

The Economist


China's hold over America

Why Meta deserves to win

In praise of plastics

Mario Vargas Llosa, a passionate liberal

APRIL 19TH-25TH 2025




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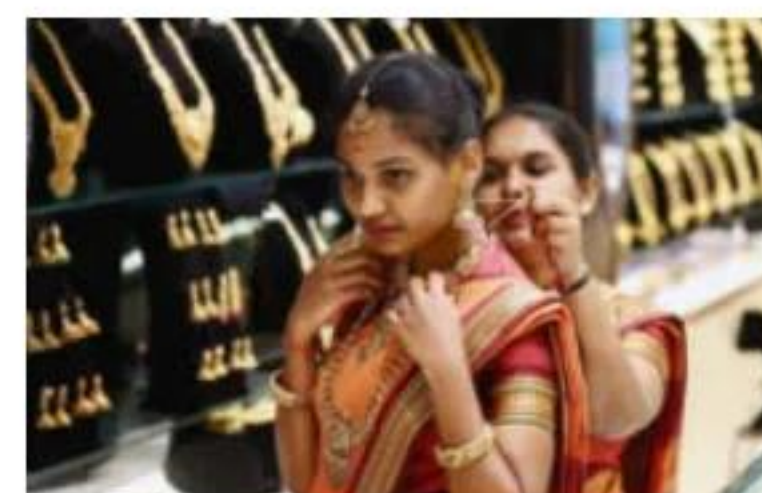
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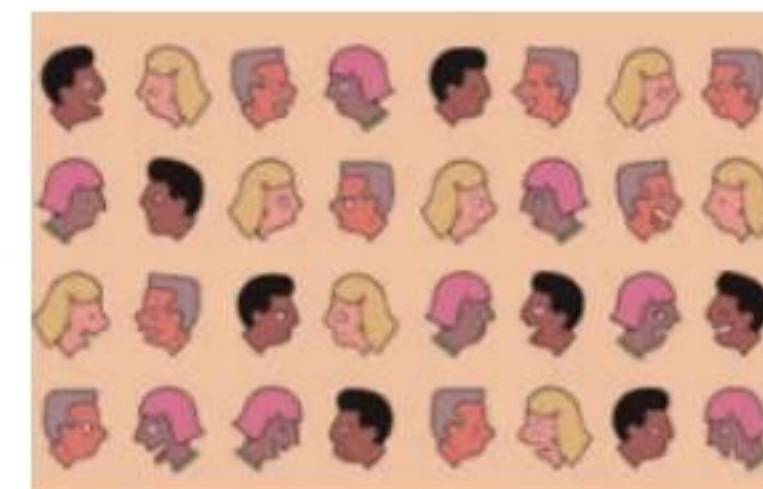
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to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

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The world this week Politics



Russia was widely denounced for its missile strikes on the city of Sumy in **Ukraine**, which killed 35 people. Russia claimed that it had targeted a meeting of Ukrainian commanders. The UN Human Rights Monitoring Mission in Ukraine reported a 50% rise in civilian casualties from Russian attacks during March. Friedrich Merz, Germany's incoming chancellor, described the attack on Sumy as "a serious war crime" and suggested that he was ready to start supplying Ukraine with Taurus cruise missiles. Two days earlier Ukraine's allies, led by Britain and Germany, confirmed that they will give Ukraine €21bn (\$24bn) in military support.

Before the attack Donald Trump said "Russia has to get moving" on **peace talks**. Mr Trump's envoy, Steve Witkoff, held a four-hour meeting with Vladimir Putin in St Petersburg to discuss aspects of a cease-fire. Reports emerged that America won't endorse a G7 statement condemning Russia's strike on Sumy because it wants to keep the talks alive.

The United Kingdom's Supreme Court unanimously ruled that "the terms woman and sex in the Equality Act 2010 refer to a **biological woman** and biological sex". The case was brought by a women's rights group against the Scottish government, which had said that the word "woman" could also include transwomen (natal males) who have a "gender recognition certificate". The court pointed out that the Equality Act also separately gives transgender

people protection from discrimination and harassment.

A diplomatic spat between **France** and **Algeria** intensified when the French authorities charged an Algerian consular official and two other men with the brief abduction last year of Amir Boukhors, a critic of the Algerian government who is followed by 1m people on TikTok. In response Algeria expelled 12 French embassy workers, which prompted France to expel 12 Algerian consular staff and recall its ambassador from Algiers.

An innocent abroad

The Trump administration confirmed that Kilmar Abrego Garcia, a **Salvadorean migrant** whom the government admits was wrongly deported to a jail in El Salvador, was "alive and secure". The Supreme Court has ruled that the government should facilitate his return. The judge overseeing the case criticised the government for doing "nothing" so far.

Meanwhile, **El Salvador's** president, Nayib Bukele, visited the White House and said he would not return Mr Abrego Garcia, comparing him to a terrorist, even though he has not been charged with a crime. Mr Bukele is positioning himself as a regional ally of Donald Trump and has struck a deal that allows America to deport alleged gang members to a prison in El Salvador.

Daniel Noboa was re-elected as **Ecuador's** president by a comfortable margin of victory. His opponent from the left, Luisa González, said Mr Noboa's declaration of a state of emergency in seven states where she enjoys widespread support was intended to suppress her vote.

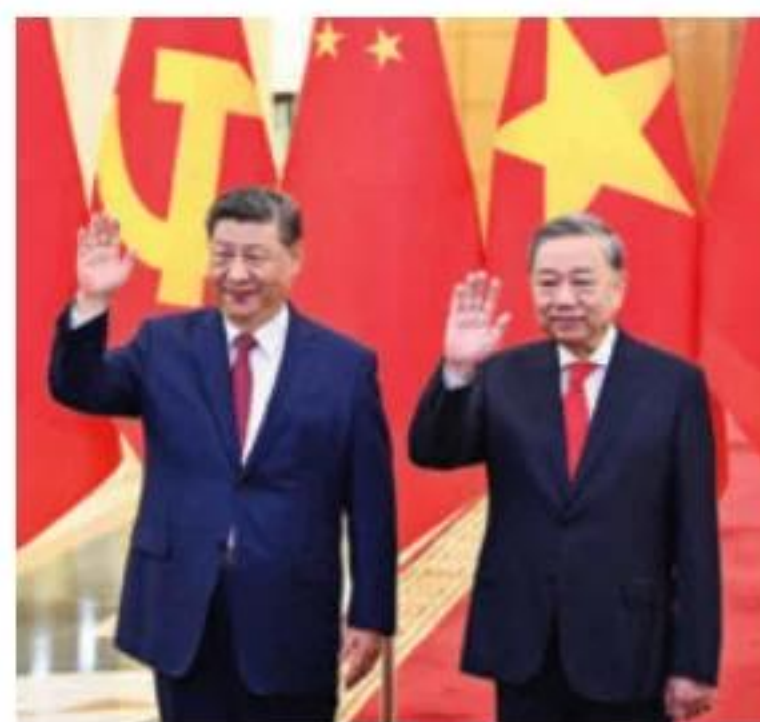
Iran and America held a first round of talks in Oman about Iran's nuclear programme. It was the highest-level meeting between the two countries since 2018. Both sides described the talks as "construc-

tive". Steve Witkoff, Mr Trump's envoy, said that Iran would have to abandon its enrichment programme. Previously he had suggested that it could be allowed to enrich uranium at a low level in a new nuclear deal. The negotiations will continue.

An **Israeli** air strike destroyed parts of the last fully functioning hospital in **Gaza City**. Medics said they received only 20 minutes' warning before the attack. There were no casualties but one girl died because she was unable to get the care she needed. Israel said it was targeting a Hamas command-and-control centre there.

Brice Clotaire Oligui Nguema, who took power in **Gabon** in a coup in 2023, won the country's presidential election with 90% of the vote, cementing his hold on the state. The vote took place under a new constitution and electoral code designed to ensure his victory.

Two years into **Sudan's civil war** more than 200 civilians were killed in attacks by the Rapid Support Forces in Darfur. The rebels targeted el-Fasher, the last city in the region still under the control of the Sudanese government, and surrounding refugee camps. Among those killed were the entire medical staff of Relief International, who were operating the last remaining clinic inside Zamzam camp.



China and **Vietnam** signed dozens of co-operation agreements on everything from AI to joint maritime patrols to railway development. The agreements came as China's leader,

Xi Jinping, visited Vietnam on the first leg of his tour of South-East Asia. Mr Xi warned that protectionism "leads nowhere" and that a trade war would have "no winners".

The Democratic Party in **Hong Kong** held a preliminary vote among members to dissolve itself. The news marks a symbolic moment for the former British territory. For decades the Democrats were the city's largest opposition party, but a new national security law in 2020 led to its leaders being arrested and imprisoned amid a more general crackdown on free expression.

Singapore is to hold a general election on May 3rd. The People's Action Party, which has been in power since independence in 1965, is all but guaranteed another victory, though the prime minister, Lawrence Wong, wants to ensure a bigger mandate. The PAP took 61% of the vote in 2020, down from 70% in 2015.

Harvard University refused to comply with the Trump administration's demands that academic departments must have diverse views and that it curb the power of students and faculty, among other things. In a defiant message, the university referred to its constitutional rights and said no government should dictate what private colleges can teach. The government promptly carried out its threat to freeze \$2.2bn in grants to Harvard.

Not on the same page

The Pentagon sacked the commander in charge of America's space base in **Greenland**, after she criticised a recent visit there by J.D. Vance, the vice-president. Mr Vance had said during his trip that Denmark was failing to protect its territory from Russia. Colonel Susannah Meyers reportedly responded that his views did not reflect those of Pituffik Space Base. The Pentagon said that Colonel Meyers's remarks were subversive.

How a dollar crisis would unfold

If investors keep selling American assets, a grim fate awaits the world economy

THE DOLLAR is meant to be a source of safety. Lately, however, it has been a cause of fear. Since its peak in mid-January the greenback has fallen by over 9% against a basket of major currencies. Two-fifths of that fall has happened since April 1st, even as the yield on ten-year Treasuries has crept up by 0.2 percentage points. That mix of rising yields and a falling currency is a warning sign: if investors are fleeing even though returns are up, it must be because they think America has become more risky. Rumours are rife that big foreign asset managers are dumping greenbacks.

For decades investors have counted on the stability of American assets, making them the keystones of global finance (see Finance & economics section). The depth of a \$27trn market helps make Treasuries a haven; the dollar dominates trade in everything from goods and commodities to derivatives. The system is buttressed by the Federal Reserve, which promises low inflation, and by America's sturdy governance, under which foreigners and their money have been welcome and secure. In just a few weeks President Donald Trump has replaced these ironclad assumptions with stomach-churning doubts.

This crisis-in-the-making was created in the White House. Mr Trump's reckless trade war has raised tariffs by roughly a factor of ten and created economic uncertainty. Once the envy of the world, America's economy is now courting recession, as tariffs rupture supply chains, boost inflation and punish consumers.

This comes as America's historically bad fiscal position is becoming even worse. Net debts stand at about 100% of GDP; the budget deficit over the past year, of 7%, was astonishingly high for a healthy economy. Yet in its quest to renew and extend tax cuts from Mr Trump's first term, Congress wants to borrow still more. On April 10th it approved a budget blueprint that could add \$5.8trn in deficits over the next decade, according to the Committee for a Responsible Federal Budget, a think-tank. That would boost the deficit by another 2 percentage points and exceeds the combined total value of Mr Trump's first-term tax cuts, the extra spending in the covid-19 pandemic and Joe Biden's stimulus and infrastructure bills. It could double the pace at which the debt-to-GDP ratio rises in the coming years.

What makes this economic downturn and the loss of fiscal discipline so explosive is the fact that markets are starting to doubt whether Mr Trump can govern America competently or consistently. The shambolic, incoherent way the tariffs were calculated, unveiled and delayed was a mockery of policymaking. On-again, off-again exemptions and sectoral tariffs promote lobbying. For decades America has carefully signalled its dedication to a strong dollar. Today some White House advisers are talking about the reserve currency as if it were a burden to be shared—using coercion if necessary.

Inevitably, this puts the Federal Reserve under strain. Mr Trump is pressing the central bank to cut interest rates. The courts are likely to stop him sacking Fed governors at will, but he will be able to nominate a pliant new Fed chair in 2026.

Meanwhile, the president's other policies—such as shipping undocumented migrants to El Salvador without a hearing (see next leader), or harassing law firms that displease him—make it possible to think that foreign creditors' rights could suffer.

All this has created a risk premium for American assets. The shocking thing is that a full-blown bond-market crisis is also easy to imagine. Foreigners own \$8.5trn of government debt, a bit under a third of the total; more than half of that is held by private investors, who cannot be cajoled by diplomacy or threatened with tariffs. America must refinance \$9trn of debt over the next year. If demand for Treasuries weakens, the impact will quickly feed through to the budget, which, owing to high debts and short maturities, is sensitive to interest rates.

What would Congress do then? When markets collapsed during the global financial crisis and the pandemic, it acted forcefully. But those crises required it to spend, not to impose cuts. This time it would need to take an axe to entitlements and raise taxes quickly. You need only consider the make-up of Congress and the White House to see that the markets might have to impose a lot of pain before the government could agree on what to do. As America dithered, the shock could spread from Treasuries to the rest of the financial system, bringing defaults and hedge-fund blow-ups. That is the sort of behaviour you would expect in an emerging market.

The Fed, for its part, would face a painful dilemma. It could buy assets to steady the ship. But it would not want to appear to be monetising the debt of an uncreditworthy government—an especially risky move when inflation is high. Could it strike the balance between emergency lending and monetary financing? And if it was not bailing out Mr

Trump, would he approve of it lending dollars to foreign central banks that lack liquidity, as it usually does in a crisis?

A currency is only as good as the government that backs it. The longer America's political system fails to grapple with its deficits or flirts with chaotic or discriminatory rules, the more likely will be a once-in-a-generation upheaval that pushes the global financial system into the unknown. Wherever things settled, the greenback's diminished role would be a tragedy for America. True, some exporters would benefit from a weaker currency. But the dollar's primacy reduces the cost of capital for everyone, from first-time homebuyers to blue-chip firms.

Biting the hand that funds

The world would suffer because the dollar has no equal—just pale imitations. The euro is backed by a big economy, but the euro zone does not produce enough safe assets. Switzerland is safe but small. Japan is big, but has its own vast debts. Gold and cryptocurrencies lack state backing. As investors tried one asset and then another, the hunt for safety could bring about destabilising booms and busts. The dollar system is not perfect, but it provides the stable ground on which today's globalised economy is built. When investors doubt America's creditworthiness, those foundations are in danger of cracking. ■



Civil liberties

Missing from the constellation

In its pursuit of a policy, Donald Trump's government is content to destroy a man

KILMAR ABREGO GARCIA moved to America illegally when he was 16. His lawyers say his parents sent him north after a gang in El Salvador threatened to kidnap him and rape his sisters. Eight years after coming to America, he was detained while looking for work in a Home Depot car park. Maryland's police thought he might be a gang member, though that claim was never tested in court. His case was heard by an immigration judge, who denied Mr Abrego Garcia's asylum claim. But the judge ruled that he could not be deported because he had a well-founded fear of persecution, and so he was released. This is how the law works in America: it can be slow, evidence is not always clear and judgments can frustrate everyone.

Then the law broke down. In defiance of that ruling, Mr Abrego Garcia was deported to El Salvador in March, without a trial or a chance to appeal, and put in a prison that specialises in the degrading treatment of alleged gang members. Then the Trump administration said it had made a mistake. The Supreme Court issued a 9-0 ruling that the federal government should "facilitate" his return to America.

A few days later Nayib Bukele, El Salvador's president, appeared in the Oval Office and was asked about Mr Abrego Garcia. He could not possibly return a "terrorist" to the United States, he said. President Donald Trump, usually quick to assert his power over others, smiled as if to say: I would so like to obey the Supreme Court, but what can you do?

Governments have the right to deport people who migrate illegally. Mr Trump promised a campaign of mass deportation and voters gave him a mandate to carry it out. In Mr Abrego Garcia, the administration has picked a soft target. An illegal immigrant, tainted by the allegation of being a gang member, he will not command the sympathy of many Americans. As a non-citizen, he does not enjoy the full panoply of protections. Even so, Mr Abrego Garcia does have rights, and by trampling

them Mr Trump is undermining the rule of law.

Many of America's freedoms were established by plaintiffs whom the majority condemned. The right to free expression of every churchgoing midwesterner is underpinned by court rulings in favour of a Ku Klux Klan leader (in *Brandenburg v Ohio*), a pornographer (*Hustler Magazine v Falwell*) and a man who burned an American flag outside a Republican convention (*Texas v Johnson*). The courts upheld their rights, and thereby secured the rights of everyone else. The Trump administration is turning this idea on its head.

In addition, the administration cannot deny someone the protection of the courts just because they are not a citizen. Even the detainees at Guantánamo Bay, site of the worst abuse

of domestic liberties ordered by the White House this century, could appeal to a judicial process of sorts. Mr Abrego Garcia had expressly been spared from deportation to El Salvador. Mr Trump's grin mocked the principle that America is a place where the government cannot suspend rights whenever it chooses and where the head of government willingly defers to the highest court. In other

words, that America is not El Salvador (see Americas section).

Last, Mr Abrego Garcia's case shows that the Trump administration is prepared to destroy a man's life in pursuit of its policies. The right not to be locked up indefinitely without trial, or *habeas corpus*, is absolute and a fundamental principle by which people can limit the arbitrary exercise of state power. Even by the time of Thomas Jefferson's first inaugural address it had existed in common law for centuries. Jefferson called it one of the elements forming a "bright constellation" that had guided the young nation through revolution and reformation. That is still true. But as long as Mr Abrego Garcia remains in El Salvador's Terrorism Confinement Centre, that constellation will be dimmed—and Americans should worry. ■



Meta's monopoly trial

Swipe it away

Social media has plenty of problems. Lack of competition isn't one of them

THE \$23M pied-à-terre that Mark Zuckerberg bought last month in Washington, DC, is a seven-bathroom testament to Meta's devotion to lobbying. As well as donating \$1m to Donald Trump's presidential-inauguration fund and shelling out \$25m to settle a spurious lawsuit from the president, Meta has MAGafied its board, appointing allies such as Dana White and, last week, Dina Powell, who served in Mr Trump's first administration (John Elkann, the boss of Exor, which part-owns *The Economist's* parent company, is also a director). Mr Zuckerberg has dined at Mar-a-Lago and visited the White House.

The reason for this frantic schmoozing is a blockbuster

antitrust trial that began on April 14th and which threatens to break up Mr Zuckerberg's \$1.3trn empire. The stakes are high and the politics are low. But what matters is that the claim the Federal Trade Commission (FTC), America's competition watchdog, has brought against Meta deserves to fail.

The complaint, launched in 2020, alleges that Meta (then called Facebook) illegally maintained its social-media monopoly when it bought Instagram and WhatsApp, two smaller rivals, several years earlier. Though the FTC approved both transactions at the time, it now wants them undone. To establish that Meta is a monopolist, the trustbusters have described

its market as “personal social networking”. This is a tendentiously narrow definition that excludes obvious rivals such as X, LinkedIn, Pinterest and Reddit. On this view, the world’s biggest social-media company competes only with Snapchat, a much smaller rival, and MeWe, an even tinier one.

The FTC’s argument was never compelling, and in the years since the complaint was filed it has only become less persuasive. Despite the FTC’s claim that network effects create insurmountable barriers to entry, the past few years have seen a rush of successful social-media startups. Some have fizzled, like Clubhouse and BeReal. Others remain small, such as Bluesky and Mr Trump’s own Truth Social. But the arrival of TikTok, which has attracted more than 1.5bn users worldwide, makes a mockery of the idea that the market is closed.

Competition has intensified in other ways, too. Thanks partly to TikTok’s innovation, social apps now revolve around video. That has pitched Meta into competition with giants such as YouTube, whose “Shorts” feature mimics the TikTok-like vertical clips that also play on Facebook and Instagram. Moreover, once-distinct media markets are converging. Spotify, originally a music service, is pushing into video; Roblox, a gaming platform, acts as a social network for many teenagers. As competition spreads across previously separate categories, the FTC’s narrow market definition looks ever sillier.

What of the experience for consumers, whose interests the FTC exists to defend? The regulator argues that a shortage of

competition has created worse products, citing an overload of ads on Meta’s apps. But the idea that consumers have been poorly served by the social-media market in recent years is hard to square with the hours of extra time they are devoting to it. By one estimate nearly half of all mobile screen time worldwide is spent browsing social media (and about a quarter of all waking hours are spent on phones).

Ask a parent if they have any concerns about social media and they will chew your ear off, but they are unlikely to complain that their child is short of social apps. Indeed, consumers’ behaviour suggests that—for better or worse—they have seldom encountered a market they find so captivating.

The shaky case has come to trial at an appropriately farcical moment. As the FTC sets out its claim that Meta faces insufficient competition, the firm’s main rival, TikTok, hangs in legal limbo. Distribution of the Chinese-owned app in America has been outlawed since the beginning of Mr Trump’s presidency. But he has ordered the authorities to ignore the ban—for 75 days, then 150—while he negotiates the app’s sale to an American buyer. No one has the faintest idea whether the app will still be around by the time Meta’s trial is over. How can any serious judgment on competition in social media be made without knowing the fate of TikTok, its greatest disruptive force?

What began as a thin case has become progressively weaker, and now looks downright absurd. The court should waste no time in swiping it up and away. ■

The environment

In praise of plastics

If they are a problem, it is because they are badly managed

FEW PEOPLE are more synonymous with wonder at the natural world than Sir David Attenborough, a nonagenarian television presenter. In recent years, Sir David has been campaigning fervently for an end to the plastic that his film crews find scattered across the planet. “The plastic in our oceans ought never to have got there in the first place,” he said in one interview. “Much of it perhaps ought not to have even been manufactured at all.” The first statement is reasonable, but the second is not—for it disregards the extraordinary benefits that plastics, and the industry which produces them, have provided both to humans and to the environment.

Although the drawbacks of the world’s reliance on plastics are all too apparent, the benefits they provide, in the form of reducing waste and cost, are all too easily overlooked. Plastics have made possible a bewildering range of new materials that can replicate the properties of existing ones, and can do things they cannot, while being lighter, more durable, and cheaper and easier to manufacture. These materials have become vital in everything from building to carmaking to consumer electronics.

Take food as an example. Plastic packaging prevents perishable foodstuffs from spoiling, making possible global trade in meat, fish, fruit and vegetables. It enables essentials like rice, cooking oil and powdered milk to be stored and distributed safely and cheaply. A one-litre plastic bottle weighs 5% as

much as a glass one; plastic packaging thus reduces shipping costs and emissions.

Plastics have also eased the world’s reliance on older materials, and on the living beings from which many of them came. There are perhaps 10m pianos in the world. If all their white keys were made of ivory, how many elephants would remain?

Just as the benefits of plastics are often unseen, however, so are some potential harms. The visible blight of discarded waste strewn across otherwise lovely landscapes, often to the

detriment of wildlife, used to be one of the principal charges against plastics. Now there is growing concern about what happens when they break up into microscopic fragments invisible to the naked eye. In the past decade such “microplastics” have been found in food chains, in human brains and even in the apparently pristine snow of Antarctica.

Being detectable does not make something dangerous. It can be mere testimony to the acuity of the instruments in use. But history shows that ubiquitous industrial materials can do unintended, unexpected and widespread harm that is recognised much too late: think of lead-based paint and leaded petrol, which cause health and developmental problems. The ubiquity of microplastics means the harm they might do deserves serious, well-supported and co-ordinated research; some worrying findings make that a matter of urgency (see Science & technology section). If there are harms, swift ►►



► action will be needed on diagnosis and remediation.

To deal with the scourge of pollution the best approach is not to ban plastics, but to manage them more carefully. Better recycling technologies, now under development, are one part of the answer (see Business section). The proportion of plastics which end up being recycled has doubled in the past two decades, but it is still only 9%. This is not because people do not care about the planet. It is because recycling is harder and more costly than most people realise.

Technical difficulties and the onerous sorting required mean that recycled plastic is almost always more expensive than the virgin stuff, which makes it hard to set up a virtuously circular market. One result is that many rich countries export their waste for “recycling” in poorer countries which are not equipped to deal with their own often voluminous plastic-waste problems, let alone anyone else’s (see International sec-

tion). The UN estimates that 59% of all plastic waste ends up being sorted by roughly 20m informal workers worldwide, frequently in terrible conditions.

Greater use should therefore be made of landfill. When properly managed and well monitored, this is far less environmentally ruinous than often portrayed, and can be simpler and more effective than poorly executed recycling. It also sidesteps the risk that plastics sent across the world for recycling will be dumped or burned. Incinerators, which can both produce energy and allow the resulting carbon to be captured, are a useful option too, though they are also unpopular. Fortnum, a Finnish company, has found a way to turn the hydrocarbons released from waste incineration back into plastic feedstock. Such innovation should be built on. When it comes to plastics, the benefits are very much greater than most people will allow—and so is the potential for managing the costs. ■

Of rats and binmen

Something rotten

The moment is ripe to reform Britain’s equal-pay rules

THE STENCH alone is a metaphor. For six weeks, strikes by city bin-collectors have blotted the streets of Birmingham with growing mounds of rubbish (see Britain section). The rats in Britain’s second city have feasted and multiplied.

More is at stake than the usual to-and-fro of unions hustling bosses for better pay or lighter working hours. Birmingham is the latest in a growing roster of victims hobbled by expansive equal-pay laws. These penalise employers for disparities between sometimes wildly different roles—binmen and cleaners, warehouse stockers and shopworkers—if judges can be sold on the idea that the work was of “equal value”. Never mind whether the market concurs.

The consequences are huge. Over £1bn (\$1.3bn) in equal-pay claims have bankrupted Birmingham’s council. A common sticking-point is the pay for an intermediate grade of binman (the “waste recycling and collection officer”), which has been used as a cudgel by council-employed carers and cleaners, jobs that skew towards female workers, to demand a payout. The council wants to stave off future claims by eliminating the role.

Winning a case on the grounds of equal value does not require proving sexism, even the subliminal kind. It hinges instead on a sort of judicial central planning. A recent judgment against Asda, a grocery chain, dissected workdays by the minute. Ms Darville, in the shop, handled fireworks, a known hazard. Occasionally she mopped up a spill. Mr Devenney, in the warehouse, spent 3% of his time tidying. Each job gets “points”, which sum to a “value”.

If the judges’ score doesn’t match the market wage the role commands, and the gender balance is even moderately askew, there will be trouble. The Asda case has further to go, but the company may be on the hook for a £1.2bn payout and £400m in extra annual wage costs, a 15% increase.

A rethink is long overdue. Britain did not originally recognise “equal value”; Barbara Castle, the Labour minister who introduced the Equal Pay Act in 1970, thought it too woolly.

But it caught on across the English Channel, and was added to the law books in the 1980s, under pressure from Brussels. Trouble began in the 2000s, after a ruling in the late 1990s by the European Court of Justice, which let victors claim six years of back pay, making a win more lucrative. Alongside Britain’s relaxed rules about no-win-no-fee lawyers and higher levels of pay transparency, that proved a potent lure.

Cue a bonanza. One law firm, Leigh Day, is orchestrating equal-pay claims against 70% of British grocery chains, by market share. A rent-seeking cabal of equal-pay advisers, evaluators and lawyers has sprung up. Firms realised that subcontracting hiring allows them to elude liability. Conservative-run councils, with fewer ideological hangups, have done so. Left-wing ones have struggled. Labour-led Sheffield also has an ongoing dispute, and Glasgow, under the Scottish National Party, has agreed to pay out £770m. Now the government is consulting on plans to close that escape-hatch by stretching the rules to cover outsourced workers.

Politicians have let the issue fester. Even Unite, the binmen’s union, is too skittish to admit where the real issue lies: bewailing austerity is safer than wrestling with whether

equal-pay rules have gone too far.

Brexit has given Britain a chance to fix this. Instead of doubling down on equal value the government should ditch it and, like America, focus on people doing similar jobs. Even jobs with a history of gender bias have gradually been getting more balanced. The warehouse staff at Next, another retailer hit by an equal-value ruling, is 47% female. Defining equal value less broadly and reining in the scale of payouts would also work.

Europe should learn from Britain’s troubles. The European Commission is due to push through new pay-transparency rules in 2026, which will make equal-value cases far easier to bring. Birmingham is an hour’s flight from Brussels. Eurocrats would do well to take a walking tour of Birmingham’s bins—though they should mind where they tread. ■



The background of the entire advertisement is a grayscale photograph of an industrial facility. Several tall, dark smokestacks are visible, each emitting thick, white plumes of smoke that rise into the sky. The smoke is dense and billowing, creating a hazy atmosphere. The sky is a dark, overcast gray. The overall tone is somber and industrial, emphasizing the environmental impact of the industry.

~~Say~~ do the right thing

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Letters

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Eisenhower on universities

Lexington (April 5th) highlighted the revolution in university research in America after the second world war. He wrote about how the government wanted America to lead the world in innovation and so it increased its sponsorship of university research, but still "premised on the principles of academic freedom". The extraordinary scientific and economic gains of this partnership are obvious to everyone except Donald Trump, who is cancelling billions of dollars in grants and contracts.

The threat posed by central government funding to academic freedom in America is only now, suddenly, coming into the open. Yet Dwight Eisenhower identified the danger in 1961. In his farewell address three days before the end of his presidency, Eisenhower coined the now familiar phrase "military-industrial complex", which he recognised as a threat to America. But he also drew upon his experience as chancellor of Columbia University from 1948-53 to point out a second threat, in the form of the increasingly dominant role of the federal government in funding university research.

"The free university...has experienced a revolution," he said. "Partly because of the huge costs involved, a government contract becomes virtually a substitute for intellectual curiosity." He recognised "the prospect of domination" by the federal government in terms of employment and allocating projects, warning that "The power of money is ever present and is gravely to be regarded." Or in other words, he who pays the piper calls the tune.

DENIS FEENEY

Dorchester on Thames, Oxfordshire

The costs of low carbon

Your interesting article on why electricity prices are so high in Britain ("Power up", March 15th) did not mention one critical factor: the difference between the low wholesale

costs that could accrue in time from a wider deployment of renewables and the full cost to the consumer. The renewables have to be paid for, and the full subsidies for this already amount to £250 (\$330) on customers' bills. They are heading only one way and are also a big reason why British electricity prices are higher than elsewhere.

The move to low-carbon power is undoubtedly the right way to go, but we need to recognise the costs required to achieve this. How this is paid for, and ultimately how those costs are apportioned to ensure fairness and equity, is an important factor in making sure the public remain on board in the transition to a low-carbon future.

DR TONY BALLANCE

Chief strategy and regulatory officer
Cadent

Coventry

Life in Ivory Coast

"A quiet renaissance" (March 22nd) painted an incomplete and overly positive picture of Ivory Coast. High macro-economic growth contrasts with health and education outcomes that are among the worst in Africa. According to the World Bank, Ivory Coast's life expectancy in 2022 stood at just 59 years, nine years less than Senegal despite GDP per head being 50% higher. This translates into 250 extra avoidable Ivorian deaths per day compared with Senegal. The average life expectancy for countries with similar income levels to Ivory Coast is nearly a decade higher. Liberia or Mauritania fare better.

The UNDP's Human Development Index ranked Ivory Coast 166th out of 193 in 2023, down from 125th in 1999. Education outcomes are similarly bleak: 13th out of 14 Francophone African countries in school mathematics performance, despite many of those countries being poorer. Finally, the country was recently added to the Financial Action Task Force's Grey List for money-

laundering, alongside Lebanon and Algeria, raising serious governance concerns.

I dare say that the economic numbers in your article mask a troubling reality and a concerning future for Ivorians.

TIDJANE THIAM

President of the PDCI-RDA

Abidjan

Our hour of need

I was glad to see your newspaper endorse the end of Daylight Saving Time ("Stop changing all the clocks", April 5th). As you noted, the first law establishing DST in Britain was passed during the first world war, but it was proposed several years earlier at the urging of William Willett, an eccentric real-estate developer and golf enthusiast. In a pamphlet from 1907, Willett argued that the change would allow people more time for leisure "in the open air...after the duties of the day have been discharged". Presumably he meant a few more holes of golf.

Wouldn't it be ironic if DST was at last ended a century later by another eccentric real-estate developer and golf enthusiast, this one sitting in the White House?

AUGUSTUS HANEY

New York

Britain and Ireland had separate time zones until October 1916. Ireland's time zone was called Dunsink time, after the observatory near Dublin. It was 25 minutes behind Greenwich Mean Time. After the Easter Rising, Britain put Ireland on GMT and it's been the same ever since, mainly for economic convenience between the two countries.

MARK DOODY

Bedford, Texas

I passionately agree with your position on changing the clocks. As the world falls apart it is one positive step towards a more rational universe. Are there protest marches scheduled? Can I distribute leaflets? Keep up the good work.

FATHER RICK MCGRATH

Hassocks, West Sussex

Jewish connections

Thank you for acknowledging the ways in which the events of the past 18 months have led to a surge in Jewish identity ("A golden era may have ended", March 29th). Hundreds of thousands of Jews awakened to the richness of Jewish civilisation and are cultivating old and new avenues of "doing" and "being" Jewish.

Yet you also made a common mistake in assuming that the primary focus of the Israel-diaspora relationship is through Israeli politics. That approach misses the vast and deep realm of other points of identification, from faith to family. Around half of my fellow Jews live in Israel. That is enough for me to be deeply concerned about their well-being.

My connection to, and solidarity with, them transcends whatever views I have about the crises of any particular moment. In 1947 my grandparents, refugees from the Holocaust, chose to go to the United States rather than Palestine. But for that small swerve of history, I would be living in Israel today. I see our fates as intertwined.

Today's troubles are a great tragedy, and I am deeply concerned with what the future will bring for everyone involved. We Jews have to cultivate an identity that isn't so consumed with politics, but which instead embraces the fullness of Jewish life, and that includes our fellow Jews in Israel.

JASON HARRIS

Alameda, California

Mrs and Ms Robinson

I was surprised to read in your article on the rise of Christian entertainment that the command from Leviticus 18:17, "Do not have sexual relations with both a woman and her daughter", is not movie material ("Holywood", March 15th).

Have you never seen "The Graduate"?

ROMY NEGRIN

New York



The University of Governance in Berlin

The Hertie School is recruiting a

President (f/m/div)

The Hertie School has established a search committee to recommend a candidate for appointment as the President for the term starting 2026. Since its foundation in 2003, the Hertie School has grown into one of the leading graduate schools of public policy worldwide. The Hertie School educates the next generation of leaders in government, business and civil society. It strives for excellence in research, teaching and outreach, promoting active engagement for the common good. The Hertie School is a renowned institution of higher learning and acknowledged as a centre of excellence in research on governance and policy issues that invites interdisciplinary, cross-sectoral approaches informed by comparative as well as international perspectives. The Hertie School acts as a recognised platform for vibrant public debates and intellectual discourse among academic experts and policy-makers.

The Hertie School is a highly selective private graduate school based in Berlin with an interdisciplinary focus on issues of governance. A renowned international and interdisciplinary faculty of nearly 40 professors conducts state-of-the-art research, some of them located at the School's 5 research centres and the Data Science Lab. The language of instruction is English. The school has more than 800 students and 260 employees.

The Hertie School, accredited by the German Science Council, prepares exceptional students for leadership positions in government, business and civil society by offering three full-time master programmes, an Executive master and a PhD programme. It has numerous dual degree programmes and close ties to top institutions of the European and international teaching and research community. The Hertie School is a full member of the Global Public Policy Network (GPPN), the Association of Professional School for International Affairs (APSIA) and CIVICA – the European University of Social Sciences.

The Hertie School was founded by the Hertie Foundation, a well-endowed foundation in Germany, which remains its major funder.

The ideal candidate is a distinguished academic, appointable as full professor and President, has a strong professional network as well as extensive leadership experience and a strong track record in academia or a closely related sector. In line with the mission of the Hertie School, the President is expected to further develop the School's strategy. The candidate should be able to expand fundraising for the School and combine a strong professional network with the ability to address the needs of various stakeholders – academics, students, alumni, administrators, donors, media or policy-makers. The President manages the school and represents it internally as well as externally. The President acts as Chairperson and Academic Managing Director of the legal entity Hertie School gemeinnützige GmbH, a German non-profit limited liability company. In this capacity, the President holds the overall responsibility for the development of the Hertie School and chairs the meetings of the Hertie School Leadership.

The President will be appointed by the Supervisory Board upon approval by the Academic Senate of the Hertie School for a term of four years. Re-appointment is possible under the same conditions. The President's office will start at the beginning of the academic year (Sept) 2026.

To submit your application, please send your documents (CV and motivation letter) via e-mail to Helge Braun (chairmanboardoftrustees@hertie-school.org), Chairman of the Search Committee. **Applications submitted until May 31, 2025 are guaranteed to be considered. Submissions received after this date may be reviewed by the Search Committee at their discretion.**

For information about the Hertie School, please visit www.hertie-school.org.

For questions about the position, please contact Helge Braun (chairmanboardoftrustees@hertie-school.org), Chairman of the Search Committee or Björn Schäfer, Secretary to the Search Committee (B.Schaefer@hertie-school.org).

Strict confidentiality in the application process is assured. The Hertie School is committed to equal opportunity employment. To promote gender equality, we strongly encourage applications from qualified women. Severely disabled persons will be given preferential consideration in case of equal suitability.

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BY INVITATION

Mark Suzman

The head of the Gates Foundation on how to keep helping poor people as aid shrinks



IN RECENT YEARS a quiet but disturbing trend emerged: as countries struggled to recover from the covid-19 pandemic and other shocks, official development assistance—aid from rich countries that helps save and improve lives in poorer ones—steadily declined. And then, this year, it fell off a cliff.

The Trump administration's proposed cuts to health and development funding have rightly grabbed the most headlines due to their scale and scope: America is by far the world's largest donor and last year committed nearly \$70bn in international aid. But they are by no means alone. Britain, France and the Netherlands have all announced plans to cut their aid budgets by around a third, and others are likely to follow suit. The total amounts to tens of billions of dollars in additional shortfalls.

As a result, the tremendous gains the world made this century, in large part thanks to aid—halving global maternal- and child-mortality rates and saving millions of people from deadly diseases including HIV, tuberculosis (TB) and malaria—are now in jeopardy. And this is all happening as the world's poorest countries grapple with the lingering impact of the pandemic and the toughest macroeconomic headwinds in more than a generation. Persistent inflation, high interest rates and crippling debt have led to more than half of African countries now spending more on debt payments than they do on health care or education.

With fewer global resources available, it is crucial that the remaining donor money goes to proven interventions that most improve health and human potential. These have huge societal returns—measured in lives saved and poverty reduction—making them best suited for grants and other low-cost funds. For example, a study of 73 countries supported by Gavi, an international alliance that funds vaccines in poor countries, found that every dollar spent on vaccines yields \$54 in returns to communities via reduced health costs, productivity gains and other benefits.

By this measure, two of the best investments the world has ever made are Gavi's vaccine funding and the Global Fund to Fight AIDS, Tuberculosis and Malaria. Together, they have saved an estimated 82m lives this century. Gavi alone has helped to halve child deaths in some of the world's poorest countries. If America

follows through on its proposal to withdraw support for Gavi, the death toll will be akin to that of a new pandemic.

Both Gavi and the Global Fund are facing replenishment rounds this year, and they deserve to be fully funded. Governments and philanthropists who support them will be embracing a model that makes the most of partnerships with the private sector, drives down costs over time and moves governments towards self-reliance by building the capacity of local health ministries. Nineteen countries, including Vietnam and Indonesia, have successfully graduated from Gavi support and now finance their immunisation programmes themselves. And many others, from Ghana to Bangladesh, are making great strides towards doing the same.

