high-quality text available for training may be exhausted by 2026. Some AI labs are hiring people to write chunks of text and lines of code that models can be trained on. Others are buying synthetic data,

created using computer algorithms, and hiring humans to verify it. “Synthetic data still needs to be good data,” says Wendy Gonzalez, the boss of Sama, which has operations east Africa.

The other role for workers is in evaluating the output from models and helping to hammer it into shape. That is what got ChatGPT to perform better than previous chatbots. Xiaote Zhu at Scale AI provides an example of the sort of open-ended tasks being done on the firm’s Outlier platform, which was launched in 2023 to facilitate the training of AI by experts. Workers are presented with two responses from a chatbot recommending an itinerary for a holiday to the Maldives. They need to select which response they prefer, rate it, explain why the answer is good or bad and then rewrite the response to improve it.

Ms Zhu’s example is a fairly anodyne one. Yet human feedback is also crucial to making sure AI is safe and ethical. In a document that was published after the launch of ChatGPT in 2022, OpenAI said it had hired experts to “qualitatively probe, adversarially test and generally provide feedback” on its models. At the end of that process the model refused to respond to certain prompts, such as requests to write social-media content aimed at persuading people to join al-Qaeda, a terrorist group.

Flying the nest

If AI developers had their way they would not need this sort of human input at all. Studies suggest that as much as 80% of the time that goes into the development of AI is spent on data work. Naveen Rao at Databricks, an AI firm, says he would like models to teach themselves, just as he would like his own children to do. “I want to build self-efficacious humans,” he says. “I want them to have their own curiosity and figure out how to solve problems. I don’t want to spoon-feed them every step of the way.”

There is a lot of excitement about unsupervised learning, which involves feeding models unlabelled data, and reinforcement learning, which uses trial and error to improve decision-making. AI firms, including Google DeepMind, have trained machines to win at games like Go and chess by playing millions of contests against themselves and tracking which strategies work,

without any human input at all. But that self-taught approach doesn't work outside the realms of maths and science, at least for the moment.

Tech nerds everywhere have been blown away by how cheap and efficient DeepSeek's model is. But they are less impressed by DeepSeek's attempt to train AI using feedback generated by computers rather than humans. The model struggled to answer open-ended questions, producing gobbledygook in a mixture of languages. "The difference is that with Go and chess the desired outcome is crystal clear: win the game," says Phelim Bradley, co-founder of Prolific, another AI-data firm. "Large language models are more complex and far-reaching, so humans are going to remain in the loop for a long time."

Mr Bradley, like many techies, reckons that more people will need to get involved in training AI, not fewer. Diversity in the workforce matters. When ChatGPT was released a few years ago, people noticed that it overused the word "delve". The word became seen as "AI-ese", a telltale sign that the text was written by a bot. In fact, annotators in Africa had been hired to train the model and the word "delve" is more commonly used in African English than it is in American or British English. In the same way as workers' skills and knowledge are transferred to models, their vocabulary is, too. As it turns out, it takes more than just a village to raise a child. ■

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International | The Telegram

The dangers of Donald Trump's instinct for dealmaking

Trade wars are alarming, but so are might-makes-right deals

April 8th 2025



EVEN BEFORE President Donald Trump declared a trade war on the whole world, this was a noisy time in global power politics. The din of armed conflict is unrelenting in Europe, the Middle East and Africa. In Asia, Chinese sabre-rattling grows ever louder. Every other week, or so it seems to China's anxious neighbours, the People's Liberation Army sends fighter jets and warships to encircle the island of Taiwan, or to stage shows of force in contested seas to China's east and south. Relishing his role as commander-in-chief of the most potent armed forces in history, Mr Trump makes threats to destroy utterly opponents who defy his demands, from Houthi insurgents disrupting shipping in the Red Sea to drug-smuggling cartels in Mexico.

Other leaders have no choice but to engage with the threats of tariffs that Mr Trump has unleashed on each of their economies, like an old heavyweight challenging everyone he sees to a fight at the same time. His self-harming trade war is now the most urgent crisis in a world filled with clamorous disorder.

Strikingly, though, some of the shrewdest officials and analysts in such capitals as Beijing, Brussels and Washington are focused on a challenge to the established world order that is harder to see or hear. To them, the most disruptive force in geopolitics today is Mr Trump's apparent desire to huddle with other world leaders, and quietly carve up the world together.

His actual dealmaking record is mixed. Allied governments worry that Mr Trump is growing impatient with slow progress in talks to end the war in Ukraine. Some fear he could walk away one day, leaving the conflict unresolved, and Ukraine without some forms of intelligence support that it needs to fight effectively. Mr Trump blames Ukraine for starting the war and for dragging it out. From time to time, individual European leaders catch Mr Trump's ear and convince him that Russia's president, Vladimir Putin, is the one playing for time, in a way that is disrespectful to America. Finland's president, Alexander Stubb, pulled off just such a useful meeting with Mr Trump over a golf game in Florida on March 29th. The next day America's president duly threatened to punish Russian foot-dragging with sanctions.

But such moments of clarity are rare in the second Trump administration, which insiders compare to the court of an ageing and mercurial king. Far more than in his first term, Mr Trump has surrounded himself with loyalists. Multiple envoys are appointed to handle important subjects. They then compete to impose deals, through might rather than right, on foreign powers, in line with what they suppose are his wishes. There are conventional conservatives in Mr Trump's team who might oppose a bad peace deal for Ukraine that rewards Russia for its aggression, such as his national security adviser, Mike Waltz. But Mr Waltz is not expected to keep his job for long. Zealots in Trumpworld are pushing the president to purge his administration of those they call "neocons" bent on war, who are deemed disloyal on the basis of past comments opposing Mr Trump's America First worldview.

If allies are anxious, adversaries such as China see an opportunity. Under its supreme leader, Xi Jinping, China spent the past few years trying to persuade America's 46th president, Joe Biden, to express support for the "peaceful reunification" of Taiwan with mainland China. Such a statement would mark a dramatic shift in policy, and the Biden administration refused this request. America has no formal defence alliance with Taiwan, a democratic island that China claims as its own. But for decades America has worked to deter China from using force to take the island. Officially, America expects China and Taiwan to resolve their differences "by peaceful means, free from coercion, in a manner acceptable to the people on both sides of the strait".

Freedom, for a hill of beans

In the view of a well-connected Chinese expert on relations with America, the time is ripe to change this language, playing on Mr Trump's often-stated distaste for war. China has intensively studied each recorded instance of Mr Trump expressing impatience with the notion that Taiwan, an island of 24m people with relatively weak armed forces, could possibly defend itself against China, a superpower of 1.4bn. Chinese officials pay attention whenever Mr Trump expresses anxiety about Taiwan's dominant role in the manufacture of advanced semiconductors and puts pressure on chipmakers such as TSMC to move their production to America. In the telling of this scholar, America should cut a deal while it still can as the costs to it of defending Taiwan are rising fast. He rehearses the argument that he would like to see his government make: "Reunification has to come, so it is better to make that peaceful than non-peaceful." If Mr Trump can just openly embrace the idea that unification is Taiwan's ultimate fate, then China can be "more patient", he says.

In Washington, insiders think it is quite conceivable that such an offer would appeal to Mr Trump. They talk of vicious feuding over China policy among Mr Trump's appointees in the Pentagon, State Department and national-security agencies, precisely because the president's true views on China are so unclear. One camp would be ready to accommodate China over Taiwan, believing it is impossible that America would actually fight for the island.

Another camp fears that Mr Trump is indeed capable of quietly selling Taiwan out, and is working to thwart this.

Hawks are helped by Mr Trump's trade war, which has America and China trading threats of tariffs and vows not to give ground. While Mr Trump is angrily focused on trade deficits, China cannot cut a deal giving it Taiwan in exchange for purchases of American soyabeans, as the mordant joke goes in policy circles. If Trumpian bluster subsides, anything could happen. ■

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Business

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Business | Once bitten, twice shy

Despite the rally, Apple still faces a trade-war nightmare

The rest of corporate America has to live with uncertainty too

April 4th 2025



Apple reclaimed its crown as the world's most valuable company on April 9th. Financial markets roared higher in response to President Donald Trump's decision to put a 90-day hold on his "reciprocal" tariffs to most countries, but not China. Look past the euphoria, though, and there is a stark reality. More than most big American firms, Apple remains hugely exposed to the worsening trade conflagration with China. Moreover, a pause is just a pause. Mr Trump's capriciousness still makes it a nightmare to decide how to reconfigure supply chains in a trade war.

Apple's relationship with China, where it makes up to nine out of ten of its iPhones, turned Mr Trump's "Liberation Day" into six days of hell for the

Cupertino-based company. Not only did the president's tariffs threaten to push up the costs of its products assembled in China; they also hit goods exported from other countries, including India, an incipient maker of iPhones, and Vietnam, where the firm makes Apple Watches and AirPods. Apple has extended manufacturing to these countries in order to reduce its exposure to China. Hefty levies on them compounded the shock of the China tariffs.

Mr Trump's u-turn, which in effect cuts levies to countries excluding China to a baseline 10% and opens the door to country-by-country trade negotiations, gives Apple a reprieve. Its shares soared by 15% on April 9th, pushing its market value above that of Microsoft, the tech giant that had overtaken it the day before. It was Apple's best one-day performance in more than 25 years, even though on the same day Mr Trump increased levies on China to an eye-watering 125% as part of a retaliatory and counter-retaliatory tariff blitz between the two countries. That Apple's shares soared despite the exchange of fire suggests investors believe that eventually America and China will come to their senses and negotiate—or that Mr Trump will grant Apple products an exemption, as he did during his previous term.



Unless that happens, though, Apple remains at the mercy of Mr Trump's trade policies. The higher the duties on China, the higher the cost burden on the 70m or so iPhones assembled in China and then sold in America. Even at roughly half the current levels, say 60%, they could add $330 to the $550 raw cost of an iPhone (tariffs apply to production costs, not retail values), says David Vogt of UBS, a bank.

Higher costs could be passed on to consumers. But that is tricky. Sales of iPhones, which last year made up more than half of Apple's revenues, have stagnated, partly because the company has failed to create seductive artificial-intelligence features. With the retail price of the most advanced iPhones starting at $999, it is hard to imagine that Apple could make them even more expensive without further turning off customers. In America, shoppers rushed to Apple stores to buy gadgets before the tariffs kicked in.

Alternatively, Apple could squeeze investors. Its gross profit margins reached all-time highs above 46% in 2024. Fears that profits will suffer as a result of higher tariffs partly explain the volatility in Apple's share price. Gerrit Schneemann of Counterpoint Research, a consultancy, argues that the firm's margins are high enough that it can absorb the shock better than rivals such as Samsung. It could also encourage loyal suppliers to share some of the burden. But tariffs will be a significant blow nonetheless.

Then there is Chinese retaliation. It is possible that the country's counter-tariffs will make some components more expensive to import into China; for instance, Apple's "Gorilla Glass" is made by Corning, an American company, in Kentucky. In addition, Mr Schneemann speculates that China's restrictions on exports of rare-earth minerals may affect other suppliers.

More serious may be the risk to Apple's sales in China. Its revenues in the country fell by 8% last year, mostly because of weakness in demand for iPhones and iPads. Chinese consumers may accelerate that slide by treating Apple as a scapegoat for Mr Trump's antics. The appeal of home-grown alternatives, such as Huawei, Oppo and Xiaomi, is growing.

Moreover, the Chinese government could take retaliatory action against Apple. In February Bloomberg reported that China's antitrust watchdog was

considering a probe into the fees Apple charges app developers. That risks another flashpoint in the trade war.

Apple's perils in China are not new. Since China's pandemic lockdowns, it has been seeking to move production to other parts of Asia to hedge its bets. On April 7th the *Wall Street Journal* reported that, in response to higher tariffs on China than on India, Apple planned to increase iPhone shipments from India to America as a stopgap measure. Yet it is so deeply embedded in China that it could take years to rebalance the relationship. A Harvard Business School case study last year by Jeremy Friedman and others on Apple's "de-risk or double down" dilemma in China described moving to India as demanding "substantial investments, unwavering patience, and an extended timeline"—in stark contrast with China.

The American dream

If its Asian supply chains are so vulnerable, where could Apple turn instead? The answer, according to Team Trump, is America. The White House says that a pledge by Apple shortly after Mr Trump's inauguration to invest $500bn over four years in America is a prelude to moving production to its home country. But that is harder than the MAGA crowd makes it sound.

Start with the promised investment. That was public-relations "fluff", says UBS's Mr Vogt, noting that $500bn over four years would require Apple to spend more than its free cashflow, which is about $100bn a year. Apple made a promise to invest $350bn over five years during Mr Trump's first term, and another big pledge during the administration of Joe Biden. Neither produced much in the way of shovels in the ground.

There are also high technology hurdles to reshoring anything but Apple's top-of-the-range Macs. It has taken several years and heavy subsidies for TSMC, which makes semiconductors for Apple, to start producing in Arizona. It would be a similarly lengthy process for Apple to encourage high-tech suppliers of the iPhone's power systems, cases and other components to come to America. As yet the Trump administration has offered no incentives to woo them. Wamsi Mohan, an Apple analyst at Bank of America, said that

moving the iPhone's entire supply chain to America would probably take many years and may not even be possible.

Tim Cook, Apple's boss, could have made a decision years ago to move more production to America, using robots instead of low-cost labour, as an alternative to China, says Kevin O'Marah of Zero100, a supply-chain research firm. Now, though, Apple is "against a time crunch". Cost is a factor too. Dan Ives of Wedbush Securities, an Apple bull, says an American-made iPhone could cost as much as $3,500.

Because it straddles so many geopolitical faultlines, Apple's position is more precarious than those of most American firms. But it is not alone. Others have China risk. They also export from countries now racing against a 90-day deadline to negotiate tariffs with the mercurial Mr Trump. Corporate America is not yet in the clear. ■

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Business | Bags of money

How Hermès defied the luxury slump

And its lessons for other high-end brands

April 10th 2025

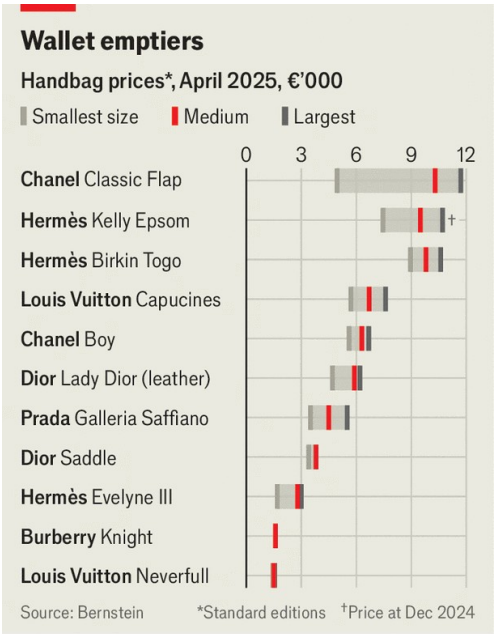


The luxury industry has lost its sparkle. A slowdown in the Chinese economy and a cost-of-living crisis in the West have led to a slump in sales of fancy frocks and posh bags. If, after a pause announced on April 9th, the high levels of tariffs threatened by Donald Trump are enacted they could throw the industry into a tailspin. Kering, a French luxury group that owns Gucci, has posted a string of profit warnings in recent quarters. At LVMH, another French luxury giant which owns Louis Vuitton, sales of fashion and leather goods have gone into decline.

Yet one firm seems immune to the downturn: Hermès. Sales surged by 15% in 2024 to €15.2bn ($16.4bn). Citigroup, a bank, reckons that figure could rise to a symbolic €20bn by 2027 and soon overtake sales at Louis Vuitton.

The S&P Global Luxury index has dropped by more than 20% over the past year, but Hermès shares have lost just 4%. What can other luxury groups learn?

First lesson: control supply chains. Hermès runs small workshops filled with highly trained artisans. Some 55% of its goods are produced in-house or in exclusive partnerships; Adam Cochrane of Deutsche Bank reckons that figure is around 35-40% for competitors. Even in ready-to-wear clothing, where the firm uses outside manufacturers, it keeps suppliers close. Stéphane Wargnier, who worked in communications at Hermès for 18 years, was told to invite suppliers to the firm's internal Christmas parties. In recent years the likes of Chanel, LVMH and Prada have poured money into buying their suppliers.



The Economist

The second lesson is that luxury groups benefit from disciplined price increases. In-house production at Hermès crimps supply. Waiting lists for the brand's most coveted bags stretch for years even though it charges some of the highest prices in the industry (see chart). Yet Hermès hasn't targeted ever-fatter margins; it raises prices in line with costs of production and currency fluctuations. Over the past decade that has led to average price increases of 6-7% per year, according to Bernstein, a broker. The price of its classic Birkin bag has risen by about 29% since 2016 to $12,100, according

to estimates from Sotheby's, an auctioneer, while the price of Chanel's quilted bag has more than doubled.

That restraint puts the firm in an enviable position. Most brands raised prices dramatically after the pandemic as customers started "revenge shopping". According to McKinsey, a consultancy, 80% of the increase in revenues in the luxury market between 2019 and 2023 came from price increases and only 20% from growing volumes. As consumer sentiment has turned, brands are being forced to discount existing products and introduce cheaper ones. Most luxury executives are jittery about tariffs and a global trade war squeezing margins further. Hermès's boss, Axel Dumas, is sanguine. He plans to pass on the cost of any new duties. "Our American customers will understand," he says.

The third lesson is that it is possible for luxury groups to sell less pricey lines to "aspirational" customers without destroying brand image. Though a large chunk of its wares are eye-wateringly expensive, Hermès also sells more affordable products, like lipstick and nail polish. Carole Madjo at Barclays, a bank, says the attitude is: "you buy a lipstick today but in ten years you might buy a Birkin bag."

It is a tricky balancing act. Brands such as Gucci have churned out cheaper items, like socks and bucket hats, and destroyed their reputation for exclusivity. By staying small and restricting supply Hermès has avoided that fate. The group has fewer than 300 shops worldwide, compared with 530 or so for Gucci. It increases production of leather goods by just 6-7% a year.

Other luxury groups will struggle to copy the model entirely. Luca Solca of Bernstein says Hermès is "in a league of its own". The firm, founded in 1837 and still in family control, has spent time and money training artisans to produce high-quality bags. But if there is a weakness it is that there are only so many shoppers looking for a €10,000 handbag. Hermès's wealthy customers may be less affected by the economic cycle. But when recovery comes and consumers open their wallets again, luxury houses that cater to the "aspirational" middle classes may gain the most. ■

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Business | The clock is ticking

TikTok’s bizarre sale process gets even weirder

What will happen at the next deadline?

April 10th 2025



ANYONE WANT to buy a used social network? One careful Chinese owner, 170m users in America and revenue there of $12bn last year. The White House is running a chaotic auction for TikTok, a Chinese-owned app that Congress has ordered to find a non-Chinese owner or else face a ban. On April 4th, on the eve of the cut-off for the app’s sale, Donald Trump announced that he was extending the deadline by another 75 days.

America’s demand that TikTok sever ties with its Chinese parent, ByteDance, started as a principled national-security policy. It has descended into a seedy free-for-all. Allies of the president are jostling to buy the app in a deal that may not even solve the security problems it was designed to overcome.

The debacle began on Joe Biden's watch with a bill last April mandating the app to find a buyer. After an objection from TikTok, the Supreme Court upheld the law on January 17th. The ban was due to begin two days later, on Mr Biden's last full day in office, but he opted to leave the problem to his successor. Under Mr Trump the process has run further off the rails. On his first day Mr Trump signed an executive order telling the Department of Justice not to enforce the law for 75 days. Apple and Google kept the app out of their stores at first, but allowed it back in February. On April 6th Mr Trump said that another 75 days would be needed.

The process is being run in a nakedly political way. Although both TikTok and its would-be acquirers are private companies, the White House is organising the sale. The office of the vice-president, J.D. Vance, is acting as an intermediary between bidders and their target, as well as the Chinese government, which in practice holds a veto over any sale. Mr Trump has indicated that TikTok is part of a broader negotiation with China over trade, though the recent tit-for-tat impositions of ever-increasing tariffs by both sides make a deal seem a long way off.