Some hope that private donors like the Gates Foundation can fill the void. But even as our organisation raises spending to \$9bn a year, it is unrealistic to think that private giving can make up the shortfall as public giving shrinks. Nor can it match the expertise or reach of governments in the delivery of products and services.

Though the Gates Foundation has given nearly \$16bn to date to efforts like Gavi, the Global Fund and the Global Polio Eradication Initiative, organisations like ours can't do everything. Our main comparative advantage is in innovation and taking risks and addressing market failures that the public sector and private companies can't or won't. We focus on research and development that has the potential to transform how we fight disease and poverty.

To that end, the Gates Foundation is funding the development of new diagnostics, treatments and vaccines for HIV, malaria and TB; new strains of drought- and heat-tolerant crops that can help farmers adapt to climate change; new treatments that will target children's microbiomes, helping save them from severe malnutrition; and new AI-enabled tools that can transform financial inclusion, primary health care and basic education.

We will continue supporting this and other work because we believe these are smart investments that foster a safer, more stable, more prosperous world. And because we believe that all lives have equal value, and that the rich, be they individuals or countries, have an obligation to help those in need.

There are positive signs that others are stepping up. In Asia and the Middle East, new donors—including countries that once benefited from aid themselves—are increasing their giving. A new generation of philanthropists is emerging. And most importantly, leaders across the global south are committing to increasing domestic revenue collection and improving the efficiency and transparency with which they serve their citizens. A good example is India's digital ID system, which connects people to financial tools and government services while boosting tax receipts.

But they need time and support to do this effectively. Even if all these steps are taken, the severity and swiftness of the recent aid cuts guarantee that the path to future progress will be rocky. The coming year is likely to mark the first significant step back in development progress this century—especially for children living in poorer countries, who have relied on donated vaccines to avoid getting sick, or who need a bed net to protect them from malaria.

By focusing available resources on the investments we know work best, it remains possible to cushion the worst of the shock and to begin to capitalise on the exciting scientific advances in the pipeline. If we do, it will ultimately help drive even greater human progress than we saw in the past quarter-century. ■

Mark Suzman is the chief executive of the Gates Foundation.

United States



The presidency

Falling feeling

NEW YORK

The president's approval rating is dropping

EVEN WHEN Donald Trump does something well, he exaggerates. He won the popular vote last November for the first time in three tries, by a 1.5 point margin. "The mandate was massive," he told *Time*. In fact it was the slimmest margin since 2000, but it was an improvement on Mr Trump's two previous popular-vote losses, by 2.1 points in 2016 and 4.5 points in 2020. (He was elected in 2016 through the vagaries of the Electoral College.)

As staggered leaders worldwide have discovered, Mr Trump sees his re-election as a vindication of the MAGA movement and a mandate for radical, speedy action. Yet three months into his term, there are signs that his popular standing is eroding. His approval rating has fallen by 11 points since he entered office, more steeply than the five-point drop he had suffered by this time in his first term. In polling from YouGov/*The Economist*, Americans give Mr Trump a net rating of minus-ten percent-

age points on his handling of the economy, compared with positive ratings at this point in his first term (see chart). Nearly one in five of Mr Trump's own voters in 2024 say they disapprove of his handling of inflation and prices, while 15% disapprove of his handling of jobs and the economy. Likewise, in early April data from the University of Michigan's survey of consumers showed Republicans less optimistic about the economy than at any point during Mr Trump's first term, aside from December

2020, after he had lost re-election.

Mr Trump's declining marks are no mystery. He was elected largely on kitchen-table issues and inherited a strong economy dogged by inflation worries. Presidents have few levers to improve the economy in the short-term. Yet since his inauguration, Mr Trump has appeared intent on finding the levers that might engineer the most disruption as quickly as possible. The administration's initial evisceration of the federal workforce, and cuts to aid programmes that benefit farmers, directly affected some of his voters.

Then came the tariff rollercoaster. In the span of two weeks, Mr Trump unveiled a staggering salvo of tariffs on nearly all of America's trading partners; backtracked on levies over 10% (except on China); carved out an exemption for Chinese-made electronics and seems content to negotiate and improvise day-by-day. On April 8th the S&P 500 closed 19% lower than its peak in February, before recovering. It is hardly surprising that some of Mr Trump's supporters have lost confidence.

Will sagging polls slow him down? A self-described "Tariff Man," Mr Trump has acted from conviction and acknowledged that his sweeping levies might cause "some pain" for Americans in the short run, before reviving manufacturing jobs for the long term. Perhaps this belief will inure

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him to dips in his polling numbers. Mr Trump will not have to face the voters again, though he has mused about running for a third term, despite a constitutional prohibition. Yet his Republican congressional colleagues face a reckoning. Having built their winning coalition on the backs of economically frustrated swing voters, Republican congressional and state-level candidates will be particularly vulnerable if Mr Trump's tariffs push inflation higher or cause a recession.

Mr Trump's base remains enthusiastic about him. More than 92% of the Republican partisans who voted for him in November still view him favourably. But his re-election was secured by swing voters and infrequent voters, many of whom were disillusioned with the economy under Joe Biden. These pocketbook voters are more diverse than the traditional Republican base—Mr Trump made impressive gains with young voters and Hispanic voters, for example—and are not dyed-in-the-wool conservatives. According to the Cooperative Election Study, an election survey, 84% of the voters who backed Mr Trump in both 2020 and 2024 were white, 74% identified as conservative and 72% were over the age of 45. The new voters he attracted in 2024 were different: 65% were white, a mere 42% said they were conservative, and just 41% were older than 45. Should Mr Trump fail to deliver the economic boom he promised on the campaign trail, these voters could easily turn against him.

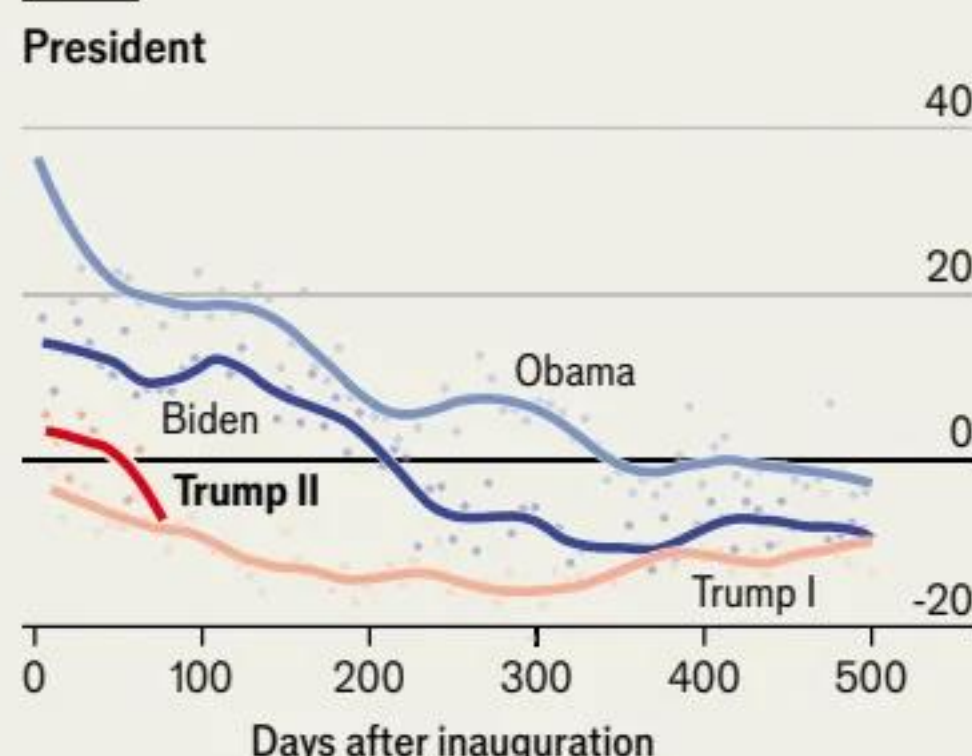
Already there are signs of this. *The Economist's* analysis of YouGov data shows how these swings are playing out. Among Hispanic respondents, Mr Trump's net approval is minus-18 percentage points, while among those younger than 30 years of age it is minus-20. Projecting these trends suggests how the very places that delivered Mr Trump his victory are now swinging against him (see chart). Our data suggest Mr Trump has a net negative approval rating in all six swing states he flipped away from Joe Biden in November's presidential election (Arizona, Nevada, Georgia, Pennsylvania, Michigan and Wisconsin).

Mr Trump and his allies may be tempted to dismiss such signals as based on unreliable polls, but Republicans have seen worrying turns in voter sentiment this year at the ballot too, in special congressional elections and a hotly contested state supreme court vote in Wisconsin. In November, voters will head to the polls for gubernatorial and other statewide elections in Virginia and New Jersey, where *The Economist's* analysis suggests that Mr Trump's net approval has fallen to an estimated minus-9 and minus-13, respectively.

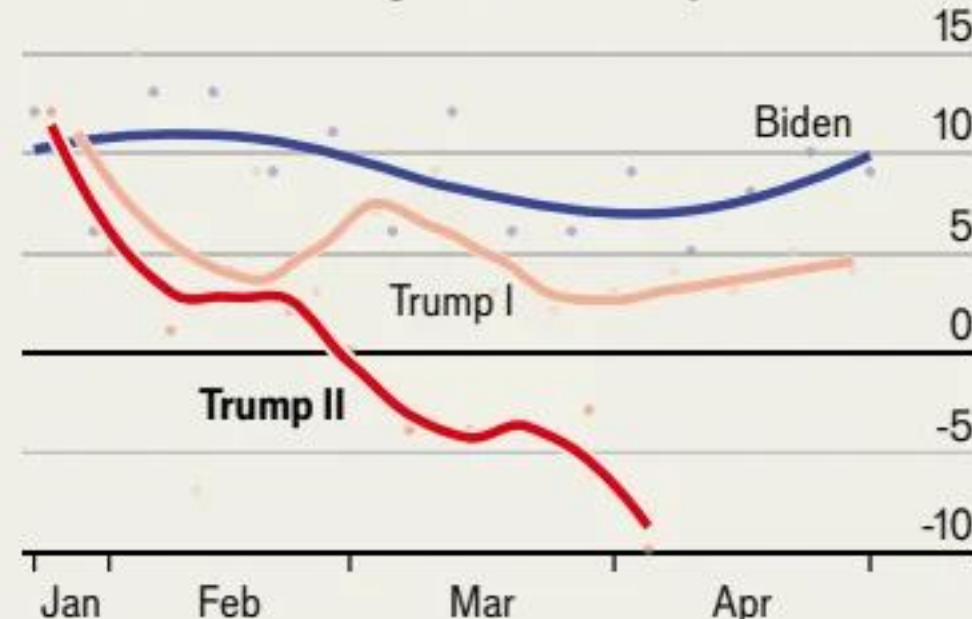
The biggest test will be the midterm elections in 2026, which will determine control of Congress, and with it the fate of Mr Trump's agenda. During his first term,

Tanking

United States, net approval, percentage points



President's handling of the economy

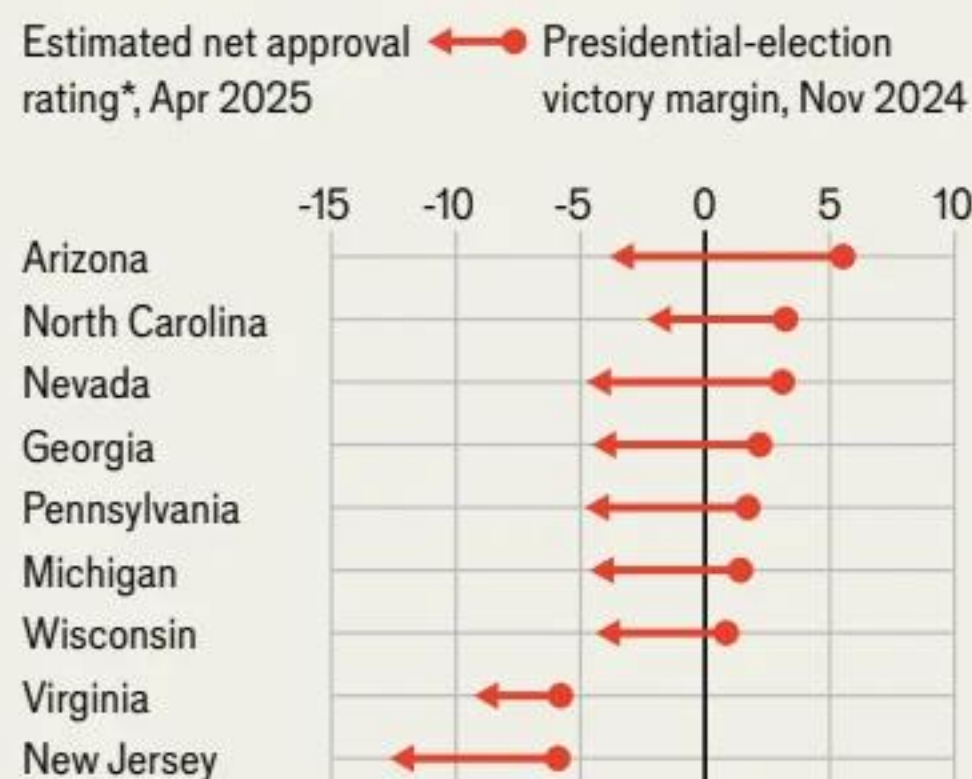


Sources: YouGov/The Economist; The Economist

Republicans lost 42 seats in the House in 2018 and Democrats took control. At the time Mr Trump's approval rating was around minus eight, slightly worse than it is today, and voters were broadly satisfied with the economy. With a year and half to go, it is too early to forecast the headwinds Republicans may face this time. But incumbent parties rarely do well in midterms and the Republican majority in the House is razor-thin. Paradoxically, voters' discontent with Mr Trump's handling of the economy may be a bullish sign for American democracy. Partisanship may be at record highs but there are still voters who will cross party lines and punish politicians for hubris or folly. ■

Buyer's remorse

Donald Trump, percentage points



*Using a statistical model trained on data from first four sources
Sources: YouGov/The Economist; Cooperative Election Study; US Census; Current Population Survey; The Economist

Immigration

Vanishing act

EL PASO

Tracking Donald Trump's crackdown on immigrants

KILMAR ABREGO GARCIA was not supposed to be sent back to El Salvador. He came to America illegally around 2011 as a teenager, but had been living in Maryland legally since 2019. He is married to an American citizen, has three American children and, with no criminal history, was ostensibly protected from deportation. Yet he is now languishing in a Salvadorean prison as one of more than 200 migrants deported without due process when Mr Trump invoked the Alien Enemies Act last month. In the Oval Office, Nayib Bukele, El Salvador's president, said the idea that he would return Mr Abrego Garcia to America was "preposterous", despite the Supreme Court's ruling that the Trump administration must facilitate his return.

Mr Abrego Garcia's case exemplifies the aggressive approach to immigration enforcement that Mr Trump is taking in his second term. He has tried to orient his administration around mass deportations, and a broader crackdown on immigration.

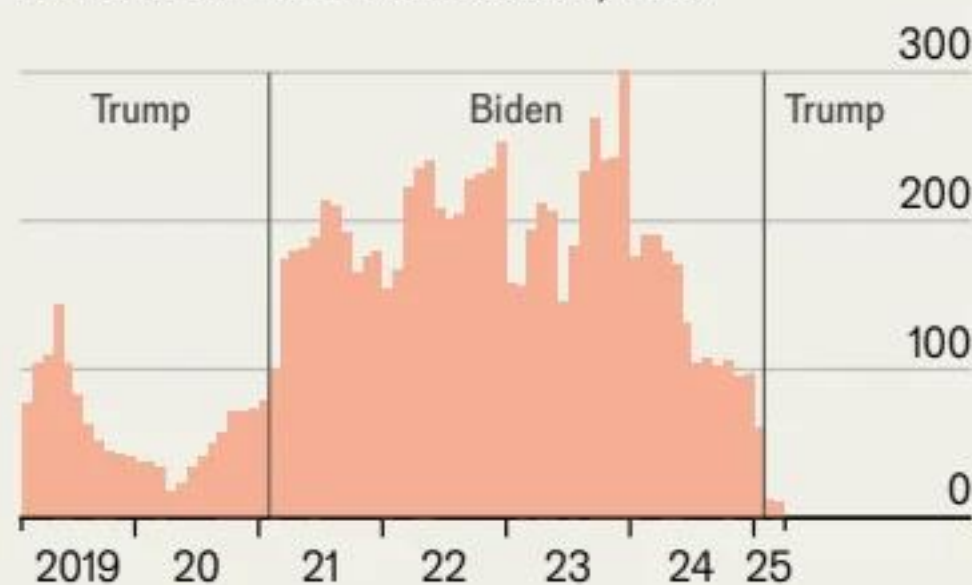
Mr Trump has succeeded at the border. Migrant encounters have fallen by 96% since they peaked in December 2023, during Joe Biden's presidency (see chart 1). "What you're doing with the border is remarkable," gushed Mr Bukele. In 2022 migrant shelters in El Paso, Texas, overflowed with new arrivals. Now migrants are rarely seen. Border Patrol trucks drive lazily through the foothills that separate El Paso from Mexico. Yet locals say that things calmed down months before Mr Trump took office. That is reflected in the data: crossings fell quickly when Mexico tightened enforcement and Mr Biden restricted asylum in mid-2024.

The thousands of troops Mr Trump has stationed at the border may also act as a deterrent. Immigrant advocates in El Paso say that would-be migrants are taking a "wait and see" approach to the new administration. Illegal crossings could eventually tick up as coyotes discover new, and perhaps more dangerous, smuggling routes.

When Mr Trump took office, Immigration and Customs Enforcement (ICE) began posting daily arrest figures on X. That did not last long. Some immigration experts suggest that the agency stopped when it became clear that they could not sustain tallies of 1,000 or so arrests a day. An analysis from the Transactional Records Access Clearinghouse (TRAC), which tracks immigration data, suggests that av-

Promises kept

United States, migrant encounters at the south-west land border*, '000



*Only encounters between ports of entry. Since March 2020 monthly totals include apprehensions and expulsions. Prior totals include apprehensions only
Source: US Customs and Border Protection

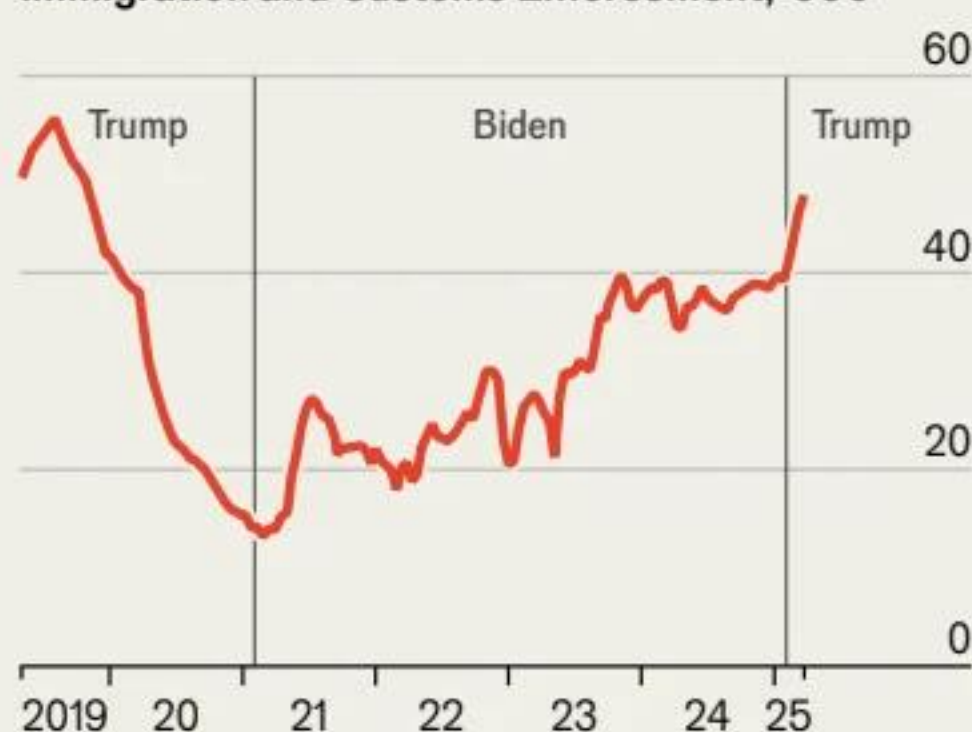
► erage daily arrests in the first few weeks of Mr Trump's term were only slightly higher than during Mr Biden's last year in office.

But those who have been arrested are now more likely to be detained. The number of detainees plummeted during the pandemic and remained relatively low during the first half of Mr Biden's administration. This has now reversed (see chart 2). As of March 23rd, ICE was holding nearly 48,000 migrants. Mr Trump is running out of places to put people. Limited detention beds can slow deportations, so ICE is working with private prison firms to reopen old jails, and with the defence department on plans to detain thousands at a military base in El Paso.

The big question, how many deportations have actually occurred, is hard to answer. Under Mr Biden, the Office of Homeland Security Statistics released monthly figures on immigration enforcement, including deportations. No new data have been published since January. A generous interpretation of the pause is that the Trump administration merely wants to audit its statistics, says Austin Kocher, an immigration expert at Syracuse University. "A more concerning interpretation", he adds, is that "they are just yanking data entirely so that there is no way to fact-check what the White House says." ■

Of ICE and men

United States, migrants detained by Immigration and Customs Enforcement, '000



Sources: ICE; TRAC immigration

Activism

Berniechella

LOS ANGELES

Whatever the question, eating the rich is the answer

SOME CALIFORNIANS spent much of the weekend stuck in traffic on the way to Coachella, a music festival in the desert. But near City Hall in downtown Los Angeles on April 12th, a very different kind of concert unfolded. Bernie Sanders, 83, a senator from Vermont and two-time Democratic presidential candidate, and Alexandria Ocasio-Cortez, 35, a congresswoman from New York, headlined a "Fighting Oligarchy" rally, which seemed suspended somewhere between 1968 and 2025. A grey-haired Joan Baez told the crowd that she "ain't gonna let those lousy billionaires turn me around". Neil Young urged everyone to "take America back!" When they weren't booing President Donald Trump or Elon Musk, attendees swayed to Maggie Rogers, a singer who best summed up the event. "Welcome to Berniechella," she told the crowd of 36,000.

The rally in Los Angeles was the largest so far of the "Fighting Oligarchy" tour. In their speeches, Mr Sanders and Ms Ocasio-Cortez suggested that the reasons for the rallies are two-fold. First, they hope to show Mr Trump and his allies that there are plenty of people unhappy with how his second term is unfolding. "Your presence here today is making Donald Trump and Elon Musk very nervous," said Mr Sanders. Second, they are working to convince Democrats to adopt economic populism.

Since Mr Trump's victory, Democrats have been grappling with what their party needs to change to woo back voters. The "Fighting Oligarchy" rallies offer one path forward. "We need a Democratic Party that fights harder for us," said Ms Ocasio-Cortez. "That means...choosing and voting for Democrats and elected officials who know how to stand for the working class." Both she and Mr Sanders decry corporate money in politics, wealth inequality and the existence of billionaires, especially when they win the popular vote. A stage filled with influencers (this is LA, after all) was on hand to help turn Mr Sanders's greatest hits into viral videos. "There are no ethical billionaires" was written across one woman's crop top. "Eat the rich" T-shirts were not in short supply.

Meanwhile, several in the crowd said they were more concerned about making

sure the government works than about sticking it to billionaires. Serina Milano and Sylvia Villa met on Bumble BFF, an app for making friends. The rally was their first time hanging out. "It's great to see how many people are embarrassed of their Teslas," said Ms Milano. But she wasn't sure that fighting oligarchy would resonate. Perhaps Mr Sanders wasn't, either: his speech veered into reproductive rights, climate change and housing.

He and Ms Ocasio-Cortez are not the only ones trying to push the Democratic Party towards their point of view. But while they have been saying the same thing for years, the centrists in the party have some new lines. Some Democratic mayors, governors and state lawmakers reckon that fixing problems that vex their constituents in places the party already governs may convince voters that they deserve power at national level, too. To this end, they are embracing the "abundance agenda", which involves cutting regulation in order to build housing and infrastructure more easily in places such as New York and California (see Lexington).

Hours after Berniechella ended, the aged senator appeared on stage at the real thing. "We have an economy today that is working very well for the billionaire class," he told fans at Coachella. He is nothing if not consistent.



And another thing

Social mobility

The joy of test

NEW YORK

Why progressives should love standardised tests

SOMETIMES POLITICAL fights go on long after evidence that should settle the argument has come in. Such is the case with standardised tests. In February the Trump administration warned universities that eliminating standardised admissions tests to achieve racial diversity would be illegal. The Biden administration took the opposite stance: it encouraged colleges to consider dropping admissions tests like the SAT or ACT, which critics have long said favour the wealthy and disadvantage black Americans. In 2020, which already seems like another era, Ibram X. Kendi, author of "How to Be an Antiracist", called the tests "the most effective racist weapon ever devised to...exclude [black and brown students] from prestigious schools."

He could hardly have been more wrong. During the covid-19 pandemic, hundreds of universities made submitting scores optional because it was hard to consistently administer tests. Many then stuck with the policy. In March 2022 MIT decided to reinstate a mandatory test policy. For two years, "we were the lone wolf" among the "Ivy Plus" schools (the eight Ivies plus Chicago, Duke, MIT and Stanford), says MIT's dean of admissions, Stuart Schmill. "We were getting dirty looks everywhere." Now tests are making a comeback in top-tier schools. Eight of the Ivy Plus have belatedly followed MIT's lead, most recently Penn in February. Princeton and Duke, two of four remaining holdouts, have yet to announce their policy for 2026.

Critics of standardised tests say that high-school grade-point averages (GPAs) are a better predictor of student potential. In studies that compare the two, much evidence backs that claim. For instance, a 2020 study found that GPAs of Chicago Public School students predicted six-year graduation rates better than ACT scores, while a 2019 study found grades in a national sample of 47,000 students better predicted on-time graduation than tests.

The disagreement arises partly because each side is measuring something different. A new paper by John Friedman of Brown and Bruce Sacerdote, Douglas Staiger and Michele Tine of Dartmouth College uses scores and transcripts of 14,620 students from 2017 to 2024 at many of the Ivy Plus schools. The study found that scores on SATs and ACTs predict how college students do far better than high-school GPAs, controlling for gender, race



Preppies

and parental income (see chart).

So the correct answer in the test v grade battle? It depends on how selective the university is. There is much less variation in grades of students today than there has been in the past—which some studies suggest is due to grade inflation—making it more difficult for top-tier schools to distinguish between applicants with impressive grades. By contrast, Mr Friedman says, there is enough "meaningful" variation in test scores to offer a "super helpful" signal for top-tier schools. Variation at the top is less important for a less selective school.

Likewise, average grades pick up attri-

butes such as attendance and self-regulation that have bearing in, say, predicting graduation from a community college, but less for distinguishing between high-flyers for whom such attributes are more of a given. "Graduation rates are all extremely high at Ivy Plus schools, so there is nothing to predict there," says Mr Friedman. In the 2019 study where GPAs prevailed in predicting on-time graduation, only 39% of the students graduated on time.

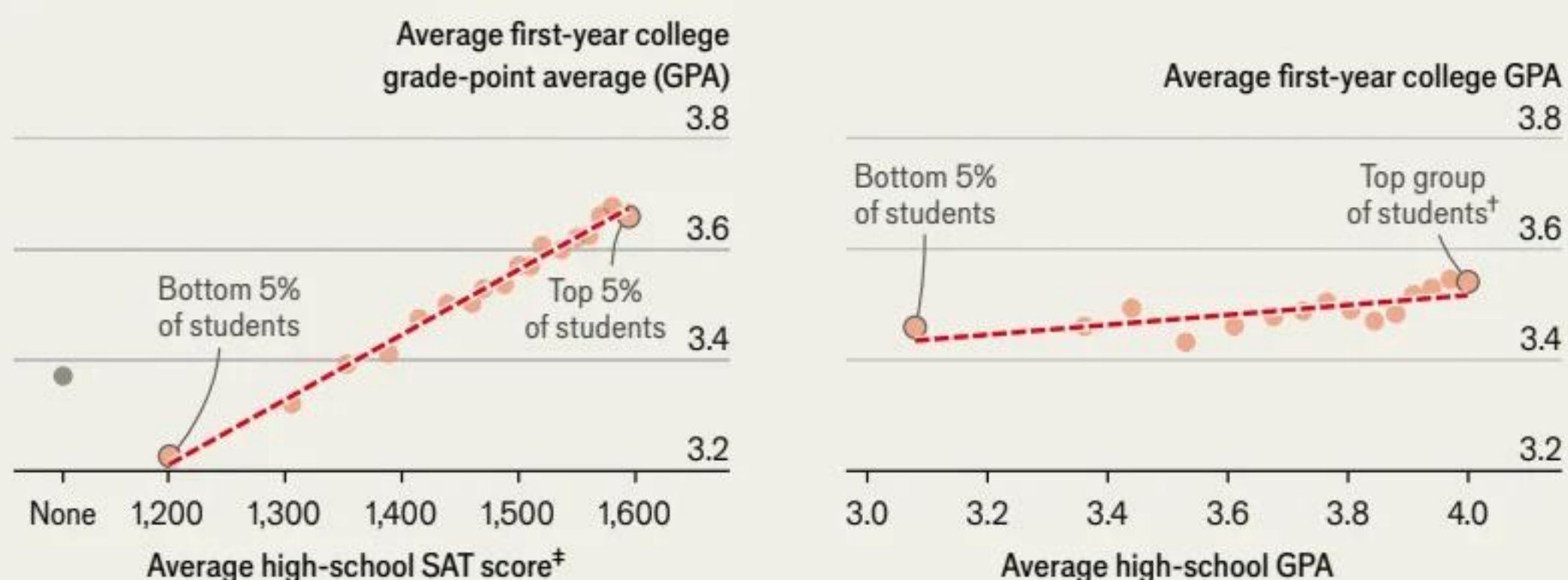
What about fairness? Test critics like FairTest, a non-profit advocacy group, point to gaps in exam scores between students of different racial groups, which they say leads to racial bias in admissions. But tests don't create poor academic preparation, they just pick it up, says Mr Friedman. The new study found that students from different backgrounds with the same scores achieved similar college grades.

In fact, tests can help poorer students get admitted to top schools. It may be harder to evaluate grades earned by students in little-known high schools than by students at better-regarded places that offer advanced coursework, says Mr Schmill. Richer students also have more opportunities to do expensive enrichment activities that strengthen their applications, and may receive expert essay editing. A plethora of free test-prep material available online, such as Khan Academy courses, helps level the test playing field; Schoolhouse, a Khan offshoot, offers free tutoring.

Test-optional policies may actually harm disadvantaged students. Brown, Cornell, Dartmouth, Harvard and MIT reported concern that some students did not report test scores that were strong but below elite institutions' average for accepted students without realising that, in combination with their disadvantaged backgrounds, those results would have helped them. At a time when America's elite universities are rethinking admissions, the idea that tests benefit poorer students is a solid principle to hold on to. ■

Score one for tests

Ivy-plus college students, 2017-23*



*14,620 students attending unnamed schools among Ivy League, Chicago, Duke, MIT and Stanford, excluding the incoming class in 2020

[‡]28% of students with a 4.0 high-school GPA [‡]An SAT-equivalent score was assigned if the student took the ACT

Source: "Standardised test scores and academic performance at Ivy-plus colleges", by J. Friedman et al., March 2025, NBER working paper

Culture wars

The federalist pills

BOSTON

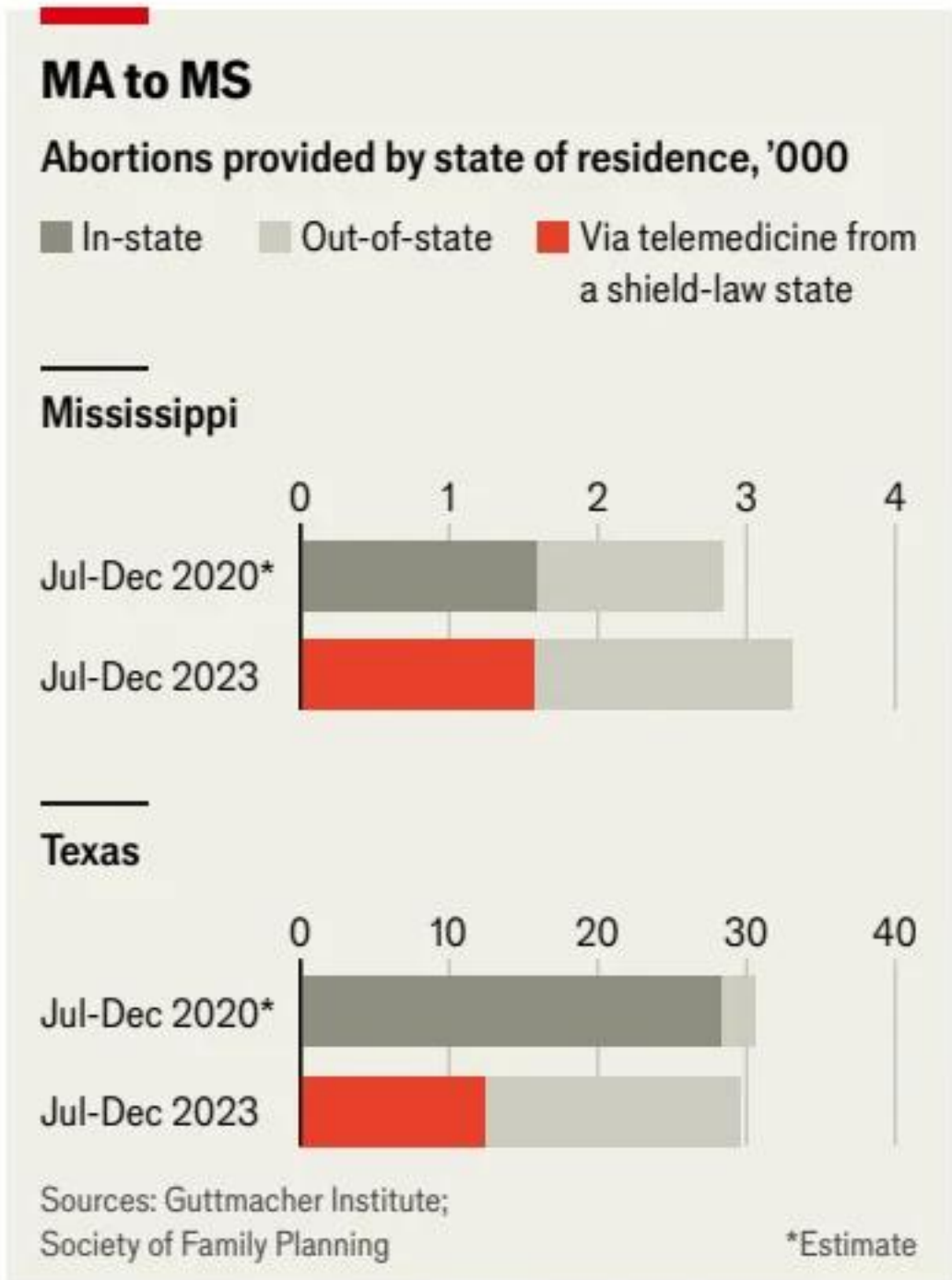
Abortions seem to be increasing in states that banned it

ANGEL FOSTER has a vision of a patient. “Imagine you’re a 23-year-old woman in rural Texas”, the doctor and public-health researcher says. This patient is pregnant and wants an abortion. For years, she’s been told that it is illegal in her state, with almost no exceptions. But then, with a bit of Googling, “you find out that there’s this group of people in Massachusetts that will send you FDA-approved medications in the mail.” The ordeal will be over in a few days and will cost \$5. “It sounds absolutely bananas, right?” she asks “How could it be legal? How could it be safe?”

Yet it is safe and legal. Dr Foster is one of the founders of the Massachusetts Medication Abortion Access Project (the MAP), a telehealth abortion provider outside Boston. It sends between 2,000 and 3,000 packages of abortion pills a month, 95% of them to states where the procedure has been banned. Massachusetts is one of eight states that protects abortion providers from criminal charges and civil litigation, regardless of where pills are sent (see map). Such “shield” laws are legal novelties that have sprung up since 2022, when the Supreme Court overturned *Roe v Wade*. In the first six months of 2024, nearly 10,000 abortions took place each month under these provisions—amounting to 10% of all legal abortions in America. That number is probably even higher now. Partly due to telemedicine abortions, Mississippi women—and those in nine other ban states—now have more abortions than before the procedure was outlawed.

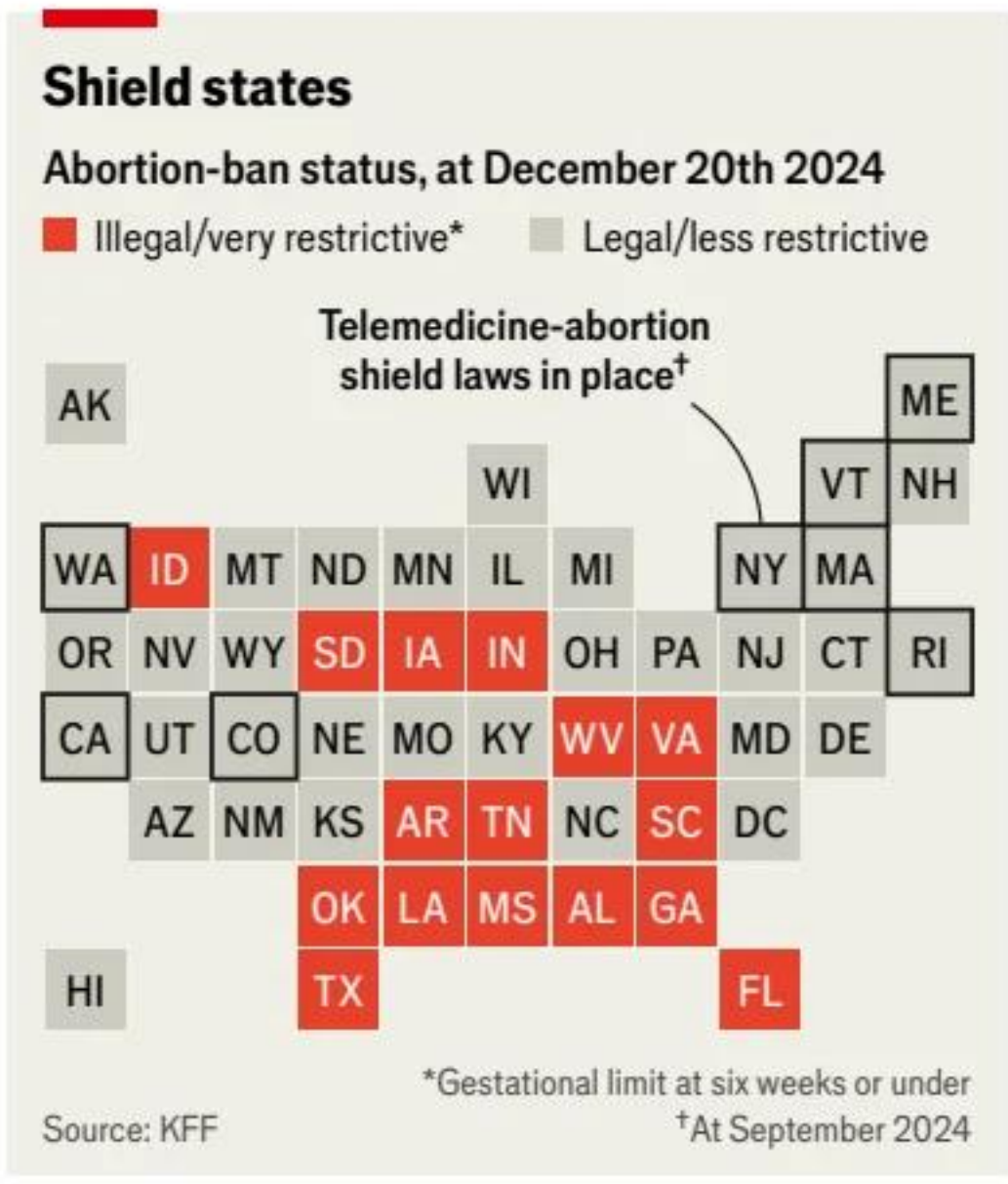
The MAP office “looks like an Etsy startup”, Dr Foster observes. Shipping cartons stack up next to Post-its with passwords. Open a cabinet, however, and there are hundreds of doses of abortion pills. The process is simple: women fill out some online forms (other providers require a phone call) and send \$5. Medically, this is fine. Telemedicine abortion is legal in Britain and is safe: a 2024 study published in *Nature Medicine* found that 99.8% of such abortions in America were not followed by a serious adverse event.

The FDA permits telemedicine abortions only for early pregnancies and following the procedure at home can be unpleasant. Some women worry about the amount of bleeding that can occur and go to hospital. Some legal danger remains. Although women are generally not forbidden from ending their own pregnancies (typi-



cally laws penalise providers and supporters), a handful have faced charges for related crimes, the most grisly being improper disposal of a corpse. For health-care providers (in some states, midwives and nurse practitioners can also perform abortions) there are risks. “I’m not an activist in general” explains one family doctor in California who does shield-law abortions, “I’m doing this because I can and it’s needed.” Shield laws prevent extradition from only the shielded state. Because he now avoids leaving California, that doctor is missing the birth of a grandchild.

Anti-abortion activists are incensed by



the workaround. In December Ken Paxton, Texas’s attorney-general, filed a civil suit against Maggie Carpenter, a New York doctor, for sending abortion pills into the state. Louisiana followed in January, indicting the same doctor with criminal charges for sending pills to the mother of a pregnant teenager. So far, though, the shields are holding. Kathy Hochul, New York’s governor, has refused to extradite the doctor and courts in the state are not enforcing Texas’ \$113,000 penalty. Mr Paxton has promised to press on, claiming that “New York is shredding the constitution.” A challenge in federal court is likely.

“There’s no patient who’s come forward to say: ‘I was shipped the wrong pills... I’ve suffered these consequences,’” says Rachel Rebouché, a dean of Temple University law school, and one of the architects of shield laws. In a hunt for such harm, lawyers are reportedly looking for would-be fathers to bring a suit. So far the action against Dr Carpenter has succeeded only in publicising the option, triggering an uptick in the use of abortion pills. The shield laws are “probably going to end up before the Supreme Court, it is just a question of when” says Mary Ziegler, a legal historian.

The constitutional questions are profound. That states respected judgments and co-operated in investigations “was a really strong value and default that crossed partisan lines”, says Ms Ziegler. “Shield laws clearly are undermining that value.” It is possible to imagine their use spreading beyond abortion to cover more things some states ban and others permit, like conversion therapy or the recreational use of psychedelics. Some states already apply them to transgender medicine. “I don’t know how you put that genie back in the bottle” says Thomas Jipping of the Heritage Foundation, a conservative think-tank. “If we can’t agree on the underlying principles that hold the country together, well, then we’re going to have deep, deep problems going forward.” He frets that “the country may well come apart.”

Shield-law advocates say that abortion is special and the laws are unlikely to spread further. A federal law could bring clarification, but any attempts in the current Congress would be blocked by a Senate filibuster. Donald Trump’s administration has some options to limit shield laws: the Food and Drug Administration could require mifepristone, one of the medicines used in abortion, to be received in person. Medication abortion can be done without those pills, but it is less effective and more painful. The Justice Department could also attempt to enforce the Comstock Act, an archaic anti-obscenity law, that, among other things, bans the posting of abortifacients. The president has said abortion laws should be left to states to decide. But he probably did not envisage this. ■

LEXINGTON

Power broking

Can Progressives learn to make progress again?



NOT MANY biographies would qualify as influential enough to justify their own exhibition. But it is impossible to argue with the choice made by the New York Historical museum to host a show commemorating the 50th anniversary of “The Power Broker: Robert Moses and the Fall of New York”, the landmark takedown of the city’s master-builder by Robert Caro.

The installation recounts how Mr Caro, having quit his job as a newspaper reporter, spent seven years investigating the many ways Moses amassed control to remake the city in the middle of the last century, razing neighbourhoods to build housing developments, highways and parks. In East Tremont, in the Bronx, families found notices on their doors signed by Moses that gave them 90 days to find new homes. One display presents Mr Caro’s scribbled notes of his interview with Moses about the forced evictions: “There’s very little real hardship,” Moses told him. “It was a political thing that stirred up the animals there.”

In another display is the publicity plug for “The Power Broker”, featuring a plug from a heroine of the time, Jane Jacobs, who had saved her neighbourhood in Greenwich Village by thwarting Moses. She called the book “an immense public service”. The exhibition concludes that “The Power Broker” has inspired generations of readers “to critically engage with the power structures around them in order to effectuate progressive change”.

Yet beyond the New York Historical’s walls, eggheads of the left, confronting the collapse of confidence in government and the Democratic Party, are asking: where, exactly, is the evidence of progressive change? In their telling, it is Jacobs and her ilk who are the culprits behind the modern-day fall of New York, blocking progress in Democrat-dominated cities and states to preserve their own genteel lifestyles. Jacobs, the author of “The Death and Life of Great American Cities”, had “largely lost faith in electoral democracy”, writes Yoni Appelbaum in “Stuck”, his fascinating new account of the decline in Americans’ geographical mobility.

Distrustful of big institutions and bureaucracy, Jacobs argued for a decentralised, bottom-up approach to urban planning that, as it took hold in New York and elsewhere, vested new powers over zoning in the neighbourhoods. In practice those powers were

seized by small groups of activists. The results, in Mr Appelbaum’s appraisal, included a system “that was even less representative and far less able to defend the public interest”, and a Greenwich Village in which only millionaires could afford to live. Nationally, zoning has made neighbourhoods less diverse economically, and fewer arrivals mean fewer infusions of new ideas and experiences, intensifying polarisation. Where one in three Americans moved in any given year at the end of the 19th century, and one in five did so in the middle of the last century, today the figure is closer to one in 12. Mr Appelbaum writes that, because housing costs in cities like New York have rocketed, “moving toward opportunity is now, largely, a privilege of the economic elite.”

No one is arguing for reviving Robert Moses. But among the so-called Abundance Democrats, advocates for making housing and energy cheaper and public transport less awful, there is a wistfulness for his era of Progressive, um, progress. Such critiques of Democratic governance have bubbled among reform-minded policy thinkers for many years, but they are gaining urgency within the party from a realisation, at last, that the public shares them. Indeed, for all Mr Caro’s revelations, what might jump out at a New Yorker visiting the museum is that the Triborough Bridge, a network of four bridges requiring steel from 50 mills and a forest’s worth of lumber, opened in just three years. By contrast, though the reborn LaGuardia Airport is a bright spot, the renovation of a stretch of highway in Queens has been trudging along since 2010.

In the early years of the Progressive movement, Teddy Roosevelt envisioned a “New Nationalism” that, as he put it in a speech in 1910, was “impatient of the impotence which springs from over-division of government powers, the impotence which makes it possible for local selfishness or for legal cunning, hired by wealthy special interests, to bring national activities to a deadlock”. This New Nationalism, he went on, “regards the executive power as the steward of the public welfare”. Moses, a Progressive in the Roosevelt tradition, may well represent its high-water mark.

Trust-busting

“The Power Broker” appeared within weeks of President Richard Nixon’s resignation in 1974, notes Marc Dunkelman in “Why Nothing Works”. By then, he writes, progressives were coming to see state power as a threat to public welfare rather than as a tool to advance it. Not the right with its anti-government oratory but the left with its checks on state action emerges from his history as the chief villain in alienating citizens from the state. “Who in their right mind”, he asks, “would seek to give *more* power to this sort of dysfunctional, do-the-least-possible version of government?”

Donald Trump has his own view of executive power, one that appears to recognise no boundaries. To free his hand, he is returning government to something more like it was before the Progressives created the civil service to professionalise the bureaucracy, restricting patronage and the politicisation of state policy, which fuelled the 19th-century political machines. The ideas percolating on the left fall well short of a detailed agenda, and they treat citizens largely as consumers rather than, as both Presidents Roosevelt did, participants in a great national project. But these ideas are starting to point towards some new synthesis of federal power, local interest and market forces, to replace once-cherished Democratic reforms that outlasted their era. If Mr Trump’s model fails, Democrats will have their chance to deliver a new model, built for this time, of what they think good government looks like. ■

The Americas



23rd time lucky for Argentina

Milei makes his move

BUENOS AIRES

An IMF deal comes with big changes

“INSTEAD OF TALKING about growth at Chinese rates, the world will soon be talking about growth at Argentine rates,” crowed Javier Milei on late-night television on April 11th. His economy minister had just outlined a \$20bn IMF programme, a reduction in capital controls and a shift to a more flexible exchange rate. Yet not everyone in Argentina is so triumphant. On April 10th, after the news of the IMF deal first broke, a pre-planned general strike against Mr Milei’s spending cuts paralysed the country. Jorge Newbery airport in Buenos Aires, the capital, was left empty. Trains and subways were silent. Uncollected rubbish mouldered on the streets.

Many of Argentina’s 22 previous IMF programmes have ended in disaster. Mr Milei’s record gives some credibility to his insistence that this time will be different. In December 2023 he inherited rampant government overspending, soaring inflation and a byzantine tangle of capital con-

trols and exchange rates. He slashed spending immediately, pulling inflation sharply down. A deep recession is now giving way to strong growth. The rate of poverty, which rose to 53% of all Argentines in early 2024, has now fallen back to 38%, lower than it was when Mr Milei took office. Now he is tackling the weakness in his reform programme: capital controls and the overvalued peso. He has never been closer to transforming Argentina into a normal economy. But global economic chaos endangers his reforms, and politics could still trip him up.

→ ALSO IN THIS SECTION

22 MAGA and El Salvador

23 Corruption in Guatemala

24 Brazil’s almighty judge

25 Crunch time in Ecuador

Until April 14th, Mr Milei maintained capital controls and kept the exchange rate on a “crawling peg”, which initially devalued the peso by 2% against the dollar each month. That pulled down inflation, but while it was still running at more than 2% a month the peso became overvalued. Capital controls deter foreign investors; the “super peso” made exports costly relative to local goods, and prompted markets to bet that its value would fall. That threatened a crisis. Since mid-March the central bank has spent about \$2.5bn to prop up the exchange rate. By April 11th its net foreign reserves were some \$7bn in the red (see chart on next page).

Now, pushed and supported by the fund, Mr Milei has acted. A big slug of IMF cash—\$12bn right away and another \$3bn over the course of this year—will help the central bank defend a more flexible exchange-rate regime. Gross reserves are also bolstered by the renewal of a \$5bn swap line with China and by \$6.1bn that is expected to be lent by multilateral banks. The official exchange rate will now float between 1,000 and 1,400 pesos to the dollar. The central bank will sell dollars to defend the peso only if it approaches the 1,400 limit. If it looks like Argentines are exchanging too many pesos for dollars, the central bank will offer up juicy high interest rates in pesos as an inducement.



► This strategy is courageous because it is risky. By April 15th the peso had slumped by 12% to 1,230 to the dollar. Yet Capital Economics, a consultancy, reckons that still overvalues the peso. "At some point the market is going to test the upper band," says Martin Redrado, a former head of the central bank, now with Fundación Capital, a consultancy. The strength of the central bank's response will be crucial, he says.

The government has also reduced capital controls to make it easier to take money out of Argentina. That will help attract foreign investment, but raises the risk of sudden outflows. For that reason some big controls remain, including on billions in past foreign dividends that have long been stuck in the country.

The reforms should make it easier for the central bank to accumulate reserves of its own, not just those lent to it by the fund. Argentina needs those to have any chance of borrowing in global capital markets, which it wants to start doing early next year to help roll debts over. Some \$19bn is due in 2026. Early signs are good. Argentine international bonds rallied strongly after the change, suggesting that markets approve of the plan.

The Trump trap

Global economic chaos makes it harder to carry out. Mr Milei loves the United States' president, Donald Trump, but Mr Trump's trade war has caused a sharp drop in the price of oil and threatens the price of agricultural commodities. This weakens earnings from two big Argentine exports and makes it harder to build up reserves. The mayhem also makes for risk-averse investors; they are already wary of Argentina, a serial defaulter. Perhaps to compensate, on April 14th Scott Bessent, the United States' treasury secretary, stepped away from fire-fighting and went to Argentina to meet Mr Milei. Although no concrete measures were announced, the visit was a strong symbol of support.

The risk for Mr Milei is that these sweeping reforms lead to inflation, and then to dicey politics. The peso's depreciation will almost certainly increase inflation. It rose to 3.7% monthly in March, up from 2.4% in February. A further rise to around 5% monthly is likely, says FMYA, an economics consultancy. Mr Milei's hope is that any rise in inflation lasts only a few months, and falls off before the October midterm elections.

Falling inflation is the basis of Mr Milei's popularity. Argentines may be angry if it rises further, especially as in his triumphant speech on April 11th he declared that "inflation is going to collapse". The danger is a vicious circle in which inflation rises and Mr Milei's popularity falls, markets get spooked, economic problems mount, Mr Milei's popularity declines further, and so

on. In an attempt to pre-empt spooking, the government has promised yet more aggressive spending cuts. That will anger many Argentines already suffering—and going on strike.

Mr Milei is already under political pressure. On April 3rd the Senate rejected two of his nominations for the Supreme Court, which he had controversially tried to ram through by decree. Soon after, the lower house voted to open an investigation into Mr Milei's promotion in February of a dodgy cryptocurrency, which crashed in value hours after he promoted it on social media. The crypto scandal undermines his narrative about fighting the corrupt "caste".

At 45% his approval rating remains strong, but has fallen since the new year. Markets will watch upcoming regional elections, followed by the midterms, for any sign that spendthrift Peronists might be set for a comeback. No structural reform is more crucial for Argentina than excising radical Peronist economic policy, says Alejandro Werner of the Peterson Institute, a think-tank in Washington.

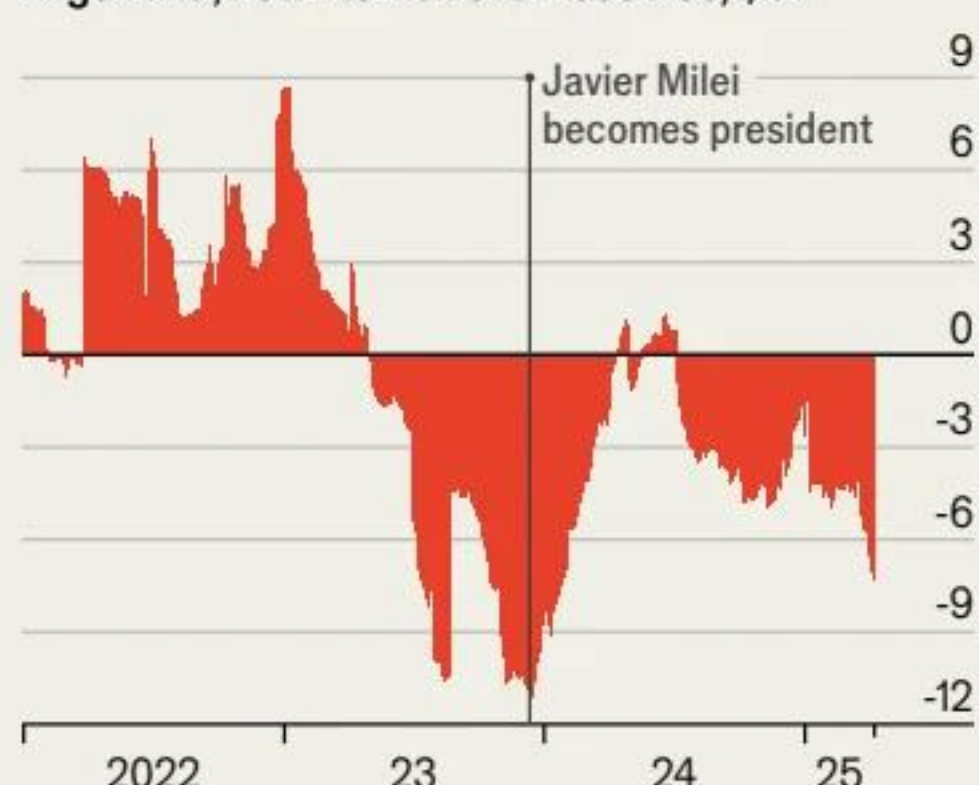
The trouble is that Mr Milei lacks allies. He is most obviously aligned with the party of the centre-right ex-president, Mauricio Macri. But while there is talk of a united front, there are also plenty of gripes. That could open the door to the Peronists in elections in both Buenos Aires city and province. A big Peronist win in the latter could scare markets, warns Ignacio Labaqui of Medley Advisors, a research firm.

Even if the midterms go well, they will not bring Mr Milei as much power as he would like. While his party, which holds just 15% of the seats in the lower house and fewer in the Senate, hopes to make big gains, the limited nature of the election is against them. Only half of the lower house and a third of the Senate are up for grabs.

He is fortunate that the Peronist opposition is embroiled in infighting over its leadership. The road ahead remains difficult, but for now, remarkably, Mr Milei looks more likely than not to pull off his transformation of Argentina's economy. ■

Weighed down

Argentina, net international reserves, \$bn



Sources: Balanz Research; BCRA

MAGA and El Salvador

House Bukele at the court of Trump

MEXICO CITY

President Nayib Bukele offers to imprison Donald Trump's detainees

NAYIB BUKELE has won over many aspiring autocrats with his combination of charm and disrespect for the rule of law. On April 14th that heady mixture was on display for his counterpart in the United States, Donald Trump. During a meeting in the Oval Office, El Salvador's president beamed as he asked why the media were not reporting Mr Trump's "remarkable" work at the border. He assured Mr Trump that the women in his cabinet had not been hired in the name of diversity, equality and inclusion. Mr Trump chuckled and called him "a great friend". Their bromance is theatrical. Its consequences are not.

The 43-year-old Mr Bukele has long been influential within the MAGA movement for his tough stance on crime and flashy use of social media. He is now one of Mr Trump's most useful allies. Since March the Trump administration has deported hundreds of people—mostly Venezuelans it alleges to be members of Tren de Aragua, a gang—to El Salvador. Many were expelled under the Alien Enemies Act, a rarely used law passed in 1798. Mr Bukele has placed them in his Terrorism Confinement Centre, a "mega-prison" built to hold domestic gang members.

This arrangement is being challenged in courts in the United States. Human Rights Watch, an NGO, says 238 Venezuelans have been arbitrarily detained. There is no evidence that more than a few of them are the violent criminals that Mr Trump says they are. Just 5% have been charged with serious crimes, according to Bloomberg. Though the US Supreme Court has allowed the Trump administration to invoke the Alien Enemies Act, it ruled that deportees must be given an opportunity to contest their removal. So far, none has.

Take the case of Kilmar Abrego Garcia, a Salvadorean resident of Maryland. American officials argue that they cannot "facilitate" his return to the US, as ordered by the Supreme Court, despite acknowledging that he was deported by mistake. Mr Bukele's response was similarly defiant. Asked if he would send him back, he said he would not "smuggle a terrorist into the United States". (That is a vague allegation that has not been tested in court.)

There are few legal constraints, if any, in El Salvador. Since taking office in 2019, Mr Bukele has stacked the courts, eliminated bodies which might check his power and won control of the national assembly. ►►



Into a black hole

- ▶ Stacked with Mr Bukele's allies, the Supreme Court reinterpreted the constitution to permit his re-election in 2024.

Despite this allergy to oversight, Mr Bukele is hugely popular thanks to his crack-down on gangs. El Salvador's murder rate was already falling when he was elected, but has since plummeted from 51 per 100,000 in 2018 to just 1.9 in 2024. But the price has been a three-year state of emergency and the highest incarceration rate in the world, in some of its grimmest prisons. "There are thousands of Kilmaras in El Salvador," says Noah Bullock of Cristosal, a human-rights NGO in San Salvador, El Salvador's capital.

Mr Bukele relishes helping Mr Trump to flout the law. When an American judge ordered the return of a planeload of deported people, Mr Bukele posted, "Oopsie... too late," on X, a social-media platform. There's money involved, too. The Trump administration is paying El Salvador \$6m to hold those deported.

Mr Bukele may want an exemption from the 10% tariffs that Mr Trump has put on most countries' exports to the United States. He may also want to preserve Salvadoreans' Temporary Protected Status (TPS), which allows them to stay in the United States without a visa. Most important, Mr Bukele likes the publicity.

El Salvador's role as America's jailor may expand. Mr Trump has talked of helping Mr Bukele build more prisons. At the Oval Office Mr Bukele told Mr Trump he is "eager to help" with America's "crime problem" and its "terrorism problem". He has offered to hold American prisoners in El Salvador, as well as deported foreigners. Mr Trump has said he "loves" the idea, though admits it may be legally tricky.

Officials in Washington may yet find workarounds. According to *Politico*, a news

outlet, Erik Prince, who founded a military contractor, Blackwater, has suggested that Mr Trump could designate prisons in El Salvador as American territory. That would enable the Trump administration to claim that transfers to those prisons would not amount to deportation or extradition.

Mr Bukele said he had been criticised for locking up too many people, but that in doing so he "actually liberated millions". Mr Trump, he said, has 350m Americans to liberate. With Mr Bukele's help, Mr Trump is now testing how far borders—and the law—can be bent to that end. ■

Guatemala's clean-up effort

Spring unsprung

MEXICO CITY

President Bernardo Arévalo is struggling to clear out the rot

WHEN A CABAL of elites that many Guatemalans refer to as the "pact of the corrupt" tried to block the transfer of presidential power to Bernardo Arévalo in 2023, thousands of the country's indigenous people cried foul and shut down major roads. In the end, various ruses to keep Mr Arévalo out of office failed. Now, after more than a year in power, he is beginning to test the patience of the people who helped him get there.

Mr Arévalo is a former diplomat with a penchant for mediation. He focused his campaign on a "new spring" that would tackle Guatemala's entrenched corruption. But he also put the country's indigenous communities on his agenda. They make up 44% of the population and live largely in

poverty. More than half have homes that lack indoor plumbing. Mr Arévalo has strengthened government institutions that serve indigenous people. He joins formal roundtables each month with dozens of indigenous leaders, and is working to remove legal obstacles to public investment on indigenous land.

Many expected deeper and speedier change. In a letter sent on January 30th, an indigenous group from the mountainous Solalá region urged Mr Arévalo to remove corrupt officials who have spent years in their posts. "We would like him to be braver, to show his claws," says Dina Juc, an indigenous leader. Sonia Gutiérrez, an indigenous congresswoman, says that the executive branch has the will but not a plan.

In fairness, Mr Arévalo has not had it easy. María Consuelo Porras, the attorney-general who led the effort to bar him from office, remains in her position. She has faced international sanctions for corruption (which she denies), and has sought to lift Mr Arévalo's immunity from prosecution. While Mr Arévalo's cabinet has sent prosecutors some 250 formal corruption complaints, about one-fifth have been archived or dismissed. The executive branch has struggled to dismiss staff who are accused of dodgy behaviour. The problem, says Julio Flores, the boss of Guatemala's National Commission Against Corruption, is that "institutions are completely co-opted". Beyond the attorney-general's office, Mr Arévalo also lacks support in Guatemala's judiciary and in Congress, where his party holds a small minority. A deep clean will thus take time.

Meanwhile, Mr Arévalo's government insists that symbolic acts matter. It hopes that its talks with indigenous people will send a signal to future governments that these groups cannot be ignored. "The mentality in this country is that the president has a magic wand and can resolve everything he wants by waving it," says Ana Glenda Tager, an official who co-ordinates the talks. "The reality is that he arrived to a completely disordered state."

Ms Juc says that she and other leaders recognise this issue. But frustration is mounting nonetheless. When he took office in January 2024 Mr Arévalo's approval rating was 78%. It is now half that. He is often referred to as *tibio*, lukewarm. When his government issued new regulations requiring drivers to be insured, at least nine indigenous groups voiced opposition. Truckers blocked roads. Mr Arévalo backed down after just two days.

One of the indigenous groups who led the protests against the "pact of the corrupt" in 2023 is called the 48 Cantons of Totonicapán. For Juan Pablo Ajpacajá Barreno, its leader, that season of change is over. "Honestly," he says, "the 'new spring' doesn't exist." ■

Constitutional power in Brazil

Big Alex

BRASÍLIA

One of the world's most powerful judges wants to save democracy by curbing online speech

ALEXANDRE DE MORAES divides opinion. Elon Musk calls the Brazilian supreme court judge “Darth Vader” on account of his black cape and high, shiny forehead, and claims he is a “tyrannical dictator masquerading as a judge”. Others hold warmer feelings. To campaigners who call for restrictions on digital speech, Mr Moraes is a superstar. To his fans in Brazil he is just *Xandão*, “Big Alex”.

Only in Brazil, which endows its Federal Supreme Court (STF) with extreme power, could a judge be so prominent. As guardians of Brazil's prolix constitution, which covers everything from health care to wages, STF judges often rule on matters which in most places are the remit of elected officials. Because of the caseload this creates, the STF allows judges to make consequential decisions individually, rather than waiting for the full bench to convene.

This gives each judge enormous visibility—and an air of celebrity. Rulings are broadcast live. The court runs a lively TikTok account. Yet no other STF judge has a public profile to compare with Mr Moraes. He became famous during a sideline running Brazil's electoral tribunal between 2022 and 2024, when Jair Bolsonaro, Brazil's far-right former president, allegedly tried to organise a coup to stay in power. His investigations into Mr Bolsonaro, and a related probe he leads into online misinformation, mean that Mr Moraes rivals US Supreme Court members for the title of

most powerful judge in the world.

He was appointed to the STF in 2017 while serving as justice minister in the centre-right government of Michel Temer. As a public prosecutor he had earned a reputation for ruthlessness, but he is often genial. Asked about Mr Musk and his threats, he concedes that he is “a brilliant businessman”, then adds: “I don't waste a minute of my life thinking about him.”

What Mr Moraes does think about is unregulated online speech. His concern took root in 2018, when Mr Bolsonaro was elected president. An army captain turned congressman, Mr Bolsonaro praised Brazil's former military dictatorship and attacked institutions that might check his power. During the campaign his son, a congressman, stated that “a soldier and a corporal” could shut down the STF.

After Mr Bolsonaro took office the threats intensified. Mr Moraes recalls an anonymous post detailing the travel plans of an STF judge and urging people to stab him at the airport. The attorney-general, a Bolsonaro appointee, ignored complaints about the incident, and other similar ones, prompting the STF to open a probe into misinformation in March 2019. The “fake-news inquiry” was set up to investigate online content which “affects the honour and security of the Supreme Court, its members and their families”. Mr Moraes was put in charge, bypassing the lottery system which is the norm for such appointments.

Since then, he has suspended hundreds of social-media accounts, mostly those that are pro-Bolsonaro. (The fake-news inquiry is sealed, so the total number of suspended accounts is unknown.) Platforms are usually given mere hours to carry out court orders, and users are often not told why their profiles have been blocked. In 2024 he blocked X, Mr Musk's social-media platform, for more than a month across Brazil, and froze the bank accounts of Starlink, Mr Musk's satellite-internet company.

This digital crusade has made Mr Moraes a target in Washington. On top of Mr Musk's attacks, the media company owned by President Donald Trump has sued Mr Moraes for allegedly violating free speech. The US State Department then accused Brazil of censorship. Some members of the US Congress want to sanction him and bar him from entering the United States.

Classically radical

One might expect a judge in the MAGA cross-hairs to be left-wing. But Mr Moraes calls himself a “classical liberal” and defends republican government and a limited role for the state in the economy. He has only ever worked for centre-right politicians. “Virtue”, he says, “is in the middle.” Brazilian leftists were furious when he was appointed to the STF because he favours privatising state-owned companies and legalising gig work, as well as the use of force to break up protests.

A more plausible explanation for Mr Moraes's campaign is this: it's personal. He receives constant death threats. These seem to invigorate him, and have given his rulings an absolutist edge. “People are starting to realise that there's not much point in threatening me. They will just waste their time—or go to jail,” he grins, hinting at draconian instincts.

Mr Moraes is empowered by Brazilian law. Like any democracy, Brazil places limits on freedom of speech, but it does so quite broadly and enforces those limits extremely harshly. Any “discrimination or prejudice” based on race, gender, sexual orientation, religion or “physical or social condition” is prohibited. Penalties for slander, defamation and libel are higher if the insults are against public officials. Yet even by Brazilian standards, the gusto with which Mr Moraes has deployed his sprawling mandate has been alarming. The fake-news inquiry, which was supposed to last just nine months, is still running six years later, and now covers attacks against any of Brazil's democratic institutions.

Some of his targets have clearly acted beyond the law. One prominent journalist critical of Mr Bolsonaro had her face transposed onto pornographic images; Mr Bolsonaro and his fans insinuated that she obtained interviews in exchange for sex. Carla Zambelli, a Bolsonaroista congresswoman—



► an, chased a pro-Lula voter while waving a gun. The volume of unhinged content on the Brazilian internet is overwhelming.

But Mr Moraes has sometimes gravely over-reached. In May 2019 he forced a news outlet to take down an article showing potential links between an STF judge and a businessman who had been convicted for bribery. Public outcry forced him to reverse the order. In August 2022, after a newspaper published the private messages of some Bolsonaro businessmen, Mr Moraes ordered police to raid the mens' homes, blocked their bank accounts and shut down their social-media pages; one of the men had written that "I prefer a coup to the return of [the left-wing Workers' Party]". Again, Mr Moraes stopped investigating six of the eight businessmen after a public backlash.

Questioned about these cases, Mr Moraes says he changed his mind after receiving more information. He insists that he is merely applying the law. "Because of the ideological polarisation that exists today in Brazil, some people don't realise that my decisions are technical, not political," he says. Yet his rulings can hint at personal caprice. In July 2023 a Bolsonaro family assailed Mr Moraes at an airport in Rome, allegedly slapping his son. The family was investigated for calumny and their house was raided. Charges were dropped only after the family apologised to Mr Moraes.

Shoeing the truth

Mr Moraes says that Brazil is "in the vanguard" when it comes to taming social media. He criticises American politicians and businessmen who "hide behind the false idea that freedom of speech has no limits in order to maintain a business model that generates a lot of money". "A new extremist digital populism has emerged, led by the extreme right," he says. "And they exploit something that Goebbels used to say during the Nazi era: a lie told a thousand times becomes a truth." He believes that if social media are not checked, "you will get a dictatorship here, a dictatorship there, extremism, the return of fascism."

Freedom House, a think-tank in Washington, calls Brazil a "swing state" because it is one of just a few large democracies that have not yet taken legislative steps to regulate speech on the internet, leaving that work to judges. The rest of the world is watching Brazil, and Mr Moraes, closely.

Mr Bolsonaro may go to prison this year. His trial begins soon. If he is jailed, Brazilian tolerance for Mr Moraes's heavy hand may wane. "I worry about people who have an authoritarian bias," says a prominent left-wing intellectual, referring to Mr Moraes's iron-fisted rulings. "When the wheel turns" and a domineering judge with different views sits on the almighty STF, "I could be sent to jail." ■

Ecuador's election

Nobody's perfect

QUITO

The re-elected president may struggle to make the country safer

ON APRIL 13TH Daniel Noboa, Ecuador's conservative president, trounced his left-wing opponent, Luisa González, to win a second term. A 37-year-old heir to a banana fortune, Mr Noboa has been in office only since November 2023, when he was elected to finish the mandate of an unpopular president who had resigned. Since then he has hammered Ecuador's drug gangs, sidelined rivals and ramped up spending on welfare. He also puffed up his friendship with Donald Trump, whom he met in Mar-a-Lago just before the election. Mr Noboa is only the second president to win re-election since Ecuador became a democracy in 1979.

In the election's first round, in February, he ran neck-and-neck with Ms González, a lawyer widely seen as a proxy for Rafael Correa, a once-powerful president now living in exile to avoid a prison sentence for corruption. (Mr Correa denies all charges and says he is being politically persecuted.) But Mr Noboa easily won the run-off, with 56% of the vote. His party now has a chance of forming a majority in Congress.

His agenda, however, is unclear. He often seems to make it up as he goes along. In 2023 he campaigned as a centrist outsider, though his father is one of Latin America's richest men and a serial presidential candidate. In office Mr Noboa has tacked to the right, renewing a state of emergency, sending the army onto the streets and into prisons, and spending



Noboa comes out on top

\$52m on a high-security jail. To pay for his war on gangs he has slashed petrol subsidies and raised VAT from 12% to 15%.

At the same time he has splurged on welfare and handouts, which may have helped clinch his victory. Since January he has announced 14 new welfare programmes at a cost of over \$500m. His new grants include a one-off payment of \$1,000 to 100,000 small-business owners. He has also extended a generous make-work programme for unemployed 18-to-29-year-olds. Spending in the first quarter of 2025 was almost 20% higher than in the same period last year. Such measures, says Mr Noboa, will boost growth "by more than 4%" this year. The central bank and IMF disagree. They both expect growth of only 1.5% or less.

Sceptics question Mr Noboa's temperament, and his respect for the law. According to Ecuador's constitution, he ought to have taken a leave of absence to campaign for re-election, letting the vice-president temporarily assume his duties. He did not. The election authorities barred some of his rivals, such as Jan Topic, a tough-on-crime candidate, from running for the presidency. Mr Noboa has surrounded himself with family and friends in office. His mother was elected to Congress. Some Ecuadorians are wary of his promise to call a constitutional convention.

Yet Ms González's shortcomings proved harder to overcome. Her mentor, Mr Correa, who was in office from 2007 to 2017, intimidated his opponents, hamstrung the media, and relied on a commodities boom and Chinese loans for growth. From exile he still balefully influences Ecuadorian politics, furiously posting to his 4m followers on X, a social-media platform, and hosting a show on RT, a Kremlin-funded TV outlet.

In a TV debate held before the election, Ms González justified recognising the dictatorial regime of Mr Correa's ally, Nicolás Maduro, in Venezuela. After the run-off, she refused to concede defeat, saying Ecuador was now "living in a dictatorship".

This was the third consecutive presidential race that Mr Correa's party has lost. His "brand has become toxic", says Will Freeman of the Council on Foreign Relations in New York. The party's old guard do not want to let go of Mr Correa as their leader because "they might get thrown out with him," he says.

Mr Noboa's presidency will be judged by whether he can restore security. Though murders fell from 45 per 100,000 people in 2023 to 39 last year, the numbers in January and February were the highest on record. "For now Ecuadorians are giving Noboa the benefit of the doubt," says Sebastián Hurtado, a political analyst in Quito, the capital. If results do not come soon, Ecuadorians may sour on him, too. ■

How Private Cloud Drives Federal IT Modernization



Hock Tan, President and CEO of Broadcom, a global technology leader that designs, develops, and supplies a broad range of semiconductor, enterprise software and security solutions, shares why a private cloud platform is essential to modernizing the federal IT infrastructure.

What is driving federal IT modernization?

As governments around the world advance their digital footprint and leverage Artificial Intelligence, IT modernization and efficiency have become essential strategic imperatives. The federal government has made it a priority to modernize its infrastructure, improve the quality of its systems, and ensure high performance and rigorous protection. For the past decade, the focus of modernization has centered around public cloud technology. More recently, the scope has increased to include utilizing and optimizing generative AI.

What are the biggest challenges in IT modernization facing federal agencies?

Government agencies initially embraced public cloud and tried to migrate their data to it. But this migration introduced complexity, increased costs, and compromised compliance. These three challenges have proven to be significant barriers to the federal government achieving its modernization targets.

The fundamental problem with this approach is that even with customized public cloud services provided for national security agencies, the government still needs to migrate and rebuild sensitive, private applications, and import data to a technically incompatible and shared third-party service.

This is not the mission. The mission is to modernize IT out of the legacy, siloed world to a model of better performance, efficiency, and security—and to build the capabilities agencies need to deliver innovation. How? The answer is

private cloud. A private cloud enables federal agencies to get the most out of their existing investments and build on them to support new AI, edge computing, and other solutions.

I'd like to point out that this is true for private as well as public enterprises. In a survey done last year, eight out of 10 CIOs confirmed that they are moving workloads back on-premises. That's a huge change from where we were just a few years ago.

What are the key benefits of private cloud?

A private cloud platform is secure and efficient, delivering a Zero Trust architecture with continuous compliance and robust cyber-resilience. With best in class performance and optimization, a private cloud platform drives efficiency, allowing our government agencies to achieve mission success on any hardware, even when disconnected from public cloud-based communications and services, even in contested or widely distributed environments.

How can private cloud accelerate efficient IT modernization?

Efficient IT modernization is about making sure computing infrastructure is fit for purpose, and data and applications are in the right location. A private cloud model brings the solution to the data sources and infrastructure, maintaining privacy, governance, and the controls already in place.

A virtualized, software-based private cloud allows federal agencies to deliver advanced services, such as private AI models, to accelerate agency

innovation. Agency CIOs can unlock the full potential of AI with the flexibility to use any AI models, improved responsiveness by bringing them close to their data, and reduced risk by having full control over the environment.

Further, a private cloud model lowers upfront agency investments and total cost of ownership. Taken together, these advantages allow federal agencies to deliver advanced services to accelerate innovation in government without breaking the bank or sacrificing the integrity of their sensitive data.

Why is the future of federal IT modernization private?

With government agencies so focused on cost-saving IT modernization, there is no question: The future of federal government IT is private. Private cloud provides federal agencies with an approach that delivers results fast, with less effort and less cost, maintains control and enhances security, and democratizes access to advanced technology for every agency CIO.

Only a private cloud model delivers the best of both worlds: the benefits of cloud—agility, scalability, automation, and self-service—with the benefits of on-premises—resilience, cost control, data sovereignty, and security.



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“With government agencies so focused on cost-saving IT modernization, there is no question: The future of federal government IT is private.”



Asia



Consumption and investment

Sticks and carats

MUMBAI AND SINGAPORE

Wall Street is loading up on bullion. So are people in China and India

GOLD WAS already on a tear when President Donald Trump unveiled sweeping tariffs on much of the world earlier this month, briefly sending the price of the metal to an all-time high of \$3,166 per troy ounce, up 17.4% from the day of his inauguration. On April 11th it surged past \$3,200. In one part of the world, however, that has hardly curbed consumers' enthusiasm. "Rising gold prices stopping your wedding jewellery purchase?" asks a sign outside the downtown Mumbai branch of Tanishq, India's biggest jewellery retailer. "Pay nothing for your dream," it declares, advertising a "festival of exchange" to trade in old jewellery for new.

Even as the gold price surged through 2024, demand in India stayed steady. Absolute price levels don't really matter, says

Anindya Banerjee of Kotak Securities, a broker. What matters is that there are no sharp falls. According to the World Gold Council, a trade association, Indians are still buying "need-based" gold jewellery, such as for weddings and other occasions. They are taking up offers like Tanishq's to update old jewellery for new designs. Loans against gold are soaring, too.