Bids have reportedly been made by everyone from MrBeast, a YouTuber, to Tim Stokely, the British founder of OnlyFans, a porn-centric social app. Perplexity, an AI firm, has made an offer. Amazon is said to have put in a late bid. The favourite is believed to be a consortium involving Larry Ellison, a Trump ally and founder of Oracle, which provides some of TikTok's tech infrastructure in America, alongside Blackstone, a private-equity giant, and Andreessen Horowitz, a venture-capital firm that is also close to Mr Trump.

What kind of deal could be done is still unclear. TikTok's American operations could be bought outright. Another rumoured option is to allow ByteDance to retain a minority share in the firm and to lease it the use of its recommendation algorithm. This might be preferable to ByteDance and its investors, a group that includes Jeff Yass, a prominent Republican donor who is said to have influenced Mr Trump's thinking on TikTok. Mr Yass's investment firm, Susquehanna International Group, is represented on ByteDance's board and reportedly holds a 15% stake in the firm; it is said to want a stake in TikTok's American business should it be sold.

Will any eventual deal be good for Americans? One reason for the TikTok ban was to stop American users' data being shared with the Chinese authorities, who hold sweeping data-gathering powers over China-based companies. If ByteDance retains part-ownership, hawks in Congress may believe that the danger remains. Previous efforts to quarantine American TikTok users' data from ByteDance employees in China have been breached, according to whistleblowers. And if ByteDance keeps control of the recommendation algorithm, it could theoretically still influence Americans' news diet.

Even if TikTok is sold in its entirety, the government-orchestrated process leaves Americans with an uncomfortable question. Part of the argument against the app's Chinese ownership was that American users might then be fed politically biased content by a business in hock to a government which considered itself above the law. TikTok users might look at the auction being run from the White House and wonder: has that outcome been avoided? ■

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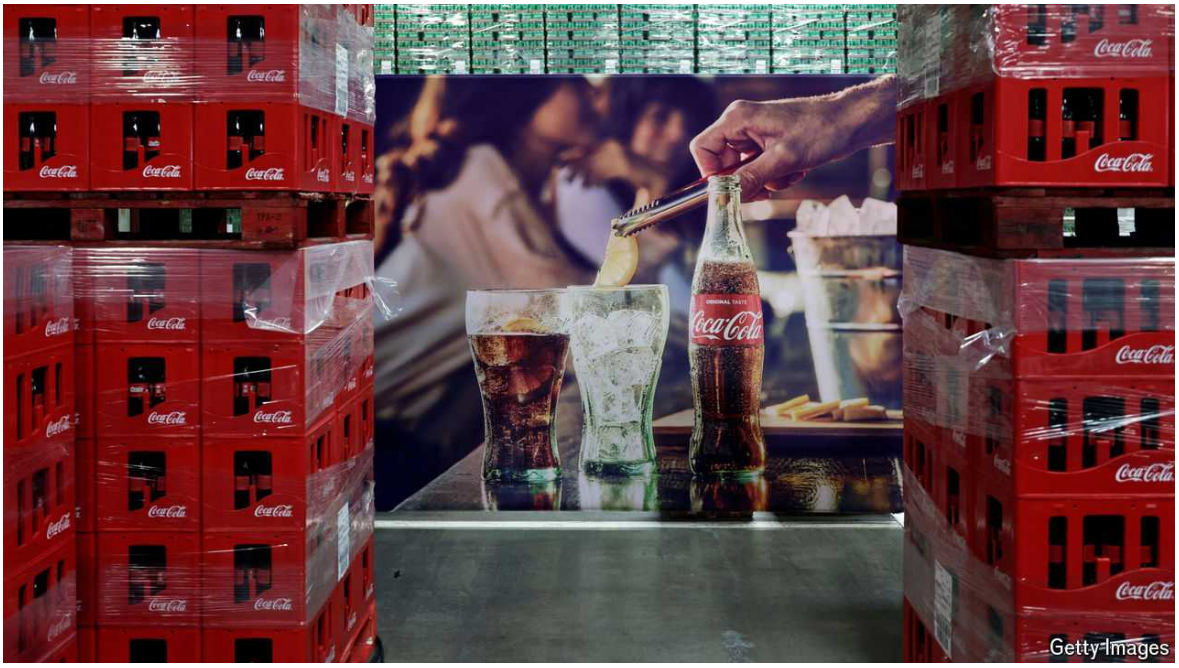
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Business | Counting costs

Tariffs will send costs soaring. Which firms will raise prices?

Brand, customer profile and the availability of alternatives all play a part

April 10th 2025



It could have been worse, but it's still not good. Many company bosses will have been relieved at Donald Trump's 90-day delay in imposing "reciprocal" tariffs on imports to America from most countries, announced on April 9th. But a basic levy of 10% still applies. And the pause will not extend to countries that have dared to retaliate. This includes China, which raised tariffs on American goods to 84%, and now faces a tariff of 125%.

Although the NASDAQ-100, a tech-heavy index, surged by 12%, its biggest jump in almost two decades, measures of volatility remain worryingly high. The pause notwithstanding, America's effective tariff rate has leapt since Mr Trump returned to office, with levies on everything from steel and

aluminium to cars and Chinese goods. Duties are set to be a complicating factor for many businesses.

That means corporate bosses will have to face the thorny question of whether to raise prices to cope with tariffs now and in the future. The answer will depend in part on firms' supply chains. With America's tariff regime *de jour,* firms that rely heavily on China, such as Apple, will see their costs balloon and so feel the most pressure to increase prices.

A significant factor in doing so is "pricing power". Morgan Stanley, a bank, notes that firms selling high-end goods with strong brands, such as Estée Lauder and Coca-Cola, do well while sellers of down-market goods, such as Dollar Tree, have less clout. Pricing power is also reflected in margins. American drug firms have operating margins (before depreciation and amortisation) of around 35%; sellers of consumer staples scrape about 5%.

That means high-end firms will probably pass on costs. Their margins should be safe as their well-heeled customers are less price-sensitive than most. Firms selling commoditised, homogenous goods, such as milk or steel, will also probably pass on costs. That is because their margins are so thin that doing anything else risks their going out of business.

One silver lining for firms is that they have learned from the most recent bout of inflation. "Before that pricing was never a c-level topic," Martin Crepy of Simon-Kucher, a consultancy, notes. During that period, companies kept consumers interested in pricier products with an array of tactics. Eye-catching promotions helped, as did a surge in offers of subscriptions, with lower prices spread across the year. Another strategy is to explain to consumers what has caused the price increase. Last year Yaokin, a Tokyo-based snack-maker, raised the price of its corn-puff sticks. In a public apology on X, a social-media site, the company blamed the higher cost of raw materials. Volkswagen will itemise tariff costs on sticker prices for vehicles on sale in America.

But for consumers there is little good news. Jean-Pierre Dubé of the University of Chicago's Booth School of Business says that even when costs, such as tariffs, fall many firms keep prices high. Raising prices is unpopular; opportunities to do so are rare. Mr Trump's reprieve and any

changes of heart down the line may ease investors' fears—but maybe not those of shoppers.■

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Business | Star wars

Why Amazon is spending $20bn to take on SpaceX—and China

It thinks satellite internet could be a big money-maker

April 10th 2025



ASSUMING THE weather co-operates—thunderstorms have already caused the abandonment of one launch, on April 9th—at some point in the coming days Amazon will get itself into the space business. A United Launch Alliance (ULA) rocket is on the launchpad in Florida, carrying the first batch of 27 satellites for Amazon's new "Kuiper" satellite-internet system. The mighty e-commerce firm hopes to deliver "high-speed, low-latency internet to virtually any location on the planet".

If the sales pitch sounds familiar, that is because it is. Alongside OneWeb, a European firm, and Thousand Sails and GuoWang, a pair of Chinese satellite services currently under construction, Kuiper is the latest competitor in a

fast-growing market for satellite broadband that is dominated by SpaceX's Starlink. Such services are increasingly attracting the interest not just of private firms, but of governments too.

The idea behind Kuiper is straightforward. Satellite internet has been used to provide connectivity in remote rural areas and to ships, oil rigs, aeroplanes and the like for many years. But the old way of doing it—using a small number of big, high-flying satellites—makes connections slow and expensive, leaving satellite broadband as an option of last resort. Kuiper plans to invert that model, launching over 3,200 small, cheap satellites into orbits just 600km or so in altitude. That, Amazon hopes, will allow it to offer a service comparable to terrestrial broadband, no matter how remote the location of its customers.

Amazon's boss, Andy Jassy, noted in a letter to shareholders in 2023 that 400m-500m households worldwide lack internet access, and that providing it could be a "very large revenue opportunity for Amazon". The success of Starlink's service, which pioneered the small-and-low approach, suggests he could be right.

SpaceX (which is owned by Elon Musk) has signed up millions of individual customers and inked deals with airlines, mobile-phone operators and America's spy-satellite agency, among others. SpaceX is privately owned, meaning hard numbers are scarce. But Quilty Space, a firm of analysts, predicts Starlink will have 7.6m subscribers by the end of 2025, up from 4.6m last year and far more than any satellite-broadband service has had before. That could bring in revenues of $12.3bn, compared with $6.6bn in 2024.

Juicy as the market looks, Amazon is starting from a long way behind Starlink., which already has more than 7,000 satellites in orbit. One of SpaceX's biggest advantages is that it can launch its satellites on its own rockets, which are by far the cheapest in the business. Amazon has chosen to rely mostly on other operators, which is more expensive. In 2022 the firm signed the biggest contract in the history of the launch industry. It bought 83 launches from ULA, Arianespace and Blue Origin, a rocket firm owned by Jeff Bezos, Amazon's founder. (After a shareholder lawsuit in 2023 Amazon grudgingly bought three launches from SpaceX, too.) Caleb Henry of Quilty

Space thinks expensive launch costs could help push the total cost of Kuiper to around $20bn.

Amazon has advantages, too. SpaceX is vertically integrated in that it makes its own rockets. Amazon is integrated in the other direction, in that it runs its own internet businesses. Connecting the unconnected should mean more customers for Amazon's e-commerce site. Analysts speculate that Amazon may bundle a Kuiper connection with its Prime subscription service, which offers free parcel delivery and access to TV, films and music. It has 180m members in America alone.

The firm has said it will integrate Kuiper with Amazon Web Services (AWS), its cloud-computing arm. AWS's data centres offer ready-made locations for Kuiper's ground stations, which should help the firm deploy infrastructure quickly. Kuiper has said that it will offer a private-connectivity service for security-conscious AWS clients, who will be able to use the company to ensure that data going to and from Amazon's servers never travels across the public internet.

Kuiper might have spied an opportunity in foreign customers' discomfort with SpaceX and its boss's closeness with the Trump administration. In March Ontario's government cancelled a C$100m ($70m) contract with Starlink in retaliation for Mr Trump's imposition of tariffs on Canada. Doubts about America's commitment to its allies have led Italy to question a planned €1.5bn ($1.7bn) contract with Starlink for secure government communications. The worry is that under Mr Trump America's brand, writ large, could be tarnished. Kuiper's bosses will be watching with dismay. ■

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Business | Bartleby

Biohacking in the office

One company's experiment with enhancing its workforce

April 10th 2025



Dear fellow-leaders,
It's been one month since we introduced our new extreme-wellness programme for our team-mates, and as promised, here is a summary of our experiences to date.

In the initial weeks a few people had trouble adjusting to our recommended regime. As you may recall, we asked our colleagues to share their morning routines on the intranet. Many of them got up much earlier than before in order to do some form of exercise, morning meditation or gratitude journalling. Two people in particular became extremely competitive with each other about waking times, and ended up not going to bed at all for three days.

We also offered general advice to colleagues on what they should eat, but because of an unfortunate proof-reading error, we recommended that people remove all protein and carbohydrates from their diets. The early starts and severe malnutrition caused unusual fatigue. Many colleagues fell asleep in the mid-afternoon; several reported drifting off in one meeting and waking in an entirely different one. We think that this is a temporary phase, especially now that our dietary guidance has been reissued, and that energy levels will soon start to rise dramatically.

The removal of all sugary snacks from the office has gone very well. There was some grumbling at first, but it turns out that people will eat absolutely anything if it is free and the alternative is working. Nuts, oatcakes, birdseed: it all gets eaten. Some members of staff have even chewed through packaging just because it's there. The raw-milk option has been less successful. Several people have gone off sick and we have incurred a large one-off cleaning bill after an explosive incident in the lobby.

We have issued nasal dilation devices to all staff to help them improve their sleep and increase oxygenation. Several co-workers are also taping their mouths shut at night to make sure they breathe only through the nose. One is wearing this tape during the day, too, and I have received several emails suggesting that this practice be extended to specific members of the senior leadership team.

As part of our emphasis on getting better rest, we have also issued sleep-tracking devices to a small subset of people on staff. The only detectable change is that they are all a lot more worried about how well they are sleeping.

To stimulate the vagus nerve, we have been encouraging people to immerse their faces in cold water at regular intervals. Some people are bringing bowls of iced water to meetings and occasionally plunging their heads into them. We are monitoring this behaviour. We think it may just be a way of staying awake.

Take-up of massages, yoga and breathwork classes has been high. Our new red-light booths are also extremely popular, and usually overbooked as a result. People are finding their own ways to get the benefits of red-light

therapy for cell regeneration and reduced inflammation. One colleague has taken to strapping a computer mouse to her face in the belief that the red light-emitting diode will help in some way. Another takes his lunch break standing directly in front of the traffic lights outside the office. Both swear to feeling a lot younger. Neither is right.

The introduction of treadmill desks has been problematic. One person pressed the wrong button, and ended up recording a personal best for the 800 metres before flying into the wall. Two people gashed their chins on the edge of their desks when they lost their footing trying to walk and share their screens. We have installed foam coverings on all desks to protect people from inflicting further harm on themselves.

We have also seen a rise in other minor injuries during these early weeks of the programme. A few people have struggled to use balance boards for the first time. Massage balls and foam rollers have been left lying around, with inevitable consequences. Again, we think these mishaps are only a temporary phase.

Happy to take you through this in greater detail. I know how much the idea of improving the health and performance of our employees matters to you all. There have been some teething problems but if anything, they make the case for doing more to enhance our people. They are plainly not all operating at their full potential. At least, I sincerely hope they aren't.

Stay absurdly well!

ERNEST FADD
Director of High Performance

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Business | Schumpeter

Does every business need a cash pile like Warren Buffett's?

Not necessarily

April 10th 2025



Brett Ryder

WARREN BUFFETT must be feeling smug right now. Months before American stockmarkets started sliding from record levels in late February, as investors began to question President Donald Trump's stewardship of the world's largest economy, the nonagenarian billionaire was cashing out of equities. In 2024 his industrial conglomerate, Berkshire Hathaway, sold a net $134bn of stocks, including two-thirds of its $174bn stake in Apple. By the end of March the S&P 500 index of America's biggest companies was 9% down from its peak. So was the iPhone-maker. Berkshire, meanwhile, was sitting pretty on a 10% gain—and a pile of cash to make Scrooge McDuck blanch. Converted into $100 bills, its $334bn in liquid assets would fill

1,900 king-size mattresses. The internet buzzed with memes about preternatural market timing.

The Oracle of Omaha was looking even more oracular—not to mention comfy on all that bedding—after Mr Trump launched an unprovoked trade world war on April 2nd. The next day Berkshire lost just 1.5% of its value, compared with 5% for the S&P 500 and another 9% for Apple. In the chaotic days that followed Mr Buffett took a knock along with everyone else, then recovered after Mr Trump paused his "reciprocal tariffs" on April 9th—but with less volatility. More important, whereas the market as a whole is still 11% below its all-time high, Berkshire is up by 7% since then, and just shy of its record market capitalisation of $1.2trn.

A cushion is handy in uncertain times, and times have seldom been this uncertain. Many investors concluded as much amid the initial post-tariff mayhem, offloading stocks and notionally safe-haven assets at the same time. Perhaps they stuffed the proceeds into mattresses. Should bosses be apeing Mr Buffett and building cash buffers, too?

Not so fast. Not every cash-rich business has withstood the buffeting of recent months as well as Mr Buffett's firm. True, Amazon and Alphabet, which among non-financial firms have the world's third- and fourth-biggest cash piles (roughly $100bn apiece), performed about as well as Berkshire in the past week. But both are still down by around 15% since markets peaked. Liquid assets worth $75bn or so did not stop Toyota and TSMC, giant Asian manufacturers of cars and semiconductors respectively, from being clobbered since the start of the year. CITIC, a Hong Kong-listed Berkshire wannabe, boasts $249bn in cash and a measly market capitalisation of $31bn (this is partly explained by a balance-sheet that is, in part, bank-like).

A back-of-the-envelope analysis suggests zero correlation between the absolute size of a company's cash position and its share price, be it over the past week or the past year. Return on capital or return on equity also show no link to cash-richness.

The same is true if you look at cash relative to revenues. On that measure Berkshire ranks 56th among the world's 1,100 or so most valuable listed companies (again, excluding finance). The highest spot is claimed by

Insmed, a $12bn biotechnology company with enough cash to cover four years of sales and no shareholder returns to speak of so far in 2025. The top ten include Prosus, a technology investment firm, and Grab, a Singaporean digital conglomerate, as well as CITIC. All have seen better days.

There is a hint of a relationship between a company's cash-to-sales ratio and its compound annual revenue growth over the past five years. But, with a correlation co-efficient of 0.25 (where one is perfect alignment and zero is none), it is tenuous at best.

Many corporate stars of the past few years are anti-Scrooges. Nvidia, the $2.8trn semiconductor giant whose chips power the artificial-intelligence revolution, has liquid assets equivalent to a middling 33% of revenues. Novo Nordisk, the $265bn Danish maker of hit weight-loss drugs, is in the bottom third on this measure, at 9%. Both put capital to hyperefficient use, returning 71% and 46%, respectively, outshining all but a handful of the 1,100 companies in our sample.

No self-evident benefits to a cash fetish present themselves, in other words. The drawbacks, by contrast, are more obvious. The biggest of these is the opportunity cost. Clinging on to liquid assets means the money is not put to more productive use. Berkshire's pile is two and a half times as large as it was five years ago. Its return on capital has declined in that period. Grab's return on capital is negative. Prosus shares trade at around a 40% discount to the net value of its assets.

At least Prosus has the good grace to hand some of the unspent money back to shareholders. In the past five years it has paid $26bn in dividends and share repurchases. CITIC, too, has been generous with its owners, forking out an average annual dividend of $1.8bn. Grab, which went public only in 2021, may be excused for handing out just $226m so far, all of it last year.

The same cannot be said of Mr Buffett, who has not paid a dividend since 1967. Lately he has also become increasingly stingy with buy-backs, which declined from around $25bn a year in 2020 and 2021 to less than $3bn in 2024. This contrasts with Nvidia and Novo Nordisk, which despite reinvesting in innovative technology have found it in themselves to reward

shareholders. Novo Nordisk paid out $38bn over the past five years. Nvidia showered investors with $41bn last year alone.

Don’t go to the mattresses

Mr Buffett’s cash buffer may look smart in a world gripped by Trumpian turmoil. It nevertheless seems almost churlish of him to insist on holding so much insurance, for that is what such a buffer amounts to. Does Berkshire really need roughly as much liquidity as Standard Chartered and NatWest, two of the world’s big banks? Anyone can pad a mattress with dollar bills. A legendary investor ought to have cleverer ideas. ■

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Business | Schumpeter

How freaked out is Asian business about the Trump tariffs?

Less than the markets will have you believe

April 10th 2025



Brett Ryder

WHEN AMERICA sneezes, the adage goes, the world catches a cold. So what happens when America has a stroke (and not one of very stable genius)? Judging by the market reaction in Asia to the invasive tariff "operation" launched on April 2nd by Donald Trump, the answer is at least a heart attack.

In the week following the American quack-in-chief's radical surgery on the global trading system, bourses in mainland China, Seoul, Singapore and Tokyo haemorrhaged between 5% and 13% of their value. Hong Kong's Hang Seng index collapsed by 13%, too, mostly on April 7th, the worst single day of trading since the Asian financial crisis of 1997.

No country or sector was spared, regardless of direct exposure to Mr Trump's goods tariffs, to China's retaliatory measures against America announced days later or to subsequent re-retaliation by America and China in turn. TSMC of Taiwan, Asia's most valuable listed company, which supplies semiconductors to many American buyers, lost 17% of its market value. Tencent, a digital giant which peddles untariffed bytes rather than bits and bobs, mostly in China, shed nearly as much. Toyota, a Japanese carmaker which sends vehicles across the Pacific to America, was down by 11%. BYD, a Chinese one that ships virtually none, declined by a smidge more.