Asian countries are voracious consum-

ers of the yellow metal. Last year India was the world's biggest buyer of gold jewellery, its combined purchases of 560 tonnes outpacing even China's 510 tonnes (see chart 1 on next page). Indians also bought 240 tonnes of gold bars and coins, and Chinese purchased a whopping 345 tonnes. In Thailand, demand for bullion jumped 17% in 2024 to 40 tonnes, owing to the growing popularity of apps that sell physical gold online. Add in other markets, such as Indonesia and Vietnam, and Asia accounted for 64.5% of global demand for gold jewellery and bullion last year, not including central-bank purchases, roughly in line with their share of global population but greater than average incomes would suggest.

Asia's love of gold is partly to do with its role in important life events, especially weddings. Kalyan Jewellers, a big retailer, estimates that "India is a market of approximately 10m marriages annually, and this market alone is estimated to cater to 300 to 400 tonnes of gold." Many Hindus also buy gold on auspicious days, such as during the season that culminates with Diwali in the autumn, or on Akshaya Tritiya, a spring festival which this year falls on April 30th.

Gold is deeply woven into Chinese cul- ►►

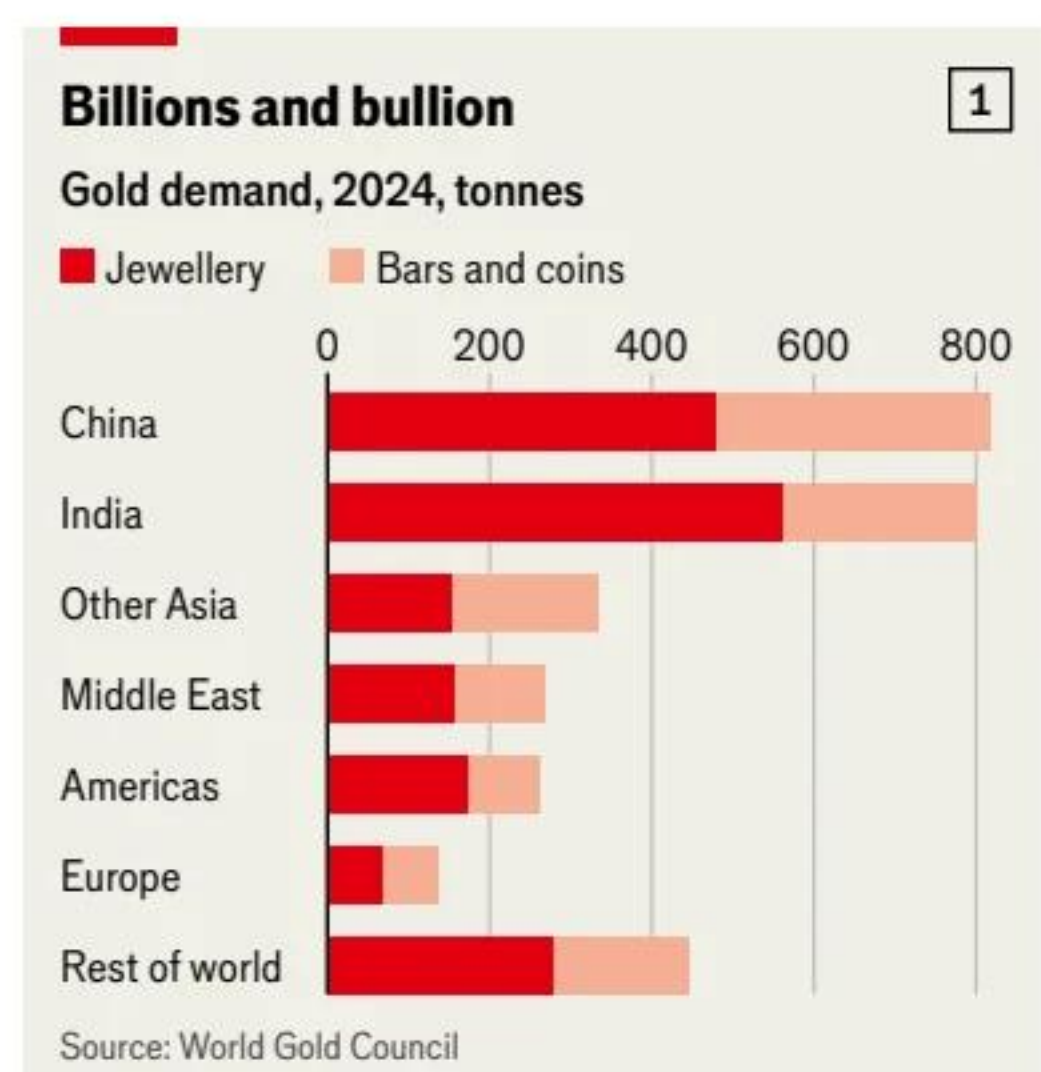
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— Banyan is away



are allocated to equities, compared with 15% in gold.

In China, even domestic investment can be hard. Many profitable industries are controlled by the government and remain off-limits to retail investors. Chinese equity markets traded below their pandemic highs even before Mr Trump's threat of tariffs caused market turmoil, and far below historic peaks. Property has lost its sheen as a route to building wealth ever since a government crackdown on speculation and debt: prices for new homes are down 5% from their peak in 2021. The benchmark gold price doubled to 737 yuan per gram in the five years to the end of March, an annual return of 15.4% (see chart 2).

For mainland Chinese gold has become more attractive as China's economy has slowed. Rather than keeping their cash in a bank that may generate interest of 1-2% each year, young Chinese prefer to buy small amounts of gold—as little as a one-gram “bean”. Government policy also fuels interest. “When China's central bank buys gold, people think ‘Oh, I should buy gold as well,’” says Alex He, a gold trader in Xi'an. There has been a shift away from jewellery to bullion, suggesting that purchases are driven by investment.

No less important is gold's role in ensuring financial stability. In China, India, Pakistan and most of South-East Asia, less than half of people of working age are enrolled in a mandatory pension. Gold serves as a safety-net for old age. It is particularly important for women, who in many Asian countries lack the earning potential of men, and in some places, such as South Asia, often have no assets in their name.

Gold is also crucial to smooth out cash-flows for farmers and traders, whose income is vulnerable to climatic and economic vagaries. Like Chinese youth, many rural Indians put away small sums to buy gold to ensure access to liquidity when times are tight. India's weak system of land records and its underdeveloped mortgage market are obstacles to borrowing against land. That has created a thriving and increasingly formal gold-loan market.

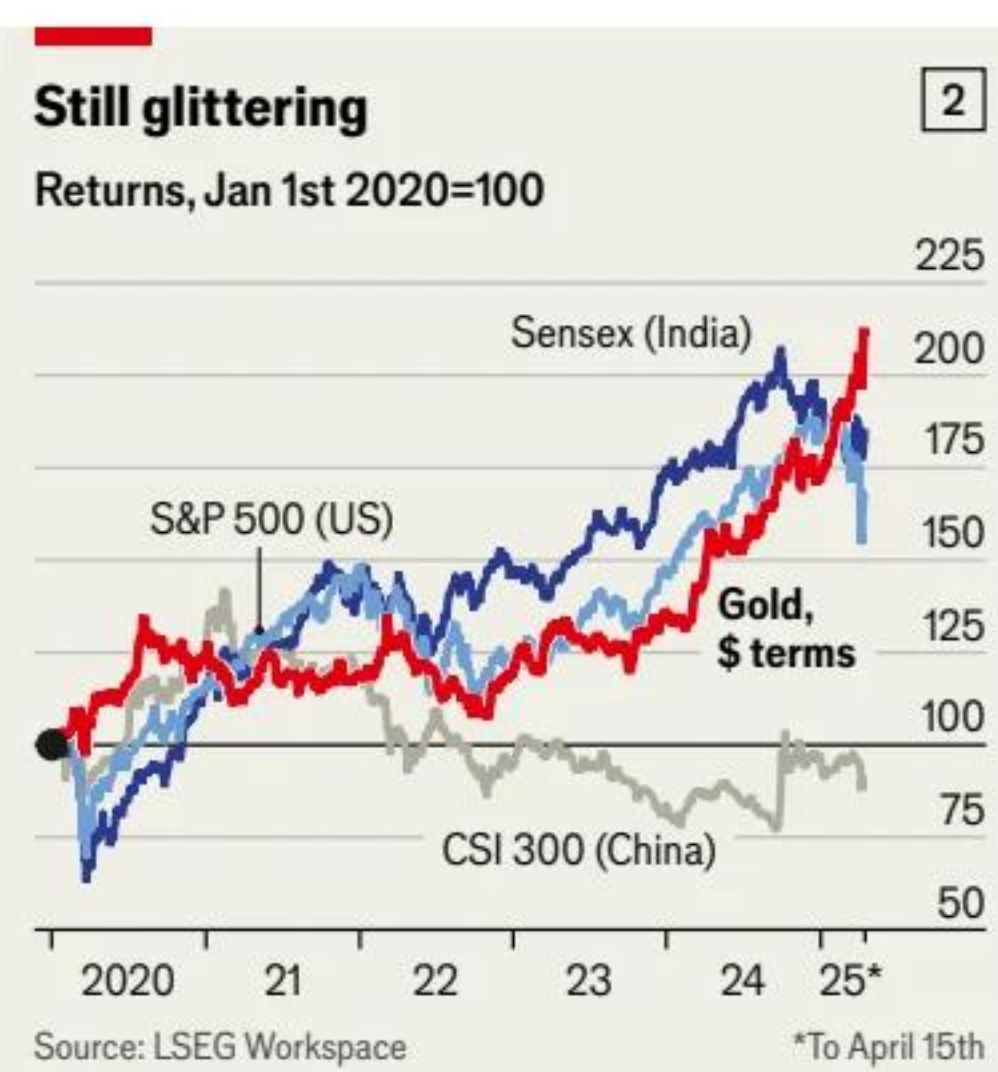
tural traditions, too. It is purchased to celebrate weddings, a baby's first-month anniversary and other milestones, both on the mainland and among the diaspora. In previous generations it was one of the few ways to store wealth and hand it down to descendants. And beyond the mainland, many diaspora Chinese groups have adopted the wedding tradition of the Teochew communities in South-East Asia. The groom's family buys four items of gold jewellery—usually a necklace, bangle, earrings and ring—for the bride, to symbolise the four corners of the roof that a husband is expected to provide.

Au contraire

As a result, Asians' fondness for gold is often attributed to cultural reasons. But India and China are culturally very dissimilar, and South-East Asian countries would chafe at being lumped in with either. Underlying the cultural motives are deeper economic and financial ones that help explain gold's enduring popularity.

A crucial one is diversification. Investors across the world prize gold as a store of value and as a hedge against inflation, especially in turbulent times. Indeed, Americans have been piling into gold since Mr Trump took office, snapping up more of the stuff early in March than at the height of the pandemic in 2020. A gold broker in Singapore says he has been arranging bulk shipments for anxious rich people, who are hoarding the metal.

But in much of Asia it serves an additional role: as a currency hedge and a way to gain exposure to an asset not linked to the national economy. Asian countries, especially India and China, fare poorly on an index of investment freedom (see map). Capital controls are common, and investing in foreign markets ranges from difficult to impossible. “It's the only way for our caged capital to easily buy non-rupee assets,” says Joseph Sebastian, an investor at Blume Ventures, a venture-capital firm in Mumbai. Despite a recent investing boom, less than 6% of Indian household assets



Muthoot, India's largest gold-loan firm, issues loans in under 15 minutes and is seeing a greater number of middle-income borrowers. Loans against gold grew 68% between April and December last year, up from 12.7% in the last nine months of 2023.

Economists complain that the colossal sums invested in gold could be allocated to more productive investments. An even bigger complaint is the effect on the trade balance. Last year Thailand's central bank blamed high gold imports for transforming a current-account surplus into a deficit. Gold accounts for 8% of India's overall imports. In some months it is the country's single largest import category. In the fiscal year ending March 2024, India's \$45bn in net gold imports was nearly twice its current-account deficit. That puts downward pressure on the Indian rupee, further boosting demand for gold. From a macro point of view gold is bad, says Mr Sebastian, “but from a micro personal point [of view], I still have 20% of my assets in gold.”

Gilt trip

There is no easy fix. Governments could implement policies to discourage gold buying. But that would just boost smugglers and black markets. Another option is to source more production at home, though geology may have other ideas. China is the world's largest gold producer, at a hefty 378 tonnes in 2023, but even that accounted for just over 40% of demand for jewellery and bullion. Indian production has been in decline for decades despite substantial ore resources, partly due to restrictive rules. India produced just one tonne of gold in 2022, a year in which it imported over 700 tonnes.

Governments that want to decrease gold imports instead need to look at harder or unpalatable reforms, such as deepening credit markets, fixing land records, unclogging the judicial system or freeing up the movement of capital. For all the cultural reasons so often bandied about, it is economics and politics which ensure that Asians remain gold bugs. ■



India's stockmarket

Risky routines

MUMBAI

A middle-class enthusiasm for derivatives may backfire

"IT HURTS. IT'S irritating. You want to be [left] alone," says Jagdish, a 39-year-old IT systems manager, whose dreams of buying a new house were shattered after he lost a small fortune gambling in India's stockmarket. Even before President Donald Trump's so-called reciprocal tariffs shook global markets, the Indian stockmarket had been on a rollercoaster. The benchmark BSE Sensex is down 11% from its peak in September last year.

Worst affected were those using high-risk leveraged instruments. The Securities and Exchange Board of India (SEBI), the regulator, estimates that 11m retail investors lost \$21.6bn trading in futures and options in three years until March 2024; only 7% turned a profit. The reality check has been brutal, especially for teenagers and young adults getting caught in the craze, says Dr Pankaj Verma, a psychiatrist in Delhi. Shekhar Kunte, a Mumbai-based hypnotist who usually helps students focus on their studies or cures jilted lovers, now finds himself treating impulsive traders who cannot resist the dopamine rush of high-risk speculation. "It's a new-age disease", he says. "It's mass hysteria".

Last October SEBI introduced stricter rules. The impact was immediate. According to Bloomberg, a financial firm, retail trading activity in India's options market has fallen to its lowest level in three years.

Middle-class India's enthusiasm for equities, and especially for derivatives, is a relatively new phenomenon. Older generations prized frugality. Most Indians still prefer to invest in gold and fixed deposits that offer low but steady returns. But a mix of rising incomes and easy access through apps has lured millions of new investors to equity markets. Last year direct retail inflows on the National Stock Exchange reached a three-year high, at nearly \$12bn. A wide-ranging and hugely successful advertising campaign has seen mutual fund investments grow to \$3bn in December, from \$993m five years ago.

While mutual funds offer relatively higher returns than conservative assets, futures and options provide an extra zing. But they were not designed for low-information retail investors, says Shinod Somasundaram of Standard Chartered Bank. They were intended as a hedge against market downturns, offering a safety-net to protect portfolios and manage risks during sudden drops. What investors are doing

today is "playing with fire", he says.

Since the pandemic, the smartphone has become a virtual slot-machine. TV advertisements tout card games and digital currencies. Chainalysis, a data firm, says India led 151 countries in crypto adoption for a second year running in 2024. But while the government cracked down on cryptocurrencies and illegal sports betting, stockmarket speculation is still rampant. Last year Nirmala Sitharaman, the finance minister, sounded an alarm. "Any unchecked explosion in retail trading of futures and options can create future challenges, not just for the markets, but for investor sentiment and household finances." For a few investors, the lesson is finally sinking in. "Now I only think long term," says Jagdish. "The tension is simply not worth it." ■

India

History wars

Why Narendra Modi has embraced an anti-caste icon

THE FATHER of the Indian constitution was not allowed to sit inside the classroom at school. B.R. Ambedkar (1891-1956) was a Dalit: formerly known as an "untouchable" at the bottom of India's caste hierarchy. Even so, he went on to obtain an economics PhD from Columbia University before becoming a lawyer and minister. A fierce critic of Hindu nationalism, he warned that "the assertion by the Hindus that India is their country is untenable". In

1956 he converted to Buddhism, along with nearly half a million Dalits. This year, however, Narendra Modi's Hindu nationalist government declared his birthday, April 14th, to be a national holiday.

The announcement marks a high-profile intensification of the government's efforts to claim Ambedkar. On March 30th Mr Modi visited the site of Ambedkar's conversion in Nagpur, in the state of Maharashtra, where the prime minister pledged allegiance to the icon's principles.

Mr Modi's Bharatiya Janata Party (BJP) is on the back foot on caste politics. When Mr Modi was re-elected in 2019, the BJP's vote share among India's approximately 232m Dalits was 34%, up from 24% in 2014 and only 12-14% in previous elections. But in the general election last year, in which the BJP failed to win an absolute majority, the support of Dalits for the BJP dropped by three percentage points, even as national support declined by less than one. During the campaign an opposition alliance including the Congress party, the BJP's main rival, spread a rumour that if the BJP won an absolute majority it would pursue constitutional changes that could jeopardise Dalit rights.

Not all of the BJP is on board with the reclamation of Ambedkar. Amit Shah, the home minister, said in a speech on the constitution's 75th anniversary last year that invocations of Ambedkar were merely "a fashion". Recently, the BJP's central leadership sent out a communiqué urging cadres to avoid derogatory remarks on Dalits. But on April 6th Gyan Dev Ahuja, a BJP politician, caused outrage by "purifying" a temple in the state of Rajasthan after a Dalit politician from Congress entered it, suggesting that among some politicians old attitudes die hard. (Two days after the incident, he was suspended.)

Meanwhile, the Congress party is loth to share Ambedkar with the BJP. The party organised "Ambedkar Respect Marches" to counter Mr Shah's remarks (it is unclear how many people actually attended them). Its party president, Mallikarjun Kharge, is a Dalit. But even with Congress, the legacy of Ambedkar is complex. He clashed repeatedly with the upper-caste Mohandas Gandhi and Jawaharlal Nehru.

And despite the national holiday, Ambedkar's vision of a casteless India is far off. The National Crime Records Bureau reports over 50,000 caste atrocities against Dalits every year. Demands by the opposition to include an all-out accounting of caste in a delayed national census, which is due this year, will probably show that Dalits comprise a larger share of the population than the 16.6% recorded in the 2011 census. This means that India's politicians will continue to chase after their votes, whether or not Ambedkar would have lent them his. ■



A statuesque legacy

Religion

Risen and rising

NAGASAKI AND SEOUL

Christianity is more important in Asia than the number of believers suggests

THE IMPEACHMENT of a former president, Yoon Suk Yeol, revealed many fault lines in South Korean society. One runs through the country's sizeable Christian community. Evangelicals emerged as some of Mr Yoon's biggest supporters in the wake of his failed attempt to impose martial law. Jeon Kwang-hoon, a far-right pastor, organised rallies in his honour under the banner "Save Korea". By contrast, the National Council of Churches in Korea, a more mainstream ecumenical body, welcomed the constitutional court's "historic decision" to restore democracy.

Christianity has long been a powerful force in South Korean society and its battles over democracy. South Korea is among the most Christian countries in Asia, with some 30% of the population identifying as such. Protestant groups tended to align closely with the country's post-war authoritarian regimes, while Roman Catholics supported the democratisation movement in the 1980s. These days the divisions are less tidy, but no less pronounced. Christians are "our own axis on the spectrum of a polarised society; we don't align neatly," says Cho Seung-hyeon of the Catholic Peace Broadcasting Corporation.

In many ways Christianity's minority status belies its influence in the country—as it does across much of Asia. Only the Philippines and East Timor are majority-

Christian nations. Yet as the population of Christians declines in Europe and North America, "the centre of gravity of Christianity is shifting," argues Mathews George Chunakara of the Christian Conference of Asia, an ecumenical regional body. Africa and Latin America are the main sources of new believers, but Asia also plays a role. Its Christian population grew by an average of 1.6% annually between 2020 and 2025. Last November, in a sign of the region's growing importance for Christianity, Pope Francis visited South-East Asia.

Christian leaders are increasingly emerging from Asia, notes Todd Johnson of the Gordon-Conwell Theological Seminary in Boston. The Lausanne Movement, an evangelical group founded by the American pastor Billy Graham, is led by a Korean-American who works extensively in Japan. Recent heads of the Pentecostal World Fellowship and the World Evangelical Alliance, two other big evangelical movements, include a Malaysian and a Filipino, respectively. South Korean missionaries are among the world's most active. A South Korean cardinal, Lazarus You Heung-Sik, is mentioned as a potential next pope.

There may be more people practising Christianity in Asia than typically believed. Fenggang Yang of Purdue University in Indiana argues that many surveys un-

derstate the share of the Christian population in Asian countries, by forcing respondents to make either/or choices among faiths, when spiritual practices in the region are often hybrid. Take Japan, which violently suppressed Christianity until opening its borders in the late 19th century. Just 1% of Japan's population is believed to be Christian, but if respondents are allowed to choose multiple faiths, the number affiliating with Christianity may rise to 3-4% of the population, Mr Yang says.

Christianity also punches above its weight in education and, by extension, among the region's elites. Nine of Japan's 65 post-war prime ministers (or some 14%) have been Christians, including the country's current leader, Ishiba Shigeru. "If you want to find one through line for that phenomenon, it's education," says Levi McLaughlin of North Carolina State University. Many of the country's top private schools have Christian roots. Among Japan's roughly 600 private universities, about 10% are Christian institutions, reckons Yamaguchi Yoichi, president of Tokyo Christian University. Christianity's outsize influence is especially pronounced in South Korea. Some 70% of the country's post-war presidents have been Christian, while roughly one-third of its universities are, says Kim Eun-gi of Korea University.

Show me the man

South Korea's contemporary Christian community is incredibly varied. "There is a whole spectrum of extreme right and left present, not only in Korean society but within Korean churches," says Mr Kim. Believers align at times with the country's progressives on economic issues, such as labour rights, while siding with conservatives on social issues.

South Korean evangelical churches have led resistance to LGBT rights in South Korea. Such megachurches have strong ties to America's. Last summer Donald Trump junior, son of America's president, spoke at Yoido Full Gospel Church, the world's largest megachurch, in Seoul. "We'll keep fighting for all of the Judeo-Christian values that we believe in and that you share with us," he declared. They can exercise "massive influence" over South Korean politics by rallying large groups of potential voters, says Lee Dong-hwan, a pastor who was excommunicated by South Korea's Methodist church over his support for gay rights.

Yet Mr Lee also notes that a small but growing number of progressive priests have come out to support gay-pride parades in South Korea in recent years. His own conversion to supporting the LGBT community came after one of his own congregants came out to him. "Jesus accepted all people," Mr Lee says. "Whose side would he be on today?" ■



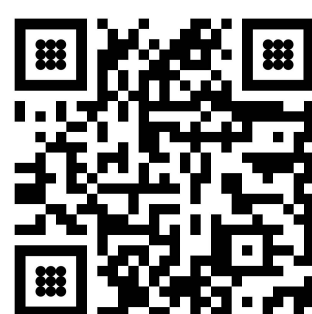
The mysteries of light

China



America's China policy

Clipped wings



China hawks are losing influence in Trumpworld, in spite of the trade war

EVEN BEFORE Donald Trump's tariff turmoil, it was hard to discern a clear China strategy. With decisions depending largely on presidential whim, his foreign-policy advisers seemed to have split into warring tribes. To use a shorthand common in Washington, the "primacists" seek to re-establish America's dominance in the world, taking on all threats; the "prioritisers" think America can handle only China and should abandon Ukraine; and the "restrainers" want to focus on only the homeland, avoiding future wars. Since April 2nd Mr Trump's trade war has sown further confusion. But whatever his own views, one thing seems increasingly clear: conventional China hawks, whether primacists or prioritisers, are losing ground in the battle for influence.

Though overshadowed by the trade drama, among the strongest indications of this trend was the firing or reassignment of six National Security Council (NSC) offi-

cials, which became public on April 3rd. That was apparently prompted by Laura Loomer, a right-wing conspiracy theorist who met Mr Trump a day earlier. Ms Loomer said the officials were "disloyal people" who helped to sabotage Mr Trump. Yet her demands seem to align closely with those of the restrainers (including Donald Trump junior) who want to root out those they see as "neocons" bent on provoking war with China.

One of those sacked was David Feith, the NSC's senior director for technology. He was in some ways a symbolic target. His father, Douglas, was one of the original neocons. As a Pentagon official, he helped to plan the invasion of Iraq in 2003.

→ ALSO IN THIS SECTION

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But the younger Mr Feith was also among the White House's most experienced China specialists, working in the State Department through Mr Trump's first term and helping to create his Indo-Pacific Strategy, which advocated upgrading American alliances. As a think-tanker after that, he argued for tougher China policies.

On the NSC he handled issues that included American tech exports to China and the proposed sale of TikTok to a non-Chinese owner. In that role he appears to have built on many Biden-era initiatives, while also taking up new ones, including the America First Investment Policy. This identified Russia and China as "adversaries" and broadened curbs on investment in China. Whether his views on policy contributed to his sacking is unclear but, former colleagues say, it is a win for the isolationists and a loss of China expertise.

The future of two other China hawks—Ivan Kanapathy, the NSC's senior director for Asia, and Alex Wong, the deputy national security adviser—is also now in doubt. Ms Loomer accused Mr Kanapathy of working previously with Trump critics, and attacked Mr Wong and his wife over their Chinese heritage and her previous work as a lawyer. Although both officials have kept their jobs, they have been weakened by the broadside and by the waning authority of their boss, Mike Waltz, the na-



► tional security adviser (another wing-clipped China hawk).

Officials in China and Taiwan will be watching Mr Kanapathy closely, as he is seen as one of the island's staunchest supporters in the White House. He served as military attaché to America's representative office in Taiwan from 2014 to 2017, and contributed to a book on Taiwan's defence in 2024 that was edited by Matt Pottinger, the NSC's Asia chief in Mr Trump's first term. Mr Kanapathy met Taiwan's president last year with Mr Pottinger, who resigned over the attack on the Capitol on January 6th 2021 and has since called for tougher policies aimed at encouraging political change in China.

How this affects America's dealings with China is unclear. Mr Trump has not expressed his preferences beyond trade, and may be unaware of the battles over policy among his staff. But one potential consequence is that it gets harder for China hawks to push things through without him noticing, as they did in his first term. Some see their fingerprints on recent changes, including firmer joint statements with allies opposing Chinese coercion of Taiwan and the removal from the State Department's website of a commitment not to support the island's independence.

Restrainer retrainer

The balance may be shifting in the Pentagon, too. Pete Hegseth, the inexperienced defence secretary, reassured America's Asian allies by echoing many of President Joe Biden's commitments during his first regional tour in March. But that was probably because the Trump administration has yet to work out its military priorities in Asia. Those could become clearer after the Senate's confirmation on April 8th of Elbridge Colby as under-secretary of defence for policy, the Pentagon's number-three post and one expected to play a critical role in guiding Mr Hegseth.

Mr Colby has been the most vocal advocate of prioritising China. Former colleagues say he is committed to that goal (including Taiwan's defence) and well qualified for his new post. Though not a career China specialist, he worked in the Pentagon in Mr Trump's first term, developing a National Defence Strategy which identified China and Russia as primary adversaries. He then founded a think-tank and wrote a book, both of which advocate combating Chinese hegemony in Asia.

Even so, he has sounded more like a restrainer of late, saying that Taiwan is not an "existential" issue for America and should increase its defence spending to

(an unrealistic) 10% of GDP, from under 3% now. He has also argued that South Korea, an ally, should do more to defend itself. Such remarks have earned him public backing from Vice-President J.D. Vance and the junior Mr Trump, who said recently that Mr Colby supported the president's desire to negotiate with China's leader, Xi Jinping, to avoid "poking the dragon in the eye unnecessarily" and to seek a "balance of power with China that avoids war".

Mr Colby's change of tune may have been politically savvy, but it has unnerved some in American and allied defence circles who hear echoes of Mr Trump's views on Europe. They worry that the president, who has little personal regard for Taiwan, might be open to striking a deal with Mr Xi that compromises the island's security in exchange for trade concessions from China and deference to other American interests in Asia. Others doubt Mr Trump can stick to any coherent China strategy, considering his tariffs on Asian allies and the recent redeployment of an aircraft-carrier and missile-defence systems from Asia to the Middle East.

The State Department seems to have a limited say on China despite the hawkish views of Marco Rubio, the secretary of state. Michael Anton, his policy-planning chief, has argued that America should not defend Taiwan. Some leading China hands recently retired early. And the nominee for the top post covering East Asia and the Pacific is Michael DeSombre, a lawyer whose only diplomatic experience was a year as ambassador to Thailand.

Such personnel changes have not gone unnoticed in China. Researchers there who study America and advise the leadership believe that the first Trump administration was strongly influenced by China hawks in the NSC, Pentagon and State Department. Hawks in the current administration are weak by comparison, said Meng Weizhan of Fudan University in a recent commentary. He expects it to become increasingly hardline on technology and trade, but less so on ideology and military matters as it focuses on domestic revival.

None of this will ultimately decide Mr Trump's China strategy. Judging by the past few weeks, that will depend largely on his own impulses, which can quickly change. But who manages relationships and policy day to day still matters. And if Mr Trump does seek a deal with China or if the trade war spills over into the security realm, the options presented to him and the capacity to predict China's response will all be vital. Signalling weakness on Taiwan, for instance, has as much potential to trigger Chinese military action as being over-provocative. To engage China in a trade war without a coherent strategy is risky enough. Incoherence on the security front could be catastrophic. ■

Office life

Your time's your own

BEIJING

To boost consumption, office workers are encouraged not to work so hard

FOR MUCH of the Western world, the two-day weekend is sacrosanct. In China, the right to rest for two days each week is not a given. Many students say goodbye to the concept when they start high school. Overtime is sometimes compulsory for white-collar workers, especially in the go-go world of tech. In 2019 Jack Ma, founder of Alibaba, an internet giant, famously defended the "996" work culture—9am to 9pm, six days a week—as "a huge blessing".

But in recent months a new phenomenon has emerged, as big firms across China have begun to make employees leave the office earlier. Midea, an appliance giant, has launched a campaign against unnecessary overtime, sending workers home by 6:20pm each day. Its boss said: "More than 95% of overtime is performative." Managers at DJI, a drone maker, known for long hours, have started clearing the office at 9pm (the deadline drew criticism online for still being too late).

These new policies align with two of the Chinese state's current priorities. One is to try to curb a phenomenon known as *neijuan*—often translated as "involution". People use the term to describe a situation in which extra input no longer yields more output, like running to stand still. The government wants to prevent this intense, self-harming competition. Perhaps not surprisingly, the new policy has met plenty of cynicism from involuted workers. One ►►



You need to get out more

Chaguan, our China column, has been suspended. Our goal is to reinstate it when we have a new columnist resident in Beijing.

► newspaper summarised their online snark with the question: “Are the companies that long enforced brutal overtime now going to lead the fight against involution?” Some point to Europe’s new ban on products made with forced labour, including “excessive overtime”, as the motivation for export companies to take action.

The second priority is to give people more time off in order to help bring about the much-needed switch in the economy away from exports and infrastructure towards consumption. In March the government presented a new “special action plan” to increase domestic demand, vowing to deal with “prominent pain points such as the prevalence of overtime culture”, and to protect “rest and vacation rights and interests”. It increased the number of public holidays this year by two days. Getting people to eat out and spend money is difficult if they are stuck at their desk.

Many people are receptive to the moves. Deaths from suspected overwork at companies such as Pinduoduo and ByteDance have sparked anger. Tech workers refer to themselves as *niuma*, or beasts of burden. Though the nation’s top court in 2021 declared the “996” schedule illegal, enforcement of the ruling has been lax. Some firms still have a “big-week, small week” system, whereby employees alternate five- and six-day work weeks.

Many of these trends are visible in Haidian, home to Beijing’s Silicon Valley. Ms Tang is leaving her work at a cloud-computing company at around 9:30pm. She used to think working late was normal, but now says her younger colleagues are less tolerant of it. In a tough economy, however, they may have little choice. “When the economy is good, you can talk about employees’ happiness,” she says. She recently moved to her new job because it is less relentless, and she often gets off by 7pm.

Ms Li has just finished a late dinner at McDonald’s, across the street from a stream of shuttle buses dropping workers at the subway station. After burning out at an e-commerce firm, she too was seeking balance. The 36-year-old took a six-month break, but is back at an internet firm. Of her 15 days of annual leave last year, she took six. She says friends her age don’t want to subject their children to the same rat race, if they even have them. “It’s not just the financial pressure. You don’t see the point of having kids, because you may not be living a very good life yourself.”

Life for workers in the service economy is even tougher: they get only a few days off each month, if any. During a smoke break, a chef at a noodle restaurant in the Sanlitun shopping area said the owner gives the option to take days off at lower pay, but most of his colleagues opt for no rest. Getting Chinese people to stop working hard will not be easy. ■

Tariff wars

Standing up

BEIJING

China’s patriots preach defiance in the trade war with America

EVEN BEFORE getting embroiled in a trade war with America, China’s officials were struggling to keep up public morale. Many people were already fretting about a weak job market and a property downturn. Now, American levies on most Chinese goods have reached a staggering 145% and China’s levies on American imports are at 125%.

On April 14th China’s customs bureau tried to reassure, saying that “the sky won’t fall” because of tariffs. But officials are worried about consumer sentiment and, in the long run, social stability. So they are trying to convince the public that China’s defiant approach to America is the right one, and the pain will be bearable. “Believe in China. Believe in tomorrow,” gushed an editorial on April 11th on the front page of the *People’s Daily*, a Communist Party mouthpiece. China is an “oasis of certainty” in a chaotic world, it argued, alongside a list of technological achievements, from AI to space travel. In America, meanwhile, there has been a shortage of eggs, state-run media reported.

Propagandists are also digging into China’s revolutionary past for inspiration. On social media officials shared a grainy video of Mao Zedong speaking in 1953, during the Korean war, when China’s armed forces fought America’s. In it Mao proclaims that “No matter how long

this war is going to last, we’ll never yield. We’ll fight until we completely triumph.” State-run media are also quoting another fiery saying of Mao: “America is just a paper tiger. Don’t believe its bluff.”

China keeps tight control on public opinion surveys. But many Chinese do seem to support fighting a trade war. “We must let everyone know that we have a strong backbone and will never bow down,” proclaimed Zijin Gongzi, a blogger with 430,000 followers on Weibo, a social-media platform. Wuheqilin, a digital artist with 3.5m followers, created an iconic image (pictured), widely shared online, of a figure in red, representing China, standing defiantly before a grotesque Mr Trump, with the title “I am standing here!”

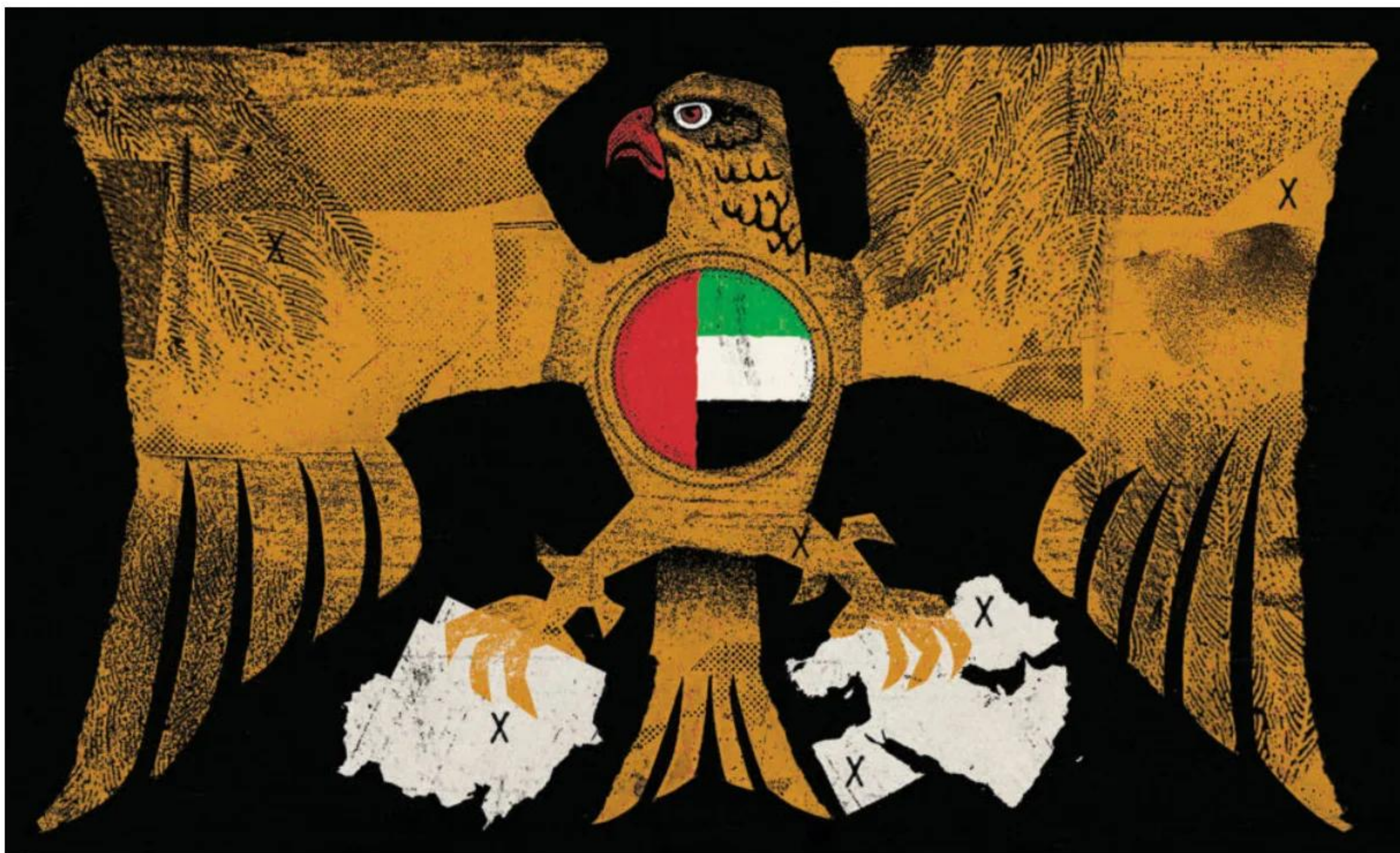
Some are trolling Mr Trump for wanting to bring manufacturing jobs back to America. They share AI-generated videos of overweight American workers clumsily trying to make iPhones. One video features Mr Trump himself in a factory, getting slapped by his supervisor.

Many Chinese people are worried as well, though. Users of Douyin, a video-sharing platform, are asking which goods Chinese people should start hoarding. Others look for tips about buying gold, perceived to be a haven for investors in times of turmoil. They are anxious, as well as defiant.



“I am standing here!”

Middle East & Africa



The UAE's influence

A lengthening shadow

ABU DHABI

The UAE preaches unity at home but pursues division abroad

THE UNITED ARAB EMIRATES (UAE) was the first Arab country to set up a ministry of tolerance. It was also the first to be tried for complicity in genocide. On April 10th lawyers for Sudan argued their case at the International Court of Justice. They accuse the UAE of enabling the mass killing of the Masalit, an ethnic group, by arming the Rapid Support Forces (RSF), a militia guilty of a deluge of atrocities.

The UAE rejects the charges. Reem Ketaït, a foreign-ministry official, calls them a “cynical and baseless PR stunt” and suggests they are meant to distract from atrocities by the Sudanese army, the RSF’s opponent in a two-year civil war.

Though the army has indeed committed its own war crimes, Emirati support for the RSF is not really in doubt. Still, for procedural reasons, the case is unlikely to progress further. It nonetheless highlights a trend: across the Middle East, the UAE has backed an array of militias who either want

to seize states by force or divide them.

Along with neighbouring Saudi Arabia, the UAE is at the centre of the modern Arab world. They are its largest economies and most influential diplomatic players. Both see themselves as independent middle powers in a multipolar world. But they have adopted very different approaches to the region. The Saudis see stability as a core interest, and align themselves often (if not always) with America.