Wherever you look, according to the consensus diagnosis on Asia's trading floors, corporate patients appear to be on their last legs. Talk to businesspeople in places like Hong Kong, however, and you get a second opinion that, while full of concern, is less panicked. Yes, executives report scurrying from one emergency meeting to another. Yet amid the trauma, they are maintaining their calm. "The main thing that is happening is that nothing is happening," sums up a Western banker in Hong Kong. Next to the increasingly public palpitations of American bosses, such poise looks delusional. Is it?

Some companies are in real trouble. Foxconn, a Taiwanese company which assembles iPhones for Apple, already ekes out a measly operating margin of less than 3%. It thus has no room to absorb any extra tariff costs. Even if Apple sacrifices some of its own 30% margin instead of passing costs on to American and Chinese shoppers, gadget prices are likely to rise. This will hurt demand and eat into Foxconn's volumes.

Shenzhou International, a Chinese firm which stitches sportswear in tariff-hit China, Cambodia and Vietnam on behalf of Nike, among others, has the opposite problem. Its margins of 20% or so exceed those of its customer, which may therefore expect Shenzhou to share the pain. This would take a bite out of profitability. Many contract manufacturers find themselves in one of these two situations. Neither is enviable. The share prices of Foxconn and Shenzhou have fallen by a quarter in the past week.

But not all Asian firms are contract manufacturers whose fate is tied to American consumerism. Some can count on custom from European clients

with less reason to decouple from China at America's insistence, given the Trump administration's unconcealed disdain for the old continent.

The same logic may lead Europeans to rethink their suspicions of companies like BYD, which in March said it would build a third factory in Europe to add to those in Hungary and Turkey. Even Huawei, blacklisted by several European countries after America insisted that its telecoms equipment allowed eavesdropping by commie spooks, may regain favour. Governments jilted by Uncle Sam may be readier to listen to the Chinese technology giant's assurances that it has nothing to do with snooping.

Asian businesses already sell stuff all over the world. A trade war will affect them indirectly by hurting GDP growth; on April 7th JPMorgan Chase, a bank, raised the odds of a global recession to 60%, from 30% in January. Still, bosses view this as a cyclical problem, not a structural one. Many reckon they can grow in a downturn, by grabbing market share. Pop Mart, a go-getting Chinese toy company, earns 40% of its $2bn in annual sales abroad. It has shops across South-East Asia and Europe (including at the Louvre). But its presence in any individual market remains limited.

Helpfully, China's government is dispensing emergency medicine. Executives in Hong Kong point approvingly to reports of a speedier roll-out of stimulus measures in the world's second-biggest economy. The share price of the typical Asian seller of food, booze or other necessities has slipped by just 2% in the aftermath of April 2nd. That of Kweichow Moutai, which sells China's favourite firewater, is flat (everyone can use a stiff drink right about now). Local firms spy deals as Western rivals flee. In February Reuters reported that Starbucks is seeking a Chinese buyer for its coffeeshops in the country.

The latest tariffs of 84% which China slapped on American imports should not hobble the domestic economy too much. The main things China buys from America are fuel, soyabeans and machinery. It can get the first from Russia. Brazilian farmers will happily sell it more of the second. And local firms like Gree, which started out making air-conditioners, are getting better at precision tools, according to a tycoon who collects them as a hobby (really).

Not what the doctor ordered

Asia's corporate Zen-masters have no illusions—the trade war is terrible for business. But they have faith in the underlying health of their companies. In their eyes, their firms remain an attractive investment. Despite the Trump-induced meltdown in American stocks, Asian shares still trade at much lower multiples of earnings. Historically, this has reflected the greater risk of investing in the region. But these days "the risk premium also applies to the US," a Hong Kong investment banker observes. No kidding. ■

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Finance & economics

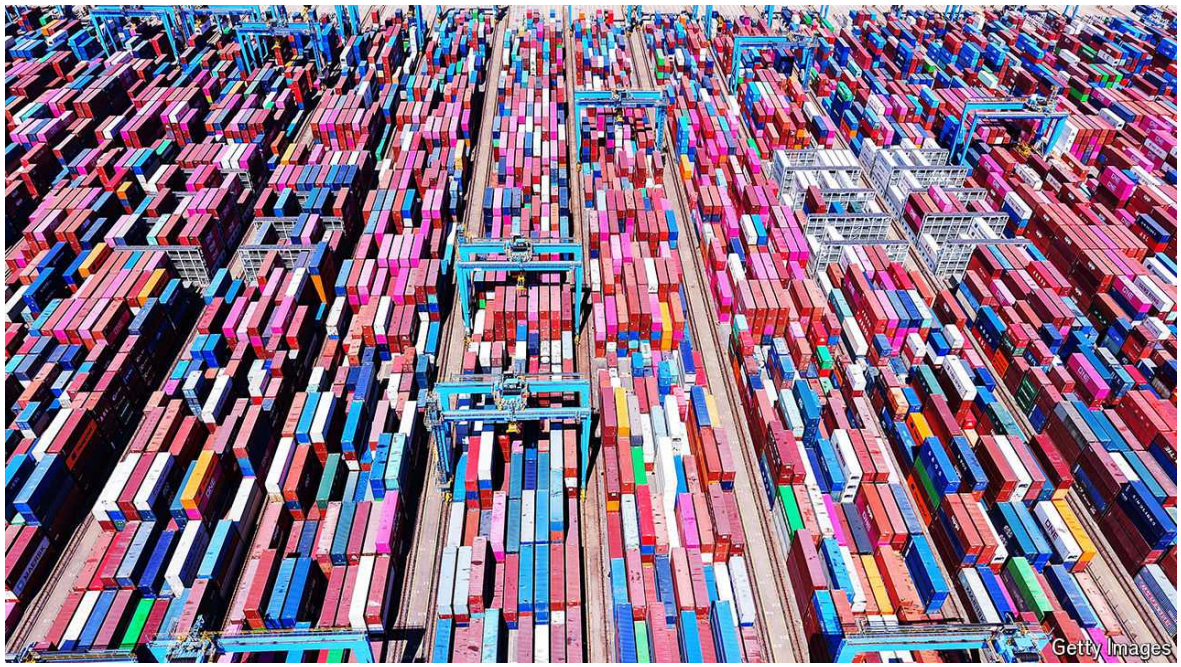
- Can China fight America alone?
- China has a weapon that could hurt America: rare-earth exports
- The tariff madness of King Donald, explained
- How to charm Donald Trump
- America’s financial system came close to the brink
- Despite the pause, America’s tariffs are the worst ever trade shock

Finance & economics | The T-day landing

Can China fight America alone?

The world's two biggest economies begin an almighty trade clash

April 10th 2025



Victoria Harbour is Hong Kong's most glamorous body of water. But Rambler Channel is where the free port's work is done. The quays along its banks extend over more than 7km. Gantry cranes, rail-mounted or rubber-tyred, serve as many as 24 vessels at a time. Last year, the surrounding port handled over 10m of the standardised containers that carry goods across the world, parcelling globalisation up into metal boxes, in green, blue and red.

No bell or siren interrupted the port's work at a minute past noon on April 9th—nothing to mark the moment when America's devastating "reciprocal" tariffs came into effect. Containers kept circulating. Globalisation kept moving. A balding lorry driver reversed into position under a "reach stacker", which hoisted his cargo into the air, like a weight-lifter jerking a

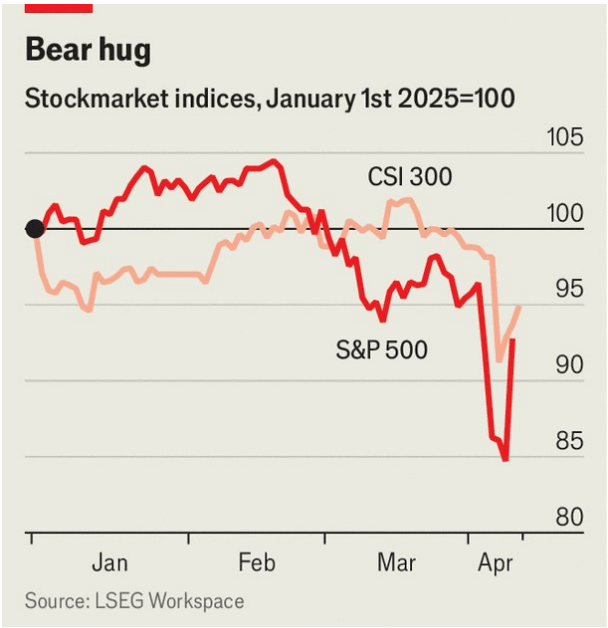
barbell. The scene was deceptively anti-climactic, for a threshold had been crossed. Most goods leaving the port—and others like it across China—will now incur outlandish tariffs if they enter America, the world's biggest market and, until now, its staunchest champion of global trade.

Read more of our coverage of Donald Trump's tariffs

- Trump's incoherent trade policy will do lasting damage
- The tariff madness of King Donald, explained
- With tariffs paused, Republicans dodge a fight with Trump

The tariffs on China are so extravagantly high because it chose to retaliate, punch for punch, against what it calls America's "economic bullying". When President Donald Trump unveiled a 34% tariff on China on April 2nd, China matched it. When Mr Trump then raised it to 84%, China answered in kind. Then, hours after America's tariff came into effect, Mr Trump took a third swing. He hiked the levy from 104% at noon (including an earlier penalty of 20% related to China's role in fentanyl production) to 125% after dusk.

Even as he hit China, he retreated elsewhere. Reciprocal tariffs on other countries, linked to the size of their trade surpluses with America, will now not come into force for another 90 days. Countries will instead face a 10% tariff as they seek "bespoke" agreements with the president.



The Economist

Mr Trump's retreat earned a hearty "thank you" from America's financial markets. The bond market, in particular, had been making people a little "queasy", Mr Trump conceded. After his reprieve, stocks surged. The S&P 500 index ended the day up by 10%, leaving it 3% below its level at the end of April 1st, before the whole charade began (see chart).

Despite Mr Trump's retreat, the tariffs that remain are still historic. They average over 25% across all trading partners, when weighted by America's imports last year. The last-minute rise on China, which remains a huge trading partner, was more than enough to offset the last-minute reprieve offered to India, Japan, South Korea and Taiwan, all combined. As a consequence, America's weighted overall tariff is still above the level it reached after the infamous Smoot-Hawley act of 1930. At the time that legislation passed, this newspaper described it as "the tragi-comic finale to one of the most amazing chapters in world tariff history".

Today's chapter, still more amazing and tragicomic, has not yet reached its finale. The 90 days earmarked for country-by-country negotiations is a blink of an eye in the geological timescale of trade talks. When the serious bargaining begins, some countries may not pucker up enough for Mr Trump's liking. The president still seems intent on imposing tariffs on copper, lumber, pharmaceuticals and semiconductors. And on May 2nd

parcels from China that are worth less than $800 will face onerous duties and documentation requirements, which they previously escaped because the revenue was often not worth the hassle of collecting it.

Between consumers and their Calvins

China may throw some more punches of its own. It has already placed several firms, including PVH, the owner of Calvin Klein, on its list of "unreliable entities" that warrant government scrutiny and restrictions. It could now follow through and hamstring their business. It has also severed some American dronemakers from their Chinese suppliers, and curtailed exports to America of a variety of critical metals. On April 8th a list of other possible responses was posted online by several well-connected commentators. China could suspend all co-operation with America on fentanyl, for example. It could also ban imports of American poultry and other agricultural products, such as soyabeans and sorghum, which mainly come from Republican states.

China may impose restrictions on American services, too. A paper published this week by the Ministry of Commerce was at pains to point out that Uncle Sam runs a surplus with China in services trade (although it is far smaller than America's deficit in goods trade). If China were to follow the same crude formula that America used to calculate its original reciprocal tariffs, China would be entitled to impose a levy of 28% on American services. China could also probe the intellectual property held by American firms, which may constitute monopolies earning excess profits, according to one influential blogger.

Such retaliation would make a deal with Mr Trump less likely. He seems keen to isolate China by talking to everyone else first. But from China's point of view, talks with America's president offer plenty of risk for little reward. America wants to "decouple" from China and contain its economic rise, whatever happens to the balance of trade. Commercial relations between the two superpowers may be at a "cyclical" low—but they are also in secular decline.

Any gains China won through talks might then be whittled away over time. The country's leaders also have a lot to lose if discussions go awry. No adviser to Xi Jinping, China's ruler, would risk exposing him to the kind of public humiliation meted out to Volodymyr Zelensky, Ukraine's president, in February. A trade war is bearable. An Oval Office circus is not.

If the two superpowers do continue to fight, who will back down first? Mr Trump inherited a stretched stockmarket, but a strong economy. America's latest job figures beat forecasts; household balance-sheets are robust. The president has done his best to squander that legacy. Before the tariff delay, JPMorgan Chase, a bank, suggested America had a 60% chance of falling into a recession and a 40% chance of taking the world economy down with it.

Those odds have presumably dropped a bit. But the tariffs that remain will still raise prices, eroding household purchasing power and, possibly, delaying any interest-rate cuts from the Federal Reserve. For over a third of products that America buys abroad, China is the dominant supplier, meeting 70% or more of America's foreign demand, according to Goldman Sachs, another bank. The trade war will more than double the price of these goods.

Even before inflation rises, uncertainty has spiked. And that can be equally damaging to investment and spending. A daily index of trade-policy uncertainty, calculated by Dario Caldara of the Federal Reserve and others, has been over twice as high as its previous record, reached during Mr Trump's first trade war. The president's supporters point out that tariffs have been a consistent preoccupation of his since the 1980s. But he seems to pursue uncertainty with equal conviction. He is a mercantilist, yes, but a mercurialist above all.

China's economic policymaking has its own weaknesses, of course; some are mirror images of America's. Its economy is threatened by deflation, not inflation. The country's consumer prices declined by 0.1% in February, compared with a year earlier. And its policymakers are, if anything, too rigid in their goals and too slow to change course. Only in September last year did they turn decisively to the goal of boosting consumption to help the economy weather a long-running property slump and the forthcoming trade war.

That war has arrived with a speed and ferocity China did not anticipate. According to Goldman, a 50% hike in American tariffs (roughly the scenario China faced before it retaliated) would have cut the country's GDP by about 1.5%. A hike of 125% will reduce it by 2.2% this year. The first 50 points, in other words, hurt more than the second or third. Exorbitant tariffs kill trade and you cannot kill the same trade twice.

These calculations cannot, however, take full account of the damage to confidence and financial-risk appetite. China's stockmarket plummeted on April 7th, after the government chose to retaliate against Mr Trump. The country's "national team" of state-directed banks and investment funds was obliged to step in to stabilise prices. China's leaders have also announced that they are ready to do more to stimulate the economy if required, by cutting interest rates and bank-reserve requirements, as well as by selling more government bonds.

They will have to issue a lot of them to offset the tariff shock. Barclays, yet another bank, calculates that China would need up to 7.5trn yuan (over $1trn, or 5% of this year's GDP) of extra stimulus on top of the easing of 2.4trn yuan it announced in March. Even that would only get growth to about 4%. To hit the government's target of "around" 5%, the 7.5trn yuan would have to be closer to 12trn (or 9% of GDP).

Offshore bonanza

Another survival strategy for Chinese exporters is to recede upstream, out of the direct reach of American tariffs. They can sell parts and components to trading partners in neighbouring countries, where they can be incorporated into finished products for export to America. On the face of it, the incentive to pursue this strategy will be overwhelmingly strong if China remains stuck with American tariffs of over 100% while countries including Thailand and Vietnam face levies of only 10%.

One problem is that this strategy is no secret to the trade warriors in the White House. Peter Navarro, Mr Trump's trade adviser, recently accused Vietnam of acting as a "colony" for Chinese manufacturers. "They slap a made-in-Vietnam label" on a Chinese good "and send it here to evade the

tariffs", he complained to Fox News. Vietnam could jeopardise its own access to the American market if it does not distance itself from China.

Chinese manufacturers may have doubts of their own. Even if their Asian neighbours can now seal a "bespoke" deal with Mr Trump, it could easily come unstuck in the months and years ahead. The United States-Mexico-Canada (USMCA) trade agreement has not held fast, even though Mr Trump himself signed it. What if a country's trade surpluses with America fail to narrow in a year or two, due to larger macroeconomic forces outside the country's direct control? Could the reciprocal tariffs return? The post-war trading rules that America helped enshrine once offered convincing answers to these doubts. They gave exporters the certainty they required to serve the world's biggest market. That certainty has now gone for good.

No bell sounded in the world's busiest ports when America's tariffs came into effect. Cargo kept moving. But make no mistake, the death knell of the post-war trading order has been rung. ■

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Finance & economics | Pit for tat

China has a weapon that could hurt America: rare-earth exports

It has only just begun to use it

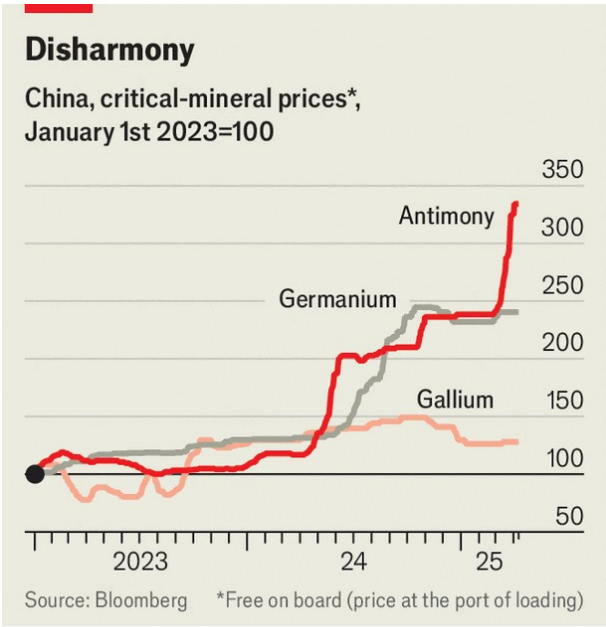
April 10th 2025



TO WIN A game of Scrabble, start at the bottom of the periodic table. The 17 “rare earths” that reside there have longish names, such as dysprosium and praseodymium, which are replete with point-worthy letters. They share other traits, too. All are produced and used in minuscule amounts, yet are crucial to a range of high-tech goods, from batteries and renewables to weapons and medical devices. More important still, all are largely supplied to the world by China.

Rare earths are also part of the trade war. On April 4th, responding to Donald Trump’s tariffs, China restricted sales to America of seven rare earths. The move forces producers to apply for export licences. It is not an

outright ban, but it could turn into one. China has already imposed such bans on exports of three less rare, but still critical, metals, and tightened controls on others. How damaging would a rare-earth embargo be?



The Economist

History offers clues. Two years ago China restricted exports of gallium and germanium, which are used in chips, radars and satellites. In December it banned all exports to America of both metals, as well as antimony, a flame retardant. Since then, prices have rocketed and the global market has fractured. Gallium bought in the West is two to three times dearer than that bought in China, according to Jack Bedder of Project Blue, a consultancy. The supply crunch is not yet crippling America. Many buyers had built stocks before the ban; China did not cancel existing supply contracts, which often run for years; and some material has continued to come in via third countries. A source close to America's defence ministry detects no gallium-related panic in the Pentagon.

Yet China's latest restrictions could cause more damage, for three reasons. First, the "heavy" rare earths it has picked are the hardest to substitute. Dysprosium and terbium regulate heat in magnets that power offshore wind turbines, jets and spacecraft. "The bigger the motor, the weightier the rare earth you need," says Ionut Lazar of CRU, another consultancy. The other five

metals are crucial for artificial-intelligence chips. Some are also used in MRI scanners, lasers and fibre optics.

The second problem is that China is even more dominant in the production of heavy rare earths than it is for the lighter types. It controls most of their mining, both at home and in Myanmar. Crucially, it processes 98% of the extracted material. Like most elements, heavy rare earths do not exist in pure form in the Earth's crust. And unlike gallium or germanium, they are not by-products of smelting mass-produced metals such as aluminium or zinc. They must be separated from the chemical compounds they form with specialist skills and a lot of work, for little reward.

This worsens the third problem: China has powerful tools to enforce a ban. Its government can track every tonne of rare earth mined and processed at home and trace where it ends up, says Ryan Castilloux of Adamas Intelligence, a research firm. It also keeps tabs on demand from companies around the world, allowing officials to spot any outlier that might be importing more to re-export to America. "You could get a lot of collateral damage [if China cracks down], because [it] would be concerned about closing loopholes," says Melissa Sanderson, a mining veteran formerly of America's State Department. Given the risk of being cut off, third countries may not rush to Uncle Sam's aid.

And so a Chinese ban would hit America hard. Prices would rise fast, as buyers began to stockpile. Neha Mukherjee of Benchmark Minerals, a research firm, reckons dysprosium prices would hit $300 per kilogram, from $230 now. Companies have some stock, but it would probably run out in months. After that, civilian industries would suffer first. Offshore wind turbines might become uncompetitive or unavailable. Electric cars might switch to smaller engines. Soon the defence industry would be hampered, too, says Gracelin Baskaran of CSIS, a think-tank.

America would speed up efforts to find alternative supplies. Today the country has only one rare-earth mine, in California. It is developing several more, and sponsoring new mines in Brazil and South Africa. It is also using the Defence Production Act of 1950, a law passed in the Korean War, to fund the first major heavy-rare-earth processing facility outside of China, in Texas. Yet America, like other countries, lacks the expertise to turn rare

earths into high-performance magnets—the export of which China has also restricted. Analysts reckon that it would take America three to five years to build a mine-to-magnet supply chain which bypasses China.

Admittedly, banning rare-earth exports would hurt China itself, since it would destroy demand. In 2010, amid a fishing dispute, China stopped rare-earth exports to Japan. Within months Japan made concessions, and exports resumed. In the meantime Japan's carmakers had designed new vehicles that relied less heavily on rare earths. This time, it is more likely that China would reduce exports to America selectively—unless Mr Trump continues with his aggressive approach. The world's most consequential Scrabble game might then turn truly nasty. ■

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Finance & economics | Trump’s U-turn

The tariff madness of King Donald, explained

As his policy turns on a dime, pity those tasked with justifying his actions

April 10th 2025



For people who believe themselves to be autonomous individuals possessed of their own free will, the past week has been a bracing corrective. Everyone, down to the most rugged individualist, is a pawn in Donald Trump’s grand caper, bouncing between his threats of economic chaos and acts of mercy. On April 9th all it took was a few dozen words from him, delaying some of his most extreme tariffs for 90 days, to transform a spreading panic in financial markets into a full risk-taking frenzy.

Given this volatility, it might seem hopeless to ascribe any strategy to Mr Trump’s on-again, off-again tariffs. But the rewards are such that bosses, diplomats and investors must try their best. Over the past week two members of Mr Trump’s economic team have offered contrasting

justifications for his “Liberation Day” tariffs, helping to shed light on the thinking behind his protectionism. At the same time, though, they have exposed its flaws.

Read more of our coverage of Donald Trump’s tariffs

- Trump’s incoherent trade policy will do lasting damage
- Can China fight America alone?
- With tariffs paused, Republicans dodge a fight with Trump

Stephen Miran, chairman of the Council of Economic Advisers, in effect a small think-tank within the White House, has provided the most complex rationale for the trade war. Shortly after Mr Trump’s election victory, Mr Miran wrote a paper for an investment firm in which he laid out the potential for a “Mar-a-Lago Accord”. Under its terms, other countries would strengthen their currencies against the dollar and provide low-cost financing in exchange for America’s security umbrella.

Since entering the White House, Mr Miran has been at pains to say that the “Mar-a-Lago Accord” reflected his own musings, not administration policy. But on April 7th he used a speech in his official capacity to lay out a watered-down version of his paper. The imposition of tariffs was, Mr Miran said, a form of “burden sharing”.

In his analysis America has paid a heavy cost in providing the dollar and Treasuries to the world as reserve assets that support the global trading and financial systems. As a result of doing so, it has suffered from currency distortions, which have led to unsustainable trade deficits and a hollowing-out of domestic manufacturing. In Mr Miran’s view, countries could share the burden in other ways: buying more from America, investing in its factories or simply sending cheques to the Treasury. It is just that tariffs stand out as the most readily available tool to fix the problem.

A royal pain

The market ructions of the past week have pointed to a weakness in Mr Miran’s thinking. Reserve-currency status may have strengthened the

greenback, but it has also suppressed yields on dollar assets, allowing America's government and firms to enjoy cheaper financing. On top of this, it has given America the power to monitor global transactions and target people or regimes it does not like with sanctions. This is what made a surge in Treasury yields during the market chaos alarming: it carried a whiff of American markets losing their reputation for good governance, foretelling a possible decline in the dollar's standing.

Scott Bessent, Mr Trump's treasury secretary, attempted to set the record straight. In an interview with Tucker Carlson, a right-wing podcaster, released on April 4th, Mr Bessent said that only he and the president spoke for the administration on dollar policy. He insisted that both were pursuing a strong dollar, "putting in all the ingredients" to keep it that way for the long run. In other words, there are important benefits to issuing a reserve currency, and these outweigh the burdens.

Mr Bessent offered a more refined version of Mr Trump's view that America's success depends on the revival of its factories. In Mr Bessent's telling, this is about shoring up America's industrial base. "One of the few good outcomes from covid was we had a beta test for what a kinetic war with a large adversary could look like, and it turned out that these highly efficient supply chains were not strategically secure," Mr Bessent argued. With slight exaggeration, he says America could no longer make its own medicines, semiconductors or ships. Expressed in those terms, that might sound like a national emergency befitting tariffs.

Yet on closer scrutiny Mr Bessent's logic is also wanting. In nearly the same breath as describing the threat to American security, he says the solution for getting away from Mr Trump's tariff wall is to bring factories to America, including from Mexico. Although it is understandable that America wants to lessen reliance on Chinese supply chains given the two countries' rivalry, Mr Trump's willy-nilly tariffs have risked undermining America's relations with its allies and neighbours, a folly that leaves it more isolated.

Moreover, Mr Bessent appeals to deregulation as a way to unleash growth. But the one thing that has restrained businesses in recent months has been Mr Trump's radical tariff agenda, which is itself a form of regulation—one

that attempts to dictate where companies invest. Hence the massive relief rally in financial markets when Mr Trump announced his pause.

In the end, intellectual justifications are only worth so much. As everyone in the administration acknowledges, the only person whose opinion really matters is the president. Advisers say that his views are, at their essence, quite straightforward: he wants manufacturing jobs back in America and believes high tariffs are needed to induce that. Still, with the latest shifts in his policy, he is stumbling into a strategy that, while unkind to most of the world, is harshest by far on China. For those tasked with explaining his actions, it is at least an easier story to tell. ■

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Finance & economics | Courting chaos

How to charm Donald Trump

Over the next 90 days, countries must work out what America's president wants

April 8th 2025



"Do not retaliate and you will be rewarded." That was the message from the White House on April 9th after Donald Trump announced a pause on tariffs for most trading partners. The president, who touts his dealmaking prowess, had earlier said that he was open to talks. Most countries, China aside, accepted his claims, allowing Mr Trump to argue that the art of the deal was alive and well.

In the past week 70-odd countries have contacted the White House in the hope of winning tariff relief. Some, such as the EU, have struck a firm tone. But most have offered flattery or concessions tailored to appeal to Mr Trump. "These countries are calling us up, kissing my ass," he said on April

8th. “They are dying to make a deal.” Over the next three months the efforts will intensify. What is the route to success?

Read more of our coverage of Donald Trump’s tariffs

- Bond-market convulsions look extremely dangerous
- America’s tariffs are the worst policy shock in trade history
- Why China thinks it might win a trade war with Trump

One strategy has been to take Mr Trump at his word and offer reciprocal tariff reductions. Ursula von der Leyen, the European Commission’s president, proposed zero-for-zero tariffs on all industrial goods, including cars, chemicals and machinery; Taiwan offered a package including zero duties, non-retaliation pledges and additional investment in America. Yet the White House appeared unimpressed with such offers. Mr Trump declared the EU’s proposal insufficient, repeating his line that the bloc “was formed to really do damage to the United States in trade”.

Mr Trump demands more, and his demands vary by country. He has at times called for reductions in bilateral trade deficits, lower tariffs, fewer non-tariff barriers and currency stability. He has attacked food-safety standards, defence budgets and digital rules. Australia has been criticised over beef imports, Japan over military spending, India over agricultural restrictions and the EU over its taxes. Tariffs, in Mr Trump’s hands, are a way to pursue an endless array of political goals.

A handful of countries are making headway by appealing directly to Mr Trump with offers that are both bespoke and sweeping. Scott Bessent, America’s treasury secretary, has said that Japan is at the front of the queue for talks, and suggested that India, South Korea and Vietnam are not far behind. Japan vaulted to its position after Ishiba Shigeru, its prime minister, spoke to Mr Trump on April 7th. Japanese officials are now preparing an offer that spans defence, investment and trade. It is expected to include more purchases of natural gas, investment in an Alaskan pipeline favoured by Mr Trump, additional arms imports and looser restrictions on American farm goods and cars—many of which were addressed in a deal signed during Mr Trump’s first term.

Similar negotiations are unfolding with others. On April 8th Mr Trump took a call with Han Duck-soo, South Korea's acting president, which the American president described as "one-stop shopping", covering everything from the trade deficit to defence cost-sharing. Vietnam's leader, To Lam, spoke with Mr Trump on April 4th and offered zero tariffs, increased imports from America and better terms for American firms. India, meanwhile, began talks in February, when Mr Trump and Narendra Modi agreed to pursue what India's prime minister called a "mega partnership". Mr Modi's proposal is expected to include tariff cuts on products including walnuts and pistachios, as well as switching oil purchases from Russia to America. India has also slashed duties on bourbon and Harley-Davidsons; Vietnam, for its part, signed a deal with Starlink, Elon Musk's satellite-internet service, and approved a Trump golf resort and hotel complex.

Serious obstacles remain. Mr Trump's endgame is still unclear; he has given no indication of what tariff levels will apply if countries comply with his demands. He has also positioned himself as America's sole decisionmaker, sidelining even his own advisers. Maros Sefcovic, the EU trade commissioner, spent hours negotiating with Jamieson Greer and Howard Lutnick—only to be told that they lacked the authority to make a deal. "It's all up to POTUS," says an EU official. Another problem is that many of Mr Trump's claims are dubious. Japan's prime minister dismissed his assertion of a 700% rice tariff as outdated nonsense. South Korean officials were equally baffled when Mr Trump accused them of maintaining tariffs four times higher than America's. "It's based in fiction," says Yeo Han-koo, a former trade minister. Both countries already have free-trade agreements with America.

The biggest challenge may be what now appears to be Mr Trump's long-term goal: rallying allies into a united front against China. "We can probably reach a deal with our allies…then we can approach China as a group," said Mr Bessent on April 9th. The countries that are lined up for early talks all neighbour China. But for lots of them, closer ties with America will be a hard sell. Vietnam, for instance, practises "bamboo diplomacy", balancing both powers. At the same time as offering America generous trade packages, many are deepening relations with its geopolitical rival. In the end, therefore, it may be Mr Trump who needs to sweeten the deal. ■

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Finance & economics | On the edge

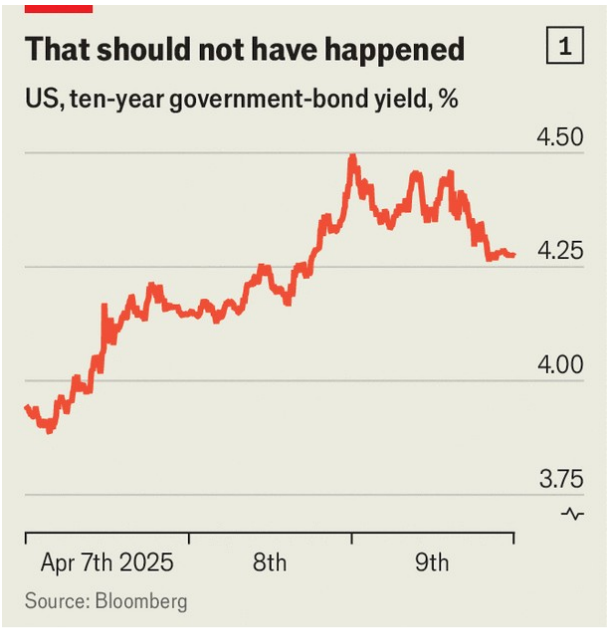
America’s financial system came close to the brink

Chaotic markets threatened to trigger a full-blown crisis

April 10th 2025



For a good few hours on April 9th, disaster beckoned. Share prices had been falling for weeks. Then the market for American Treasury bonds—normally among the safest assets available—started convulsing, too. The yield on ten-year Treasuries leapt to 4.5% (see chart 1), up from 3.9% days earlier. That meant bond prices, which move inversely to yields, had cratered. The failure of both risky and supposedly safe assets at once threatened to destabilise the financial system itself.



The Economist

Then everything changed. Late in the day, Donald Trump blindsided investors by saying he would delay many of the tariffs that had sparked the panic, for 90 days. Share prices surged: America's S&P 500 index closed up 10%, marking its best day since 2008. Treasury yields remain elevated, but as the chaos elsewhere subsides, that has less potential to cause damage.

The financial system came perilously close to the brink, and it is important to understand why, since the turbulence may well return. Warning bells have been ringing everywhere. Volatility gauges, derived from the insurance premiums traders pay to protect themselves from wild swings, have soared, though after Mr Trump's announcement they fell back somewhat (see chart 2). For risk managers at banks and hedge funds, such moves can be a prompt to tell trading desks to offload risky positions, lowering the chances of a big loss. If this happens at many institutions at once, the selling can make markets even wilder. The dash for cash even sent the gold price down for a time.



The Economist

Such stresses are deeply uncomfortable because they recall the last time the Treasury market seized up, at the onset of the covid-19 pandemic. Back then, heavy trading led to a liquidity shortage, meaning the difference between "buy" and "sell" offers widened sharply and the market became much less able to absorb large orders. Trades that could take place moved prices far more than they normally would have done, adding to the volatility. Eventually the Federal Reserve had to buy large quantities of bonds to stabilise the market.

"Swap spreads" suggested a similarly alarming dynamic was in play this week. These measure the gap between Treasury yields and interest-rate swap rates, which are the average of the overnight rates traders expect. The two usually move together, since an alternative to buying a Treasury bond and receiving its fixed yield is to deposit money in the overnight market and earn a rolling interest rate there instead. But on April 9th yields on ten-year Treasuries rose to a record-breaking 0.6 percentage points higher than the rate on equivalent swaps. The growing gap suggested that usual customers were reluctant to buy, given the enormous uncertainty haunting markets, according to Martin Whetton of Westpac, an Australian bank.

Fire-sales probably exacerbated the damage. Wall Street banks have hit their hedge-fund clients with the steepest margin calls since 2020, meaning they

must stump up cash to cover their lossmaking positions across asset classes. Government bonds are among the easiest things to sell to raise the necessary funds (as is gold). Yet if it is losses on these positions that triggered the margin calls in the first place, selling can make things worse. It pushes prices down further, creating a self-reinforcing "doom loop" in which margin calls prompt sales, which prompt yet more margin calls. This is what happened in 2022 when British pension funds rapidly offloaded holdings of gilts to meet margin calls, sending prices down and yields up even faster. Eventually the Bank of England had to step in to break the spiral.

A particular worry in the Treasury market is that a doom loop could arise from the "basis trade". This is popular with hedge funds and has minted fortunes at some of America's largest. It attempts to profit from the difference in price between Treasury bonds and Treasury futures contracts, caused by high demand for the futures from asset managers. Traders exploit this by buying Treasuries and selling futures contracts. To amplify the returns, they borrow using the Treasuries they have bought as collateral, then recycle the cash into even more Treasuries. Thanks to this procedure, hedge funds are short some $1trn-worth of Treasury futures.

The trade is profitable for as long as the cost of borrowing, and meeting margin calls, remains lower than the difference between Treasury bonds and futures. With lots of leverage, it can generate vast returns. But "it is like picking up nickels in front of a steamroller", bristles one hedge-fund manager. Funds can get squashed when markets plummet, either because credit dries up and leaves them unable to renew their borrowing, or because they must suddenly meet large margin calls on positions that have plunged into the red.

Crack of doom

When the bet is unwound, perhaps because yields have moved sharply and unexpectedly, funds are forced to sell Treasuries fast—compounding the selling to meet margin calls in other asset classes. In 2020 dealer banks were overwhelmed by the volume of Treasuries being sold, meaning that liquidity dried up. Something similar may have happened this time, too. Before the

ructions, banks' inventories were already stocked full of Treasuries, giving them little capacity to handle more selling.

Should trading seize up once again, the Fed would have to intervene, acting as buyer of last resort and offering emergency loans to systemically important firms in need. Today's political backdrop would put central bankers in an invidious position, however. It was one thing for policymakers to backstop Treasuries when the problem they faced was a liquidity crunch brought on by covid lockdowns. This time, it is anyone's guess how much of the move in Treasury yields was down to the system malfunctioning, and how much reflects a loss of faith by investors in the bonds themselves. After all, Mr Trump's assault on the global trading system has dented confidence in American policymaking. It is only natural to conclude that the country's sovereign debt has become less safe, and that Treasury yields should accordingly incorporate more of a risk premium.

Were the Fed to intervene in markets, in other words, it would prompt questions over whether it was simply protecting financial stability or also trying to suppress such a risk premium. Then there is the question of how far central bankers can use monetary policy to ease financial conditions and reduce the risk of systemic damage. Under other circumstances, they might opt for rapid rate cuts. Yet even though Mr Trump delayed his tariffs, investors are still betting inflation will rise. They fear stagflation—a nasty combination of inflation and stagnant growth—that would constrain any doves at the Fed.

The greatest threat surely still comes from politics. Even as some trade barriers have been postponed, those between America and China have been ratcheted to ludicrous levels. And it would be reckless to assume the shocks are over, or that foreign investors' faith in American assets, now shaken, can be magically restored. How much more can the system take before something really does break? ■

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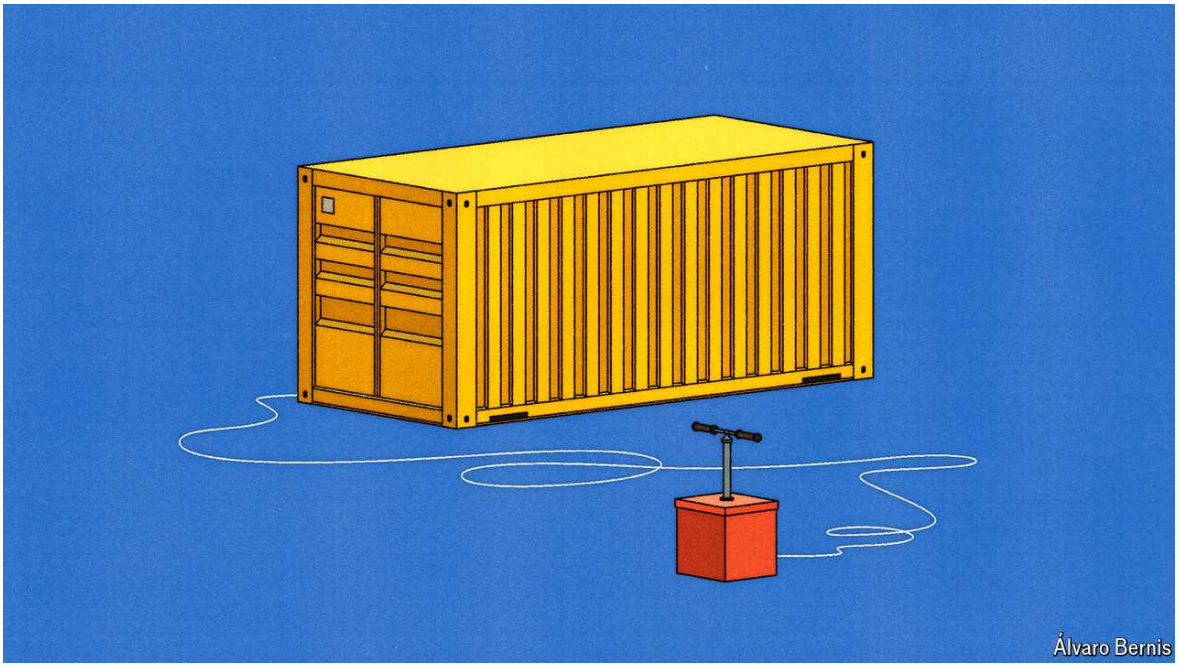
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Finance & economics | Free exchange

Despite the pause, America's tariffs are the worst ever trade shock

Reed Smoot, eat your heart out

April 9th 2025



The announcement on April 9th that America would pause sky-high reciprocal tariffs sent stockmarkets soaring around the world. Countries that had faced crippling levies, such as Cambodia and Vietnam, celebrated. But do not lose sight of the bigger picture. The announcement excludes China, leaves in place all earlier tariffs and implements the universal 10% minimum portion of the reciprocal tariff. America's "effective tariff rate"—total tariffs paid as a share of total imports—may still rise by 15-20 percentage points. Even after the about-face, the incoming levies represent the most disruptive policy in the history of global trade.