The UAE, a clutch of seven emirates (including Dubai) of which Abu Dhabi is the richest, has taken a different tack. In Libya

it allied with Khalifa Haftar, a warlord who tried to overthrow the UN-backed government in Tripoli, the capital. In Yemen it supports the Southern Transitional Council, a secessionist group. It has also forged close ties with leaders in Puntland and Somaliland, two breakaway republics in Somalia. Many of its policies are opposed to America’s. Backing the RSF in Sudan put it at odds with America, China and eventually Russia, too—no small feat.

Asked to explain their policy, Emirati officials often insist it is not theirs at all. The UAE denies sending weapons to the RSF, even after UN investigations and satellite imagery showed that it was doing so several times a week. An Emirati foreign-ministry official once claimed support for Mr Haftar was done in “full co-ordination” with allies—never mind that most of Libya’s allies, including America, opposed it.

Foreign diplomats in Abu Dhabi speculate about economic motives. Some muse that the UAE wants preferential deals for Sudan’s gold. That explanation feels shallow: most of Sudan’s gold is already exported to the UAE. Others think it wants access to arable land and ports in Sudan to further its food-security initiative; 90% of its food is imported (see next story).

A focus on commercial considerations may have it backwards. The UAE seems chiefly motivated by ideology. Muhammad

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37 Fiscal sobriety in Senegal

37 Electoral lawfare in east Africa

bin Zayed al-Nahyan, the president, is fiercely hostile to Islamists. The ruling family is keen to curb the role of Qatar and Turkey, which back Islamist parties. They also want to carve out their own sphere of influence distinct from Saudi Arabia's.

In Yemen, a sense of peril compelled the UAE to join the Saudi-led coalition that went to war in 2015 against the Houthis, a Shia rebel group that had seized much of the country. Neither wanted an Iran-backed militia to have a foothold on the Arabian peninsula. But the UAE wanted its own allies on the ground—in part because the Saudis were close to the Islah party, an offshoot of the Muslim Brotherhood.

Secessionists in the south, which was an independent communist state until 1990, were a better fit. The alliance may one day yield economic benefits. AD Ports, the state-owned shipping giant in Abu Dhabi, hopes to win a concession to operate the port of Aden in southern Yemen. The UAE's economic heft is a way to reinforce its relationships—but not the reason for them in the first place.

Sudan ended decades of Islamist rule when it overthrew Omar al-Bashir in 2019, but Islamist officers still wield influence in the army. That gave Sheikh Muhammad a reason to back the RSF. He may also have felt an obligation to the militia's leader, Muhammad Hamdan Dagalo (also known as Hemedti), who supplied thousands of fighters to help his army in Yemen. "I think he feels a sense of loyalty to these guys," says a former American official who has met the Emirati president.

The UAE insists it is simply being pragmatic. This argument has some merit. Its allies in Yemen proved better fighters than the Saudi-aligned camp. The UN-backed government in Libya is not as legitimate as it sounds: it is dominated by militias.

Yet support for rogue actors has not been terribly successful. The UAE reopened its embassy in Damascus in 2018 and lobbied other countries to normalise ties with Bashar al-Assad, Syria's dictator. Anwar Gargash, a foreign-policy adviser to Sheikh Muhammad, says the outreach "came out of the frustration of ten years". Isolating the Syrian tyrant did not work, he argues; it was worth trying to engage him.

Engagement failed, too. Mr Assad fled to Moscow in December. The UAE is sceptical of the Islamist-led government that emerged, far more so than other Gulf states (though it is not yet working against Ahmed al-Sharaa, the new president).

Mr Haftar was unsuccessful in his quest to capture Tripoli. The RSF lost control of the Sudanese capital last month and fled the city. In both cases, the UAE's role has arguably been counterproductive. It gave Turkey an excuse to deepen its ties with the Sudanese army and the government in Tripoli: they have relied on Turkish drones



to beat back their opponents.

These policies have also done growing damage to the UAE's reputation. In separate meetings in Washington last month, three congressional staffers raised the prospect of imposing sanctions. That is probably just talk—for now. As the saying goes, backing groups like the RSF is worse than a crime; it is a blunder. ■

The Red Sea

Pesky ports

DJIBOUTI

A scramble for bases and harbours is fuelling conflict in the Horn of Africa

TO GRASP THE importance of the Red Sea, visit Djibouti. Before missiles fired by Yemen's Houthi rebels reduced cargo shipments by more than two-thirds in 2024, about 12% of global trade passed by the former French colony. Both America and China have their only permanent military bases in Africa at this strategic spot on the African side of the Bab al-Mandab strait, where the Red Sea meets the Gulf of Aden (see map). France, Japan and Italy all have bases there. Warships from countries as diverse as Greece and Iran drop anchor at Djibouti's docks. "Djibouti is a haven of stability," says Slim Feriani, who runs the country's sovereign-wealth fund.

That stability makes it exceptional in the Horn of Africa. "The whole region is on fire," says Mohammed Idriss Farah, a veteran Djiboutian diplomat. He does not just mean the Houthis' attacks on commercial shipping. Sudan is being torn apart by a catastrophic civil war, now in its third

year. Somalia is disintegrating. Tensions between Eritrea and landlocked Ethiopia are rising. Though each crisis is driven by different, home-grown causes, "the question of who controls the Red Sea and who will guarantee its security" is common to them all, says a foreign-policy strategist at a government think-tank in Djibouti. In an increasingly multipolar world, that question is likely to foment more instability.

Until fairly recently, geopolitical competition in the Red Sea, particularly between the United Arab Emirates (UAE), Saudi Arabia and Egypt, was kept in check by the "traffic cop of last resort", as Alex Rondos, a former EU special representative to the Horn of Africa, describes America. Under Donald Trump, America has bolstered its naval presence in the Red Sea in order to bomb the Houthis. But it is said to be considering pulling out of Djibouti and cutting support for Somalia's fight against jihadists. The resulting instability means that peaceful commercial and geopolitical competition is increasingly escalating into something darker.

Nowhere is this more evident than in Sudan, which has more than 800km of coastline. Turkey and Qatar signed deals to build and manage commercial ports there in the 2010s. In 2022 an Emirati consortium agreed on a \$6bn port and agriculture project. Russia has its eyes on Port Sudan, in a bid for its first military foothold on the Red Sea. Iran, which used ports in Sudan to smuggle arms to the Houthis in the 2010s, has similar ambitions.

With the onset of civil war in Sudan in 2023, the competition turned violent. The rival foreign powers funnelling arms and money to Sudan's warring parties are doing so at least in part to secure their Red Sea interests. Russia has reportedly reached an agreement with Sudan's national army to set up a naval base in Port Sudan. The UAE sends arms to the Rapid Support Forces (RSF), the other main belligerent in the war (see previous story). That prompted a move by Sudan's government last year to cancel the port deal. Yet the port will remain a key interest for the UAE, says Jonas Horner of the European Council on Foreign Relations. That could mean increasing support for the RSF to prevent an army victory.

Rivalries in the Red Sea are also tugging at the seams of Somalia's fragile federation. In 2017, to the ire of the federal government, the UAE invested around \$400m in a new container terminal in the breakaway region of Somaliland. Satellite imagery shows it has since built a nearby harbour for military use, as well as similar facilities at the port of Bosaso in Puntland, another separatist region. Turkey, by contrast, supports the federal government, and last year agreed to deploy its navy to police Somalia's coastal waters. Turkish

► firms own stakes in Somalia's ports.

Like the UAE, America is inching closer to Somaliland. American warships have reportedly been stationed off its coast in recent months. Officials in the Trump administration are said to be mulling a new American naval base, perhaps in exchange for recognition of the would-be state. Last month, to head off such a deal, Somalia's president reportedly offered America "exclusive operational access" to both Bosaso and Somaliland's Berbera port (despite having meaningful control over neither).

Potentially the most explosive addition to the Red Sea's harbour rush is Ethiopia. A deal with Somaliland to build a naval base sparked a diplomatic furore last year and has since been put on hold. Yet Ethiopia's prime minister, Abiy Ahmed, is eyeing his own Red Sea port, the main target being Assab, in Eritrea. Mr Abiy says he does not want war with Eritrea. But few of Ethiopia's neighbours believe him. Officials in Djibouti suspect that his quest has the backing of the UAE.

For the past few decades outside powers seeking influence in the Red Sea generally did so by leasing harbours from sovereign states. But the Horn of Africa may presage a future in which "supplies and supply chains trump sovereignty and nation states," says Mr Rondos. Seizing a port is no longer unthinkable. ■

Corruption in Israel

A can of worms

JERUSALEM

A scandal involving Qatar may affect the Gaza conflict

THE TINY emirate of Qatar is skilled in the art of playing all sides in Middle Eastern conflicts. It funds Al Jazeera, a satellite news channel sympathetic to anti-Western Islamist movements. It has long hosted the leaders of Hamas, the Palestinian movement that attacked Israel on October 7th 2023. Yet Qatar also hosts the largest American military base in the Middle East. And it has mediated between Hamas and Israel.

Even with this track record, the news last month that aides of Binyamin Netanyahu, Israel's prime minister, had been moonlighting for a firm burnishing Qatar's image shocked many Israelis. The aides started their work ahead of the 2022 football World Cup in Qatar, and kept it up even during Israel's war in Gaza.

The suspects include Mr Netanyahu's top spin doctor, Jonatan Urich, and his spokesman for military affairs, Eli Feldstein. The men are accused of bribery, con-



No fan of the prime minister

tact with a foreign agent and breach of trust. In a separate case opened last year, Mr Feldstein is also alleged to have leaked state secrets to a German newspaper in order to change the discourse surrounding ceasefire talks with Hamas. The Shin Bet, Israel's domestic security service, and the police are investigating their actions. Mr Feldstein has admitted the charges. Mr Urich is keeping silent, though the fact that he was a partner in a company doing PR work for Qatar is a matter of record.

Though he is not currently a suspect in the Qatar affair, Mr Netanyahu clearly dislikes all this probing. The police have questioned him. He denies receiving anything from the Qataris and has called the investigations a "witch hunt" by "the deep state". (Qatari officials also say the allegations are baseless.) His government is trying to fire the two people in charge of the inquiries: Ronen Bar, the head of the Shin Bet, and Gali Baharav-Miara, the attorney-general.

The prime minister's critics already think his motives for breaking the Gaza ceasefire and ordering the Israeli army to resume fighting in Gaza on March 18th are political. A permanent deal would prompt Mr Netanyahu's far-right allies to abandon him and his government to collapse. Avoiding that fate means bowing to the demands of his far-right allies to continue pummeling Gaza. The corruption investigations are playing into this. To fend them off, Mr Netanyahu is keeping the government going by placating the hard right and keeping up the rhetoric of war.

Mr Netanyahu insists that ending the war while Hamas still rules parts of Gaza is unthinkable for Israel. But in recent days, thousands of Israeli reservists have signed letters calling upon the government to end the war, saying it "serves mainly political and personal, and not security, interests".

They want Israel to accept the ceasefire terms, which include the release of the 59 hostages still in Gaza.

So Mr Netanyahu is determined to rid himself of his accusers. It is not just Mr Bar and Ms Baharav-Miara. In past wars reservists expressed similar opposition to the political motives of the government, even while turning up to fight. This time, however, the Israel Defence Forces (IDF) has discharged from future service some of those who signed the letters. The IDF relies heavily on its reservists, but Mr Netanyahu was quick to praise the move.

"Qatargate", as some in Israel are calling it, has added a new layer to the conflict between Israel's legal establishment and Mr Netanyahu's government. That war began in January 2023, when his coalition introduced reforms aimed at curbing the power of Israel's robustly independent Supreme Court. This triggered huge protests. Part of the legislation eventually passed—only to be struck down by the court.

The latest skirmish came on April 8th, when the court heard petitions against the firing of Mr Bar. Government supporters heckled the judges and the court was cleared. In a letter to the court the Shin Bet chief accused Mr Netanyahu of pressing him to issue a security directive that would have suspended hearings in a case where the prime minister faces charges of bribery and fraud. Mr Bar said his dismissal would risk turning the Shin Bet into "a secret police". In a supporting missive to the court, Ms Baharav-Miara argued that Mr Netanyahu's decision to sack Mr Bar was "tainted by personal conflict of interest".

The judges have said that Mr Bar must remain in place until they rule on his dismissal and have directed the government and the attorney-general to come up with a "creative solution" by April 20th. Neither side is likely to agree to such a solution.

The hostility between Mr Netanyahu and Israel's judges predates the war in Gaza. But his determination to cling to power has exacerbated matters. He has refused to appoint a national commission of inquiry into the failures that led to Hamas's attack; the president of the Supreme Court decides who would sit on such a panel.

Now Qatargate is focusing new attention on Mr Netanyahu's strategy in Gaza before October 7th. For years, with Israel's blessing, Qatar financed the Hamas government there, despite warnings from the Shin Bet that some of the money was going to the group's military wing. It was part of Mr Netanyahu's policy of perpetuating divisions between the Palestinian Authority in the West Bank and Hamas, which has ruled Gaza. A divided Palestinian leadership meant less pressure on Israel to negotiate a deal that would lead to Palestinian statehood. It also gave Hamas the time and funds to plan its assault on Israel. ■

Senegal

Young and broke

DAKAR

A fiscal squeeze hampers the country's one-year-old government

A LITTLE OVER a year ago Senegalese voted in an election that almost did not happen. Macky Sall, the president at the time, had tried to postpone it, triggering a constitutional crisis. The landslide victory by Bassirou Diomaye Faye, the opposition candidate and an anti-corruption crusader who had been released from prison just two weeks earlier, was widely hailed as a triumph for democracy.

Mr Faye, who is 45 and new to political office, came to power on a wave of anti-Western and anti-elite sentiment. He promised to root out corruption, loosen ties with France and create much-needed jobs for Senegal's frustrated young. Yet a year on, the realities of governing have considerably sobered his agenda.

Mr Faye's prime minister and closest associate is Ousmane Sonko, Mr Sall's most popular opponent, who had been barred from running for president following convictions for defamation and "corrupting youth". (Mr Sonko denies wrongdoing and says the cases against him were politically motivated.) The duo claim that progress on their promises is being impeded by Mr Sall's legacy, especially regarding the public finances. A report published by the court of auditors in February found that the budget deficit for 2023, the last year Mr Sall was in power, was 12.3% of GDP, not the previously reported 4.9%, and that public debt was a huge 99.7% of GDP. (Mr Sall denies wrongdoing.)

The governing party considers the report a victory for transparency. Officials from the IMF, who confirmed its findings during a visit in March, concur. Voters are less impressed. "We don't expect them to lament on things," says Ali Cissé, a 25-year-old student. "When the president says that our current financial situation is catastrophic, it's discouraging."

Some of Mr Faye's populist policies, such as price controls on staple foods to ease the cost of living, have survived the fiscal squeeze. Yet it is forcing him into more conventional territory. He plans to raise taxes, lower subsidies and slim the public sector. The state no longer has the leeway to take on more debt, says Elimane Kané, who runs a think-tank in Dakar.

The promised "rupture" with French and Western influence is also off the agenda. Mr Faye has not made good on plans to abandon the Euro-pegged currency. He is renegotiating a much-needed \$1.8bn cred-



Fading promises

it facility with the IMF (the credit line is worth 5.8% of GDP). His first state visit outside Africa was to France. Bosses of global oil firms who worried that the government might disrupt their business are sleeping easier than a year ago.

It is all a far cry from the fiery speeches with which Mr Faye started. But it may turn out to be better for Senegal. ■

Tanzania and Uganda

Pre-poll lock-up

KAMPALA

Two opposition leaders in east Africa are charged with treason

THIS OCTOBER in Tanzania and next January in Uganda millions of people will take part in a mass political ritual. Most will call it an "election", for want of a better term. But in both countries the ballot is an exercise of state power, not a realistic chance to choose who should wield it. Rulers are already preparing—by charging their opponents with treason.

The Ugandan case targets Kizza Besigye, who has run four times to be president. He was kidnapped on a visit to Kenya in November, shuttled across the border, and accused of plotting to overthrow Uganda's government by force. In Tanzania Tundu Lissu, the opposition leader, was arrested on April 9th. The charge sheet cites comments he made threatening civil disobedience. Three days later his party was disqualified from the election.

The cases illustrate the mechanisms of electoral authoritarianism. Between 1989 and 2006 more than 40 African countries

introduced, or reintroduced, multi-party elections. In some, like Ghana, democracy has taken root. But in others incumbents learned to tilt the playing field by threatening opponents, stifling the press, and buying support. Liberal institutions were grafted clumsily onto illiberal politics.

That produced strongman rulers who are happy to hold elections, but not to risk losing them. Yoweri Museveni, Uganda's president, has ruled since 1986 and twice had the constitution amended to stay in power. His son and would-be successor Muhoozi Kainerugaba, who commands the army, can barely be bothered to keep up the democratic pretence. In January he wrote on X, a social-media platform, that he would like to behead Bobi Wine, an opposition leader who has been tortured.

In Tanzania the discourse is gentler, though hardly free. The ruling party has governed since independence in 1961. Under John Magufuli, who became president in 2015, it stuffed ballot boxes and crushed dissent. When he died in 2021 his successor, Samia Suluhu Hassan, promised reform and lifted a ban on opposition rallies. But she has faced dissent within the party and resurgent activism outside it, says Nicodemus Minde of the Institute for Security Studies. Repression is tightening again. The party won a dubious 99% of positions in local elections last year.

In authoritarian countries critics are easily cast as traitors, since taking on the ruling party means challenging the state. Mr Besigye does not trust the electoral process and has repeatedly tried to instigate a popular uprising. Mr Lissu is leading a campaign called "no reforms, no election", urging his supporters to disrupt the vote unless institutions like the electoral commission are made more independent. "The commission is in cahoots with the CCM [the ruling party] to rig the election," argues Rugemeleza Nshala, his lawyer.

The treason charge is not the worst thing to happen to Mr Lissu, whom unknown gunmen riddled with bullets in 2017. He will probably not be convicted, but the case will keep him out of sight, embroiled in endless court dates. For Mr Besigye, who has been charged with treason twice before, the routine is familiar. He was denied bail on April 11th. "There's a price you pay for challenging the status quo," says Doreen Nyanjira, the deputy mayor of Kampala, who is one of his allies.

This kind of lawfare can galvanise popular outrage. Hakainde Hichilema, charged with treason in 2017, is now president of Zambia. Ousmane Sonko, charged with corrupting youth and fomenting insurrection in 2023, became prime minister of Senegal a year ago (see previous story). Such a turnaround seems improbable in Uganda or Tanzania. But in their prison cells, the "traitors" are not giving up. ■

Europe



Fighting and talking

The vanishing Ukraine ceasefire

WASHINGTON, DC

Donald Trump increasingly looks like Russia's willing dupe

HE PROMISED to end the war in Ukraine within a day. Now, insiders say, Donald Trump hopes to secure a ceasefire within his first 100 days—ie, by the end of this month. He has started to refer to the conflict as “Biden’s war”. But if it drags on, he worries it will increasingly become his.

How to stop the fighting? Russia has ignored America’s call for an unconditional 30-day ceasefire, which Ukraine accepted on March 11th. Instead it has played for time and intensified its attacks. On April 13th two Russian missiles struck the town of Sumy, killing 34 people, many of them gathering to attend Palm Sunday services. It followed a similar strike on Kryvyi Rih on April 4th that killed 20 people.

Radek Sikorski, Poland’s foreign minister, said Mr Trump’s team should realise that the Kremlin was “mocking their goodwill”. Mr Trump, though, seems immune to shame. He has proved peculiarly indulgent of Russia and hostile towards Ukraine.

Even as some of his aides denounced the Russian attack on Sumy, Mr Trump suggested it was a “mistake”, albeit a “horrible” one. Astonishingly, on April 14th he blamed Ukraine for being invaded by Russia, shrugging off a Ukrainian request to buy American missiles. “You don’t start a war against somebody that’s 20 times your size and then hope that people give you some missiles,” he declared.

Admirers of Mr Trump insist he is ready to get tough with Russia. He has renewed his predecessor’s sanctions on Russia, and has expressed impatience with the Krem-

lin, telling one interviewer that he was “pissed off” with Russia and floating the idea of imposing “secondary tariffs”, presumably on countries buying Russian oil. On April 11th he said, “Russia has to get moving.” European leaders are clamouring for additional sanctions on Russia to make such words count, so far to no avail.

In March Mr Trump briefly cut the weapons and intelligence to Ukraine. Keith Kellogg, an adviser, compared this to “hitting a mule with a two-by-four across the nose”. It worked: within days, Ukraine agreed to the 30-day ceasefire. For the obdurate Russians, however, there have been no sticks, only carrots. American and Russian officials met in Istanbul on April 10th to discuss upgrading their embassies. The countries also exchanged two prisoners. Russian media say the rapprochement is proceeding regardless of the Ukraine talks.

When Mr Trump announced his worldwide “reciprocal tariffs” this month, he whacked Ukraine with the minimum 10% universal rate while excluding Russia (supposedly because it was already under sanctions). One solace for Ukraine is that the turmoil of the trade war is such that the price of oil has tumbled from around \$80 a barrel in January to \$65, sharply cutting Mr Putin’s revenues.

Notably absent from Mr Trump’s discourse is any notion of additional military »

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► aid for Ukraine. Indeed, America's support is dwindling. The flow of weapons approved by Joe Biden will run out in the coming months, and Mr Trump has not authorised any more. Another budget allocation to support Ukraine looks unlikely.

America is withdrawing troops and equipment from Rzeszow, a vital hub in Poland for weapons being sent to Ukraine. Their duties will henceforth be carried out by European troops. America is also taking a different approach to the Ukraine Defence Contact Group, a gathering of 50-odd countries contributing military help that was created by his predecessor, Lloyd Austin. Mr Austin led the group in person, but on April 11th Mr Hegseth joined by video link.

Another sign of the times is that Pentagon figures recently questioned one ally about why it was still supplying weapons to Ukraine—a challenge that was ignored. Diplomats in Washington also report that some Trump aides say privately that they are “fed up” with Europe's effort to strengthen Ukraine. As always with such a chaotic administration, it is hard to distinguish the true signal from the noise.

For now Europeans are pushing along two tracks. The first is the effort by Britain and France to create a European “reassurance force” to help Ukraine after a ceasefire. Russia objects to that deployment, even if America is offering no assurance that it will back the Europeans. The force would not seek to police the front lines between Russian and Ukrainian forces. Instead it would stay away from the front, probably in western Ukraine, where it would concentrate on training Ukrainian forces, and perhaps do joint air patrols.

Europeans hope to show Mr Trump that they are taking up the burden of European security, hoping to retain at least some kind of American commitment, to NATO if not to Ukraine. Under this emerging scheme, the future “deterrence” of Russia would come in three zones: reinforced Ukrainian troops holding the line against Russia in the east, European forces in the west and, at least for now, a lingering American presence in NATO countries.

But the creation of such a force depends on an ever-elusive ceasefire. Steve Witkoff, Mr Trump's envoy to Russia, is reported to have said that the quickest way of securing one would be to let Russia take four Ukrainian provinces which it claims, including territory it has failed to conquer. That would be unacceptable to Ukraine and its European partners.

All this reinforces the need for the second track: increasing Europe's military assistance to Ukraine. David Shimer, a former official in Mr Biden's National Security Council, says there is no time to waste. Europeans should give away more of their stocks of weapons despite the risks; fi-



nance Ukraine's military industries; negotiate with Mr Trump to buy American air-defence systems for Ukraine; and use frozen Russian assets to pay for it all.

With Russia determined to press its invasion, and America seemingly determined to pull away, Ukraine will have to fight on, Mr Shimer says. “Now is the time for the Europeans to intensify their aid to Ukraine—so that Ukraine has the support it needs to defend itself and to push Putin to engage in meaningful negotiations.” ■

Politics in Ukraine

Fear of a monopoly

KYIV

Militarily the country is holding its own. But power is increasingly concentrated

BEHIND THE nondescript façade of a blight-industrial building in Kyiv, an eclectic crew of video-gamers, architects, scientists and film-makers is mass-producing deep-strike drones and cruise missiles. They do not look like old-style defence types, but they are transforming Ukraine's war. Three years ago they were making 30 drones a month. Now they are up to 1,300 a month, ranging from slow drones (\$580,000 for a set of ten) to a new ballistic missile (at \$1m a piece). They cost a fraction of what foreign ones do, and are based on open-source designs, meaning that they are not bound by foreign-usage restrictions. “We don't want to have any dependence on America's politics,” says the firm's founder, whose name cannot be disclosed for security reasons.

When Russia launched its full-scale invasion in 2022, Ukraine's war-fighting effort utterly depended on American and European supplies. Yet over the past three

years its own military manufacturing capacity has gone from \$1bn- to \$35bn-worth of materiel per year, according to Oleksandr Kamyshin, a presidential adviser overseeing the industry. Faster than anyone would have predicted, Ukraine is becoming self-sufficient in many types of weaponry. But big gaps remain. Ukraine still cannot make systems capable of knocking out incoming Russian missiles.

Manpower is another problem. Mobilisation has been mishandled: troops' rotations away from the front are infrequent; draft agents seize people arbitrarily; and the government has hesitated to lower the age of conscription. Still, the army has grown, and elite units continue to attract recruits. Most important, drones have sharply reduced Russia's numerical advantage: according to some estimates, 75% of all casualties suffered by the Russian army are inflicted by them.

Ukraine's worst fragility may be not military but political. Since the start of the war, many liberal and moderate Ukrainians have faced a dilemma. Drawing attention to incompetence, corruption or mismanagement by the government risks undermining international support. But keeping silent means accepting Mr Zelensky's increasing monopoly of power, which has sometimes undermined the state's effectiveness and even the war effort itself. “While the Western media and European leaders have lionised Zelensky and turned him into a celebrity, we feel trapped,” says Yulia Mostovaya, the editor of ZN.UA, an independent online daily.

If criticising Mr Zelensky was difficult before Mr Trump attacked him in February for being “a dictator”, doing so now is all but impossible. Ukrainians have rallied around the president to such an extent that he appears to be considering holding elections. “If Zelensky feels he has no competitors, that means elections are approaching,” quips one official. In preparation for the possibility of them, the state appears to be tightening its grip.

In February Petro Poroshenko, who leads the largest opposition party, was penalised for unspecified “threats to national security”. His assets have been frozen. He is also being charged with “high treason” in a legal case which looks to critics like lawfare. The sanctions in effect bar him from contesting any election. However much Ukrainians may dislike Mr Poroshenko, many see this as a dangerous precedent. “If Poroshenko can be barred from an electoral process without any court decision, so can anyone else,” says Olexiy Honcharenko, a member of Ukraine's parliament, the Rada.

Civil-society activists are also being harassed. Vitaly Shabunin, an anti-corruption crusader, who had enlisted in the first days of the war while also exposing graft in ►►

► Ukraine's defence ministry, has long been targeted. His latest investigation was met with snide vengeance. To punish him, he has been sent close to the front; photographs of him delivering food are sent daily to the authorities. Such methods recall Vladimir Putin's early years of rule, says Mr Shabunin, at least in their pettiness.

Ukraine's politics is a far cry from Russia's, and concentrating power is a natural consequence of war. But some of Ukraine's staunchest supporters increasingly worry it may be going too far. True, Ukraine's democracy was never really based on the rule of law. Its pluralism was provided by the diversity of its regions, the competing interests of its power groups, and a vocal civil society that relied on the support of Western embassies and the media. But all these checks are being weakened or removed.

In the name of efficiency, power is being concentrated not in the government or the parliament, but in the hands of a few unelected officials in the presidential administration, including Andriy Yermak, the chief of staff, Dmytro Litvin, Mr Zelensky's speechwriter, and Oleh Tatarov, who oversees the security agencies. The administration is reluctant to share power not just with opponents but with anyone seen as a potential rival. Loyalists are rewarded with seats on the boards of state firms. Those who show too much independence, have too much popular support or enjoy direct lines of communication to Western countries have been fired or sidelined. This includes Valery Zaluzhny, the popular commander of Ukrainian forces, removed in February 2024 and sent to be ambassador in London. Others pushed out include Oleksandr Kubrakov, a former minister of infrastructure; Dmytro Kuleba, a former foreign minister; and Mustafa Nayem, who led the agency for reconstruction.



Not above criticism

Differences of opinion and critical media are seen as a threat, rather than a strength. Sevgil Musaeva, the editor of *Ukrainska Pravda*, the country's leading independent online publication, complains that instead of dealing with the reasons that prompt journalistic investigations, the presidential office responds by restricting access, targeting advertisers and seeing any contact with its journalists as treachery. "This is not systemic censorship, but if we don't resist, the free space will disappear before we know it," she says.

Ukraine's move towards more authoritarian rule is unsurprising given the pressures it faces as the war grinds on well into its fourth year. Yet the risk is that it undermines the country's self-organising resilience. As Mr Honcharenko puts it: "We have demonstrated that a small democracy can resist a larger autocracy and turn itself into a porcupine. But a small autocracy can be swallowed by a larger one." ■

Free expression in Germany

Germany's gag reflex

BERLIN

Over-zealous courts and bad law are undermining free speech

IN 2003 Barbra Streisand, an American chanteuse, sought to block the publication of an aerial photo of her Malibu mansion. When news of her frivolous lawsuit spread, so did the number of people who downloaded the image. The phenomenon of unwittingly publicising information by seeking its suppression became known as the "Streisand effect". Something similar has recently unfolded in Germany.

Last year David Bendels, a journalist, published a doctored photograph of Nancy Faeser, Germany's interior minister, appearing to hold a sign saying *Ich hasse die Meinungsfreiheit* ("I hate freedom of opinion"). Such images are a dime a dozen on social media. Yet Ms Faeser seemed determined to prove Mr Bendels right. She filed a criminal complaint, and earlier this month a court handed Mr Bendels a seven-month suspended prison sentence, a hefty fine and an order to apologise.

The verdict led to the widespread distribution of the picture, and inspired armies of amateur satirists to circulate their own faked photos of Ms Faeser, including some that plumbed fresh depths of crassness. It has also shocked many observers in a country whose constitution guarantees the free expression and distribution of opinions, explicitly including images.

German law has long weighed such protections against competing demands.

Holocaust denial and Nazi glorification have been outlawed for decades. As long ago as 1955 the constitutional court ruled that "slander and defamation" posed a risk to democracy if it led politicians to withdraw from public life. In 2021 politicians tightened the rules further, worried by the spread of abuse and disinformation on social media. Courts may now punish insults against politicians especially severely, if their work is "significantly impeded". In Mr Bendels's case the court ruled, dubiously, that an impartial observer would not be able to tell that the image of Ms Faeser had been altered. That ensured her right to protection from defamation was given priority over his to freedom of expression. Mr Bendels may appeal.

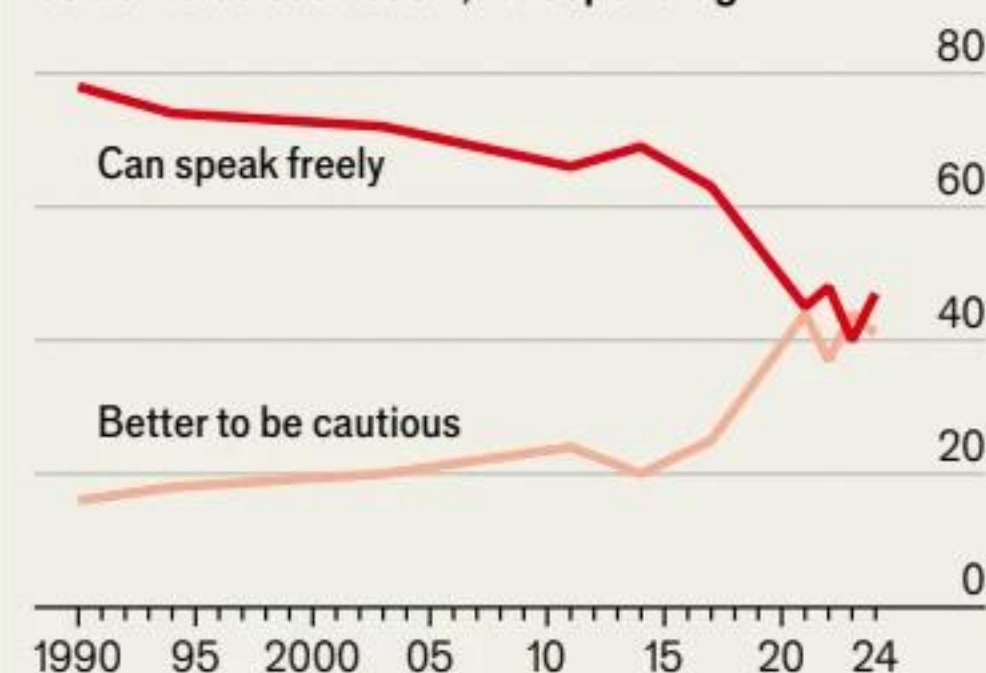
Prosecutors are happy to argue that defamation may impede politicians from exercising their duties. A Bavarian court has ruled that insults "beyond the absolute minimum of respect" can be punished. And more may be to come. The governing agreement between Germany's incoming coalition partners pledges to empower a regulator to crack down on the "deliberate dissemination of false factual claims".

No wonder there has been overreach. Last year a pensioner who had shared an image on X calling Robert Habeck, Germany's vice-chancellor, an "idiot", was subject to a dawn raid on his home by police after Mr Habeck complained. A court fined a journalist who had suggested Mr Habeck might not look out of place "in a gathering of railway station alcoholics" (the ruling was overturned). Christian Schertz, a lawyer representing a politician who is suing *Titanic*, a satirical magazine, for lampooning him, says politicians deserve "special protection" in law, given the "massive increase" in hate speech against them, and that the current criminal code gets the balance right. But even he regards the Bendels ruling as excessive.

J.D. Vance, America's vice-president, has said soldiers stationed in Germany risk imprisonment for a "mean tweet". That may be rich coming from an administra- ►►

Not so free

"Do you feel that you can freely express your political opinion in Germany today, or is it better to be cautious?", % responding



Source: IfD Allensbach

tion that has detained foreign students for wrongthink. Germany is not an outlier in freedom-of-expression rankings. But it is not just foreigners who are worried. In 2024 just 40% of Germans told Allensbach, a pollster, that they felt able to express themselves freely. The figure has halved since 1990 (see chart on previous page).

In Germany, as in America and elsewhere, free-speech crusades are often regarded as the preserve of the dissident right. Mr Bendels is close to the hard-right Alternative for Germany party, which often complains that its views are unfairly suppressed. Yet left-wing activists, especially pro-Palestinians, have also fallen prey to police and prosecutors. Police in Berlin have shut down conferences and demonstrations in attempts to see off hate speech. Academics who supported pro-Palestine students have been threatened with a loss of funding. The risks to free expression do not go only in one direction. ■

Spain

Battle on the right

MADRID

The revival of Vox rattles the mainstream conservatives

THIS HAS already been quite a year for Santiago Abascal, the leader of Vox. In January he was the only Spanish politician (and one of very few Europeans) to be invited to Donald Trump's inauguration. The next month, as president of the Patriots for Europe grouping, he hosted in Madrid a gathering of hard-right leaders from across Europe, including Viktor Orban of Hungary and Marine Le Pen of France. And after years of gently declining support from a peak of 15% in a general election in November 2019, since September Vox has steadily revived in the opinion polls from around 10.5% to over 14%. Among Spanish men aged under 25 Vox is now the leading party, and among males under 45 it enjoys more support than the mainstream conservative People's Party (PP).

This worries the PP. So far it has avoided the fate of its counterparts in France and Italy, which have been displaced by upstarts further to the right. But at the last election, in 2023, Vox probably cost the PP the victory that was expected to bring it to office. Pedro Sánchez, the Socialist prime minister, successfully invoked the bogey of the "extreme right" to scare disillusioned centrists into voting for him. Division on the right meant that, all told, it fell four seats short of a majority, letting Mr Sánchez cling on with the parliamentary support of the hard left and Catalan and

Basque nationalists.

Founded in 2013 as a splinter of the PP, Vox initially grew because of alarm that Catalonia's drive for independence would break up Spain. As that threat has receded, the party has focused on illegal immigration and waging a culture war against feminism, trans and animal rights.

It has benefited from the PP's flaws. Alberto Núñez Feijóo, the PP's leader since 2022, was a successful regional president of Galicia. He is decent and moderate but has struggled to make his mark on the national stage. "He lacks the killer instinct needed to be prime minister," says a former PP minister. Since 2023 he has constantly sought Mr Sánchez's downfall, but has been unable to bring this about.

The PP has failed to project a positive alternative. "There's a lack of clarity and strategic sense," concedes a PP MP. "Spaniards need to see that there's a clear project." One strand in the party is confrontational, another less so. Mr Feijóo has oscillated between sniping at Vox and treating it as a potential ally. "The PP is like a gentleman; these guys break your legs," says the MP, referring to Vox.

Vox has benefited in particular from the catastrophic mismanagement of floods and mudslides in Valencia last October (which killed 224 people) by Carlos Mazón, the PP's regional president. While the PP squabbled with Mr Sánchez over the relief effort, Vox sent volunteers to stricken towns and popularised a catchy slogan: "Only the people will save the people". Yet Mr Feijóo has so far shrunk from forcing Mr Mazón out.

Vox has gained ground despite lurching further to the right. The party "hasn't departed from its ideas and principles", insists Jorge Martín Frías, who runs Disenso, its think-tank. Nevertheless, the party's

most prominent economic liberals have left; those now in charge are identified with the kind of traditional Catholic nationalism and protectionism that marked the dictatorship of Francisco Franco. Last summer it walked out of governing alliances with the PP in six regions, including Valencia, saying that the PP was not tough enough on illegal immigration (actually the national government's responsibility).

Vox's international alignments could hurt it. Last summer it left the European Conservatives and Reformists group, of which Giorgia Meloni's Brothers of Italy party is a prominent member, to join the Patriots. It had earlier accepted a €9.2m loan from a Hungarian bank; Mr Frías says this was because no Spanish bank would lend to it, and that the loan has been repaid. Having criticised Russia's invasion of Ukraine, Mr Abascal now temporises. His support for Mr Trump may backfire on Vox if American tariffs hurt Spanish exports.

The switch to the Patriots has prompted disquiet in Vox's ranks. So, too, has the ruthlessly centralised way the party is run. In February around a hundred Vox dissidents held a meeting and issued a statement complaining that the leadership has "entrenched itself in power". They included regional and municipal councillors and former MPs. However, Mr Frías dismisses their significance, pointing to "new people who have come in".

Vox has undoubtedly attracted younger Spaniards who are offended by Mr Sánchez's concessions to Catalan and Basque nationalists and feel that the welfare state is failing them. But it is hard to see it displacing the PP, which retains deep roots in many of Spain's regions. Even so, Vox could still make it hard for the PP to return to power unless Mr Feijóo and his party up their game. ■



Franco would be glad

CHARLEMAGNE

Europe's arc of discontent

The streets of Belgrade, Istanbul and beyond are alive with the sound of protests



POLITICAL RALLIES come in all shapes and sizes—and speeds. Spanish trade unionists amble gently, carrying banners at a leisurely pace. French *manifestants* in 2018 occupied roundabouts during the “yellow vests” movement, milling about as cars zoomed past their encampments. Those wishing to meet the protesters who have gripped Serbia for the past five months will need a touch more energy, and a pair of trainers. University students marching down Belgrade’s boulevards do so at such a brisk clip that out-of-shape middle-aged types—including this visiting columnist—can find it hard to keep up. Luckily, anyone running out of puff can simply fall behind and wait for the next of a slew of parades organised throughout the day to speed-march their way past. Onlookers of all ages seem to have a whistle tucked away in a pocket, ready to contribute to the cacophony generated by a few dozen or hundred students scurrying along. Five minutes later all is quiet again, until the next lot arrives.

Europe’s south-eastern quarter is traversed by an arc of discontent. Starting in Slovakia and Hungary in the north, crossing Serbia and others in the Balkans before arriving in Turkey and Georgia farther east, this crescent has for months been rocked by recurring protests. The causes behind the marching vary from one country to the next, as does the intensity of the griping. But not coincidentally the arc includes countries run by leaders who have mixed elements of democracy with an autocratic bent. Many such strongmen have less to fear from the ballot box than they do from “the street” should they wish to extend their (often already over-long) time in office. Whether the protests will succeed depends on what one thinks they are meant to achieve. Those who see them as a revival of the “colour revolutions” of the noughties, which toppled repressive regimes in Ukraine or Georgia, are bound to be disappointed when today’s leaders ride out the disgruntlement. Those with more modest ambitions—keeping politicians somewhat honest and reminding them that impunity has a cost—may just end up satisfied with the outcome.

The most restless bit of the arc has been Serbia. On March 15th an estimated 300,000 people marched in Belgrade, a staggering figure for a country of 6.5m inhabitants. Miniature reprises of the

protests are now organised daily via social-media apps, not just in the capital but far beyond (students have since been joined by many others). The proximate cause of the public ire was the collapse in November of a train-station canopy in the city of Novi Sad, which left 16 dead. The shoddy construction, part of an infrastructure push financed by China, hinted at a mix of corruption, official ineptitude and state capture. Sit-ins at universities and high schools have resulted in civic assemblies that have issued a slew of demands revolving around increased accountability of institutions. That is a thinly veiled dig at Aleksandar Vucic, the Serbian president who has in effect ruled the country since 2012.

A fire in a nightclub in North Macedonia last month sparked similar discontent. In Turkey it was the jailing on March 19th of Ekrem Imamoglu, the mayor of Istanbul, who stood the best chance to dislodge Recep Tayyip Erdogan from the presidency in 2028. Georgians have been in the streets since October, when the opposition claimed parliamentary elections won by an illiberal, anti-Western faction had been rigged. Lots of Hungarians and Slovaks, meanwhile, are fed up with pro-Russian governments run by Viktor Orban and Robert Fico respectively, which have turned the duo into pariahs within the European Union.

For all the enthusiasm of the protesters from Istanbul to Bratislava, the dramatic ousting of regimes seems unlikely. For one, the seasoned strongmen are well-versed in how to defuse public ire. Mr Vucic has been careful to let the protesters vent their displeasure without being clobbered by police—though the probable use of a “sound cannon” (which the authorities deny) to disperse crowds has riled the demonstrators. Promises of change, including sacking the prime minister and installing a new government, may have taken some steam out of the protests. Mr Erdogan has leaned on pliable media to play down the scale of the marches. Mr Orban for his part has galvanised his supporters by fuelling the culture wars: on April 14th Hungarian lawmakers voted for a constitutional amendment that includes a ban on gay-pride marches.

Mr Vucic claims he is foiling a “colour revolution” of his own, a plot funded by international foundations and foreign governments. In fact the anger is home-grown. Serbia is in the midst of democratic backsliding, a partial descent into autocracy. If anything, the Westerners usually on hand to lend succour to such protests have been notable by their absence of support for those defying the strongmen. Russia holds sway in much of this part of Europe, meaning the EU dares not lecture for fear of pushing potential allies into Moscow’s arms. Mr Vucic helps keep the peace in the Balkans, and Serbia has lithium Europe needs for its green transition. Mr Erdogan has helped stem a migration crisis for Europeans farther west, and so mostly gets a free pass. As for America, Donald Trump’s family is putting up a hotel in Belgrade.

Don’t you know it’s gonna be all right

That is dispiriting to some—but not to those still pounding the Serbian streets. “Changing the regime is not the only way this ends positively,” says Milena Mihajlovic of the European Policy Centre, a think-tank in Belgrade. Some revolutions take a more circuitous route. When the marching started, youngsters were seen as having little interest in the politics of a country many were considering leaving anyway, says Slobodan Markovich at the Faculty of Political Science in Belgrade. Now they are invested in the country’s future, dissecting the inner workings of institutions from courts to state media. If that is not revolutionary, what is? ■

Britain



A hasty nationalisation

Steelmanning

The government has entered the steel industry without a plan

THE TONE has been breathless and nostalgic. On April 12th MPs were recalled from their Easter recess, a move typically reserved for wars and other national crises, to prevent the closure of the country's last remaining blast furnaces, operated by British Steel, nowadays a Chinese-owned firm. There were stirring speeches about the country's industrial heritage and excitable accusations of foreign sabotage. At one point the Royal Navy was "on alert" to escort fuel shipments. By April 15th Jonathan Reynolds, the business secretary, who had gone to direct action from the Scunthorpe steelworks, could reassure a restless nation that he had "secured the raw materials to save British Steel".

In all this what was harder to find was a clear rationale. It was obvious that the Labour government, which won back voters in towns like Scunthorpe at the last election and likes to talk up the prospects of an industrial revival, was caught between a

rock and a steel-hard place. The plant's closure would have brought thousands of job losses; MPs on all sides insisted that it would "threaten national security". Yet the government has leapt into a sector that has been in decline for five decades, and looks ever less competitive, without much of a plan. That is worrying for taxpayers, and raises questions about its priorities.

The urgent state intervention followed failed negotiations with the plant's Chinese owner, Jingye. Nearly two years of

tense rescue talks unravelled last month when Jingye rejected £500m (\$650m) of state funding to help the plant switch to greener production. The company, which bought British Steel out of insolvency in 2020, says the blast furnaces are no longer viable: it claims the Scunthorpe site is losing around £700,000 a day, despite £1.2bn of investment. From iron pellets to coking coal, essential supplies needed to keep the blast furnaces going were due to run out imminently. Ministers accuse Jingye of acting to hasten that outcome. Instead, they granted themselves sweeping powers over the site; experts now see full nationalisation as the likely result.

British steel producers have faced recurring problems for years. High energy prices have made them less competitive—a problem that has worsened recently because the country is particularly exposed to high gas prices. Heavily subsidised steel from China, which accounts for more than half of the world's production, is more carbon-intensive. But it is cheap and plentiful. While other countries have thrown money at their steelworks, using subsidies and energy-price controls to prop up struggling producers, those in Britain have been left more vulnerable, and thus prone to underinvestment and low productivity. America's 25% tariff on steel imports, announced by Donald Trump in February, has com-

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► pounded the problem.

The national-security case for rescuing Scunthorpe's blast furnaces is not the slam-dunk many MPs seem to have assumed. Most of the steel used by Britain's defence industry is already imported, including steel for submarine hulls and thin-plate shipbuilding, which British mills no longer produce at sufficient quality. Nor are Britain's steelworks self-sufficient: they rely on imports of coal and iron ore from countries like Australia, Brazil, South Africa and Sweden, and have done for years. In the period leading up to the second world war, Britain sourced large quantities of iron from Sweden to make weapons.

It is true that the plant's closure would have made Britain the only G7 country unable to produce primary steel (ie, directly from raw materials such as iron and coke). Military planners may worry whether, in a conflict where steel production was highly relevant, allies would divert steel to Britain for its particular production needs. Yet other smaller countries, including Denmark and Ireland, rely on imports; Britain could diversify its supply chains and strike advance-purchasing agreements. Electric arc furnaces, using recycled scrap steel, can nowadays produce high-grade steels: one at Rotherham supplies the steel for aircraft landing gear, for example. It is worth asking if primary steel is indeed the most significant potential bottleneck compared with other pressing military priorities.

Mr Reynolds also argues that the steel industry can have an "enormous role" in driving growth. Yet the notion that propping up an ailing sector will somehow boost Britain's productivity is bizarre. Britain does need to build lots of houses, railways and wind turbines. But that can be done using metals from elsewhere, which are typically cheaper.

If the government wants an industrial strategy that boosts sectors where Britain has advantages, steel is not an obvious place to start, says Giles Wilkes, a former business-department adviser. Already, the government has committed £2.5bn to the industry, on top of the £500m the last government gave to a plant in Port Talbot. The risk is that steel becomes a financial black hole, with ministers compelled to throw good money after bad, or force other firms to "buy British".

Despite such concerns, there was near-complete consensus over the effective nationalisation—from the Liberal Democrats and the Conservatives to Reform UK. Several MPs accused Jingye of deliberate sabotage, and argued for tighter restrictions on Chinese ownership of critical infrastructure. So far, there is little evidence to back up the charge. Jingye appears to have been poorly run, but its rapid exit looks more likely to have been driven by heavy losses and Mr Trump's tariffs than by a concerted

strategy to degrade Britain's industrial capacity. British governments have already limited Chinese involvement in nuclear power and telecoms, but the current government is likely to continue to try to woo investment elsewhere.

The emergency bill gives ministers extensive powers to intervene in "strategic" sites, which is hardly likely to help make Britain look attractive to foreign investors. They are seeking alternative backers for the Scunthorpe plant, but may be forced to complete a nationalisation within weeks. At that point, taxpayers will take on the plant's losses (now £230m a year), and ministers will grapple with all the problems private operators have long faced. The question MPs should be asking, with the same urgency that characterised the government's intervention, is this: if this nationalisation is, in effect, defence spending or employment subsidy, are there not better ways to spend the money? ■

Rubbish policy

When "equal value" comes to town

BIRMINGHAM

Bin strikes in Birmingham reveal local problems, and a national one

ON BIRMINGHAM'S POORER streets, veiled mothers push their prams through scattered litter. The remarkably sunny spring would normally be a thrill for their children. Less so this time. The abundant rubbish, in some places piled in heaps two metres high, rots faster in the heat. It has taken on the sweet-and-sour smell of decay. Residents report that rats the size of

cats roam, with 17,000 accumulated roadside tonnes to feed on—though your correspondent did not spot any.

The binmen are on strike, and have been for weeks. On the surface, the dispute sounds as common as any other. Birmingham City Council, which employs the binmen, wants to cut jobs—specifically, that of the "waste recycling and collection officer" (WRCO), the fourth man on each collection lorry. The council wishes to reform a service it says is underperforming. The binmen think they are doing a good job already, thank you very much. After talks between the council and Unite, a union, broke down in December, workers first walked out for a stint in January. By mid-March they had decided not to walk back in again. On April 14th they "overwhelmingly" rejected a settlement that was on offer to them, and kept striking.

That they are mainly binmen (and not binwomen) is the crux of the mess as far as the council is concerned. (Unite claims the dispute is more narrowly about budget cuts.) Staff employed in predominantly female jobs, such as cleaners and care-home workers, have been arguing in courts that their work is of "equal value" to ones typically done by men, such as waste workers and WRCOs, and so they should be entitled to the same pay and perks.

Judges have agreed. The right to equal pay for work of "equal value" has a long, if meandering, history in Britain. Workers under the same employer have been entitled to claim that their work is of "equal value" since 1983, when Parliament amended the Equal Pay Act to better align with European law.

Britain has turned out to have a greater zeal for the principle than its continental peers. A series of legal tweaks also made cases of this kind easier to bring. "No win ►►



Bags of trouble

► no fee” rules for lawyers were loosened. Litigants won the right to more time to make their claims, and to more back-pay if they were successful. The laws might not have changed much, but the economics did. The number of “equal pay for equal value” lawsuits shot up. Next, a clothes shop, is on the hook for £30m in compensation for paying warehouse workers more than shop staff.

No organisation has had to open its pockets as much as Birmingham City Council. It has paid out more than £1bn (\$1.3bn) to claimants. It owes at least another £250m. These settlements, as well as a botched IT reform, forced the council in effect to declare bankruptcy in 2023. Getting rid of WRCOs would go a long way towards stanching the flow of new claims against it, the council’s external auditors reckon: city leaders “have to follow through”, urged Mark Stocks of Grant Thornton, the auditing firm. The council

has offered WRCOs other employment at the same grade, training to be a driver, or a redundancy payout.

Such reforming zeal may be Unite’s biggest fear. In an effort to eliminate all future equal-value claims, the council is busy reassessing how it pays all its other workers, too. Taking the safest course could see other male-dominated jobs squeezed. In rejecting the latest deal by the council, the union complained that the offer did not tackle potential future pay cuts for 200 bin-lorry drivers.

This is not the first time that Birmingham has tried to fix its bin service. One attempt, in 2017, was met with seven weeks of strikes. Equal-pay fears, along with complaints about the quality of the service, motivated reformers then too: the fourth man on the lorry was, as now, for the chop. In the end the council caved. Will it do so again? That would only kick the bin down the road once more. ■

Popular productions

The Hollywood of Europe

Hit shows like “Adolescence” are a mixed blessing for the British film industry

ARE HITS like “Adolescence” good or bad for Britain? A couple of years ago Warp Films, the Sheffield-based production company behind the Netflix drama, was on the brink. With covid-19 shutting production and delaying new releases, work was drying up across the industry. Months away from “turning the lights off”, Warp Films sought new investment. Now its four-part series, set in nearby Doncaster, has been watched more than 114m times, making it one of Netflix’s most popular offerings.

Such successes have established Britain as the “Hollywood of Europe”. Tax breaks, an abundance of talent and cutting-edge studio space have made Britain a magnet for productions such as “The Crown” and “Bridgerton”. Global streaming platforms such as Disney+, Netflix and Amazon commissioned 123 new British TV series in 2024, a figure surpassed only by America’s 505 titles, according to Richard Broughton of Ampere Analysis, a research firm. American cable companies, studios and TV networks have also waded into Britain, shooting films such as “Wicked,” “Barbie” and “Andor”, the latest in the Star Wars saga.

But beyond the red carpets and star-studded sets, the arrival of major content platforms with deep pockets has left Britain’s cash-strapped broadcasters and local production houses falling behind. Warp

Films’ near-closure is mirrored elsewhere. Staff at Euston Films, the production company behind “Nightsleeper”, a six-part series, were all laid off days before the show premiered on the BBC in September 2024, attracting more than 8m viewers. “Wolf Hall: The Mirror and The Light”, a much admired historical drama that aired two months later, would not have made it to

screen without the project’s producer, writer, director and leading actor giving up part of their pay. The question of whether British hits such as “Adolescence” are a blessing or a curse for the industry is being widely debated.

Critics say increased competition has strangled local markets. A handful of high-budget projects have fuelled competition for cast, crew and studio space, inflating costs and squeezing margins for others. Streaming platforms have doubled their commissions in Britain since 2019, ploughing hundreds of millions of pounds into British content. By contrast, spending by public-service broadcasters like the BBC has plunged. This contributed to a 25% decline in overall domestic spending on high-end TV productions last year.

The influence of American content giants poses another challenge. Although streamers have meant higher wages for the people working on their shows, jobs have become less secure. After a post-pandemic production surge, most streaming services reined in their spending in 2023. As commissions out of Hollywood fell, so too did job numbers in Britain. Strikes exacerbated the problem: thousands of American screenwriters, actors and other media professionals walked out in 2023. By July 2024 more than half of people who had been working in Britain’s TV and film industry were still unemployed. Just 6% had returned to their usual workload, according to BECTU, a trade union.

British politicians are contemplating intervention. The House of Commons’ Culture, Media and Sport Committee has recommended that major streaming platforms should voluntarily contribute 5% of their subscriber revenues in Britain to a fund aimed at financing drama for domestic productions. The committee concluded that the government should mandate this if necessary. A number of countries have already been taking similar steps. Canada introduced a levy in 2024 (though it faces legal challenges). Denmark introduced one this year. Several other European countries, including France, Germany, Italy and Spain, have imposed levies or investment obligations.

Netflix has warned that extra taxes will lead to price rises for audiences. A spokesman for the company urged politicians to “create a business environment that incentivises rather than penalises investment”. Netflix and its peers already work with traditional broadcasters through co-productions. Amazon and the BBC have pooled their resources and talent to create shows such as “Fleabag”, a comedy-drama; Netflix and the BBC joined forces on “Bodyguard”, a political thriller. This is a boon for audiences. And taxing the streamers won’t solve the long-term financial viability of Britain’s broadcasters. ■



Cut?

BAGEHOT

In praise of flag-shagging

To govern Britain, it helps to like it



THERE ARE no prizes for subtlety in British politics. But there are prizes for the winners of “Tapp Into Reading”, a scheme where children in Dover and Deal, the constituency home to the White Cliffs, compete to perform the best theatrical reading of patriotic VE Day-themed literature. It is the brainchild of its Labour MP, Mike Tapp, a military veteran who since his election in 2024 has taken to generating AI pictures of himself in the style of first-world-war recruitment posters captioned: “YOUR COUNTRY NEEDS YOU TO UNITE AGAINST FAKE PATRIOTS”.

Flag-shagging, the uncouth vernacular for overt displays of patriotism, abounds in the Labour Party of Sir Keir Starmer. It starts at the top. Sir Keir began his first party broadcast with the words: “I love this country.” A Union flag was installed in his office. When the queen died shortly before Labour’s conference in 2022, the party went overboard with patriotic garb. (“It looks like Ibrox,” said a Scottish union figure, referring to the stadium of Glasgow Rangers Football Club, whose fans love king and country.) Patriotism for Sir Keir is a simple mix of the NHS, NATO and, in his own words, “belting out Three Lions in the crowd at Wembley in ’96”.

Watching Mr Tapp herald British values while “Rule Britannia” plays in the background, a viewer might wonder: is it possible to lay it on a bit *too* thick? Consider the alternative. Attempts at thoughtful patriotism got Labour nowhere. In 2007 Gordon Brown offered elegies on what it was to be British. It did little for a Scottish prime minister leading a governing party that won fewer votes than the Conservatives in England at the 2005 election. Under Ed Miliband, Labour agonised over national identity. The then Labour leader spoke thoughtfully about what it meant to be British, English, Jewish and a Leeds United fan. It failed. Jeremy Corbyn, from the hard-left, tried to detach patriotism from jingoism. He ended up the most unpopular opposition leader on record.

Party staffers may have grumbled about Sir Keir’s embrace of flag-shagging. There is a long-standing aversion to blatant nationalism on the British centre-left, where it is seen as at best cheap and at worst nasty. “Are you really so blind to what happens when you start pandering to the language and concerns of the right?” whimpered one Labour type (to the *Guardian*, the home of liberal

whimpering). The results are in. What happens? A huge majority for a centre-left party.

If Labour once overthought national identity, now the party happily underthinks it, with great success. St George’s Day, which falls on April 23rd, was a festival of leftie worrying about how English and British identity fit together. No more. Why does Mr Tapp talk of British values rather than English values? “They’re the same thing,” he says, Dover’s White Cliffs visible over his shoulder. A decade ago this would cause palpitations. What about Scottish Labour? Perhaps the union can bear a Labour MP in Dover having a different sense of British identity from one in Dunfermline.

Anyway, England agrees with Mr Tapp. In the 2011 census 58% of the country identified itself as “English-only” and 19% as “British-only”. In 2021 there was a stunning reversal: 55% identified itself as British-only and 15% as English-only. What caused it? They switched the answer order: most people care so little about the question, they simply ticked the box that came first. If no one else in England (85% of the United Kingdom’s population, remember) thinks too deeply about their identity, why should Labour?

It is not as if other parties offer a more subtle critique. Nigel Farage, the leader of Reform UK and a man fond of a gimmick, wears Union-flag socks. (“I have about 20 pairs,” he told one interviewer. “People send them to me.”) Labour making every party broadcast look like the Last Night of the Proms gives space to land more substantial blows against Mr Farage and his team, such as on their doveish stance on Russia. Reform UK “claim to be the party of patriotism”, said Sir Keir at a local-election campaign event (while standing in front of a big Union flag, as ever). “I’ll tell you this, there’s nothing patriotic about fawning over Putin.” You have no right to wear those socks, Mr Farage!

Labour’s claim to love the country is made easier by the Conservative Party seeming to hate it. Conservative nostalgia has soured into nihilism. Sir John Major, a former Tory prime minister, drew on George Orwell to describe a country of “long shadows on county grounds, warm beer, invincible green suburbs, dog lovers and...old maids bicycling to Holy Communion through the morning mist”. Listen to the shadow cabinet today and Britain is a land of grooming gangs, machete fights and migrants on Deliveroo bikes. It is not a description someone in Surrey, once a Conservative heartland of prosperous commuter villages, would recognise. Self-hate, so long a feature of a certain type of socialist, has infected the party that once monopolised unthinking patriotism.

Lie back and think of England. Or Britain. Either works

Of all the compromises Labour made to take power, flag-shagging has done the least harm. A foolish pledge not to raise any of VAT, income tax or national insurance has left the chancellor without the means to noticeably improve public services. Refusing to move much closer to Europe manages to be both unpopular and make the country poorer. It is those mistakes that will hinder Labour’s attempt to stay in power. By comparison, decking a conference hall out like Ibrox and belting out the national anthem was a small price to pay for electoral victory. If Paris is worth a mass, Downing Street is worth a series of theatrical VE Day readings.

Flag-shagging is simple. An instinctive affection—sometimes sincere, sometimes silly—is all it takes. “Wave the flag,” says Mr Tapp. “Have a bit of fun with it as well.” Labour learned this lesson during its 14-year stint in opposition; the Conservatives are learning it anew. If you want to lead Britain, it helps to like it. ■

International



Polymeramory

Plastics are greener than they seem

Environmentalists want the world to kick its addiction to repeating monomers. But most alternatives are worse for the planet

MICHAEL PHELAN, a famous billiards player and supplier, lamented in 1858 that the growing popularity of the game had made the ivory needed for the balls scarce and costly. “If any inventive genius would discover a substitute”, he wrote, “he would make a handsome fortune for himself, and earn our sincerest gratitude.” Five years later, Mr Phelan’s company offered a reward of \$10,000 (about \$250,000 today) for anyone who could do just that. The result, after some tinkering, was celluloid—the world’s first major synthetic plastic.

Though he never claimed the prize, John Hyatt, the inventor, was indeed richly rewarded. Ever since, the world has had an almost insatiable hunger for plastics. This is because plastics’ structure—made up of repeating molecular units called monomers, which can be combined and arranged in an enormous variety of ways to form polymers—meant that they could be used to replicate the properties of almost

any other material. They could also improve on it: becoming lighter, more durable, cheaper or easier to manufacture.

Their impact has been stunning. The ability to ship goods much more efficiently—and perishables more safely—allowed supply chains to stretch across borders, then oceans. In 2000 some 234m tonnes of plastic were produced. By 2021 annual production had roughly doubled, with the trade in plastics (and goods containing it) estimated to be worth \$1.2trn each year.

Without plastics the modern world would look decidedly different. Plastic packaging is significantly lighter than other materials—the weight of a one-litre plastic bottle is just 5% that of a glass one; a paper bag is nearly six times heavier than

a plastic one (and takes three times as much energy to produce). Using cans or glass bottles for soft drinks results in greenhouse-gas emissions two and three times higher respectively than using plastic, even taking recycling into account.

Lightweight, airtight plastic containers allow luxuries like Argentine beef to be sold cheaply in British supermarkets. But they also facilitate the transport and storage of essentials like rice, cooking oil and powdered milk in poor countries, where refrigeration is scarce and roads are poor. Doing away with them would make global trade so much more fuel-intensive and expensive that much of it might disappear.

Other industries would suffer, too (see chart 1 on next page). In construction, PVC pipes and plastic-based insulation materials have reduced the cost of building and maintaining homes, making housing more affordable. Plastic casings and circuit components are needed to make mobile phones, laptops and fibre-optic cables. In health care, single-use plastic syringes and protective equipment, such as gloves and masks, are crucial for infection control.

But all those gains have come at a cost. The production of plastics, which generally involves breaking down fossil fuels into their constituent hydrocarbon building blocks, such as ethylene and propylene, releases lots of carbon dioxide. The produc-

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tion and disposal of plastics is currently responsible for around 3.4% of the world's annual greenhouse-gas emissions, more than the aviation industry's 2.5%.

Then there is what happens to the 350m tonnes that are thrown away each year. Roughly 50% of plastic waste ends up in landfills. This is less environmentally ruinous than widely thought, as long as they are properly built and managed to prevent harmful chemicals (like those used in flame retardants) and microplastics from leaching out and contaminating the surrounding soil and water, or gases such as methane from escaping to the atmosphere.

The problem is collecting the waste in the first place. McKinsey reckons that 95% of all the plastics used in packaging (itself roughly 30% of the total plastic produced by volume) are disposed of after just one use. Of this, a third is never collected at all. Instead, it litters the natural environment and clogs up ecosystems (see chart 2).

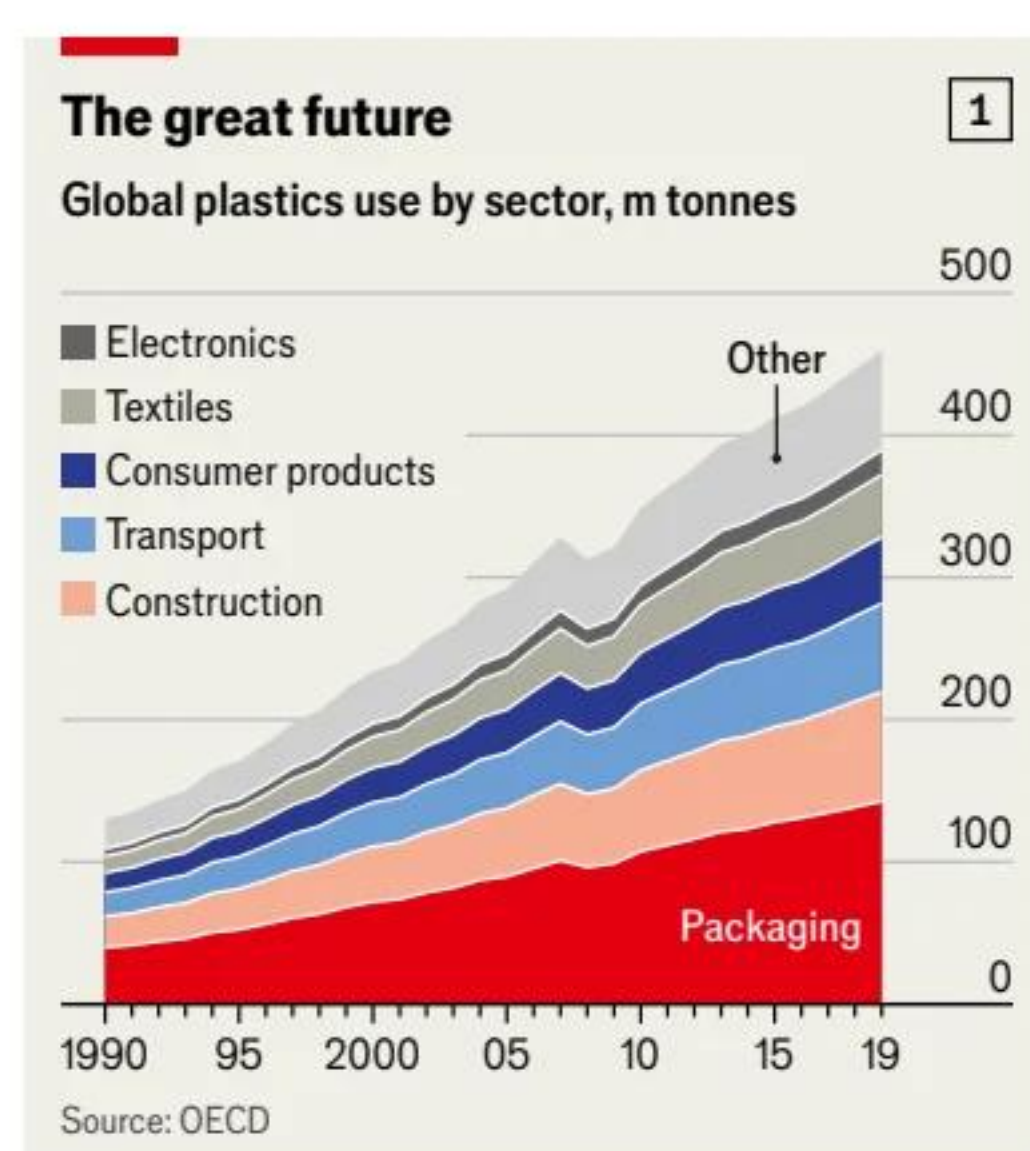
In recent decades alarm has been growing about how exposure to the elements, particularly within the oceans, causes plastic litter to break down into minuscule "microplastics", and even smaller "nanoplastics". These enter the food chain, including sources such as table salt, and wind up in various parts of human bodies.

It is unclear exactly how damaging this is to people, not least because a large proportion of the thousands of chemicals found in plastics have not been assessed for health risks (see Science section). But worries are growing that plastics may cause irreversible health effects. These have been intensified by the finding that microplastics trigger inflammation, the basis for many chronic diseases.

Possible health risks have generated a renewed focus on where much of the world's plastic waste ends up, and have led to a growing number of countries adopting ambitious recycling targets. The EU, for example, wants to recycle 55% of all plastic packaging by 2030.

Yet only 9% or so of used plastic is ever turned into something else, up from 4% in 2000. In part, that is because even well-intentioned people often slip up when trying to recycle: you can contaminate an entire batch when binning the wrong sort of plastic. And the chemical diversity that makes plastics so wildly useful also makes it hard to turn one type into another. No amount of washing, shredding or melting will turn polystyrene (used for takeaway containers and packaging inserts) into PET (used for drinks bottles and some food trays). Many additives, such as colouring dyes, can make plastic entirely unrecyclable.

Moreover, no plastic can be recycled indefinitely. Each time it is broken down it loses some of its structural integrity. That means most do not become another version of the object they once were. Instead



they are turned into something with lower-quality requirements—a drinks bottle becomes the filling used in jackets or carpets, for example. After two or three cycles, most plastic becomes so degraded that it is no good for anything. Yet recycling is so expensive that used stuff is sometimes more expensive than its virgin predecessor.

Dealing with plastic waste is arduous, grubby and not very lucrative, which means that a good deal of this work happens in poor countries. The UN estimates that 2% of all plastic waste is exported for processing, though others think the actual figure is far higher. In the past almost all of the West's plastic waste went to China. In 2018, however, worries about the impact of pollution and contamination led the country to, in effect, ban imports of rubbish from abroad. For a few years, chaos ensued as waste was rerouted to places such as Malaysia, Indonesia and Vietnam—many of which lacked the infrastructure to manage it safely (or at all). Plastic piled up at ports, was dumped or burned illegally, or processed in inadequate facilities, often exposing workers and local communities to toxic fumes and contaminated water.

In 2021 the EU revised its waste shipment rules to permit exports of plastic waste only to other OECD countries. Al-

most 40% of the bloc's trash now ends up in Turkey, which jumped at the chance of a business to bolster its ties with the rest of Europe and, crucially, see it paid in euros. (The EU's announcement came shortly before Recep Tayyip Erdogan, Turkey's president, declared he would ban waste plastic imports—a decision hastily reversed.) But, explains Krista Shennum, who investigated the Turkish waste industry for Human Rights Watch, an NGO, the country has done little to ensure that the plastic is dealt with safely. Workers are often undocumented migrants (sometimes children), many of whom endure dreadful working conditions and huge amounts of chemical exposure. The UN reckons roughly 59% of all waste plastic worldwide ends up being sorted by some 20m informal workers.

Such unintended consequences have led to calls for countries to agree on how to deal with plastics. A study in 2023 concluded that, with the right mix of policies, it should be possible to reduce the annual volume of plastic that is "mismanaged" (neither recycled nor disposed of correctly) by 90% by 2040. The rub, of course, is that the policies needed would have to be instituted everywhere and be incredibly wide-ranging. These span from levying fees on virgin plastic to banning all avoidable single-use plastics. Global rules would be needed to enact them.

Hitting the bottle

Reaching that kind of agreement is extremely difficult in today's fractured geopolitical world. In 2022, 175 countries agreed to develop a legally binding treaty to reduce plastic pollution "from source to sea" (meaning across its entire life cycle). But talks failed to reach consensus by the end of 2024, the original deadline. More haggling is scheduled.

Deep divisions remain. Oil-producing countries (and companies) oppose production caps; poor countries are demanding that rich ones should compensate them for the costs of compliance. It seems unlikely that a comprehensive solution can be reached to match the scale of the problem. But some change is possible. Some 69 countries (plus the EU) have banded together in a "high-ambition coalition". They are responsible for a significant share of the world's plastic waste. Regardless of what happens elsewhere, they can improve how they manage it at home. That means expanding recycling, as well as more use of unpopular solutions like landfills and burning plastic waste for energy (while capturing the released carbon).

Greens might prefer a return to an age of glass jars and paper bags to incinerators. But economics and a hard-headed look at the environmental costs and benefits suggest that, despite the many drawbacks, plastics still have a great future. ■



THE TELEGRAM

Xi Jinping's Trump-sized puzzle

For all its strength and swagger, China is struggling to handle an impulsive America



IF TOUGHNESS ALONE decided great-power contests, China could afford to feel cocky about its confrontation with America. Though Chinese exporters have been winded by President Donald Trump's tariffs, they have yet to suffer a knockout blow. Communist Party bosses have worked to build an economy that can take American-inflicted pain, whether that involves ordering China's technology sector to become more "self-reliant" and less dependent on foreign inputs, or expanding its dealings with Russia and other countries that oppose Western trade and financial sanctions. The same economy stands ready to impose pain on foreign rivals, for instance by curbing exports of rare-earth minerals, the supply of which China dominates.

Personal toughness matters, too. The party's supreme leader, Xi Jinping, was a hard man when Mr Trump was merely playing one on reality television. As a youth, Mr Xi was exiled to a dirt-walled rural cave, jailed three times and threatened with execution when his family fell foul of Mao-era purges. Those years left him with a bleak view of politics. While still a provincial official, a quarter-century ago, Mr Xi told an interviewer: "What I see is not just the superficial things: the power, the flowers, the glory, the applause. I see the bullpens [a reference to Mao-era detention sites] and how people can blow hot and cold."

Alas for Mr Xi, internal fortitude is not the only deciding factor in China's contest with America. Two big disadvantages are sure to weigh on China's dealings with the wider world. The first involves the party's rigidity. The second handicap involves an unhelpful flipside of Chinese strength: it frightens others. China is seeking to recruit neighbours and trade partners into a Trump-resisting coalition. But its leaders' warm words are undercut by the dread their country inspires as a manufacturing juggernaut, and by its taste for economic and military coercion.

China's system is "too slow" to handle Mr Trump's "messy" style of statecraft, laments a well-travelled Chinese scholar. It was wrongfooted, early on, by a public invitation for Mr Xi to attend Mr Trump's inauguration in January. That was an impossible request. Mr Xi is presented to his people as a ruler for the ages: a worthy successor to China's greatest emperors. He does not at-

tend barbarian ceremonies where he would merely be one of several VIPs. More quietly, Trump aides proposed that Mr Xi send in his stead Cai Qi, his right-hand man in the Politburo's Standing Committee. Trump aides spurned offers to manage relations via the party's foreign-policy chief, Wang Yi, who was China's principal channel to Joe Biden's administration. But Mr Cai, an austere Xi loyalist and enforcer of his leader's will, "is not the right person in our system", explains the scholar. In the end, China sent a largely powerless figurehead, its vice-president, Han Zheng.

Inside Trumpworld senior figures insist that the current trade war is not intended to burn bridges with Mr Xi. Their boss remains open to exploring a grand bargain with his Chinese counterpart, thrashed out leader-to-leader, they say. Yet Mr Xi is not about to pick up the telephone to haggle with an American president on the fly. Chinese officials are even less keen on suggesting that he meet Mr Trump in person for unscripted negotiations. Memories of the Oval Office scolding of Ukraine's president, Volodymyr Zelenskyy, are too fresh and painful for that. More simply, China's system cannot send Mr Xi into an open-ended, high-risk summit. Mr Xi may have jailed or toppled rivals and amassed vast power. But he is presented by propaganda chiefs as a sort of supremely wise technocrat-in-chief, guiding a party apparatus that weighs and crafts policies, then enacts them with absolute obedience to the leader. Dignity and authority are at the core of Mr Xi's brand.

Mr Trump's breezy style has long disconcerted China's leaders. In the spring of 2017 he called Mr Xi so often to ask for help with North Korea that Chinese envoys eventually delivered a discreet message to American contacts. Mr Xi is "not our North Korean desk officer", they pleaded: let underlings handle most of this.

In this second term, Chinese officials are aghast as Mr Trump's cabinet secretaries offer contradictory justifications for tariffs in duelling television appearances. Amid this chaos, China does not know whom to speak to. It also fears that American interlocutors will leak to the press "and embarrass the top leader here in China", says the scholar. Nor, reportedly, can Chinese authorities agree whether to link trade talks to the most sensitive dossiers, including curbing sales of Chinese chemicals used to make fentanyl sold to American drug abusers, or the fate of Taiwan. China can be expected to observe factional fights raging in Washington, to see who emerges on top in three or six months. "Then the Chinese side will feel a little bit safer," the scholar predicts.

China, the bully that talks of friendship

That caution is matched among China's neighbours, including three South-East Asian countries that are threatened with steep Trump tariffs, and were due to host Mr Xi from April 14th. The Chinese leader talked of jointly defending free trade and resisting "unilateral bullying". His hosts, Vietnam, Malaysia and Cambodia, could be forgiven some scepticism. All three profit from trade with China but resent how one-sided such commerce can be, as investors bring their own Chinese supply chains and even workers. Some regional governments mutter about imposing defensive tariffs on Chinese goods. Conceivably, Mr Trump may give them political cover to do just that, blaming American arm-twisting.

Few neighbours believe China's talk of "win-win" outcomes, even if they loathe Mr Trump's approach: "We win, you lose." America is rapidly squandering trust built up over many years. But China never enjoyed much trust to begin with. In these friendless times, Chinese toughness is both a strength and a vulnerability. ■

Business



American business in China

The dragon v Uncle Sam

SHANGHAI

American firms will be big losers in Donald Trump's trade war

FOR DECADES politicians in Washington might have been mistaken for lobbyists for American companies in China. They pushed for the country to be opened up to American banks, planes and fast-food chains. Boeing, an American plane manufacturer, for example, began receiving orders from China just after Richard Nixon visited the country in 1972. Now many American executives in China believe they are witnessing their government dismantle much of that work.

Donald Trump's heavy use of tariffs is rendering their supply chains untenable. Retaliation by the Chinese government threatens to unwind years of commercial success. On April 15th China's aviation regulator told airlines to stop taking deliveries of aircraft from Boeing, according to Bloomberg, a news agency. The symbolism of the move will not be lost on American bosses in Shanghai or Beijing.

American firms in China are still at-

tempting to get a grip on what the future will look like. Tariffs on Chinese imports stand at 145%. On April 11th the White House announced exemptions on consumer electronics, to the great relief of companies such as Apple. Since then, however, the president has said these are temporary, valid until the results of a probe into semiconductors, electronics and pharmaceuticals. And on April 16th America clamped down on Nvidia's sale of AI chips to China.

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China has matched America's increases, with duties of around 125%, but said recently that it would no longer respond to new tariffs because, given much higher prices, the market for American imports had already disappeared. At the same time Chinese regulators have launched investigations and added American companies to lists that will disadvantage their operations in the country. Companies such as Boeing can expect rapidly falling orders or cancellations. An American executive describes the trade war in one word: "destruction".

Mr Trump cites a goods trade deficit with China of around \$300bn in 2024 as one justification for tariffs. American bosses in China view things differently. Revenues in 2024 for American listed companies that report Chinese sales were around the same amount. Apple, Nike and Starbucks are omnipresent; Tesla, an electric-vehicle maker, sold around two-fifths of its cars in China in the first three months of this year. Their local operations employ tens of thousands of often highly skilled workers. By comparison, Chinese firms in America have been far less successful, bringing in just \$50bn in revenues last year. Spotting a Chinese consumer brand on the streets of an American city is a rare event.