Read more of our coverage of Donald Trump's tariffs

- As Trump's tariffs take effect, the rest of the world seeks mercy
- Why China thinks it might win a trade war with Trump
- Bond-market convulsions look extremely dangerous

If that sounds exaggerated, consider how disruptions typically look. American presidents of all stripes have imposed tariffs to protect favoured industries. In 1977 Jimmy Carter put tariffs on sugar. Joe Biden raised duties on Chinese electric vehicles. Even Ronald Reagan, the free trader's best friend, did similar. In 1983 lobbyists for Harley-Davidson persuaded him that they needed protection from Japanese manufacturers, so he slapped a 45% tariff on imports of big motorbikes. Yet the economic consequences of these policies, being so narrowly defined, were slight.

Many countries outside America have imposed transformative trade policies of their own. North Korea, for instance, has taken an off-again-on-again approach to engaging with the outside world. In the mid-20th century Argentina turned decisively from being an open trading nation to one that embraced protectionism. Britain's vote for Brexit in 2016 raised trade barriers between it and the European Union. In the end, however, none of these events had much impact on the world economy. After all, even Britain accounts for only 3% of global GDP.

Although America, which accounts for 25% of global GDP, has in the past embraced wholesale changes to its trade policy, pundits tend to overestimate how much damage they caused. Take Richard Nixon's 10% across-the-board tariff, imposed in 1971 in an attempt to boost exports. The policy sounds bad, but it was only in force for a few months and it excluded lots of imports. From 1970 to 1972, America's effective tariff rate actually declined.

It is a similar story with William McKinley. Those in the White House today are fans of this president, who was in office from 1897 to 1901 and, like many in the Republican Party, believed at the time that tariffs would nurture American industry. Yet McKinley the "tariff man" had less impact on America's trade stance than many believe. The Dingley Act of 1897, which McKinley signed into law, gave the president power to cut tariffs if trading

partners acquiesced to America's demands. By comparison with today's policies, McKinleyism was weak tea. From the start to the end of McKinley's presidency the effective tariff rate on America's imports rose from 21% to 29%. Today's administration is overseeing an increase of twice the size.

Perhaps the Smoot-Hawley Act of 1930, the most famous protectionist measure in history, takes the crown? Hardly. Even under that law, many American imports came in duty-free. From 1929 to 1932 America's effective tariff rate therefore rose by only six percentage points. The bill provoked just a 5% decline in imports. Historians agree the measure was not sufficient to have provoked or even have done much to exacerbate the Depression. Did it prompt other countries to embrace protectionism, creating knock-on damage? Perhaps. Then again, other countries had been busy raising tariffs before America. Reed Smoot, the co-sponsor of the bill, may have had a point when he wrote in 1930 that "Only the purblind egotist can suggest that the world turned to protection in retaliation against the American tariff."

If the current administration wants a rival for truly protectionist policy, it must look to the civil war. From its birth in 1854 the Republican Party, largely in the north of the country, had favoured high tariffs in order to benefit manufacturers. The Democrats, in the South, liked free trade, so that they could sell their cotton abroad. As hostilities between North and South rose, the Republicans struck. From 1861 to 1868 America's effective tariff rate rose by 32 percentage points. Now you're talking.

Radical, yes. Unreasonable? It is harder to say. Desperate times call for desperate measures: America needed to fund its war quickly. And the Southerners hated tariffs, meaning that imposing them was a stick in their eye. Good for the Unionists! The wartime government also raised tariffs more slowly than the government is doing today. And the context is crucial. The American economy of the 1860s was half as dependent on imports as it is in 2025, and supply chains were far less complex. A given rise in the effective tariff rate had far less of an impact than it would do today.

William McKinley, your boys took one hell of a beating

The tariffs of the 1860s were, nonetheless, a bad idea. Just look at the accounts of people on the inside, including David Wells, who was appointed in 1866 to oversee America's levies. A long-standing protectionist, Wells ultimately came to favour free trade. He despised the cronyism that the tariff system engendered. In his view, the provision of cheap raw materials was "essential to the prosperity of the manufacturing industry of the United States", a principle that was "almost entirely disregarded under the existing tariff". Recent accounts by economic historians have tended to side with Wells. By raising costs, protectionism impeded rather than assisted America's industrial development.

Pause notwithstanding, the pain is just beginning. The administration is quick to punish trading partners that have fought back, notably China. And because it believes that the benefits of tariffs, such as they are, will take months or years to emerge, it may keep levies high for a long time. All of which means there is no precedent for what the world is about to experience. ■

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Science & technology

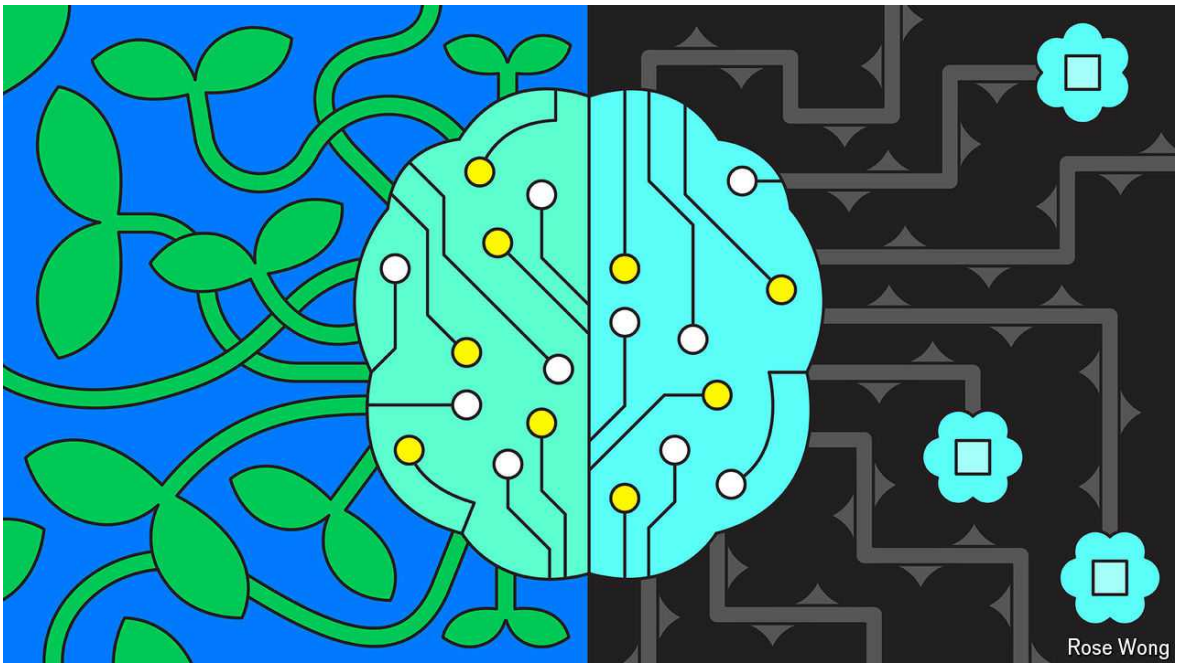
- The tricky task of calculating AI’s energy use
- AI models are helping dirty industries go green
- AI models can help generate cleaner power
- Could data centres ever be built in orbit?

Science & technology | Unclean thoughts

The tricky task of calculating AI's energy use

Making models less thirsty may not lessen their environmental impact

April 9th 2025



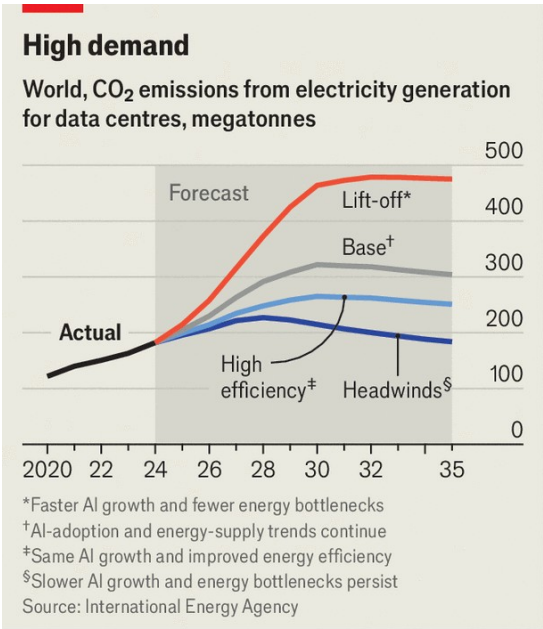
A fifth of all electricity used in Ireland is spent powering the country's data centres, more than is used by its urban homes. With one data centre for every 42,000-odd people, Ireland has one of the highest per-person concentrations of computing power in the world. Loudoun County, just outside Washington, DC, beats it: its 443,000 residents rub shoulders with scores of data centres—more than the next six biggest clusters in America combined. In 2022 their peak energy usage was almost 3 gigawatts (GW), a power draw that, if maintained year round, would approach Ireland's total annual consumption.

Around 1.5% of global electricity is spent on powering data centres. Most of that is for storing and processing data for everything from streaming video to

financial transactions. But artificial intelligence (AI) will make up much of future data-centre demand. By 2038 Dominion, a power company, expects the data centres in Loudoun County alone to need more than 13GW. The International Energy Agency, a forecaster, estimates that global data-centre power demand could increase by between 128% and 203% by 2030, mostly because of AI-related energy consumption.

Big tech is confident that the environmental benefits justify the costs. "AI is going to be one of the main drivers of solutions to the climate situation," says Demis Hassabis, the boss of Google DeepMind. Others disagree. This week's special section explores the arguments in detail. It examines the ways in which AI can help clean up some of the most polluting industries, including energy production and heavy industry, and discusses the possibility of moving data centres off Earth altogether. It will also examine why AI's energy footprint is so hard to quantify, and what its true environmental impact might be.

Tech firms are generally unwilling to share information about their AI models. One indirect way to estimate the environmental impact of building and deploying AI models, therefore, is to look at the firms' self-reported carbon emissions. Google's greenhouse-gas emissions rose by almost half between 2019 and 2023, according to the search giant, primarily because of increases in the energy consumption of data centres and supply-chain emissions. Microsoft's emissions jumped by roughly a third in 2023, compared with three years earlier, partly due to its own focus on AI.



The Economist

Another approach to estimating AI's environmental footprint is to add up the energy use of the infrastructure used to build the models themselves. Meta's Llama 3.1, a large language model (LLM), for example, was trained using chips from Nvidia which can draw 700 watts of power each, around half that of a fancy kettle, and it ran those chips for a cumulative 39.3m hours. The resulting energy used, 27.5 gigawatt-hours (GWh), is enough to supply 7,500 homes with a year's worth of power.

Tech companies, perhaps unsurprisingly, are keen to argue that this energy bill is not nearly as outlandish as it might appear. The immediate climate impact of the final Llama 3.3 training run, Meta estimates, is emissions worth 11,390 tonnes of CO_2—about the same as 60 fully loaded return flights between London and New York. Those are the emissions, at least, of the power grid that supplied the company's data centre. But Meta argues that, since electrons are fungible, if enough renewable energy is bought on the opposite side of the country—or even at another time altogether—the true emissions fall to zero.

Put to good use

Focusing on the energy impact of training models, however, may be a distraction. Boris Gamazaychikov, who is in charge of AI sustainability at

Salesforce, a software company, compares it to trying to estimate the carbon footprint of a flight by including the impact of building the plane itself. Not only is that construction cost tiny compared with the fuel used over a typical lifetime in service, it's also impossible to calculate the per-passenger impact until the aircraft is finally retired.

Instead, he says, it is best to focus on the energy impact of using AI, a process called inference. Brent Thill of Jefferies, an analyst, estimates that this stage accounts for 96% of the overall energy consumed in data centres used by the AI industry. Mr Gamazaychikov is trying to put hard numbers on that side of the industry, working with HuggingFace, an AI cloud provider, to systematically test the efficiency of hundreds of AI models. The results show the difficulty of generalising: the difference between the most and least power-hungry models is more than 60,000-fold.

Some of that difference arises from the AI models' varying purposes. The most efficient model tested, called BERT-tiny, draws just 0.06 watt-hours (Wh) per task—about a second's worth on an exercise bike—but is useful only for simple text-manipulation tasks. Even the least power-hungry image-generation model tested, by contrast, requires 3,000 times as much electricity to produce a single image.

All the same, says Sasha Luccioni of HuggingFace, concrete figures are not always available. Her company could test only the models it could download and run on its own hardware. "OpenAI has not released a single metric about ChatGPT," Ms Luccioni says, even though such data exist.

Another difficulty in calculating energy use is the fact that AI models are rapidly evolving. The release of DeepSeek V3 in December, a top-tier AI model made by a lab spun off from a Chinese hedge fund, initially looked like good news for those concerned about the industry's energy use. A raft of improvements meant that the final training run was more than ten times faster than that of Meta's Llama 3.3 model just a few weeks earlier, with a roughly proportionate reduction in power used. Inference also became less power-hungry.

In January, as the implications of that improvement became clear, the stock prices of chipmakers crashed. But Satya Nadella, the boss of Microsoft,

predicted the upset would be brief, citing the Jevons paradox, a 19th-century observation that the rising efficiency of steam engines opened up new economic uses for the technology and thereby raised demand for coal.

For AI, the rebound effect arrived in the form of "reasoning" models, including DeepSeek's follow-up model, R1. If normal chatbots exhibit what Daniel Kahneman, a psychologist and Nobel economics laureate, called "type one" thinking—prioritising speedy responses—reasoning models display "type two": structured replies that attempt to break a problem into its constituent parts, solve it with a variety of approaches, and check their answer is correct before settling on it as the final response.

Training a reasoning model is not much harder than training a normal AI system, especially if you have pre-existing models to learn from. But running it requires significantly more power, since the "reasoning" step, in which the problem is thought through before a final answer is reached, takes longer. The efficiency improvements DeepSeek pioneered in V3 were more than eaten up by the extra thinking time used by R1 a couple of months later.

If models become more efficient still, there are yet more uses to which they can be put. In recent months, several AI labs have launched "Deep Research" tools, combining reasoning models with the ability to search the web for information and set themselves follow-up tasks. The tools are one of the first mainstream examples of what the AI industry calls "agents", quasi-autonomous AI systems that can carry out many tasks sequentially. And because it takes them between five and 30 minutes to give a response, running such an agent uses more energy than asking a simple query.

Such efficiency gains leave some wary of the Jevons paradox popping up in other industries. Lynn Kaack, who leads the AI and Climate Technology Policy Group at the Hertie School in Berlin, worries that, by increasing efficiency and reducing costs in areas like shipping, AI will incentivise companies to increase their activity.

Those concerned about the trajectory of AI's environmental costs are looking for ways to alter it. Mr Gamazaychikov, for instance, hopes that his effort to rank various AI models will allow users and businesses to find the most efficient one for any given task, rather than always using the "best".

But the closed nature of the biggest labs complicate things. OpenAI, for instance, gives away access to its top-tier models below cost, according to Sam Altman, its boss; Google and Amazon charge less for access to their own AI systems than the cost of the electricity alone, insiders claim. That means users have less motivation to hunt for the most efficient model than they would if they had to pay the true cost of their use. And greater transparency around efficiency and emissions may not result in meaningful behavioural change: after all, there is little evidence to show that growing awareness of the carbon cost of flying has stopped people taking flights.

Coming clean

Many observers think that the best way forward is through tighter regulation, both of AI itself and of the energy it consumes. The first has had limited success in Europe—from the summer of 2026, developers of "high risk" AI will need to tell regulators about the energy it consumes—and is struggling to get off the ground almost everywhere else. In America the Trump administration's bonfire of red tape means voluntary efficiency drives are more likely than new regulations.

That said, trying to regulate the development of AI specifically is not the only option: broader policies meant to motivate emissions cuts, such as carbon pricing, can help too. Arguably the most important change will come from speeding up the transition to clean energy, and boosting the amount available so that demand for greener AI does not gobble up the low-carbon electricity also needed to decarbonise other sectors, from transportation to construction. Figuring out how to do that shouldn't require Deep Research. ■

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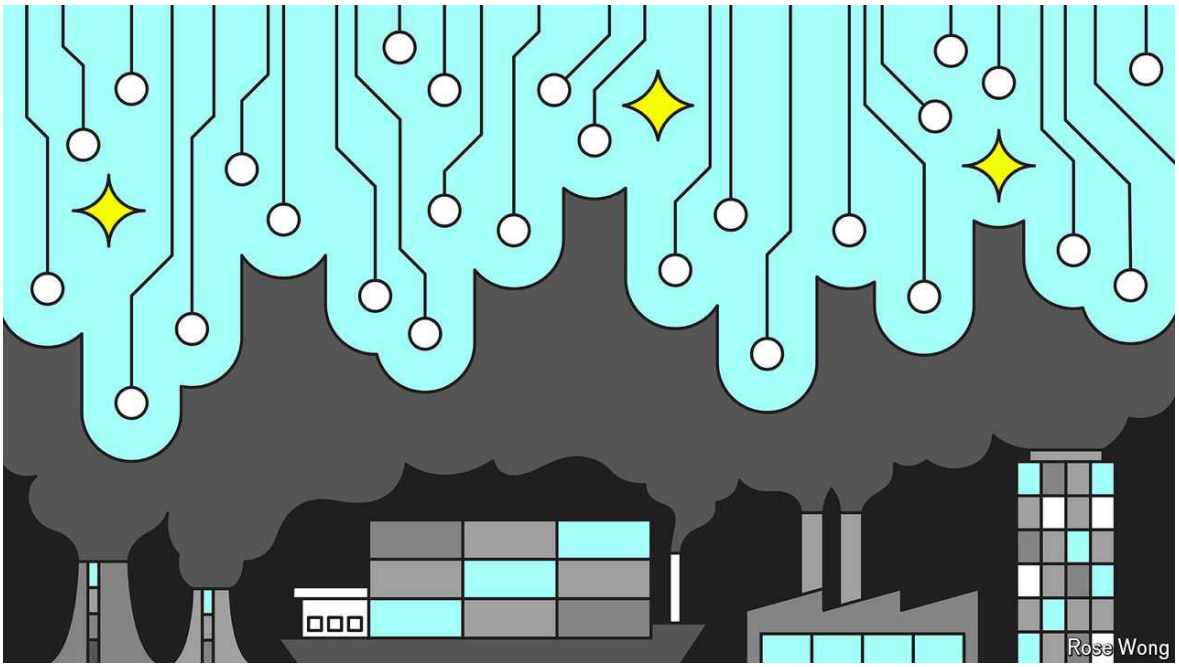
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Science & technology | Factory reset

AI models are helping dirty industries go green

Mining companies and steelmakers are feeling the benefits

April 10th 2025



OVER A CENTURY ago, ships leaving Rotterdam's harbour were among the earliest to be equipped with wireless telegraphy and submarine signalling. Now, Europe's busiest port is pioneering the use of artificial intelligence (AI). PortXChange, developed by the port and spun out as an independent entity, uses AI to analyse several dozen factors tracking vessels, port emissions and estimated arrival times. A huge source of wasted fuel is the "hurry up and wait" common among ships rushing to arrive at congested ports. This platform helped Shell, an oil giant, reduce "idle time", affecting departures of barges and bulk shipments across all ports, by 20%. The tool is now being used by companies and ports around the globe.

The Dutch are hardly alone. Companies worldwide are applying AI tools like machine learning (ML) to cut energy use and emissions. Examples abound even in asset-heavy, fossil-intensive industries like steel, building maintenance and transport that account for a huge chunk of anthropogenic greenhouse gas (GHG) emissions.