For American executives, operating in China just became far more challenging. Over the past few years many have been re-

▶ ducing investments (see chart), driven out by unfriendly policies and low interest rates. In future it will be American policy inhibiting investments.

Most American firms with complex supply chains are still reeling from the impact of the pandemic, during which many sought to end total reliance on Chinese manufacturing by setting up in other countries in the region. This partial diversification may work against American firms as the trade war sets in. Vietnam, for instance, has proposed stopping the rerouting of Chinese goods in exchange for Mr Trump lowering tariffs, according to Reuters, a news agency. This means that American firms operating between the two countries could face even higher tariffs.

American bosses will also have to contend with the wrath of the Chinese state. Since 2019 regulators have developed a sophisticated legal framework for striking back against companies and countries. These include sanctions for following other countries' sanctions, export restrictions and an "unreliable entities list" (UEL), which, when a company is added to it, can stop its staff from entering the country and block it from doing trade with China. According to a paper by Evan S. Medeiros of Georgetown University and Andrew Polk of Trivium, a consulting firm, these three mechanisms were used 15 times in 2023, but 115 times last year. In the first two and a half months of 2025 alone additions to the UEL and export controls have been deployed around 60 times.

New forms of retaliation are becoming clearer. On April 8th an unofficial list of six measures began circulating on Chinese social media. Some are relatively straightforward, and suggest bans on the imports of American poultry and soybeans as well as the suspension of all talks on policing the trade in fentanyl. Another suggested halting the imports of American films. The list also included a crackdown on American-owned intellectual property (IP) and professional services, such as law firms. The list was written by two well-connected bloggers. Two days later the film regulator announced that it would reduce the number of American movies it allows into China, suggesting the posts were based on reliable information.

The list may also bring more clarity to an announcement made on April 4th concerning a Chinese investigation into DuPont, an American chemicals group. DuPont has clashed with China on IP issues for many years. The probe into the company alleged unspecified monopolistic practices, leading some analysts to believe that the investigation could be an attack on its IP within China. Multinationals have previously sought IP protection as a prerequisite for investing in China. Any sign that those promises will be rolled back would be dev-

astating for all foreign firms, not just American ones, says a company adviser.

An assault on American services, meanwhile, has yet to materialise fully. Any such measures could damage the ability of other American firms to operate. Law firms, banks, advisory firms and accountancies are a backbone for commerce. China has already made it hard for some of these services to function. Corporate investigations, for example, have become riskier as regulators have tightened rules related to national security and the types of information that can be disclosed. Many law firms have already scaled back or closed offices. If this pressure is increased, says one lawyer in Beijing, the ability to deal with Chinese companies will be hampered.

In the past American law firms might have been backed by their government when facing such challenges. But Mr Trump has launched a crackdown on law firms in America that have investigated him in the past. It is unlikely that he will be sympathetic to their plight in China.

The Chinese government will have to tread carefully as it imposes punishments on American companies. Hurting Apple or Tesla will inevitably hit local manufacturing capacity and lead to layoffs. Other foreign firms might be spooked by probes into American counterparts. This could also hurt the Communist Party's efforts to attract foreign investment and keep the private sector onside. But there are clear benefits for Chinese firms, too. Some American bosses fear a backlash against their consumer products, driven by the Chinese government or by ordinary consumers. Huawei, a local tech giant, may gain at Apple's expense.

In this sense the trade war could be a gift to China's leaders. Local consumers adore American culture and American goods; many have ignored the state's attempts to promote local brands. The rage Mr Trump has directed towards China will make the Communist Party's job of purging the country of American brands and companies all the easier. ■

Transpacific tumble

Flows in foreign direct investment, \$bn

■ US to China ■ China to US



Source: BEA

Avoiding tariffs

When the levies break

How to find a way round Donald Trump's duties

“NOBODY IS GETTING off the hook for unfair trade balances,” insists Donald Trump. The exemptions and exclusions to the tariffs he has imposed on imports to America would suggest otherwise. His “reciprocal” tariffs announced on April 2nd included a 37-page annexe with exemptions for \$644bn-worth of American imports, about a fifth of the total. On April 11th another 20 products were exempted, including smartphones and computers.

These weren't the first exclusions. Some types of steel and aluminium are exempt. So too are products imported across northern and southern borders that comply with the United States-Mexico-Canada Agreement (USMCA), a free-trade deal signed in 2020. If Mr Trump intends the exemptions to leave him room to negotiate, he has lots of leeway.

All this could change rapidly, of course. Mr Trump has already ordered an investigation into the supply chain for copper, which is also currently free from tariffs. As well as probes into pharmaceuticals and semiconductors on April 15th he added one into critical minerals. But for now another U-turn, Mr Trump's 90-day pause on the high levels of tariffs threatened on “Liberation Day”, as well as the thicket of exemptions lessens the blow for countries and companies.

Levies are currently set at a blanket 10%, down from rates set as high as 49% on Cambodia and 46% on Vietnam. With the latest exemptions, the effective rate on Vietnamese goods will fall to about 7% as close to a third of its exports to America, largely technology products, are exempt.

Others stand to gain relief, too. South Africa was initially hit with duties at 30%, but because over a third of its exports to America include untariffed metals such as gold, platinum and palladium, that will lower the overall rate. Even for Chinese goods the eye-watering 145% tariff will in effect be closer to 106%, because currently duty-free smartphones and computers make up about a quarter of America's imports. As a result of the latest exemptions, the overall effective tariff rate on American imports is now 22%. That is much higher than it has been in decades, but is at least below the 27% at the height of Mr Trump's threatened rates.

Can American businesses wriggle out of these levies? Some will have the scope to do so. For industrial companies, raw mate- ▶▶

► rials can make up as much as 50% of costs. Relief for basic chemicals and their derivatives, as well as silicon and rubber, is a help. Several of the ingredients in pharmaceuticals and chemicals are also used in foodmaking, an industry that accounted for about a third of America's manufacturing output last year.

Moreover, if more than a fifth of a product is made in America, tariffs apply only to the value of its foreign-made content. That could be a considerable concession. According to a report from the Commerce Department in 2023, about half the content by value of goods sold in America

is made there. Besides the latest exemptions, remnants of previous tariff-exclusion programmes are in force, affecting such things as crabmeat, animal-feeding machinery and some electric motors.

Another way to get around tariffs is to evade them. Goods can be shipped through third countries to disguise their provenance, or their value might be under-reported to incur lower duties. And then there is the tried-and-tested route of currying favour with Mr Trump by lobbying and funnelling money to political campaigns. Expect businesses to do all they can to seek relief. ■

Business in Spain

On the bright side

MADRID

The country's bosses have a spring in their step

“THE FUTURE IS bright” is a phrase rarely uttered by European business leaders these days. But José Manuel Entrecanales, the chief executive of Acciona, is brimming with optimism for both Spanish business and his family's company, which he has transformed from a construction firm to one focused on renewable-energy infrastructure. He reflects a mood in Madrid that is happy and enthusiastic—in contrast to the anxiety in Berlin or Paris.

Spain's economy grew by 3.2% last year, nearly four times the euro-area average, while France's expanded only tepidly and Germany's shrank. The IBEX 35, tracking Spain's biggest listed firms, was up by 14.8%, one of the best showings among Europe's leading stockmarket indices. The tourism industry, which was hard-hit by the pandemic, welcomed a record 94m visitors to a country of 48m people. It expects 100m this year. Tourism contributes 13% of GDP directly and 20% indirectly, through spending on restaurants, transport and retailing. “It's our oil,” jokes José García Cantero, the chief financial officer of Santander, a bank.

Plenty of Spain's largest companies are thriving. Inditex, perhaps the principal corporate success, has long been one of the world's biggest fashion retailers. Spain is also home to two of Europe's top ten banks by market capitalisation (BBVA and Santander), as well as leading construction and infrastructure firms (Grupo ACS, Acciona, Ferrovial and Grupo FCC). Repsol is one of Europe's oil majors and Iberdrola one of its biggest electric utilities.

Less known are the country's smaller stars. One is Sener, an engineering firm with around 4,000 employees, which is

based in Bilbao. “Ninety percent of our sales are abroad but we still feel very Spanish,” says Andrés Sendagorta, chairman of the family business. “Demand in all areas we are operating in is exploding at the same time.” One of his biggest headaches is finding qualified staff. Sener is building a gas terminal and a data centre in Germany. It is also helping build a high-speed railway from Abu Dhabi to Dubai and another in California. And in January it won the contract to refurbish five airports in Saudi Arabia.

Two big factors have been working in Spain's favour. The first is cheap electricity, with prices almost as low as those in America. Twenty years ago Spain imported 50% of its electricity. Today it has achieved a high degree of self-sufficiency by harnessing solar, wind and hydroelectric power. According to BBVA, the share of renewables in power generation increased from 45% in 2021 to 65% in 2024, which led to a

20% fall in electricity prices. Reaching the government's target of 80% by 2030 would mean a further fall of around 20%, the bank says. In ten years some 90% of Spain's electricity will come from renewable sources, predicts Mr Entrecanales.

A second advantage, business leaders say, has been immigration. In the past 12 years Spain's population has grown from around 46m to 49m (see chart); in the past six the foreign-born workforce has risen by 1.2m. Perhaps because most new arrivals speak Spanish and have a similar culture, immigration has not brought the same political tensions as in other countries. Vox, a hard-right party, campaigns on culture wars (eg, abortion) rather than on anti-immigrant sentiment.

High levels of immigration are expected to continue but that has fuelled demand for housing, which is already outstripping supply. Tens of thousands took to the streets of Madrid and 40 or so other cities at the beginning of April to demand affordable homes. A report by Spain's central bank found that nearly 40% of families who rent spend more than 40% of their income on housing. Over the past ten years rents have doubled, while salaries have risen by just 20%.

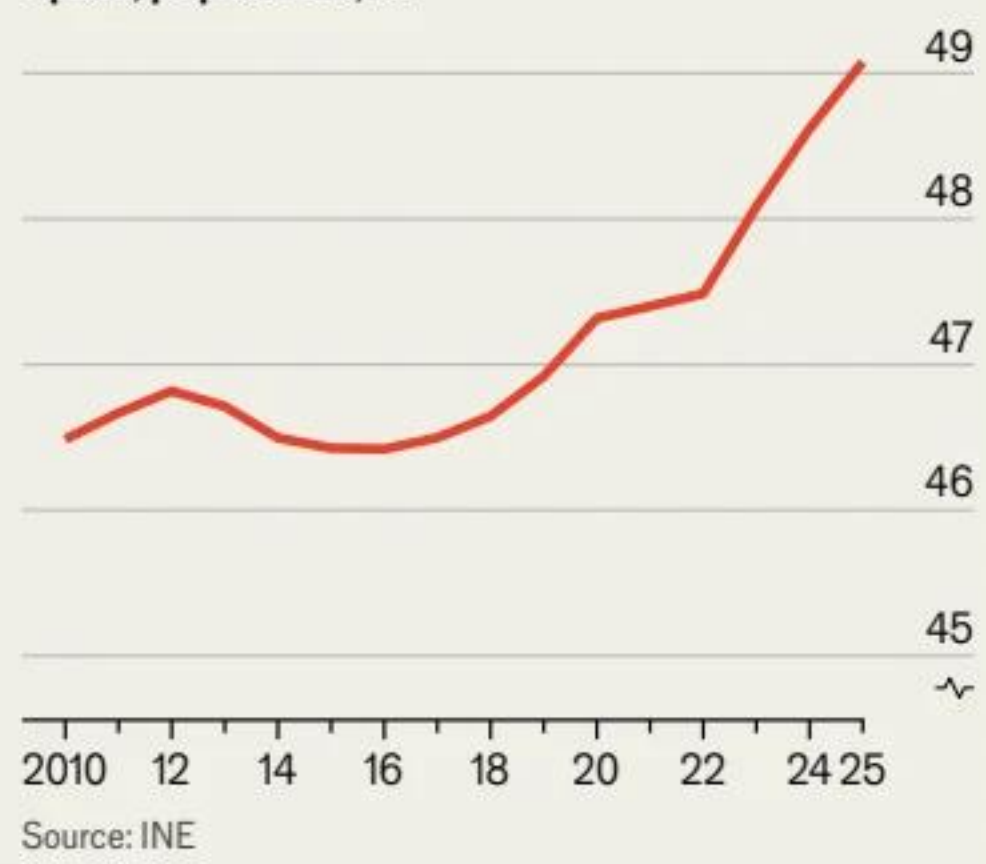
Spanish business is not immune to other problems visible elsewhere on the continent. It needs to boost investment and productivity, says Rafael Doménech, chief economist of BBVA. Private-sector investment is still below the level of 2019. Low business investment affects productivity if firms don't invest in, say, the latest technology. In the past ten years labour-productivity growth has averaged a measly 0.2%, well below the OECD average of 0.9%.

Uncertainty about new laws and regulations and excessive red tape from both regional and central governments are deterring investors, explains Juan María Nin of the Circulo de Empresarios, a business think-tank. At the centre, a fragile Socialist-led coalition has been unable or unwilling to pass business-friendly reforms. Last month the cabinet approved a bill to shorten the working week from 40 hours to 37.5 hours without loss of pay. Some regions, such as Madrid, are kind to businesses; others, such as Catalonia, are not. The enlargement of Barcelona's airport has been stalled for 15 years.

The other government causing concern is across the Atlantic. Pedro Sánchez, the prime minister, is trying to promote alternative trade partnerships. On April 10th he was the first European leader to visit China since Donald Trump unveiled his “reciprocal” tariffs. It helps, too, that Spain exports less to America than many other countries, so will be less vulnerable to Mr Trump's levies—another reason for Spanish bosses to be more cheerful than their peers elsewhere in Europe. ■

Let's all go to sunny Spain

Spain, population, m



Social media

Mutual connections

People are using LinkedIn differently. It is using them differently, too

CONGRATULATE LINKEDIN on its work anniversary! Next month the business world's favourite social network will turn 22. The 1.1bn users of LinkedIn—which is a year older than even Facebook—can celebrate two decades of humblebrags, motivational quotes and automated congratulations from long-forgotten acquaintances. Microsoft, its owner, can meanwhile toast a canny acquisition. Since the tech giant bought LinkedIn eight years ago, for \$26bn, the platform's annual revenue has grown from \$3bn to \$17bn.

As LinkedIn matures, two aspects of its business are evolving. First, people are using the platform differently. What used to be simply a contact network is increasingly becoming a content channel. This presents LinkedIn with an opportunity in advertising—but at a risk to its professional identity. Second, LinkedIn is taking on a new strategic function for Microsoft. As the tech giant bets big on artificial intelligence (AI), LinkedIn is providing its owner with a billion willing guinea pigs, perhaps giving it an edge in the AI race.

With its profile pages and newsfeed, LinkedIn looks much like other social networks—until you see the content. Whereas the most followed people on other platforms are athletes and models, the king of LinkedIn is Bill Gates, who treats his 37m followers to posts about subjects as varied as agriculture and tuberculosis. “The stuff

that bores people at parties works really well on LinkedIn,” says Dan Roth, who runs its editorial team, citing a recent viral discussion on the merits of em dashes—a worthy subject for debate.

Its business model is also different. Every other social network lives on advertising: Meta, which owns Facebook and Instagram, gets 98% of its revenue from them. LinkedIn sells ads too—\$7bn-worth last year, analysts estimate—but makes the largest share of its revenue from its recruitment business. LinkedIn claims that it is the world's biggest, filling a job vacancy every couple of seconds. The company also made \$2bn last year from paid subscriptions, a business no other social network has cracked. Every platform is trying to diversify, says Jeremy Goldman of eMarketer, a data company. “LinkedIn solved that before a lot of them did.”

This success disguises a weakness: although more than 1bn people have signed up for LinkedIn, many do not use it all that much. The company does not reveal usage figures. But Sensor Tower, a data provider, estimates that Android-phone users with the LinkedIn app spend an average of only 48 minutes a month on it. For TikTok the figure is around 35 hours.

Lower engagement means fewer chances to show ads, an area where the opportunity for LinkedIn is large. Business-to-business (B2B) advertising, LinkedIn's spe-

ciality, is a laggard in the great move online. Of all adverts sold in America this year, more than 80% by value will be digital, estimates eMarketer. By contrast, less than half of B2B ads will be. Some \$20bn-worth of such ads are ripe to be plucked from offline channels, such as trade journals and conferences, if LinkedIn can make people spend enough time on its platform to see them.

An effort is under way. Three years ago LinkedIn began adjusting its algorithm to show users more content suited to their interests, rather than just from people in their network (think more posts from Mr Gates, fewer from your colleague in accounts). Last year it introduced puzzles. Users get reminders to post more often. Mr Roth's team cultivates star creators such as the boss of McDonald's, Chris Kempczinski, who posts deadpan video reviews of the chain's international dishes (“A very, very lemony taste. You gotta like lemon if you want this Koldskål McFlurry”).

In profile

External factors are helping. People are changing jobs more often, making them more eager to polish their public brand. Covid-19 lockdowns blurred the line between work and home, encouraging more personal posts. Meta's decision to reduce the visibility of news on its platforms, and X's feral turn, have also driven conversation to LinkedIn. Comments there have risen by 37% year-on-year; video uploads have increased by nearly as much. This attention is being monetised. LinkedIn's ad business will grow by 11.6% this year, forecasts eMarketer. Paid membership has risen 50% faster in the past two years.

The flood of content risks trapping LinkedIn into quagmires it has thus far avoided. More news and debate could politicise a platform that strives to stay above the fray (and whose owner has to deal with America's mercurial regulators). Content moderation is a growing chore. In the first half of 2020 LinkedIn removed 56,000 posts for violating its community rules; in the same period last year it took down nearly 500,000, owing to more content and tougher policing of it.

Perhaps the main danger is that its business-focused brand gets watered down. The LinkedIn feed is seeing more “thirsty” content from people desperate for likes, says Simon Kemp of Kepios, a digital-advisory firm. Such posts may get traction, but they provoke complaints that “this belongs on Facebook”, he says. LinkedIn has responded by tuning its algorithm to send most personal posts only to the author's network, giving wider distribution to work-oriented content. AI makes this sorting easier, it says.

AI is also central to the second big change at LinkedIn. Eight years ago Mi- ➤



Microsoft bought the platform to complement its suite of enterprise software. Although LinkedIn is still independently run, it has become integrated with the Microsoft machine: Outlook, Microsoft's email and calendar app, can retrieve contact information from LinkedIn; Dynamics, its customer-relationships software, uses data from LinkedIn to help salespeople reach the right people in companies they are hoping to do business with. "Microsoft very much has a view of thinking of the whole...they're driven by synergies between what they own," says Mark Moerdler of Bernstein, a broker.

Now those synergies are changing. As Microsoft pushes at the frontiers of research into AI, LinkedIn is emerging as a test-bed for ideas. The network was given a sneak preview of the "inflection point" that had been reached in generative AI around six months before ChatGPT was released by Microsoft's partner, OpenAI, says Dan Shapero, LinkedIn's chief operations officer. LinkedIn immediately began developing the AI tools that users now have access to for tasks like writing posts or evaluating a job opportunity; users can even practise their people-management skills on a voice-activated chatbot. More AI tools are on the way, including an agent that tracks down job candidates. Siemens, a German technology company which got early access, reports that it radically reduced time spent searching for staff.

As LinkedIn gets to use Microsoft's AI technology, Microsoft gets to use the data that LinkedIn's tests generate. It is a "symbiotic relationship", says Mr Shapero: "These models that are being built are incredibly powerful, but they're most powerful when you combine them with very specific data." LinkedIn's rich demographic information could give Microsoft insights into not only which AI features work, but also what kind of users engage with them. "The reason why Microsoft is better positioned than its hyperscaler peers—Amazon, Google, etc—is not simply, as some people argue, because of OpenAI...They've also had an enormous amount of lessons learned from all the places in which they themselves are using the technology," says Mr Moerdler.

The new technology comes with risks. LinkedIn consistently polls better than other social networks for trust, partly because it is more cautious about how it shares users' data. Some people are unsettled by Facebook's micro-targeted adverts, which seem eerily familiar from their web-browsing history. As LinkedIn and Microsoft race to develop and test AI features, their deep knowledge of their customers could turn out to be a big advantage. The companies must only hope that users do not feel that their chatbots know them a little bit too well. ■

Plastic

Trash talk

A new way of recycling plastic is gaining favour

PLASTIC IS UBIQUITOUS. Around 1m plastic water bottles are sold every minute and 5trn plastic bags are used around the world every year, according to the UN's Environment Programme. Half of all production, which is growing faster than that of any other material, is designed for single-use applications. The world's annual output of over 400m tonnes is set to reach 1,100m by 2050. Mountains of waste mean pressure from both the public and regulators to improve recycling.

There is a problem, though. Much plastic waste is soiled and composed of several different layers, making it too complex for the usual recycling method of chopping it into bits before remoulding it. Despite efforts to increase recycling rates, more than 90% of plastic ends up incinerated, in landfills or dumped in nature. In response, large consumer-goods companies such as Nestlé, PepsiCo and Procter & Gamble are exploring new ways of recycling to transform waste back into feedstocks from which new plastic can be made.

The interest of these firms is understandable because much of their packaging is unsuitable for existing recycling techniques. If they can buy plastic made from hard-to-recycle waste, they can wash their hands, says Philippe von Stauffenberg, boss of Greenback Recycling Technologies, which opened an advanced-recycling plant with Nestlé, in Mexico in 2023.

"We are their Catholic church. They are the sinners and we sell them absolution."

Other companies are getting in on the act. Plastic Energy, a British firm, already supplies recycled feedstocks for packaging in Europe, including for PepsiCo's SunBites snacks and Unilever's Magnum ice-cream tubs. But what seems like a boon for the environment is, in fact, controversial. Environmentalists denounce it as a polluting way to keep using plastic. In September California sued ExxonMobil, an oil major, in part for "deceiving" the public about the technology's ability to solve the plastic-waste crisis.

The problem is the method of recycling. One of the most common approaches, pyrolysis, involves heating waste until it breaks down chemically. The output is oil and synthetic gas, which is recaptured to power the recycling plants. This and other processes also release toxic waste because of hazardous substances in the plastic, says Veena Singla, an environmental-health scientist at Columbia University in New York. Nor is it clear that recycling results in fewer emissions than manufacturing virgin plastic.

Policymakers and regulators are therefore sceptical of the new approach, says James Kennedy, an analyst at IDTechEx, a market-intelligence firm. Perhaps the stickiest point is labelling, which can determine whether a company meets recycling requirements or enjoys tax breaks. The oil produced by advanced recycling must be heavily diluted with "fresh" crude before it can be turned into plastic. That means that, say, a batch of hummus tubs might contain recycled oil while another might have none. Yet if 10% of feedstocks overall are from recycled sources, the industry wants to say that 10% of the tubs are 100% recycled, even if some contain no re- ▶▶



One person's rubbish is another's treasure

► cycled material at all—a form of accounting they call “mass balance”.

So far, America’s Environmental Protection Agency has rejected the approach, calling it “deceptive”. There is similar scepticism among European environmental groups such as Zero Waste Europe, which say the recycled element is so low that it hardly counts as recycling at all.

Such resistance could jeopardise a fledgling industry, which needs lots of investment to build plants and infrastructure

to get hold of waste. And there is a need for advanced recycling, argues Stuart Coles at the University of Warwick. Ultimately, he says, “we want to keep as much material as we can within society.” That means reusing where possible, but it also means encouraging recycling.

There are signs that his argument may be winning. In October Britain accepted a version of the mass-balance approach, and while the EU is still mulling it, most member states appear to be in favour. Innova-

tion might yet make processes more efficient and kinder on the environment. Mura Technology, a British company with a plant in Teesside, claims its hydrothermal technology produces better yields and less carbon dioxide than pyrolysis. Samsara Eco, an Australian firm, says its technology, which uses enzymes to break down the plastic waste, could sidestep the need for adding new oil altogether. Such advances may help keep plastic in circulation rather than consigning it to the rubbish tip. ■

BARTLEBY

Reclaiming the office lunch

Why taking a break to eat is a good idea

WHEN MONICA LEWINSKY, once an intern at the White House, was cajoled into a lunch date by Linda Tripp, a colleague wearing a wire, she was met by FBI agents and taken to a room in Washington’s Ritz-Carlton Hotel to be interrogated. What seemed like an innocent lunch date was one of the first steps towards a presidential impeachment. Yet one of the more remarkable aspects of the story is that even lowly workers took lunch in a restaurant back in those days.

The clearly delineated lunch break has fallen out of favour in these more pressured times. Knocking off for a midday meal could now be perceived as a sign of idleness. What was once called a “lunch hour” is now more likely to consist of a sandwich “al desko”. According to a study by the Hartman Group, a market-research firm, 62% of American office workers regularly eat at their workstations.

Some will mourn the decline of sybaritic three-course affairs with wine, perhaps bookended with cocktails and a cigar. Once these feasts regularly punctuated the working day for the likes of bankers, lawyers and journalists (older ones, in particular, mourn long and loud). Merrily weaving back to the office for a gentle snooze is a thing of the past.

Such lunches are not only increasingly rare, but more probably lubricated with nothing fancier than sparkling water. A main reason for their demise is that expense accounts are no longer so lavish. Another is that the general mentality has changed: alcohol-fuelled corporate entertaining is losing its appeal.

But have workers lurched too far in the opposite direction? The case for the seamless, industrious day has encouraged a trend for snatching mouthfuls of



sushi or a ham-and-cheese baguette between strikes of the keyboard. Working from home has cemented it in place. According to research conducted by Nicholas Bloom at Stanford University, there is no midday dip in remote employees’ online activity.

Grabbing something fast and eating hunched over a laptop may result in crumbs on the desks and sticky keyboards, but that is far from the only drawback. Eating lunch at your desk also means staying seated longer, which can cause sore joints. Sitting for hours on end increases the risk of high blood pressure and even heart disease.

What about the cognitive fatigue that accumulates when someone is “always on”? The need for a pause in the middle of the day has never been stronger. Monotony can lead to a dearth of fresh ideas and ultimately to reduced productivity.

Moreover, coming together to share food has been a ritual for millennia. Forming bonds with colleagues or clients with some informal chatter over a meal goes to the heart of the joys of having a job in the

first place. And there are measurable benefits to downing tools and joining colleagues over lunch. According to a study by Kevin Kniffin and co-authors at Cornell University, firemen who eat together are more co-operative and generally better at their jobs. Platoons that shared a meal during the working day were found to achieve higher marks for their teams’ performance.

Engagement goes up, too. A survey of employees in North America by Tork, a hygiene company, found that those who took a lunch break every day scored higher on measures of job satisfaction, and were more likely to recommend their employer to others.

Bosses can also profit from a lunch break. N.R. Narayana Murthy, co-founder of Infosys, a giant Indian technology firm, ate lunch in the cafeteria with employees whenever he could, even standing in line for his meal. Displaying a down-to-earth demeanour by dining with employees may not only cast bosses in a more favourable light with the rank-and-file. Managers may also find this a useful informal way of catching up with their teams. As a consequence, meetings scheduled around one o’clock surely ought to be considered a serious breach of office etiquette.

Going out for an elegant work lunch should never be completely off the table, of course; the occasion may call for one a few times a year. But a pause in the middle of the working day does not require china plates or cloth napkins. Ditch your desk and step into the fresh air to buy your falafel wrap to eat with workmates in the communal kitchen, or even bring in your own leftover lasagne. Afterwards resume at full post-prandial speed, powering through the day and getting things done.

SCHUMPETER

Return of the entrepot

The global trade war could reverse Hong Kong's commercial decline



AS DONALD TRUMP'S tariff tantrum destroyed trillions of dollars in shareholder value, shrieks of horror from American chief executives grew high-pitched. If you think America Inc had it bad, then spare a thought for Hong Kong. The self-governing Chinese territory is the world's gateway to Asia, and China in particular. It is also Asia's, and China's, gateway to the world. And for the trade-warmonger-in-chief, China and Asia are enemies number one and two.

In the week after "Liberation Day" on April 2nd, the Hang Seng index of Hong Kong-listed shares fell by 13%. April 7th was its worst day since the Asian financial crisis of 1997. Despite a subsequent 90-day pause to most of Mr Trump's "reciprocal" tariffs and a temporary exemption for some electronics, a tit-for-tat with China has ended (for now) with mutual levies in excess of 100% on most goods, plus a Chinese ban on exports of some critical minerals for good measure. This amounts to a trade embargo which prides apart the world's two largest economies.

You would expect their historical go-between to be freaked out by all this. Yet throughout the turmoil, Hong Kong's business elites have displayed a surreal calm. Some could simply be frozen in stupor. Some may be shrieking at ultrasonic frequencies and so be inaudible. But many seem to believe that Hong Kong can withstand the trade shock. And a few reckon that after years of losing ground to rival commercial centres in the region and beyond, the realignment of global business gives it a shot at clawing some of this back. It is not just a trauma-induced hallucination.

Hong Kong has had a rough few years. Before the outbreak of covid-19 it was upstaged by Shenzhen, Shanghai and, for the most ambitious Chinese firms, New York as the place to go public and plot global expansion. Between 2010 and 2019 mainland bourses added 2,100 listings, over two and a half times the increase in the 2000s. A little over 700 Chinese businesses picked Hong Kong, not much better than the 450 or so in the preceding decade.

During the pandemic, city authorities made things worse, first by mishandling the response with harsh lockdowns, then by enforcing a draconian national-security law which made outsiders feel unwelcome. In both cases they became "extremely overcom-

pliant" with edicts from Beijing, recalls a Western banker.

Nineteen global law firms had closed their Hong Kong practices by 2023. FedEx opted to ship its regional headquarters to expat-friendlier Singapore. So did other multinationals, from L'Oréal, a French maker of posh cosmetics, to Lidl, a German cut-price retailer. LVMH started running its luxury labels from the mainland.

Hong Kong's capital markets hit snooze. Companies sold new shares worth a combined \$40bn in 2022 and 2023, down from more than \$200bn in the two previous years, according to data from Dealogic, which tracks such things. Offerings declined in mainland China, too, but only from \$288bn to \$234bn. Bond sales in Hong Kong followed a similar pattern. Investment banks shifted some staff to Singapore. A couple of Australian lenders, Westpac and National Australia Bank, moved out altogether.

All rather unpropitious—until Mr Trump stepped in. Since he won the election in November Hong Kong's prospects have brightened relative to its challengers' in direct proportion to the intensity of his China-bashing. The entrepot now looks like the only place for Chinese companies to gaze abroad and for foreigners to get a look-in on unmissable pockets of Chinese growth.

Start with Chinese businesses. Shanghai is great if your focus is the domestic market. But as China's economy slows, many spy future profits overseas. To do that they need dollars (or other hard currency) and international expertise. They will not find them on the mainland, surrounded by a perimeter of capital controls and growingly hostility towards foreign advisers. Mr Trump's anti-Chinese antics are putting a target on the back of American lawyers and consultants, many of whom were packing up as it is.

Singapore has the worldly know-how but its financial markets remain too shallow. And under Mr Trump Chinese companies might as well forget about New York. Chagee, a Shanghaiese teashop chain which on April 10th inexplicably chose to launch an initial public offering on the Nasdaq exchange despite the market chaos, may be the last Chinese firm to try for some time.

That leaves Hong Kong. In March BYD, a Chinese firm bent on world domination in electric vehicles, and Xiaomi, a phonemaker with a growing sideline in EVs, sold nearly \$6bn-worth of shares apiece in follow-on offerings. These were the biggest of their kind on the city's stock exchange since 2021. All told, this year companies have raised \$15bn in such sales plus \$26bn in dollar debt—not far off the total in all of 2024 and nearly twice as much as in the entire year before. Initial public offerings have picked up, too. Many bankers are making the return trip from Singapore. The number of foreign law firms is up to 84, from a covid-era low of 73.

When red is green

All this excitement has not been lost on Western investors. In the words of a finance bigwig, China was uninvestible only until its dormant stockmarkets surged. Artificial-intelligence darlings like DeepSeek are bolstering confidence in Chinese ingenuity. The trade war is pushing President Xi Jinping to discard his aversion to economic stimulus, which may prop up other firms. For foreigners fearful of missing out but fretting about repatriating returns from the mainland, Hong Kong is a way to get a piece of the action. The Hang Seng is 9% higher than at the start of the year. Its tech sub-index is up by 15%.

It could all still go horribly wrong. As Mr Xi warned Mr Trump on April 14th, the trade war will have "no winner". But it may help Hong Kong notch up a few points against its entrepot rivals. ■

Finance & economics



Currencies (1)

Check your privilege

WASHINGTON, DC

For the first time in many decades, the dollar looks vulnerable

STOCKS DOWN, yields down, dollar up. A reliable relationship between America's listed companies, government bonds and the value of the currency has held, in moments of panic, for most of modern financial history. Until now.

The turmoil in financial markets over the past month, driven by an extraordinary rise in American tariffs, has been unsettlingly different. During the stockmarket slumps of 2008 and 2020, for instance, the dollar rose. When investors are fearful, they normally rush to the safety of American debt, bidding up the greenback in the process. This time round, investors are eschewing Treasuries. Yields on American ten-year government bonds, which rise when prices fall, have increased from 4.2% to as high as 4.5% over the past month. Meanwhile, the dollar has fallen by over 9% against a basket of other currencies since its peak in mid-January.

The breakdown of the once-solid relationship reflects the impulsiveness of the current American government. President Donald Trump's belligerent trade policy, his administration's incompetent policymaking and some of his advisers' suspicion about the dollar's global role have shaken foreign investors. Since they hold some \$32trn-worth of American stocks and bonds, their opinion matters. Overseas demand not only lifts American stockmark-

ets, it pushes down interest rates on the government's vast debts, making them manageable—a feature of dollar dominance known as “exorbitant privilege”.

Policymakers and investors everywhere once rolled their eyes at the idea of the dollar being dethroned. America's economic heft, deep and profitable markets, openness to capital flows and reliable rule of law all helped make its position formidable. But in recent weeks, they have had to take the notion more seriously. Even imagining what might come next is hard. For eight decades, America's currency has been the linchpin of trade and finance. About half of all lending across borders is in dollars, and the currency is involved in 88% of foreign-exchange transactions (see chart 1 on next page). The modern world has been built on the greenback.

Some members of the Trump administration would cheer if the dollar lost its crown. During his time as a senator, J.D. Vance, now the vice-president, was critical of the currency's international role, arguing that the accumulation of American securities by foreigners had artificially lifted its value, damaging American industry. In November Stephen Miran, now head of the White House's council of economic advisers, published a briefing suggesting the president could unilaterally tax Treasuries »

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held as reserves overseas, so as to discourage investors from purchasing them. Rarely has a single paper so spooked central bankers around the world.

Policymakers overseeing foreign-exchange reserves had begun to diversify well before Mr Trump won re-election (see chart 2). Some fear America's Treasury, and its ability to impose sanctions; others simply want to ensure their eggs are not all in one basket. The dollar's share of global reserves has declined from 73% in 2001 to 58% today. Over the same period, a wide variety of currencies—including the Australian and Canadian dollars, the Swedish kroner and the Swiss franc—have seen their share rise. Central banks have diversified out of currencies, too, buying more than 1,000 tonnes of gold in each of the past three years, an increase of more than 140% on the three before that.

Such diversification will only accelerate, reckons Gary Smith of Columbia Threadneedle Investments, who works with central banks and sovereign-wealth funds. Before America's tariff barrage got under way, Mr Smith had expected that the dollar's share of reserves would decline by another ten percentage points over the forthcoming decade. It is now clear that was a sizeable underestimate, he says.

Looking a little green

Over the past decade, international demand for dollar assets has mostly come from sources other than central banks, particularly giant government pension funds and life-insurance companies, many in Asia (see chart 3). These often have investments that run into the hundreds of billions of dollars, which are directed by committees that meet irregularly—meaning their strategy cannot turn on a dime. Despite this shock-absorbing feature, their enthusiasm for America has diminished. "Many international investors are fretting about the end of US hyper-exceptionalism," says Huw van Steenis of Oliver Wy-

Caught slipping

Percentage-point change in share of central banks' foreign-currency reserves, Q1 2017-Q4 2024



man, a consultancy. "The need for better diversification will be the lasting conclusion of whatever happens from here."

Even if dollar dominance is only diminished at the margin—with institutions reducing their holdings of American assets, rather than fireselling them—that will make America's fiscal profligacy much more difficult to maintain. The government runs a budget deficit worth 7% of GDP and its interest bill has ballooned in recent years, meaning higher bond yields would cause profound problems. On April 10th the House of Representatives approved the Senate's plan for a budget that could add \$5.8trn to deficits over the next ten years, according to the Committee for a Responsible Federal Budget, a think-tank. That is more, in cash terms, than Mr Trump's first-term tax cuts, the response to the covid-19 pandemic in 2020 and President Joe Biden's stimulus and infrastructure bills combined.

Overseas investors do not lack for reasons to park their money elsewhere. Yet those looking to limit exposure to Mr Trump's whims face a challenge: the dollar has no obvious successor. Following the second world war, when Britain's immiseration meant that the pound could not function as a global currency, the greenback was a perfect candidate to replace it. The currencies into which central bankers are today shifting their investments are relative minnows, with stock and bond markets too small to replace the dollar.

The euro was once seen as a possible replacement for the greenback. It may eventually prove to be so, if the continent's politicians take advantage of the present opening (see next article). But investors will want proof that the design flaw in the currency union—credit risk in its government debt, arising from uncertainty about which borrowing will ultimately be backstopped by the European Central Bank—truly has been resolved. Germany's debt, regarded as the safest kind by global inves-

tors, runs to \$3trn or so, around a twelfth of the American total. Europe's corporate-debt markets are also small.

Could the yuan climb the currency hierarchy? Although China's economy is big enough to support a far larger role, progress in internationalising the currency has been halting at best. The yuan makes up just over 2% of global central-bank reserves, a figure that has declined since a peak four years ago. Chinese officials show no interest in scaling back their extensive capital controls, a move that would be required to entice foreign money. And the state's occasional and unpredictable shakedowns of the private sector have been more damaging than any policy pursued by the Trump administration.

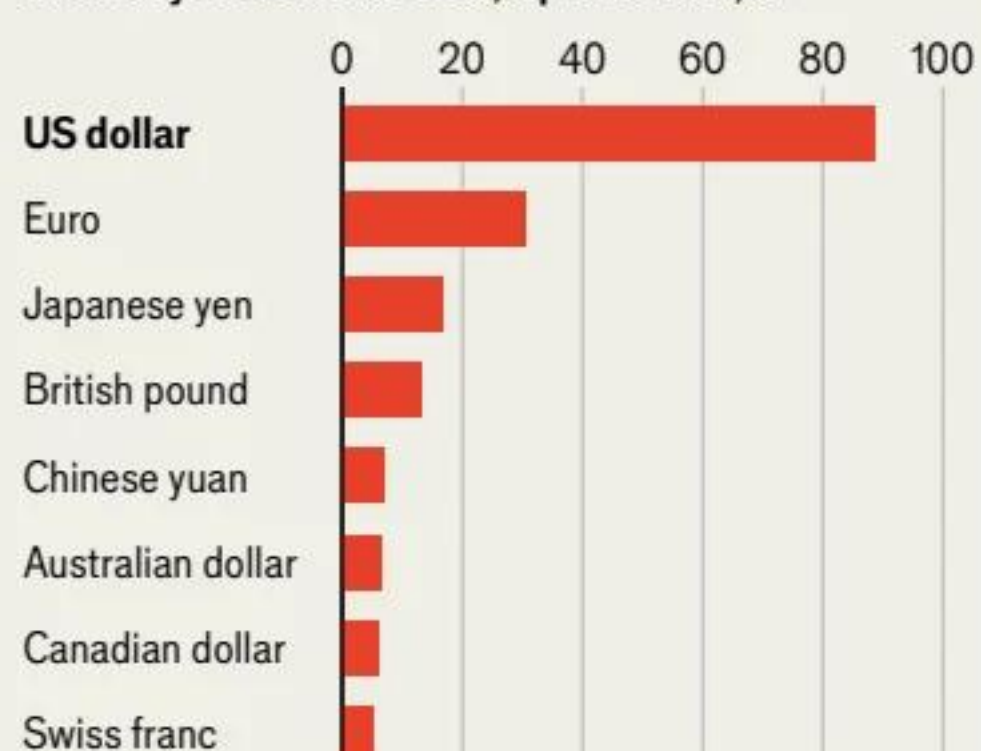
Instead of liberalising its currency, China wants to fortify its financial system against America. The People's Bank of China has established swap lines with central banks overseas, and set up its own platform for overseas payments to reduce reliance on SWIFT, a messaging system for bank payments based in Belgium. Such experiments will not see the yuan supplant the dollar. But, according to Martin Chorzempa of the Peterson Institute for International Economics, another think-tank, they may limit the influence of the greenback beyond America's borders, providing an alternative to countries that have been severed from Western finance.