Consider the steel industry, responsible for roughly a tenth of CO_2 emissions. It is hard to decarbonise when steel is made from virgin iron ore in conventional blast furnaces, because coal is used both as fuel and a reducing agent. A more promising path involves making steel from scrap metal in electric-arc furnaces powered with clean energy. The snag is that scrap comes in batches with varying impurities, which can make these mills more complex to operate and increase their energy use.

This is where Gerdau, a big Brazilian steelmaker with global operations, is applying ML. Fero Labs, a software company, analysed years of production data from a Gerdau facility in North America to work out how different "recipes" of input materials affect the quality of outputs. Its system measures the contents of each batch of scrap and uses AI to suggest the minimum quantity of alloys that will be needed to then produce metals that meet required standards. This saves time and overuse of additives. In 2024, with no change in hardware, these efforts cut GHG emissions associated with making a commonly used grade of steel by 3.3%.

In a report released on April 10th, the International Energy Agency estimates that widespread industrial application of such AI tools could save eight exajoules (EJ) of energy demand by 2035, as much energy as Mexico uses today. Widespread adoption in non-industrial sectors could save another 5EJ or so.

Mining is another dirty business where AI is making inroads. Fortescue, an Australian giant, is applying AI in designing current systems and redesigning future mining and energy operations with an eye to eliminating fossil fuels. Its algorithms automate tasks such as calculating how energy is used and the routes that autonomous heavy vehicles take. If the weather forecast is for rain, meaning solar output will fall, the company brings forward energy-intensive tasks while it can still use clean solar power. The software enabling

this sort of load flexibility, the firm reckons, has allowed it to cut the required capacity of the power system it built by 9%, saving nearly $500m.

Buildings are responsible for perhaps a fifth of all man-made GHGs, and because they last a long time their climate impact can be hard to reduce. Happily, AI can help here too. BrainBox AI, a Canadian tech firm recently acquired by Ireland's Trane Technologies, has helped Dollar Tree, an American discount retailer, deploy autonomous heating, ventilation and air-conditioning in over 600 stores. Combining internal data with weather forecasts, the new systems cut electricity use by nearly 8GWh in a year, saving the firm over $1m.

Predictive maintenance shows promise too. Using AI-powered software supplied by AVEVA, a British company, Ontario Power Generation, a utility, found some $4m in efficiency savings in two years while reducing risks. Sund & Baelt, a Danish firm, used IBM's AI (in tandem with camera-toting drones) to cut expenses by 2% year on year. The approach is so superior that the company expects to double the lifespan of its assets, in effect avoiding 750,000 tonnes of CO_2 emissions.

Shipping and logistics companies have taken to applying AI with gusto. UPS, a package-delivery giant, recalculates delivery routes throughout the day as orders, pickups and traffic conditions fluctuate. It estimates that its smart software has improved on-time delivery while cutting 16-22 kilometres from drivers' daily trips, saving hundreds of millions in fuel costs. Cargill Ocean Transportation, the logistics arm of an agribusiness goliath, uses AI enabled by Amazon's AWS to reduce the time ships spend loading and unloading in port, saving up to 2,800 working hours, and their associated CO_2 emissions, per year.

Denmark's Maersk, one of the world's largest container-shipping lines, uses AI to analyse variables from engine performance to ocean currents and weather to avoid rough seas and waiting time. Making even its older ships smarter has reduced fuel consumption by over 5% across its fleet, saving $250m and reducing CO_2 emissions by perhaps 1.5m tonnes.

That example points back to Rotterdam. Routescanner, a route-optimisation platform developed by the port, uses terminal and company data to offer

shippers real-time alternatives on routes, modalities (barge versus lorry, say) and environmental impact. The platform is now used by leading global forwarders and ports from Houston to Singapore. Slowly but surely, AI is helping turn brown to green. ■

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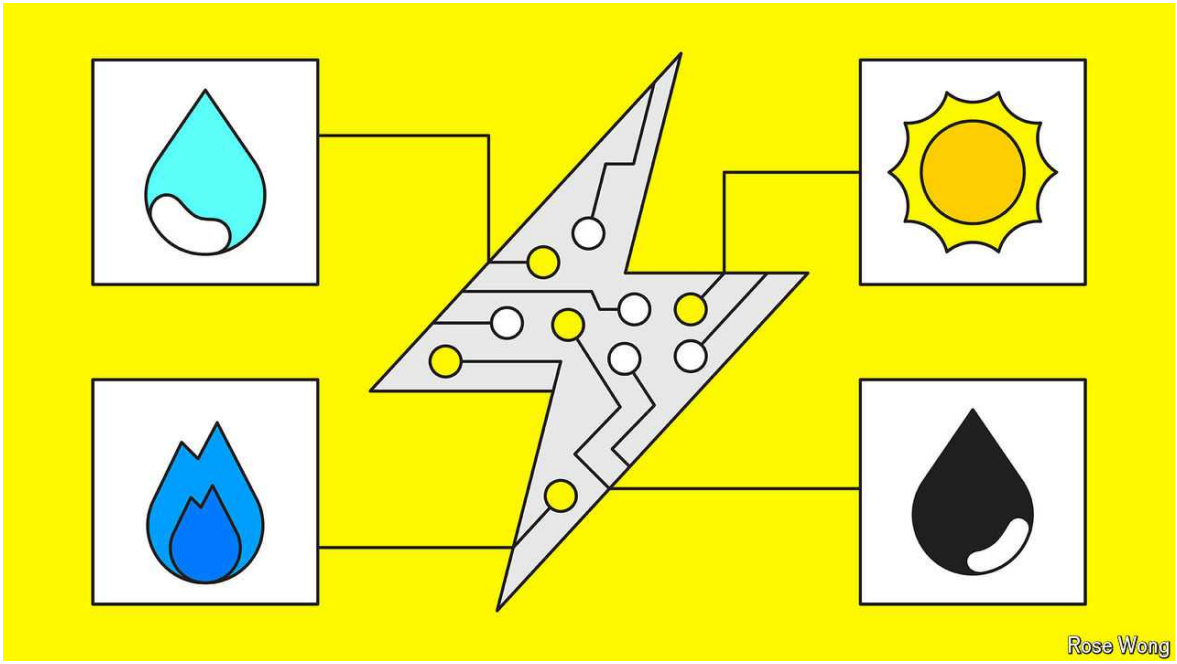
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Science & technology | Greening the grid

AI models can help generate cleaner power

Energy companies are using them to increase efficiency and spot problems

April 9th 2025



ROLL UP in a BYD Seal to the leafy entrance of a small housing block in Walthamstow, in east London, and the first thing that strikes you is the quiet. The stylish Chinese saloon is all electric, so you hear no mechanical grind or combustion groan, but so too are the innards of these unusual homes. The hyper-insulated units are powered using solar panels, warmed by electric heat pumps and served by whizzy digital appliances, all tracked remotely with smart electricity meters. Ask a homeowner how the heat pump in his yard works and he says he has no idea and frankly does not care. “Zero bills means zero cost!” he says with a broad smile.

These homes, and others like them around Britain, are part of an innovative deployment of clean-energy technologies controlled by artificial intelligence

(AI) tools developed by Kraken, the software arm of Octopus Energy. The utility, which serves roughly a quarter of the country's households and is one of the energy world's most valuable unicorns, is offering customers free heat and power for five years in those toasty "Zero Bills" homes in return for allowing it to control, within comfortable parameters, when and how devices are operated. A separate scheme provides cut-rate electric-vehicle (EV) tariffs if customers agree to let the firm charge cars during fallow periods rather than when the grid is overloaded.

Kraken's AI manages roughly 8bn data points a day from nearly half a million devices across the country to allow real-time price and energy arbitrage. By shifting when these loads consume energy from peak periods to fallow times, the firm earns a profit and helps keep the grid from overloading. Amir Orad, Kraken's chief executive, reports that his firm's distributed assets, which include half of Britain's grid-scale battery capacity, exceed 1.6GW (roughly the output of two nuclear plants). Its AI optimisation avoided the emission of over 16m tonnes of CO_2 in 2024. Customers in those nifty homes save a fortune in avoided heat and power bills, and EV-owners saved an average £375 ($480) a year versus unmanaged charging and £750 a year versus the petrol alternative.

"A tidal wave of change is coming to this industry," insists Mr Orad. AI is often overhyped, but for the conservative energy industry that prediction seems plausible. Utilities have long resisted change, typically reinvesting low shares of revenues in research and innovation, but AI promises to change this rapidly. Climate-tech companies around the world are coming up with novel energy equipment, from nuclear power to renewables, to speed development and deployment. The range of potential applications is vast: even the hydrocarbon business is deploying AI to surprisingly green ends.

Start first with the grid. The Kraken example gives an idea of how AI can transform a top-down, centralised system of distant power stations into a distributed network of agile producers and consumers. Companies are also using AI techniques to boost throughput on power grids without going to the effort of building new power lines. LineVision, a startup which counts Microsoft as an investor, uses non-contact sensors to monitor temperature, sag and environmental conditions on transmission lines. By analysing these

data in real time and combining them with weather forecasts, its algorithms calculate the lines' true carrying capacity.

A report released by the International Energy Agency (IEA), a global forecaster, on April 10th calculates that very-high-voltage transmission lines "can safely carry 20-30% additional capacity above their maximum rating for around 90% of the time". Britain's National Grid has used this approach to "unlock" an extra 600MW of offshore wind capacity per year.

Tapestry, an offshoot of Google's experimental X laboratory, has developed a forecasting tool for Chile's electrical grid that allows planners to anticipate congestion, better locate green-energy projects and, eventually, accelerate the phase-out of coal by ten years. On April 10th Tapestry announced a deal with PJM Interconnection, the largest regional grid operator in America, to use its AI tools to help speed up the connection of energy sources.

The Electric Power Research Institute (EPRI), an industry body, points to the success machine-learning models have had in identifying dangerous fluctuations in voltage or frequency on power grids that can damage equipment or lead to blackouts. In one case, what would have taken analysts weeks was done in a day.

In March Nvidia and EPRI announced the Open Power AI Consortium, a project to build multimodal AI models that will be trained on energy and electrical-engineering data, academic research and industry regulations. The models could help utilities improve their grid operations and streamline the paperwork required for permits to build new infrastructure.

AI can also make using green energy more profitable and desirable: in 2018 Google DeepMind began using machine learning to manage some of the wind farms the company buys energy from. By combining weather forecasts and historical turbine data, the system was able to predict the farms' energy output up to 36 hours in advance, and to select how much to send to the grid and when. A year later, this both boosted the value of the energy by 20% and meant it was easier for grid operators to make use of.

Traditional big power plants are also seeing benefits. Hydrogrid, an Austrian firm, helps dam operators globally to generate more power by applying AI.

Because inflow patterns vary at hydro-electric plants with multiple parallel turbines, the system optimises water flow to maximise electricity output, yielding up to 10% increases in power generation.

Inspecting existing nuclear sites is an extremely complicated task. Done the old-fashioned way, with ultrasound, an inspection produces a mountain of data (4.4 “miles”, jargon reflecting the distance a small probe travels over the reactor vessel component), and takes several experts days to plough through. With AI managing the inspection, that mountain became a molehill of 463 “feet” of data, and one expert did the job in four hours.

Terra Praxis, a non-profit outfit, uses AI to cut through the red tape involved in the application process for new nuclear plants. By dramatically reducing the complexity of producing draft applications, it promises to help projects reduce the cost (typically $25m-40m) and take years off the conventional waiting time.

AI is even making big oil a bit more environmentally friendly. ADNOC, an Emirati state energy giant, applies AI tools to spot leaks of methane, a potent greenhouse gas, at its assets so that they are tackled quickly. It also uses software to predict emissions sources up to five years in advance. In 2023 its new approach helped abate around 1m tonnes of CO_2-equivalent emissions, roughly the same as taking 200,000 petrol-powered cars off the road.

It helps that, thanks to AI eyes in the sky, polluters can no longer hide. Working out which companies are responsible for methane emissions is hard. Methane plumes, invisible and odourless, can be spotted only by using specialised infrared or spectroscopic equipment. The geographic areas over which they might occur, at any time of day or night, are immense. Quantifying them reliably requires the onerous collation and cross-validation of multiple data sets, from satellites, aircraft, ground sensors and industry reports. It was only with the advent of AI that doing this at a global scale became feasible.The IEA’S new report calculates that replacing periodic inspections with AI-enabled continuous monitoring and repair would avoid 2m tonnes of methane emissions a year.

Saudi Aramco, the world’s largest oil company, is using AI-powered “digital twins” and LLMs to help squeeze more oil out of existing fields without

consuming a lot of dirty energy, boosting hydrocarbon production by 8.4% while reducing emissions per barrel by 8.2%. The firm has also used AI to reduce flaring of methane by more than 50% since 2010. All this may seem perverse to environmentalists, but as long as the world continues to consume fossil fuels—which still provide some 80% of primary energy—AI can at least help make their production less polluting. ■

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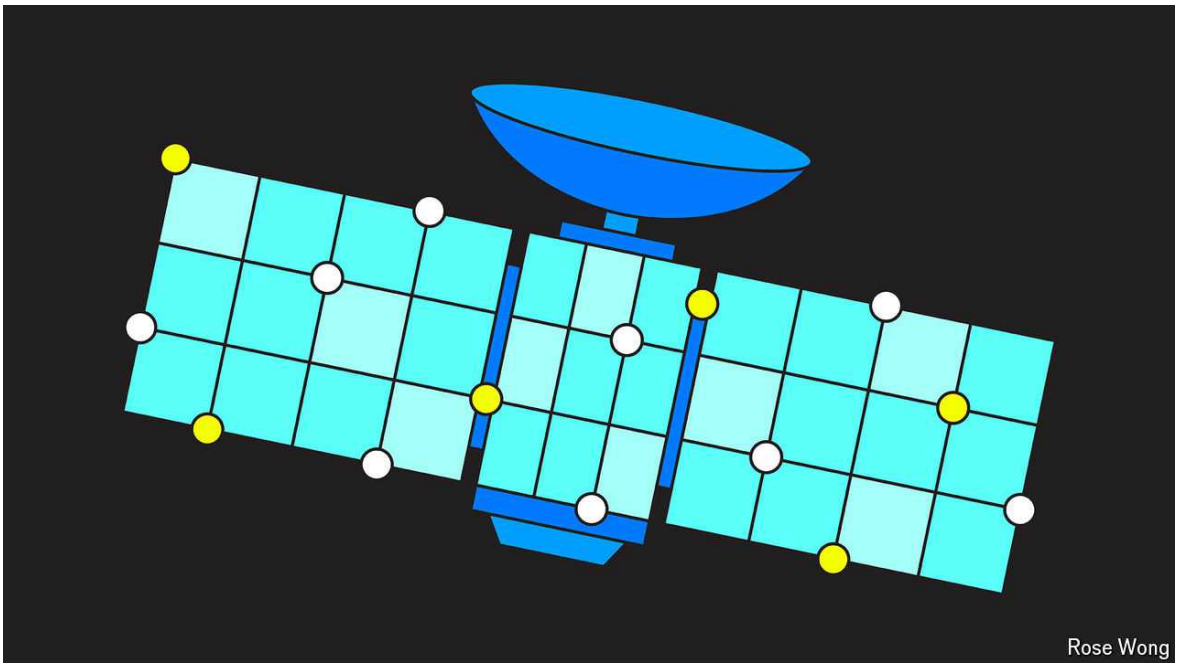
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Science & technology | Cyber in space

Could data centres ever be built in orbit?

A startup called Starcloud has plans to do just that

April 9th 2025



WHERE IS THE best place to build a data centre? Not on Earth at all, but in orbit, claims Philip Johnston, chief executive of Starcloud. The cost of launching things into space is falling fast, and once it has fallen far enough "It's completely inevitable that all data centres will go into space," he says.

An orbiting data centre, in a dawn-dusk sun-synchronous polar orbit that keeps it in continuous sunlight, could harness abundant solar energy. (With no atmosphere or clouds to scatter or block the Sun's rays, a given solar array generates five times as much energy in orbit as it would on Earth.) The frigid vacuum of space should make cooling easier, too, because cooling systems are more efficient when the ambient temperature is lower. SpaceX's Starlink and other satellite-internet constellations can provide fast

connectivity with the ground. Computing clusters could be arranged in three dimensions, rather than two as on Earth, to speed up data transfer.

Starcloud, founded in January 2024, hopes to put all this into practice. This summer it is due to launch Starcloud 1, a fridge-size demonstrator satellite containing AI chips made by Nvidia, powered by a solar array with capacity of around a kilowatt (kW). These chips will have 100 times more processing power than any put into space before, says Ezra Feilden, Starcloud's technology chief.

The main aims of Starcloud 1 are to test radiation shielding and fault-diagnosis systems for the computer hardware, and to evaluate cooling techniques. A second satellite, Starcloud 2, is planned for the end of 2026, with 100 times more solar capacity and 100 times the computing power. The first commercial Starcloud satellite, with a 1MW solar array, would follow, with the aim of launching 40MW, shipping-container-size orbital data centres by the early 2030s. Several of these could then be stacked up and powered by an enormous solar array, measuring 4km by 4km, delivering 5GW of power.

There is no doubting Starcloud's ambition. But sceptics say its numbers do not add up. One analysis by Data Centre Dynamics, an industry publication, argues that Starcloud has overlooked the protective shielding solar panels need in orbit, overestimated solar power output and ignored the problem of collision avoidance.

Mr Johnston disagrees. For one thing, he notes, the satellites used in internet constellations rely on ordinary terrestrial solar panels and need only a thin layer of glass for shielding at that altitude (Starcloud would operate in a similar, but slightly higher, low-Earth orbit). He also points to an independent report on the prospects for orbiting data centres published in October by Thales, a French aerospace group. It reached strikingly similar conclusions to Starcloud's on power generation, thermal regulation and orbital control. Google and other American tech giants are also thought to be looking at the idea.

Everything hinges on launch costs. If they fall far enough, the cost of sending a data centre into space could be more than offset by availability of abundant, cheap solar energy. Starcloud expects reusable, heavy-lift rockets

such as SpaceX's Starship to cut launch costs by more than 99% within a few years. And unlike space hotels or space factories, which require physical things to be carried up and down, data centres require only weightless bits to be sent to and from orbit. "The first thing you would do, if there's low-cost launch," says Mr Johnston, "is build very large data centres in space." ■

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Culture

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Culture | Oh, grow up

Too many adults are absolutely clueless

Need to change a tyre or file your taxes? In America, "adulting" courses can help

April 10th 2025



THE TEACHER starts with the basics: how to thread a needle. Then, over the course of the next 30 minutes, she shows the students a few different stitches, along with how to mend a torn shirt and beautify a frayed hem. This is not a lesson at some fusty finishing school. The sewing class is part of a free, one-day course at Austin Community College (ACC) called "Adulting 101". The students range in age from their late teens to mid-40s.

ACC has been running such programmes for six years. The workshops are designed to help people "successfully navigate adulthood", even those who, legally and practically, have been navigating it for quite some time. The topics run the gamut from basic—how to dress appropriately for a job

interview—to advanced, such as how file income taxes. (That subject will surely be top of mind for Americans as their tax filings are due on April 15th.)

In this way, institutions are helping people grow up. Across the country community colleges, public libraries and civic centres are offering adulting classes; those who want to learn how to manage their home from the privacy of their own can stream a class on YouTube. Adulting courses are not yet standard university fare, though perhaps in time they will be. Financial-literacy classes were once considered too basic to offer, especially at elite colleges, but they are spreading.

Adulting courses are not a uniquely American phenomenon—in Britain they are labelled "life skills" classes—but they do tackle three areas in which Americans, in particular, seem to be falling short: the home, relationships and money. Compared with other countries, adults in America spend less time doing household chores such as mopping and ironing; they also get divorced more frequently than their counterparts in Britain, Canada or Germany. Less than half of Americans understand basic financial principles. The courses are often set up by individuals taken aback by the "unexpected trials of early adulthood", as Traci Bakenhaster has put it. She runs Adulting University, which teaches teenagers how to write CVs and manage their time, among other things.

Raffi Grinberg, an author, created and taught "Adulting 101" for two years at Boston College. The inspiration for his class came from his first day working at Bain & Company, a management consultancy, soon after leaving university. He and his cohort had to decide which health-insurance plan to choose, how much of his salary to devote to saving for retirement and other financial details. "Every one of us went out into the hallway and called our parents," he admits. "We were graduates of really elite schools, and we still didn't know what to do."

He has distilled his 14-week course into a new book called "How to Be a Grown Up: The 14 Essential Skills You Didn't Know You Needed (Until Just Now)". It imparts wisdom on matters practical (budgeting) and philosophical (how to think about rejection). Mr Grinberg writes with a positive, technocratic tone that will be familiar to anyone who has gone to

business school, but his book is genuinely informative. A financial naif will grasp the basics of investing. A mansplainer will come away reminded of the rewards of listening.

Rachel Weinstein, a psychotherapist, ran the Adulting School in Maine for several years. She found that her patients in their 20s were looking at "other people's Instagram accounts and feeling like everyone else just has it together and they're lagging behind". She set up informal classes over beers at happy hour; students decided what they wanted to learn. One session would cover money management, the next how to sharpen your knives.

Why are such books and courses needed? To many, these skills will sound like basic common sense. Yet, as the aphorism goes, common sense is not so common.

The rise in need for adulting classes reflects, in part, the changing nature of childhood and adolescence, which have grown more digital and less physical. American teens spend up to nine hours each day on screens. TikTok and YouTube do offer handy tutorials on all manner of household chores. But most young users of these platforms are more interested in dancing than dishwashers.

In "Infantilised: How Our Culture Killed Adulthood", Keith Hayward of the University of Copenhagen argued that there has been a generational shift and that young people are less mature than their forebears were at the same age. They are shrinking from responsibilities such as marriage, homeowning and child-rearing because "adulting is hard", as one of his students put it. Western culture, Mr Hayward wrote, indulges childish fancies.

He adds that young people today are also less interested in what their elders have to offer: "Parents and grandparents are seen as morons who can't work the Wi-Fi." If parents are not providing advice on life's many essential tasks, "You're left with these classes picking up the slack."

Such sentiments may ring true. But young people are remaining in education for longer, meaning that financial independence, partners and children necessarily come later. And parents have always had gaps in their

knowledge. Some know their way around an investment portfolio but not a car engine; others are the opposite.

And adulting is, in fact, hard. The world is more complex than it was a couple of generations ago. Take financial decisions. People opening their first bank account have to choose between a convenient main-street branch and an array of online banks and bank-like institutions, all offering different yields and fee structures. What makes one better than another, and why? At a time when the financial landscape is already volatile, trial and error is not an ideal strategy.

Romance has also grown more complicated. Less than 15 years ago, American couples usually met through friends, but today most meet through dating apps. Old singletons may not know where to start; young ones may find the shift from online banter to the real kind daunting. The prospect of having any mishaps blasted out on social media is nerve-racking.

Many will see adulting classes as proof of youngsters' stunted development. But coddled children do not acknowledge the gaps in their knowledge and try to fill them. Only a grown-up would willingly spend precious free time doing something as dull as learning how to mend a shirt. ■

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Culture | Masterpiece theatre

Would you turn your home into a museum?

The recently renovated Frick Collection is a testament to a bygone era

April 10th 2025



HENRY CLAY FRICK made a very 19th-century fortune in steel and coal, but his passion lay in other materials: canvas and oil paint. When he was a young man, a bank official visiting him observed that Frick "may be a little too enthusiastic about pictures". In 1935, 16 years after Frick died, his mansion on Manhattan's Upper East Side opened as a museum to show the collection he spent decades amassing, with masterpieces by Rembrandt, Johannes Vermeer and others.

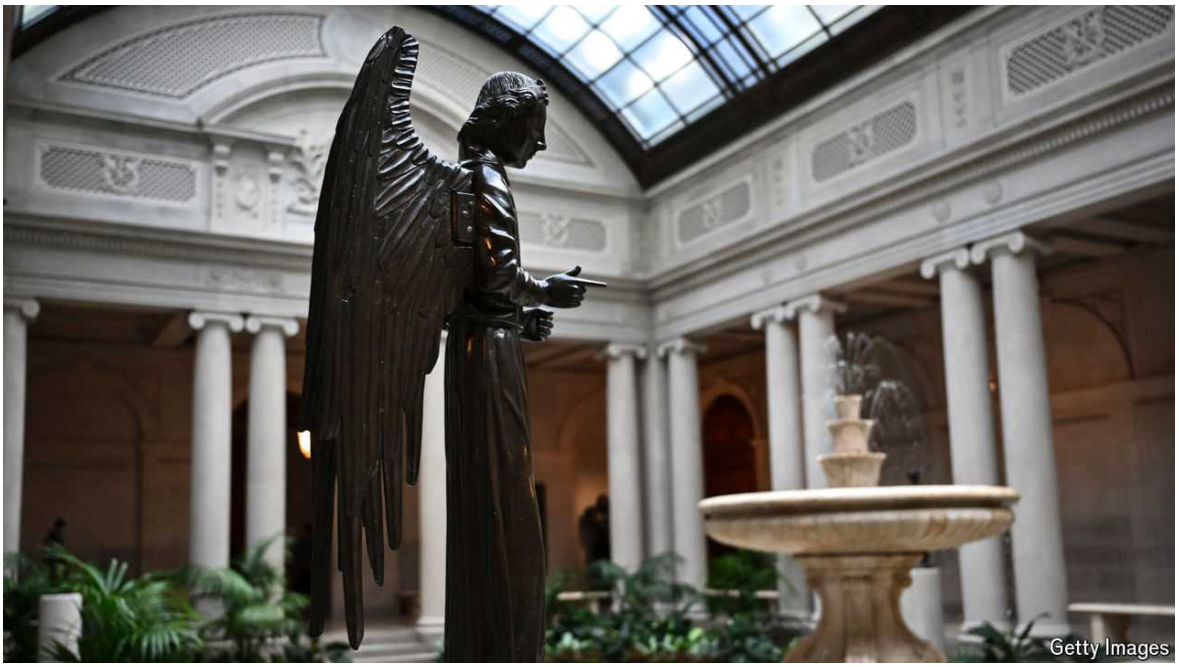
For the past five years, the Frick Collection has been closed for a renovation costing $330m. Some feared that when the institution reopened it would be unrecognisable. But Annabelle Selldorf, the architect in charge of the renovation, succeeded in her ambition to "fix things in ways that don't

interfere with the things that people love so much". The new Frick still transports visitors to a bygone New York; it also represents a bygone style of displaying a personal art collection.

The Frick's Whartonesque atmosphere used to extend to its toilets, lifts, lighting and ventilation. It had no restaurant and its shop was poky. (These can be cash cows for museums: the Metropolitan Museum of Art generated $56.7m, about 15% of its total revenue, from its retail operations in the last fiscal year.) The Frick's music room was charming but small, offering just 147 seats, with better visuals than acoustics. Such oversights have been resolved.

The house's second storey, where the Frick family had lived, was off-limits to the public and used for office space. Now offices are on the third storey, and viewers can ascend the Grand Staircase and meander through ten new galleries, some linked by a passage with an extraordinary sky-blue vaulted ceiling painted with birds in flight. A beguiling portrait by Jean-Auguste-Dominique Ingres of a coquettish countess hangs in Frick's former bedroom; works by François Boucher line the walls of his wife's private sitting room.

Opening these rooms and installing a few new galleries on the ground floor has yielded 30% more gallery space with just a 10% increase in total square metres. It also means that the Frick no longer has to take down works from its permanent collection to make room for special exhibitions.



Though visitors will doubtless swarm the Frick when it reopens on April 17th, those collectors alive today who are pondering how to show off their work are unlikely to take it as a model, for two main reasons. First, when Frick died, America had fewer and smaller museums. Now people who want to display their personal collection after they die (and also hope to offset their heirs' inheritance taxes) can leave it to one of many established museums, where it is likely to get lots of foot traffic.

Second, the model of collecting and displaying art has changed. Many capitalists-turned-collectors, especially those fond of contemporary art, prefer sharing their works with the public while they are alive. "Now people are interested in what people think," Benjamin Godsill, an art adviser, says. "With contemporary art, we're writing art history in the moment, and the public's reaction is part of it."

With the notable exception of Steve Schwarzman, a private-equity titan who is turning a mansion in Newport into a museum, those who would consider establishing their own museum are unlikely to do so in the home where they once lived. That is because contemporary art is bigger than most domestic spaces: multimedia works require vaster galleries than Frick's small, intricate paintings do. The Frick appears destined to remain a jewel-box reminder of a past era, in more ways than one. ■

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Culture | Back Story

“G20”, a rollicking new film, evokes an old ideal of America

It is outlandish in more ways than intended

April 9th 2025



The president of the United States, Danielle Sutton, has a plan to end world hunger. Played by Viola Davis, she flies to a G20 summit in South Africa to persuade other leaders to sign up. A gang of extortionists takes the bigwigs hostage, using their voices in deepfake videos for a vast cryptocurrency heist. Amid the mayhem President Sutton, an Iraq-war veteran, fights back, rescuing the captives and the global economy.

Whoever dreamed up “G20”, a rollicking action film out on Amazon Prime Video on April 10th, knew that bits of it were outlandish. After all, it has been a while since a president shot, thwacked or throttled baddies. Joltingly, though, parts of the plot that in the past would have seemed bland suddenly

look fanciful. Inadvertently, the film measures the widening gap between a classic idea of America and the new reality.

A black woman serving as president is one of the more plausible elements. Before last November's presidential election, it must have appeared to the producers that life might mimic their art; American voters decided otherwise. In the movie President Sutton brings her sassy teenage children along for the ride and worries about her parenting—a distraction that fictional male presidents tend to be spared while saving the world.

But another basic premise of the story—her attendance at the summit—now seems speculative too. As it happens, there really was a G20 pow-wow in South Africa in February (for foreign ministers, not leaders). Marco Rubio, America's secretary of state, complained that the host country was "using G20 to promote 'solidarity, equality & sustainability'. In other words: DEI and climate change". He didn't turn up.

Even without the stunts and explosions, A-list summits lend themselves to drama: the high stakes, the mammoth egos, the ticking clock. In "G20" President Sutton is no pushover. "If they want to remain allies," she says of countries she means to cajole, "they have to fall in line." All the same, her approach to diplomacy is distinctly collegial. She and her aides bandy about terms such as "co-operation" and "consensus" approvingly.

Coming from an American president, these days that argot sounds quaint. By contrast, the criminals' rhetoric is uncomfortably contemporary. They spout paranoid conspiracy theories (and sport the hipsterish beards that seem as *de rigueur* for screen gunmen as for bartenders). One claims Sutton betrayed her country "when she decided farmers in Africa were more important than Americans".

The film's bedrock assumption is that America is the good guy. Rather than shaking down the fearful leaders for minerals deals, Sutton risks her life for them. The group includes the buffoonish British prime minister, nicely played by Douglas Hodge (making a getaway in her armoured car, he whines that the steering wheel is on the wrong side). "An evening spent following your president", he says to an American, "has left me optimistic."

You can tell a lot about a culture from the leaders it elects—and from the leaders it invents. Movies and TV shows that depict fictional American presidents are often distorted mirrors of their eras, reflecting their politics and neuroses. Sometimes the commander-in-chief is dastardly (as in "House of Cards"), lecherous ("Primary Colours") or bumbling ("Dr Strangelove"). More often he, and sometimes she, is impossibly heroic, fending off nuclear strikes, alien invasions or apocalyptic comets.

The unusual aspect of "G20" is not that its heroine is a fantasy. So was Harrison Ford's president in "Air Force One", another post-cold-war adventure that enlists rogue states or terrorists as foes. The striking thing is that, for all the talk of crypto and artificial intelligence, the fantasy is a relic of a bygone age.

The America on show is brash, glamorous, generous and brave. This is a version of Uncle Sam that generations of audiences at home and abroad wanted to believe in. European admiration for American swagger runs back through the arrival of GIs in the second world war to early Hollywood; at a publicity screening of "G20" in London, ushers dressed as Secret Service agents evoked the old thrill of Americana. As the film attests, that ideal hasn't quite expired.

But today it feels like an afterglow. For viewers who cherish it, "G20" may leave a mixed impression. It is a blast and a laugh, full of punch-ups, shoot-outs and winking humour. Ms Davis makes a smashing president. Yet it is also oddly melancholy: haunted by something precious being lost. ■

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Culture | He said, they said

Pronouns have become extremely divisive

These short words are at the centre of a big political debate

April 10th 2025



Pronoun Trouble: The Story of Us in Seven Little Words. By John McWhorter. *Avery; 240 pages; $28*

One of the most effective television ads last year during Donald Trump's campaign for president warned voters: "Kamala is for they/them, not you." Less than two weeks after taking office in January, Mr Trump ordered federal employees to remove their preferred pronouns from their email signatures. Videos of lawmakers deliberately addressing their peers with the wrong pronouns subsequently went viral. Parts of speech that used to star mainly in grammar lessons have become controversial political lightning rods.

A new book gives a timely and engaging tour of an overlooked patch of linguistic history. John McWhorter, the author, is a linguist at Columbia University, columnist for the *New York Times* and author of more than 20 books on language and culture. This book's title, along with Mr McWhorter's heterodox views and pugnacity (he is an old-school liberal and has been outspoken on the excesses of the woke left), might lead readers to expect some culture-war bomb-throwing.

Instead, he delivers an erudite jaunt in five chapters, one each for: "I", "you", "we", "he/she/it" and "they". These words carry a heavy load. Other languages, for instance, have separate words for "me and you", "me and them" and "me and those three"; English has just "we". Unlike many other languages, English has no second-person plural. Words such as "y'all", "youse" or the lovely western Pennsylvania "yinz" remain spoken and informal. "You" was once plural, but with the decline of "thou", once the second-person singular, it now assumes both roles.

Mr McWhorter is no stickler for propriety—a linguist, in his view, describes rather than prescribes—and he delights in slaying sacred cows. He argues, for instance, that the prohibition against saying "Joe and me went to lunch" is "English's fakest rule", because pronouns do not split into subjects and objects as neatly as rule-makers believe. Consider the answer to "Who left the door open?" It might sound odd to say "I" rather than "Me", even though "I" is the subject pronoun.

He also revels in pointing out the randomness of linguistic development. The familiar "she" could have just as easily been "hoo", "oo", "sho" or "shoo" had English gone down a slightly different path. Dominant languages tend to simplify as they absorb speakers of other languages—a process doubtless helped by the de facto standardisation imposed by film, television and other forms of mass communication—but superficial simplicity can mask subtlety. The first-person plural in "We're going out tonight", said to a friend, is not the same thing as a waiter asking, "And what will we be having tonight?" The former is warm and inclusive, the latter faux-friendly and cloying.

Unlike nouns and verbs, pronouns usually evolve glacially. Anglophones have been using their tidy little set for centuries. But change is not

impossible. In Sweden “hen”, a gender-neutral pronoun, jumped from academic circles to general use around ten years ago.

Near the end of the book, Mr McWhorter breaks his own rule against prescription and argues staunchly in favour of adopting the singular, gender-neutral “they”. He points out that it has been around for centuries: Geoffrey Chaucer used it, as did Jane Austen. The context is new; the usage is old. Some may grumble at the change, but some grumbled at the loss of “thou” several centuries back, and people eventually got used to it.

The most enjoyable part of reading this romp through tiny words is the obvious joy Mr McWhorter takes in telling it. In discussing the most staid words in English, he touches on music and wine. In asides, footnotes and parentheses, he is informal and catty: the effect is of listening to a delightful dinner-party guest. As for his subject, he reminds readers at the end that the story of pronouns, and of language more broadly, is never complete: “Pronouns are the latest stage in something always changing…Our job is to adjust to the inevitable awkwardness of change, in our pronouns as in ourselves.” ■

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Culture | Don’t stop believin’

Why you should believe in God. Or Allah. (But not Baal)

Ross Douthat believes everyone should believe. Readers may have doubts

April 10th 2025



Believe: Why Everyone Should Be Religious. By Ross Douthat. *Zondervan; 240 pages; $29.99 and £20*

Have you ever wondered about the problem of evil? The question of why, if God is all-good and all-powerful, then bad things happen in the world? Why disease? Why famine? Why golf? If so, you are in good company: the problem of evil vexed St Augustine, preoccupied St Thomas Aquinas and worried Thomas Malthus.

But do not worry about them. Because Ross Douthat, a columnist at the *New York Times* and Catholic convert, has also thought about the problem of evil,

and he is not that bothered by it. He thinks it is “ridiculous” to dismiss ancient religions over some “moral intuition” about whether suffering should exist. So that’s fine then. Don’t bother with Augustine. Put away Aquinas. Just read Mr Douthat.

Mr Douthat does not stop there. He tackles other problems that have hitherto been considered thorny and briskly answers them, such as: the question of who made the universe (God, he thinks); who created the laws of physics (God again); and why things behave in a weird way at the quantum level (you’ve guessed it).

The title of Mr Douthat’s book is “Believe: Why Everyone Should Be Religious” and its 200-odd pages are written in a similarly imperative tone. Reading it feels a bit like being cornered by a Christian at a party, for he wants not merely your attention but your soul. And he really does want it: the abandonment of organised religions is, he says, “the late-modern world’s great mistake”. Not the first or second world wars, nuclear weapons or even zip-off hiking trousers—but religious decline.

To persuade you of this, Mr Douthat canters across 20-odd centuries of theology, philosophy and science. Though dogmatic about religion, he is surprisingly undogmatic about which one: almost any old god who’s still around will do. He seems to follow a kind of divine Darwinism in which “The more popular, enduring and successful world religions are more likely than others to be true.” This is bad news for Zeus and Baal, but great news for his God.

None of this is quite how Thomas Cranmer, the first Protestant Archbishop of Canterbury, would have put it. But then religion-lite is all the rage: the widening god-shaped hole in American life (only 62% of Americans called themselves Christian in 2024, according to figures from the Pew Research Centre; a drop of nine percentage points from a decade before) is being filled by god-shaped things. Ayaan Hirsi Ali, a writer and former Muslim-turned-atheist, wrote that she had now turned to Christianity less because she had found Jesus than because she found “life without any spiritual solace unendurable”. This is not eternal-life Christianity but lifestyle Christianity: a way to bring comfort to a comfortless world.

This Christian book often teeters on the unchristian in tone. Mr Douthat refers sardonically to the “brilliant arguments” of atheists; accuses the (meticulously polite) Richard Dawkins of “crow[ing]” and puts ideas with which he disagrees in Slightly Snarky Capitals—so you read about “Official Knowledge” and the kind of “Serious Modern Person Who Doesn’t Believe in Magical Nonsense”. Which may give you a Serious Urge to Throw This Book Across the Room.

Whether you chuck it will depend on whether Mr Douthat persuades you to, like his title, “Believe”. Though if you do, it is worth remembering that you will still disbelieve, too. As Dr Dawkins points out, “We are all atheists about most of the gods that humanity has ever believed in. Some of us just go one god further.” ■

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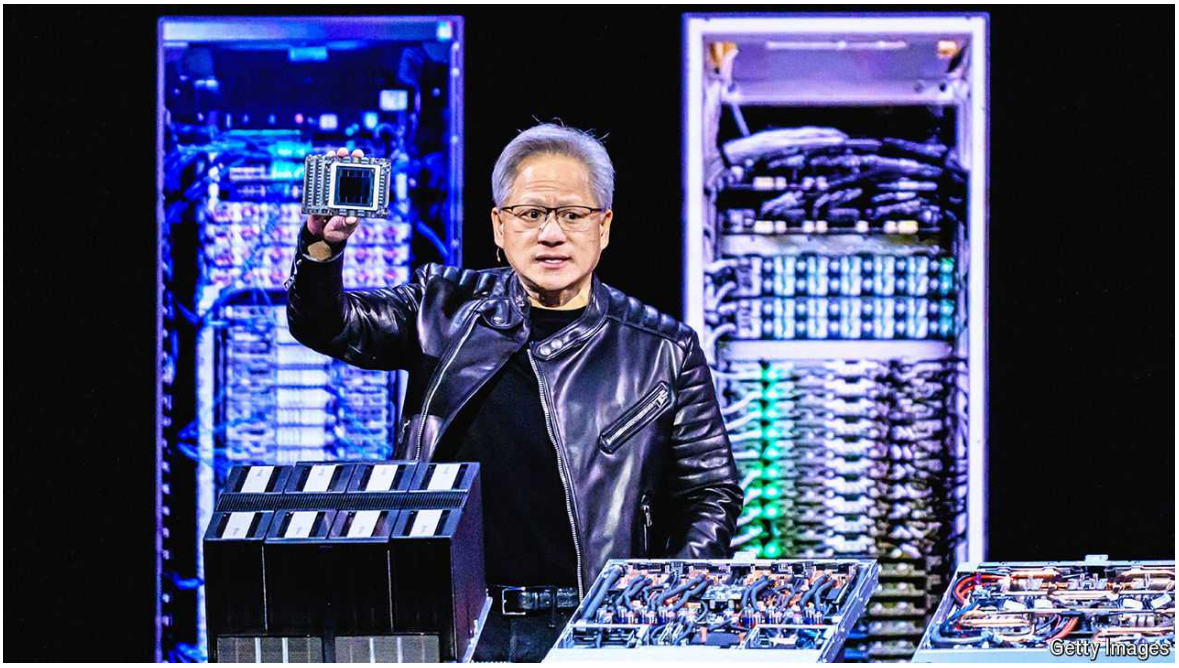
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Culture | Parallel logic

Nvidia and Jensen Huang are a study in contradictions

What makes them tick?

April 10th 2025



The Thinking Machine: Jensen Huang, Nvidia and the World's Most Coveted Microchip. By Stephen Witt. *Viking; 272 pages; $30. Bodley Head; £25*

Keeping up with Nvidia is hard. No other company has created so much shareholder value so quickly. In just 19 months, from November 2022 to June 2024, its market capitalisation rose from $330bn to $3.3trn. It took Microsoft nine years to achieve that growth; Apple needed 13. Nvidia has taken the title of the world's most valuable firm three times in the past year.

Its rise has been so rapid that investors still mispronounce its name ("en-vidia", not "nuh-vidia"). That is not the only thing observers struggle to parse. The firm—and the man who turned it from a pedlar of graphics chips for computer gamers into the semiconductor titan at the heart of the artificial-intelligence (AI) revolution—remain misunderstood.

Jensen Huang co-founded Nvidia in 1993 and has run it since, making him one of Silicon Valley's longest-serving CEOs. He is among the most approachable—happy to entertain journalists when other tech bosses skulk behind a PR firewall—and, with his signature black leather jacket, among the most recognisable. Yet he remains an elusive subject. Nvidia's $73bn in net profit last year, not far behind Microsoft's $88bn, points to a strategic genius at work. His rambling disquisitions on earnings calls scream dumb luck. Which is it?

A new book suggests the answer is both. "The Thinking Machine" by Stephen Witt, a journalist, is the second such corporate biography; "The Nvidia Way" by Tae Kim, a former equity analyst, was published in December and covers similar ground. But Mr Witt approaches his subject with a more critical eye and more verve. He weaves together the story of the man, his company and the computer science that led to large language models (LLMs) such as ChatGPT, which brought "generative" AI to the masses in 2022.

Mr Huang's academic brilliance shone from the moment he landed in America in 1973, aged ten. He was always the class nerd, from his time at a juvenile reform academy in rural Kentucky (which his Taiwanese immigrant family may have mistaken for a preppy boarding school) to his years at Oregon State University.

After a decade working at established chipmakers, he was persuaded by two collaborators, Curtis Priem and Chris Malachowsky, to run their chip-design startup. Their preferred name, Nvision, was taken by a toilet-roll manufacturer. They chose Nvidia, evoking the Latin word for "envy".

That is what its rivals—first in 3D graphics, then in AI hardware—have felt as Nvidia left them in the dust. Its success stems from an early embrace of two ideas on the fringes of computer science. The first, in the 1990s, was parallel

processing, which breaks a big task like rendering a scene in a computer game into many smaller ones. The second was neural networks—an approach to AI which mimics in silicon how human brains work. Once relegated to simulating backgammon, today they underpin all LLMs.

Mr Huang could not have known that neural networks needed parallel processing to thrive; that was mathematical happenstance. But some of Nvidia's success is a result of deliberate choices about corporate culture, the book says. In order to be agile, the firm does not have a siloed structure. Mr Huang has 55 direct reports (compared with ten or so for a typical CEO). This keeps him busy: "His hobbies are work, email and work," says one executive.

From the start he encouraged speed among his engineers. When an early chip flopped, bringing Nvidia to its knees, he gambled on replacing physical prototypes with digital simulations. This cut product-upgrade cycles from a year to a quarter. Mr Huang reasoned that gamers would take every upgrade until they could not tell a game from reality; so will model-makers, until their AIs are as clever as humans.

This pushing often devolves into angry public berating of underperformers. Yet Mr Huang's temper coexists with a tenderness recalled by current and former subordinates. He screams instead of giving you the sack, they say. Most take the trade. Nvidia regularly ranks highly in surveys of employee satisfaction.

Another contradiction is between Mr Huang's thoughtfulness about the AI business and his unthinking dismissal of the technology's risks. In contrast to other AI bosses, he sees zero danger. "It's no different than how microwaves work," he shrugs. Maybe. But whether AI kills humanity or saves it, Mr Witt writes, "It was going to happen on Jensen's chips." ■

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Economic & financial indicators

- Economic data, commodities and markets

Economic data, commodities and markets

April 10th 2025

Economic data

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	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	2.4	2.8	2.8	Feb	2.9	4.2	Mar
China	5.4	Q4	6.6	5.0	-0.7	Feb	0.2	5.4	Feb‖§
Japan	1.1	Q4	2.2	0.1	3.6	Feb	2.7	2.4	Feb
Britain	1.5	Q4	0.4	0.9	2.8	Feb	3.3	4.4	Dec††
Canada	2.4	Q4	2.6	1.3	2.6	Feb	2.4	6.7	Mar
Euro area	1.2	Q4	0.9	0.8	2.2	Mar	2.4	6.1	Feb
Austria	-0.5	Q4	-1.4‡	-1.2	3.1	Mar	2.9	5.3	Feb
Belgium	1.1	Q4	0.7	1.0	3.6	Mar	4.3	5.9	Feb
France	0.6	Q4	-0.4	1.1	0.9	Mar	2.3	7.4	Feb
Germany	-0.2	Q4	-0.8	-0.2	2.3	Mar	2.5	3.5	Feb
Greece	2.7	Q4	3.7	2.3	3.0	Feb	3.0	8.6	Feb
Italy	0.6	Q4	0.5	0.5	2.1	Mar	1.1	5.9	Feb
Netherlands	1.9	Q4	1.5	0.9	3.4	Mar	3.2	3.8	Feb
Spain	3.4	Q4	3.2	3.2	2.2	Mar	2.9	10.4	Feb
Czech Republic	1.8	Q4	2.6	1.0	2.7	Mar	2.4	2.7	Feb§
Denmark	3.9	Q4	7.6	3.6	2.0	Feb	1.4	2.9	Feb
Norway	-0.3	Q4	-2.5	2.1	3.6	Feb	3.1	3.9	Jan‡‡
Poland	3.2	Q4	5.3	2.9	4.9	Mar	3.8	5.3	Mar§
Russia	3.1	Q3	2.7	3.8	10.1	Feb	8.4	2.4	Feb§
Sweden	2.3	Q4	3.1	1.0	1.3	Feb	1.9	9.4	Feb§
Switzerland	1.5	Q4	0.8	1.3	0.3	Mar	1.1	2.8	Mar
Turkey	3.0	Q4	6.9	3.3	38.1	Mar	58.4	8.7	Feb§
Australia	1.3	Q4	2.4	1.0	2.4	Q4	3.2	4.1	Feb
Hong Kong	2.4	Q4	3.2	2.5	1.4	Feb	1.7	3.2	Feb**
India	6.2	Q4	9.3	6.3	3.6	Feb	4.9	7.7	Mar
Indonesia	5.0	Q4	5.5	5.0	1.0	Mar	2.3	4.9	Aug§
Malaysia	5.0	Q4	2.2	5.1	1.5	Feb	1.8	3.1	Jan§
Pakistan	3.2	2024**	na	3.2	0.7	Mar	12.6	6.3	2021
Philippines	5.3	Q4	7.4	5.6	1.8	Mar	3.2	4.3	Q1§
Singapore	5.0	Q4	2.0	4.4	0.9	Feb	2.4	1.9	Q4
South Korea	1.2	Q4	0.3	2.1	2.1	Mar	2.3	3.1	Mar§
Taiwan	2.9	Q4	6.6	4.3	2.3	Mar	2.2	3.4	Feb
Thailand	3.2	Q4	1.5	2.5	0.8	Mar	0.4	0.8	Feb§
Argentina	2.1	Q4	5.7	-1.7	66.9	Feb	220	6.4	Q4§
Brazil	3.6	Q4	0.7	3.4	5.1	Feb	4.4	6.8	Feb§‡‡
Chile	4.0	Q4	1.5	2.4	4.9	Mar	3.9	8.4	Feb§‡‡
Colombia	2.4	Q4	2.5	1.7	5.1	Mar	6.6	10.3	Feb§
Mexico	0.5	Q4	-2.5	1.5	3.8	Mar	4.7	2.7	Feb
Peru	4.2	Q4	2.0	3.3	1.3	Mar	2.4	6.6	Feb§
Egypt	4.3	Q4	0.8	2.4	12.8	Feb	28.3	6.4	Q4§
Israel	7.0	Q4	2.0	0.6	3.4	Feb	3.1	2.7	Feb
Saudi Arabia	1.3	2024	na	1.3	2.0	Feb	1.7	3.5	Q4
South Africa	0.9	Q4	2.3	0.6	3.2	Feb	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.

The Economist

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 $ Apr 9th	% change on year ago
United States	-3.9	-6.6	4.3		-2.0	-	
China	2.3	-5.0	1.5	§§	-63.0	7.35	-1.6
Japan	4.8	-2.3	1.3		48.0	145	4.8
Britain	-3.2	-5.5	4.6		55.0	0.78	1.3
Canada	-0.3	-2.3	3.1		-49.0	1.42	-4.2
Euro area	3.1	-3.3	2.6		24.0	0.91	2.2
Austria	2.3	-3.7	3.1		21.0	0.91	2.2
Belgium	-0.3	-4.5	3.2		31.0	0.91	2.2
France	-0.4	-6.1	3.4		54.0	0.91	2.2
Germany	6.0	-2.8	2.6		24.0	0.91	2.2
Greece	-6.4	-1.2	3.6		25.0	0.91	2.2
Italy	1.2	-4.0	3.9		18.0	0.91	2.2
Netherlands	9.5	-0.7	2.9		24.0	0.91	2.2
Spain	3.0	-3.2	3.3		8.0	0.91	2.2
Czech Republic	1.7	-2.4	4.2		17.0	22.8	2.7
Denmark	12.5	1.9	2.4		4.0	6.77	1.5
Norway	16.3	12.1	3.9		21.0	11.0	-3.3
Poland	0.1	-5.7	5.4		-16.0	3.89	1.0
Russia	3.0	-2.3	16.1		266	86.3	7.7
Sweden	6.1	-1.3	2.5		-5.0	10.0	5.2
Switzerland	5.2	0.7	0.5		-27.0	0.84	7.1
Turkey	-0.8	-4.9	30.7		515	38.0	-15.2
Australia	-1.9	-2.2	4.4		33.0	1.67	-9.6
Hong Kong	12.3	-2.7	3.3		-54.0	7.76	0.9
India	-0.5	-4.8	6.4		-71.0	86.7	-3.9
Indonesia	-0.2	-2.5	7.1		50.0	16,865	-6.0
Malaysia	1.7	-4.3	3.8		-12.0	4.50	5.6
Pakistan	0.2	-6.8	12.3	†††	-190	282	-1.3
Philippines	-2.4	-5.6	6.2		-29.0	57.3	-1.4
Singapore	17.5	0.3	2.7		-52.0	1.35	nil
South Korea	5.3	-1.8	2.7		-77.0	1,484	-8.7
Taiwan	14.1	0.5	1.6		6.0	33.0	-2.8
Thailand	2.1	-5.7	2.1		-48.0	34.6	5.2
Argentina	0.5	0.3	na		na	1,077	-19.7
Brazil	-2.8	-7.6	14.8		365	6.06	-17.5
Chile	-1.5	-2.9	5.6		-39.0	1,006	-6.4
Colombia	-2.8	-6.6	11.8		148	4,452	-15.5
Mexico	-1.1	-4.9	9.4		-20.0	21.0	-22.1
Peru	2.2	-3.8	6.4		-77.0	3.76	-1.9
Egypt	-6.2	-3.7	na		na	51.7	-8.0
Israel	3.2	-6.8	4.4		-1.0	3.82	-3.4
Saudi Arabia	-0.5	-2.8	na		na	3.75	nil
South Africa	-0.6	-5.2	11.1		57.0	19.9	-7.1

Source: Haver Analytics. §§5-year yield. †††Dollar-denominated bonds.

The Economist

Markets

In local currency	Index Apr 9th	% change on: one week	Dec 31st 2024
United States S&P 500	5,456.9	-3.8	-7.2
United States NAS Comp	17,125.0	-2.7	-11.3
China Shanghai Comp	3,186.8	-4.9	-4.9
China Shenzhen Comp	1,823.6	-9.5	-6.8
Japan Nikkei 225	31,714.0	-11.2	-20.5
Japan Topix	2,349.3	-11.4	-15.6
Britain FTSE 100	7,679.5	-10.8	-6.0
Canada S&P TSX	23,727.0	-6.2	-4.0
Euro area EURO STOXX 50	4,622.1	-12.9	-5.6
France CAC 40	6,863.0	-12.7	-7.0
Germany DAX*	19,670.9	-12.1	-1.2
Italy FTSE/MIB	32,730.6	-14.9	-4.3
Netherlands AEX	796.5	-11.7	-9.4
Spain IBEX 35	11,797.6	-11.6	1.7
Poland WIG	87,988.6	-10.2	10.6
Russia RTS, $ terms	967.9	-11.2	8.4
Switzerland SMI	10,887.7	-13.5	-6.1
Turkey BIST	9,275.5	-2.6	-5.6
Australia All Ord.	7,561.7	-7.0	-10.2
Hong Kong Hang Seng	20,264.5	-12.7	1.0
India BSE	73,847.1	-3.6	-5.5
Indonesia IDX	5,968.0	-8.3	-15.7
Malaysia KLSE	1,400.6	-8.2	-14.7
Pakistan KSE	114,153.2	-3.1	-0.8
Singapore STI	3,393.7	-14.2	-10.4
South Korea KOSPI	2,293.7	-8.5	-4.4
Taiwan TWI	17,391.8	-18.3	-24.5
Thailand SET	1,088.2	-7.2	-22.3
Argentina MERV	2,173,052.0	-7.8	-14.2
Brazil BVSP*	127,795.9	-2.6	6.2
Mexico IPC	52,527.7	-2.4	6.1
Egypt EGX 30	30,079.9	-6.1	1.1
Israel TA-125	2,404.0	-3.9	-0.9
Saudi Arabia Tadawul	11,096.7	-7.7	-7.8
South Africa JSE AS	82,485.8	-7.4	-1.9
World, dev'd MSCI	3,254.2	-11.3	-12.2
Emerging markets MSCI	1,002.6	-9.8	-6.8

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	129	95
High-yield	471	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. *Total return index.

The Economist

Commodities

***The Economist* commodity-price index**

2020=100	Apr 1st	Apr 8th*	% change on month	% change on year
Dollar Index				
All items	137.8	130.6	-5.9	-2.2
Food	152.6	146.5	-5.1	-0.2
Industrials				
All	125.5	117.6	-6.8	-4.2
Non-food agriculturals	137.4	133.0	-4.6	-4.0
Metals	122.5	113.6	-7.4	-4.3
Sterling Index				
All items	137.0	131.6	-4.5	-2.8
Euro Index				
All items	145.6	136.8	-5.8	-2.7
Gold				
$ per oz	3,131.3	3,002.7	3.0	28.0
Brent				
$ per barrel	75.0	63.4	-9.1	-29.5

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

The Economist

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Obituary

- Betty Webb never spoke about her work, until she had to

Obituary | Secrets within secrets

Betty Webb never spoke about her work, until she had to

The Bletchley Park "secretary" died on March 31st, aged 101

April 10th 2025



She knew the woman only as Biddy, but quite often, on the street in Birmingham, their paths would cross. They would give each other a nod of recognition then, since years ago they had worked at the same place. There was no occasion or reason to talk longer. Betty Webb was therefore profoundly shocked when, one day in 1975, the woman shouted across the road: "It's out!" "What's out?" she asked. "We can talk," said the woman; and Betty's first thought was, I don't want to.

Secrecy about her job had become an utter habit. It had to be so from the first, that day in 1941 when a very severe-looking captain made her read and sign the Official Secrets Act. The penalty for infringing it, he told her and

the other girls with her, was death. He had laid his service revolver on the table, which rather added to the atmosphere.

She did not tell her parents or her sister. Her various boyfriends were not allowed to know. Landladies at the local billets where workers stayed were often curious, convinced the place was a madhouse, but she fobbed them off by saying she was doing a boring secretarial job. When she had left, and was looking for actual secretarial work—there was not much else she was qualified for—she would tell potential employers that she was not at liberty to say what she had done before. They got quite shirty.

Yet that was only the most obvious level of security at Bletchley Park, the centre of British code-breaking during the second world war. She was also forbidden to tell fellow-workers in the main building, the Mansion as she always called it, what she was doing. People in the next room could not know, either. Even the girl on the next desk (the workers were mostly young women like herself) had to be kept in the dark.

She herself had no idea what her work added up to. When she had dropped out of her very ladylike domestic-science course, where she was learning how to run a house and bake sausage rolls, she had not envisaged this. She wanted to help win the war, looking glamorous in uniform and perhaps driving a truck. Instead she was sent to the Auxiliary Territorial Service (ATS), where the uniform featured khaki knickers so vast that they either showed below her skirt or had to be yanked up to her armpits. Meanwhile, her job at Bletchley was to index, by date and call sign, intercepted messages from the German police, and to file them in shoeboxes on her desk. Thousands came into the Mansion each day. She learned much later that some of them concerned atrocities on the Russian front and the first stages of the Holocaust. At the time all she saw were groups of five letters or five figures.

That was a bit of a shame. Her German was pretty fluent, since her mother had taught her the language when she home-schooled her at the family cottage in Shropshire. In conversation, she naturally dropped in German words: for example, loose talk was absolutely *verboten*. For three months in 1937 she had stayed with a nice family near Dresden and gone to German school. It was a requirement to salute Hitler at the start and end of every class, so she obliged, though with a rather limp arm and not saying the

words. The people, she thought, were disquieted by the regime but would not speak about it. They kept their counsel, too.

It would have been good to use her German at Bletchley Park. But her superiors told her it was not technical enough, and she accepted that. She was not one to complain. If she was given a job, she got on with it. If she was offered a lunch of dried egg and soya sausages, she ate it with gusto. If she had to sleep on slippery paliasses on a hard bitumen floor, and polish said unforgiving floor until she could see her face in it, she would. The huts where the workers lived later in the war were so cold in bad winters that one's flannel would freeze. The girls learned to warm up with a brisk game of table tennis before they went to their icy beds.

Eventually she left the German Police Section to work on decoded Japanese army messages. There her job was to paraphrase the translated texts so that they read less like code—which would betray the fact that the code had been broken—and more like a human spy writing. She enjoyed that. Her mother had taught her to put verses from the Bible into her own words, so it came easily. She did so well that she was chosen to go to the Pentagon for five months in 1945, to do the same work there. (America thrilled her, with its steak and ice-cream, rayon stockings and astonishing freedom, though not so much for her, of course.) Again, she immediately forgot any details of Japanese manoeuvres she came across. They were not for her to notice.

The point of all her efforts was to win the war. It was impossible to tell, while working at Bletchley, whether the Allies were winning or not. At her level, one was not privy to the end-product of anything. She was so junior, small fry, just one of 8,000 people in the team. Instinctively, though, she felt that right would prevail.

Once it had, a new life beckoned. In her late 40s she married, and put Bletchley firmly behind her. But the Official Secrets Act still applied. She had never told her parents before they died, or her husband either. It was not until the 1990s, when Bletchley people were getting thin on the ground, that she decided to break her silence. She gave about 200 talks in the end, and signed up to speak to visitors when Bletchley Park became a museum.

It was clear now that younger people wanted to know. And they needed to know, too: both how peace had been secured, and how hard fascism had to be fought. As a very old woman, watching birds through her cottage window in the quiet West Midlands countryside, she roundly objected to the fascist salutes given by some of Donald Trump's supporters. How dare they? This was not just dangerous. It was an insult to everything she and her colleagues at Bletchley Park had achieved. For she knew, now, just how much they had done. The secret was indeed out. ■

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