The dirtiest shirt

If America's government degrades the dollar's role, whether by design or by accident, other countries may try to defend themselves by throwing up barriers to capital and falling back on new and less sophisticated financial networks. Without a true successor, the result would probably be a world of competing currency blocs, inadequate alternatives to Treasuries, barriers to trade and reduced efficiency. The past few weeks have been a taste of such a future—and they have not been pleasant. ■

Dominant, for now

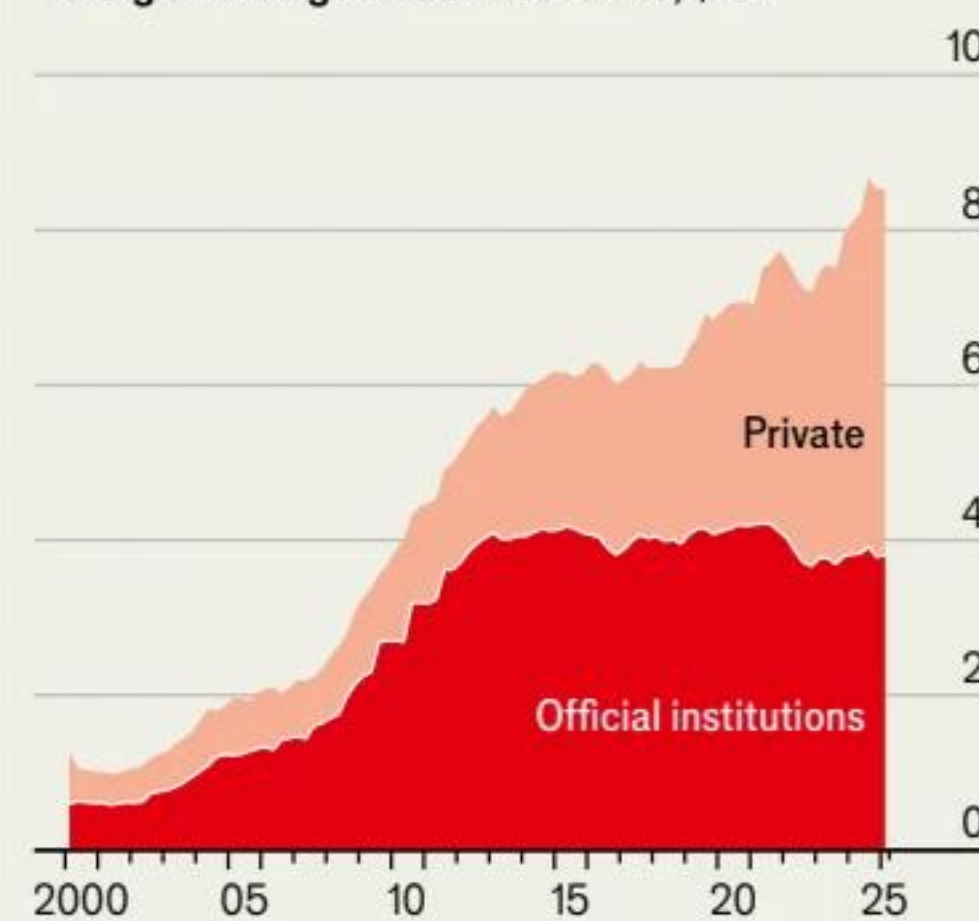
Global foreign-exchange transactions, currency's share of total*, April 2022†, %



*Percentages sum to more than 100 because each transaction includes two currencies †Daily average
Source: BIS

Credit the pensioners

Foreign holdings of US Treasuries, \$trn



Source: Department of the Treasury



Currencies (2)

The euro's moment

European policymakers have a rare opportunity. Will they seize it?

EUROPE'S FIRST reserve currency was the tetradrachm, upon which was inscribed an owl. The symbol of wisdom was intended to inspire trust in the rulers of ancient Athens. Indeed, the bird features on the Greek version of the €1 coin today.

That is not the only way in which the tetradrachm would be recognisable to modern economists. As Barry Eichengreen of the University of California, Berkeley, notes, across history every leading currency has belonged to a republic or democracy; Athens was the latter. Restraint on the powerful, as provided by voters, promises a degree of stability—a crucial ingredient, along with a large economy and military might, for any reserve currency. It is the absence of such stability in America today that is prompting investors and policymakers to question the dollar's role as the world's reserve currency.

With the greenback struggling, could this be the euro's moment? Both Christine Lagarde, president of the European Central Bank (ECB), and Paschal Donohoe, head of the Eurogroup, a forum for euro-zone finance ministers, have recently spoken about ways to enhance the currency's international role. The euro is not about to supplant the dollar. But it may serve an increasingly important function. And if policymakers seize the moment, potentially epochal shifts in the global financial order could work to Europe's benefit.

Since its birth in 1999, the euro has been a contender for global status. In the run-up to the financial crisis of 2007-09, European officials were hopeful that it might, in time, rival the dollar. Then came the euro crisis of the 2010s. The ECB was not set up to be a lender of last resort, which made government bonds vulnerable to runs. Europe's banking system was split along national lines and prone to doom loops connecting shaky sovereign debt with shakier financial institutions. Capital markets were too small to compensate for such risk. The euro zone provided few safe assets for those looking to park cash: bond issuers were either too parsimonious (in

the case of Germany) or lacked credibility (in the case of Italy and Spain). Common debt, backed by the whole bloc, barely existed. Dismal economic-growth prospects then forced short- and long-term yields below zero. With European assets offering low returns, there was little demand for euros, and no global role for the currency.

Shifting plates

Today the euro is a solid but distant second to the dollar, counting for a fifth of global central-bank reserve holdings against the greenback's three-fifths, with similar numbers for foreign-currency bond issuance. Over the past decade, as the world has gradually diversified away from the dollar, the euro has struggled to gain ground. Yet some European officials now believe that may change, for four reasons.

The first is that the euro zone's financial architecture has become more secure. The ECB has emerged as a lender of last resort in all but name, a process that began in response to the euro crisis under Mario Draghi, then the central bank's president. During the covid-19 pandemic the bank established a bond-buying programme with a budget of more than €1.8trn (\$2.1trn). When yields on sovereign bonds widened uncomfortably quickly amid inflation in 2022, policymakers set up an unlimited bond-purchasing scheme to prevent such spreads from blowing out in future.

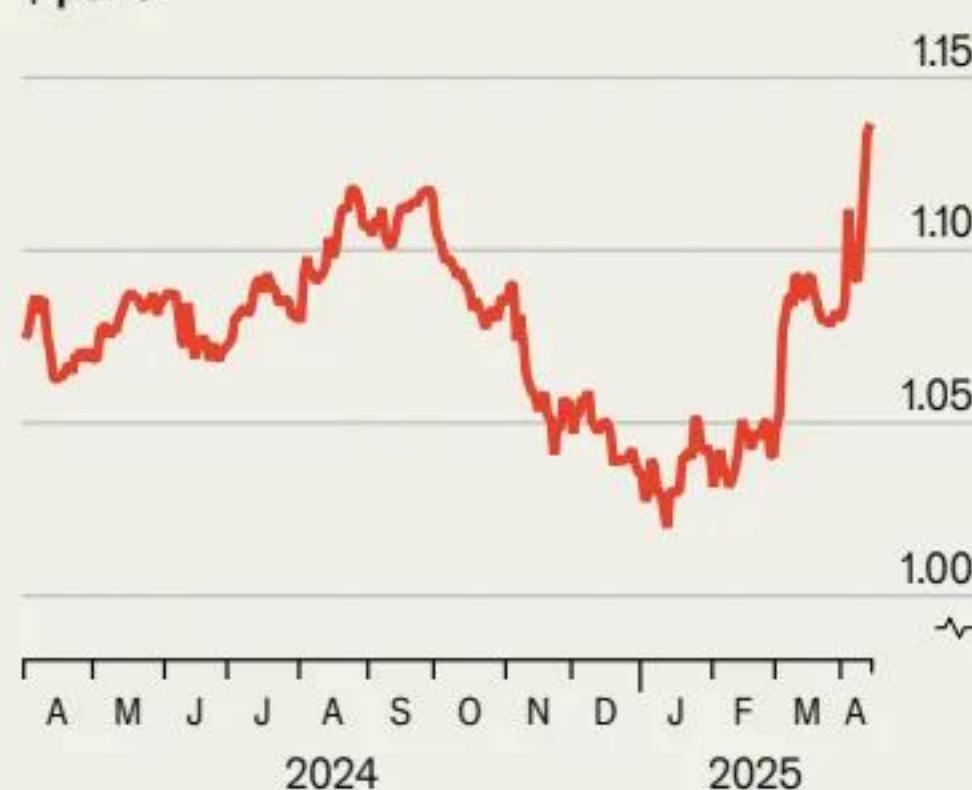
Investors have also seen that the European Union will support struggling governments, and will do so in a generous fashion. During the pandemic, the bloc created a recovery plan worth €807bn, funded by common EU debt, to aid laggards. Moreover, the ECB is now firmly established as the supervisor of Europe's 114 largest banks, which together hold 82% of the continent's total banking assets.

On top of this, investing in Europe has become more straightforward—a second reason for optimism. Europe's pandemic-recovery fund created lots of common debt, and thus safe assets that are truly European. Germany is even about to start spending big, amid a continent-wide, deficit-funded binge on defence spending, which officials believe should rise from 2% to 3.5% of GDP in the coming years.

The third reason is that Europe's institutions now look more attractive, at least when compared with America's. Hard-right parties are strong and gaining ground in countries including Germany and France. One is in power in Italy. At the same time, however, the euro is the common currency of 20 sovereign states, and has a fiercely independent central bank overseeing it. Members would struggle to agree on any change to how the currency is governed, let alone the sort required to weaponise it for geopolitical gain. What is more, sanctions on other countries would

Au revoir to American tourists

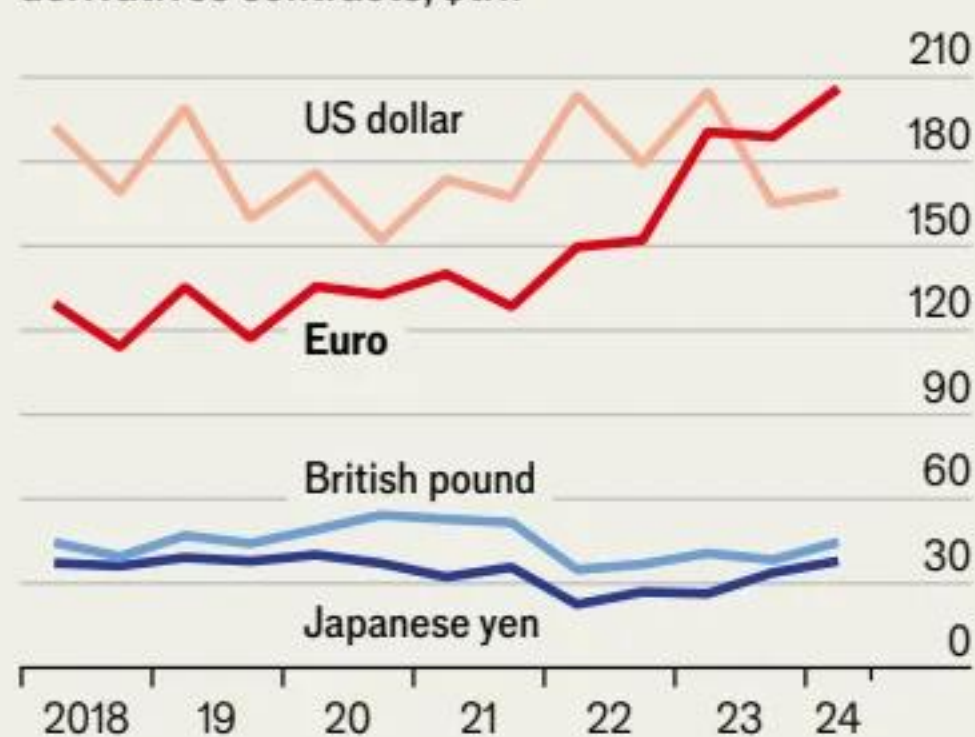
\$ per €



Source: LSEG Workspace

Eurohedge

Global over-the-counter interest-rate derivatives contracts, \$trn



Source: BIS

require the consent of all 27 EU members. The rule of law is central to every aspect of the EU; the bloc's checks and balances are not in doubt. Nor is the broad consensus, forged over decades of compromise and conciliation, that the EU should be as open as possible to trade and foreign investment. The ECB has created a framework for providing euro liquidity to non-euro countries, which could be more attractive to crisis-stricken countries than the Fed's swap lines if Mr Trump continues on his current course. Nobody wants to give the American president leverage.

Old continent, new tricks

And then there is the final reason for optimism: the state of international commerce. As America withdraws from global trade, Europe will come to play a more important role. Goods and services invoiced in euros will create ancillary markets in the currency, including in trade financing, insurance, and hedging derivatives for interest rates and currencies. Although over-the-counter (off-exchange) currency derivatives remain dominated by the dollar, interest-rate derivatives in euros have recently overtaken those in the greenback. New trade links will also lead to the creation of euro-based credit and deposit accounts across the world, which will, in turn, create demand

for euro assets and, ultimately, euro central-bank reserves, since any lender of last resort must stock up on the currencies held by local financial institutions.

Europe has a chance to assume leadership of a new liberal trading order, which would create opportunities to shape the financial system. Ursula von der Leyen, president of the European Commission, cheerfully notes how "many countries around the world [want] to work closer with us". According to research by the ECB, in the 2000s the euro zone's eastern neighbours began to invoice trade in euros because of closer commercial ties with the bloc; the same dynamic may now play out elsewhere. Capital tends to follow geopolitical alignment. Research by Elisabeth Kempf, then of the University of Chicago, and co-authors finds that asset managers and banks invest less in countries led by governments with political leanings different to their own (as measured by their political donations or affiliations).

Yet such opportunities will not fall into the lap of European policymakers. Difficult reforms will be required, too. For a start, countries with lots of debt, not least France and Italy, will have to foster economic growth so that they remain fiscally sustainable, rather than adding to the pile of investible bonds simply to make their budgets work. Germany, the Netherlands and the Scandinavian countries face the opposite task: they need to use their fiscal space for investment, in the process creating safe assets. Economic growth across the EU would help lift returns of all euro assets, including government bonds, in turn making them still more attractive.

Europe also needs larger and deeper capital markets to give investors more assets in which to put their money. Policymakers have so far focused on easy gains when seeking to tie fragmented national markets together, concerning themselves with matters such as the process by which assets are securitised, rather than more contentious topics such as the harmonisation of bankruptcy laws and business regulation. Faster progress on the ECB's plans to connect third countries to its internal payments system would help, as would an international leg for the digital euro.

European officials would like to make the continent less dependent on both America and China. A more international euro would lower borrowing costs for national governments, which would be supremely helpful at a time of rising defence spending. For the moment, few politicians will spell out such ambitions, since they are aware that doing so would provoke the wrath of the Trump administration. But that does not matter. International finance has a logic of its own, and it can bring down currencies even in the absence of grand speeches. Just ask the Athenians. ■



Currencies (3)

Collateral damage

BANGKOK

Poor countries would miss King Dollar

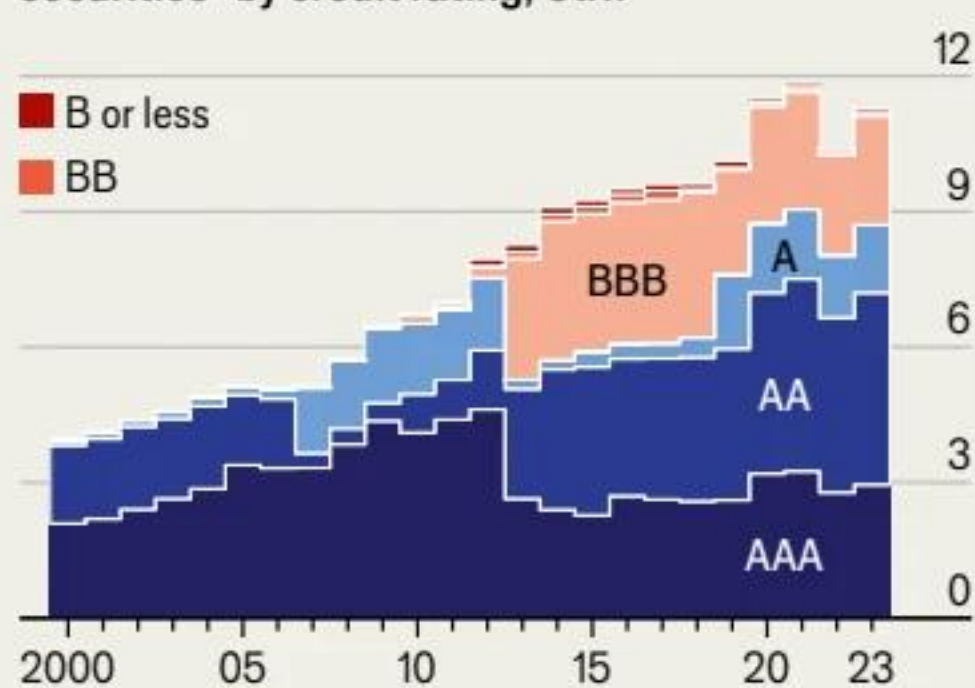
A FALLING DOLLAR is normally good for the developing world. Because poor countries borrow more in the greenback than rich ones, their debt bills become less burdensome. At the same time, imports become cheaper, providing a balm to foreign reserves that are often stretched, and investors become more optimistic. So it was from 1971 to 1978 (the last time poor countries really splurged on infrastructure) and from 2004 to 2008 (when commodity exporters became unexpectedly flush).

This time things will be different. Since April 1st the dollar has dropped by 4% against a basket of rich-world currencies and a Treasury sell-off has threatened its position as the world's reserve currency. Yet emerging economies are more vulnerable than before Donald Trump's tariff announcement. Today's dollar weakness reflects not a typical downturn, but Mr Trump's bid to reshape the global trading order. A combination of weaker American demand and higher trade barriers will hurt economic growth in poorer countries, which depends on exports. Cheaper dollars will not cushion the blow.

An MSCI index which tracks 24 currencies relative to the dollar is up by 0.5% since April 2nd, when Mr Trump let loose his tariffs on the world, hardly enough to boost governments' balance-sheets. Countries that will be hit hard by Mr Trump's measures, including those in "Factory Asia" and many in Africa, have seen their

Bonding together

Euro area, euro-denominated debt securities* by credit rating, €trn



Source: Bruegel

*Of governments, the EU and supranational European institutions

► currencies fall even more sharply than the dollar. Vietnam's dong plunged to a record low on April 8th, for instance. Even after Mr Trump rolled back many of his levies, few have recovered their losses. Meanwhile, stockmarkets are struggling even more—since April 1st, the Dow Jones emerging-markets index has fallen by 4%—and, according to Schroder's, an asset manager, the value of emerging-markets corporate credit is falling, too.

Poor economies tend to grow by selling to consumers in rich ones. In the best-case scenario, goods that would have gone to America will now head to China and Europe, albeit at a discount and with the expense of navigating new borders and markets. In the worst-case scenario, big economies might raise their own trade barriers in order to protect domestic industries. Emerging markets are struggling with both tariffs and the uncertainty they engender. The combination has sent growth forecasts into the red, and pushed up risk premia (the extra costs that poor countries pay to borrow) on bonds and stocks. This shock may drive central banks to cut interest rates. That, in turn, would wipe out any remaining benefits of a weaker dollar for government balance-sheets.

Indeed, the cost of borrowing in dollars has already increased for emerging economies, according to JPMorgan Chase. The bank's index of yields on emerging-market sovereign bonds is now 0.8 percentage points above its five-year average. It is not just the most heavily indebted countries, such as Pakistan and Sri Lanka, that are affected. So far this month no emerging market has issued any foreign bonds, according to Tellimer, a research firm.

Whereas developing countries will adapt to the trade shock, the dollar may be gone for good as the world's dominant currency. Barry Eichengreen of the University of California, Berkeley, does not expect any single currency to claim its crown, with dollars, euros and yuan vying for supremacy. In this world, nobody would benefit much from "exorbitant privilege", the discount on borrowing America now enjoys.

Developing countries would be even worse off, however, since they would bear the risk of the transition. Central banks in the world's poorest countries might get caught out as they attempt to manage decades-long dollar obligations while financing imports and investments in euros or yuan. Most would have to choose one of the three big currencies, Mr Eichengreen believes. Imports and exports would then orientate towards other countries in that bloc, representing a temporary but extra cost for companies; transactions between blocs, meanwhile, would be hostage to geopolitical tension. The dollar's loss may be good news for China and Europe. It is anything but for the rest of the world. ■

Factories under pressure

The flood

SINGAPORE

America is turning away Chinese goods. Where will they go instead?

DONALD TRUMP'S sky-high tariffs are not a ban on trade with China, but they come close. Although it is hard to estimate quite how sharp the decline in business between the two countries will be, since firms will find new routes and Mr Trump keeps changing the scope of the levies, a vertiginous drop is assured.

Once turned away, where will China's exports to America go instead? As supply chains adjust, firms will expand abroad to qualify for lower tariffs, as many did in Mr Trump's first trade war. Less scrupulous types may try to dupe American customs officials. But rerouting, legal or otherwise, is unlikely to offset a steep drop in demand from the world's biggest goods importer. The rest of the world will make up much of the difference, whether it wants to or not.

By the end of Mr Trump's first term American tariffs covered two-thirds of imports from China at an average rate of 19%, up from 3% before. However, newly incentivised tariff-dodgers found workarounds. They undervalued shipments, relabelled goods, forged paperwork and rerouted goods via third countries. Goldman Sachs estimates that Chinese exports worth around \$120bn bypassed tariffs in 2023.

This time it will be much harder to avoid border levies. One reason is that Mr Trump has introduced prohibitive tariffs on all Chinese goods—bar, for the time being, certain electronics and pharmaceuti-

cals—rather than a subset, meaning exporters have less to gain from relabelling products. Rerouting hubs including Mexico and Vietnam have become wary of Chinese firms using them to dodge tariffs, owing to threats of American retaliation against their own export industries. Claudia Sheinbaum, Mexico's president, has announced her willingness to work with Mr Trump on transshipment, including with new tariffs aimed at Chinese goods and raids on Chinese-owned stores.

There is a reason for her obsequiousness. Mr Trump's fixation on bilateral trade balances observes little distinction between dubious rerouting and supply chains legally adjusting to tariffs. At risk are countries such as Cambodia, India, Mexico, Thailand and Vietnam, which all now supply more of America's imports than before Mr Trump's first trade war. Thai negotiators have offered a crackdown on "counterfeiting from third countries"; Vietnamese officials promise to stamp out "trade fraud" and tighten rules of origin.

Building barriers

Chinese goods that cannot be sold to America will head elsewhere. This comes at a time when neighbours are already concerned by Chinese industrial production. In response to weak economic growth, the country's policymakers are funnelling cash and loans to manufacturers, leading output to surge. Chinese firms have cut export prices by 20% since 2023, and the country's manufacturing trade surpluses with Asian and Latin American countries have grown much more quickly than those with America or Europe. Last year 198 complaints were filed against China at the WTO, a record, including 37 from India.

Although a flood of cheap goods would be a boon for consumers, politicians worry ►►



Trumpian nightmare

▶ it will put domestic manufacturers out of business. Take Thailand, where industrial production has shrunk by a tenth since 2019, at the same time as the country's trade deficit with China has doubled in size. Computer and electronics firms have suffered most of all, with their output falling by 40%, despite hopes that Thailand could fashion itself into a production centre for laptops. China last year exported portable computers worth \$33bn to America, which will have to find a new home.

This could bite even in countries that benefited from the first trade war. One example is the toy market in Vietnam, worth \$1bn a year, in which firms such as Bandai Namco and Lego have invested. The industry now faces competition from cut-price Chinese goods that would have gone to America. Another is textiles, where America imported \$29bn-worth of goods from China last year. Mr Trump has scrapped "de minimis" rules, which let packages under \$800 into America duty-

free, aiding Chinese firms including Temu and Shein. Trade deflection could hurt manufacturers in Bangladesh and India.

More protectionist countries will not hesitate to hit back against China. India and Indonesia were fast to do so last time round. Others were more cautious, however. Malaysia and Thailand have largely refrained from counter-measures, for instance, fearful of angering their imposing neighbour. The pressure on their leaders will only grow in the months to come. ■

BUTTONWOOD

Reshoring ain't reassuring

Stockmarkets do not reward firms for investing in Trump's America

WHAT DO THE following three companies have in common? Stellantis, owner of the Fiat, Jeep and Chrysler brands; Merck, which makes the world's bestselling cancer drug; and Barry Callebaut, a Swiss chocolate-maker, which is particularly proud of its ruby flavour, neither sweet nor bitter.

One answer: their capital-expenditure (capex) plans. All three have announced investments in America since Donald Trump won last year's presidential election. In January Stellantis (whose largest shareholder part-owns *The Economist's* parent company) said that it would build the next Dodge Durango in Detroit and reopen an assembly plant in Illinois, putting union members back to work. Two months later Merck announced the opening of a vaccine plant in North Carolina. And on April 10th Barry Callebaut said it would expand a plant in America to help it cope with the "disruptive environment" Mr Trump's new administration has created.

Mr Trump is, of course, delighted by this kind of news. The White House added the chocolate-maker to a list of more than two dozen companies that have announced investments in America since the president's return to power. "We are already seeing progress in reshoring American industry," it said.

The spending is presumably good for America. But is it good for the companies themselves? Even the president should care about this question. Trump Media, one of his firms, has just launched new investment accounts that let people bet their money on MAGA themes like "Made in America". So do capex announcements that gratify Mr Trump also please shareholders?

In theory, the answer is ambiguous. The impact of capex on a company's

share price can be sweet, bitter or neither. An optimistic view is that such spending ought to lift share prices. Why else would companies do it? Managers have strong incentives to care about what shareholders think. And shareholders have reason to defer to a firm's judgment about the deployment of capital. That is, after all, why investors entrust their capital to a firm in the first place.

Other theories are less optimistic. Institutional investors may have short time horizons, punishing any costly plan that privileges distant years over the next quarter. Alternatively, managers may have skewed incentives of their own. They may be tempted to build a corporate empire with money that would be better returned to shareholders. According to a third, "efficient markets" view, investment is neither bitter nor sweet. A company's share price will already reflect its expected capital outlays in the future. Capex announcements will move the price only if they deviate from these expectations.

Most studies find that share prices respond positively to capex announce-

ments, if only weakly. The firms showcased by the White House have a couple of extra things going for them. Moving production to America will help them escape Mr Trump's tariffs, as he himself points out. Another potential benefit is winning the president's goodwill. Indeed, some bosses made their announcements standing alongside Mr Trump.

Despite all this, shareholders appear unconvinced. Of the listed companies that are featured in the White House press release, 20 have made firm capex announcements. In only 11 out of these 20 cases was the company's share price higher on the day after the announcement than on the day before. Moreover, 15 of these companies have underperformed their national equity market since Mr Trump won last year's election. A simple, equal-weighted average of these stocks has fallen by almost 12% in dollar terms since election day, compared with the 7% decline in the S&P 500 index of big American firms.

Many of the companies have idiosyncratic problems. Barry Callebaut has been hurt by the volatile price of cocoa. Merck has encountered weak demand in China for its otherwise successful human-papillomavirus vaccine. Stellantis bade farewell to its contentious chief executive in December.

And the firms' plans may reflect fear more than enthusiasm. Their decision to expand operations in America so early in Mr Trump's term could suggest they were unusually exposed to his tariff plans, and the "disruptive environment" levies have created. Certainly, for Stellantis, Merck and Barry Callebaut, Mr Trump's second term has not been a box of chocolates. Another thing all three have in common: a slump in their share price since election day of over 20%.



FREE EXCHANGE

Hell is other people's currencies

A new book argues that the global dollar has been causing trouble for seven decades



COULD IT HAVE been the rouble instead? The question is a strange opening gambit for a history of dollar dominance, with Russia's economy sealed off from the West and its output less than a tenth of America's. The idea of the rouble as a global reserve currency is laughable—and that is why Kenneth Rogoff considers it near the start of his new book, *"Our Dollar, Your Problem"*. What is obvious now was not at all so in the 1960s and 70s, when the rouble bloc's economy was fast becoming the envy of the world. Soviet growth was red-hot. Plenty of economists believed parity with America was "not just likely but inevitable".

In reality, of course, there was nothing inevitable about it: the Soviet Union stagnated and then fell apart. Had Mr Rogoff's book been published a few weeks ago, framing his analysis of the dollar's global role with this story of imperial collapse might have seemed lurid. Now questions over the position of America's currency at the heart of the global trading and financial systems have become widespread. Donald Trump's erratic protectionism has threatened both with a wrecking ball, denting confidence in America's policymaking and even shaking investors' faith in its government debt. The central argument of *"Our Dollar, Your Problem"*—that the greenback's pre-eminence was never guaranteed and might plausibly be overturned—could hardly be more timely.

It is not the first time that Mr Rogoff, a former chief economist at the IMF and now a professor at Harvard University, has made a provocative case which then suddenly went mainstream. He spent much of the 2010s arguing that quiescent inflation and low interest rates were an aberration which would soon disappear. Although well outside the consensus at the time, his views began to be vindicated in 2022, as consumer prices and bond yields rose rapidly. He was also early to warn about the potential for a Chinese property crisis and consequent economic slowdown, having published a working paper entitled *"Peak China Housing"* in 2020. The next year a default by Evergrande, a Chinese construction giant, sent those concerns global, too.

Today China's lingering growth problem, which may cause its economy to flatline in relative terms long before it gets as big as America's, is perhaps the biggest obstacle to the yuan supplanting

the dollar. (Other barriers, such as controls over capital flows and the exchange rate, could at least in theory be overcome.) In the 1980s, notes Mr Rogoff, the Japanese yen looked as if it might rival the dollar, since after years of strong growth and superior manufacturing "Japan's economy seemed to be bearing down on the entire United States like an express train." This was before the bursting of two enormous bubbles in its equity and property markets, which a soaring exchange rate helped inflate. Japan's economy suffered decades of stagnation; the yen fell by the wayside.

Mr Rogoff is most compelling when discussing the trials the global dollar has caused for smaller economies—unsurprisingly, since at the IMF he had a front-row seat for many of these. Some of the worst arose from countries' attempts to fix their exchange rates against the reserve currency, a system originally mandated by the Bretton Woods agreement of 1944. Fixing exchange rates against the dollar seemed desirable because it simplified trade, eased the integration of other countries' banks into the global financial system and helped maintain faith in their currencies. Protecting such pegs, though, entailed a mix of capital controls and mimicking the Federal Reserve's monetary policy, which could make downturns worse. American inflation, meanwhile, wreaked havoc everywhere. The system collapsed in the 1970s.

Yet the lure of fixed rates remained, with inflationary and hyperinflationary episodes in places such as Argentina, Mexico, Venezuela and Zimbabwe vividly demonstrating why. Before the creation of the euro, Europe's internal efforts to fix its countries' exchange rates led to one attack after another by speculators. Raids in the early 1990s on Finland, Sweden, Italy, Spain and Britain all forced devaluations. Later, the dollar pegs maintained in South-East Asia resulted in enormous capital inflows that then suddenly reversed, sparking the Asian financial crisis of 1997-98. The Russian crisis of 1998, also triggered by an unsustainable fixed-rate regime, helped propel Vladimir Putin to power.

These various crises forged the present system, dominated by the dollar, the euro zone's free-floating single currency and what Mr Rogoff dubs the "Tokyo consensus" in Asia and Latin America. This imitation of Japan's exchange-rate policy has seen many other countries' central banks amass "war chests" of dollar reserves that can be used to stabilise their currencies amid volatility, while stopping short of pegging them outright. By comparison with previous regimes, the Tokyo consensus has so far been remarkably successful.

All the devils are here

A gradual erosion of the dollar's role might be bearable. Mr Rogoff's book argues that the yuan is more likely to gnaw away at the dollar bloc than to overthrow the greenback entirely. It is already used to price a rising share of China's trade, encouraging countries across Asia's supply chain to include it in their exchange-rate regimes. In time, innovative use of digital currencies could add to the pressure to de-dollarise. America would have less control of the global financial system than before, but neither its rivals nor its allies would complain about that.

Even writing before this year's ructions, though, Mr Rogoff worried most about the threats from inside America—whether ballooning government debt or political interference at the Fed. A loss of faith among investors that causes the dollar to lose its role not gradually, but suddenly, might seem fanciful. Once upon a time, so did the idea that the Soviet Union might fall. ■

Science & technology



Plastic and health

Mixed bag

A new generation of studies is uncovering the health effects of microplastics

IN 2018 A TEAM of Austrian scientists discovered tiny fragments of plastic, known as microplastics, in stool samples from people in several countries. Since then, such particles have been found in human blood as well as organs, including the lungs, liver, kidneys, heart and even the brain. They have also turned up in the placenta and breast milk. And, according to some recent studies, the amount making its way into the body is increasing.

A barrage of papers tentatively suggests these foreign bodies may play a role in a wide range of diseases. A study of about 250 patients in America, published in 2024 in the *New England Journal of Medicine*, linked the presence of microplastics in arterial plaque with a higher risk of heart attack and stroke. A small study published in

Nature Medicine in February reported that the brains of people with dementia had much higher amounts of microplastics than the brains of those without. In studies conducted with human tissues in the lab, microplastics have been found to trigger inflammation (the basis for many chronic diseases), fuel the growth of cancer and reduce the efficacy of antibiotics.

These findings have raised alarm bells. But the true impact of microplastics on hu-

man health remains hard to determine. For one thing, the field is so new that few of the headline-grabbing studies have been replicated. Questions of contamination and accuracy also loom large: the brain study in *Nature Medicine*, for example, suggests that as much as 7 grams of plastics may accumulate in the brain, roughly the weight of a disposable plastic spoon. Others find that figure unrealistically high.

More pressing, most research thus far on the health effects of microplastics has been conducted on human cells in Petri dishes or in animal models such as mice, rather than on groups of people. That is, in large part, because researchers have lacked the tools to conduct the large-scale population studies and randomised trials necessary to establish any definitive causal effects. This is now starting to change.

Containing multitudes

Part of the problem has been the mind-boggling non-uniformity of microplastic particles. Some come from disintegrating rubbish; others result from the wear and tear of everyday products like synthetic textiles, car tyres, paints, toys, utensils and packaging. Their composition is no less varied. A wide range of polymers, such as nylon and polypropylene, are used to make plastics, along with over 10,000 chemical additives (including at least 2,400 of potential health concern).

What is more, plastics do not remain factory-fresh forever. As they circulate in the environment, microplastics pick up contaminants such as heavy metals, as well as viruses, bacteria and moulds (collectively known as their “corona”). And they come in all sorts of shapes—from fibres and spheres to needles and shards—as well as carrying different electrical charges.

All this matters because microplastic particles with different properties can have dramatically different effects. Several research groups have found that chemical and biological contaminants in the corona affect how the particles interact with cells involved in inflammation. Research on other nanoparticles, including those of carbon and silver, has shown that jagged or elongated shapes are more likely to damage cells, says Virissa Lenters of Vrije University, in Amsterdam. And the strength of the electrical charge that a given microplastic particle possesses can change how easily it can enter a given cell.

Thus far, however, most lab studies have used a single, sterile type of microplastic particle: the smooth polystyrene beads that are the only ones available for laboratories to buy. This has led some research groups to develop their own microplastic particles with different charges, »

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compositions, shapes and sizes, for use in studies. These are then exposed to processes that simulate natural wear and tear (one group, for example, has aged its microplastic fragments by dousing them in water from the Rhone river) so that they more closely resemble microplastics found in the world outside the lab.

The process is painstaking. Lukas Kenner from the Medical University of Vienna says that it has taken his colleagues around two years to work out how to make particles of PET (polyethylene terephthalate), a plastic found in everyday products such as disposable water bottles, that suitably replicate those found in the environment. The particles are then given fluorescent labels so they can be tracked inside tissue. Such work is a necessary step towards achieving the replicable conditions required in experiments, says Dr Kenner. "We can't just take particles from the street."

Another problem facing researchers is working out how high a dose of microplastics to administer to their subjects. Up until now, says Juliette Legler at Utrecht University, the doses associated with negative effects in cell cultures and animal studies have been far higher than the amounts likely to be found in living human bodies.

But knowing what amount is realistic remains elusive. That is because scientists lack tools to both accurately and speedily measure the quantity of microplastics found in human bodies. The usual method, which involves inspecting biological tissue with a specialised microscope, is not sensitive enough to detect the smallest microplastics. For more sensitivity, scientists turn to chemical detection, which destroys the sample (meaning that information about the cell types that contain the particles gets lost) and is prone to confusing plastics with biological molecules such as lipids. Those methods also require samples to be elaborately prepared prior to testing, which slows down the analysis.

The expensive and laborious nature of measurement means that studies on specific health consequences, such as, for example, the correlation between microplastics in stool and irritable bowel syndrome, have been limited to a few dozen people. For reliable conclusions to be reached, that number would need to be far higher.

Promising solutions to these measurement hurdles are coming along at a fast clip. Dr Kenner's group has come up with a new, laser-based method to determine the composition of microplastics without damaging their host tissue. This allows the researchers to better assess the biological effect of the microplastics, as well as allowing the tissue samples to be reused in future research. It is a "game-changer", he says, enabling work that would have been unthinkable just a year ago.

A group at the University of Applied



No problem too small

Sciences and Arts of Western Switzerland, for their part, have adapted existing spectroscopy software with machine-learning techniques to detect smaller and more complex particles, and to do so automatically—which makes analysis faster, more accurate and more thorough, capturing 15% more particles. Others, such as Douglas Walker and his team at Emory University, are seeking to minimise the chemical misidentification of plastics.

Wrapping up

Such advancements mean that larger and more comprehensive studies are finally becoming possible. One group of researchers is using these new methods to study 800 mother-and-child pairs in Belgium and Spain, looking for links between microplastics in placenta, urine and blood and health outcomes such as premature birth and early child development.

In another study, which involves 100 Dutch women, researchers are tracking microplastics in household dust and in participants' urine. They are trying to understand how various sources of the particles compare and whether certain lifestyle habits, such as vacuuming more often, make a difference. Austrian scientists are looking at the same issue with a "plastic fasting" study (in which volunteers reduce their use of plastics for a week) to find out how it changes the amount of microplastics in their blood and stool.

All being well, results from these studies should start coming in by the end of 2025. But many more such studies will be needed to reach definitive conclusions about what microplastics do to human bodies. With each generation exposed to ever greater amounts from the day they are born, says Dr Legler, convincing answers are urgently needed. ■

Artificial intelligence

AI and the art of negotiations

Software can map out a peace deal

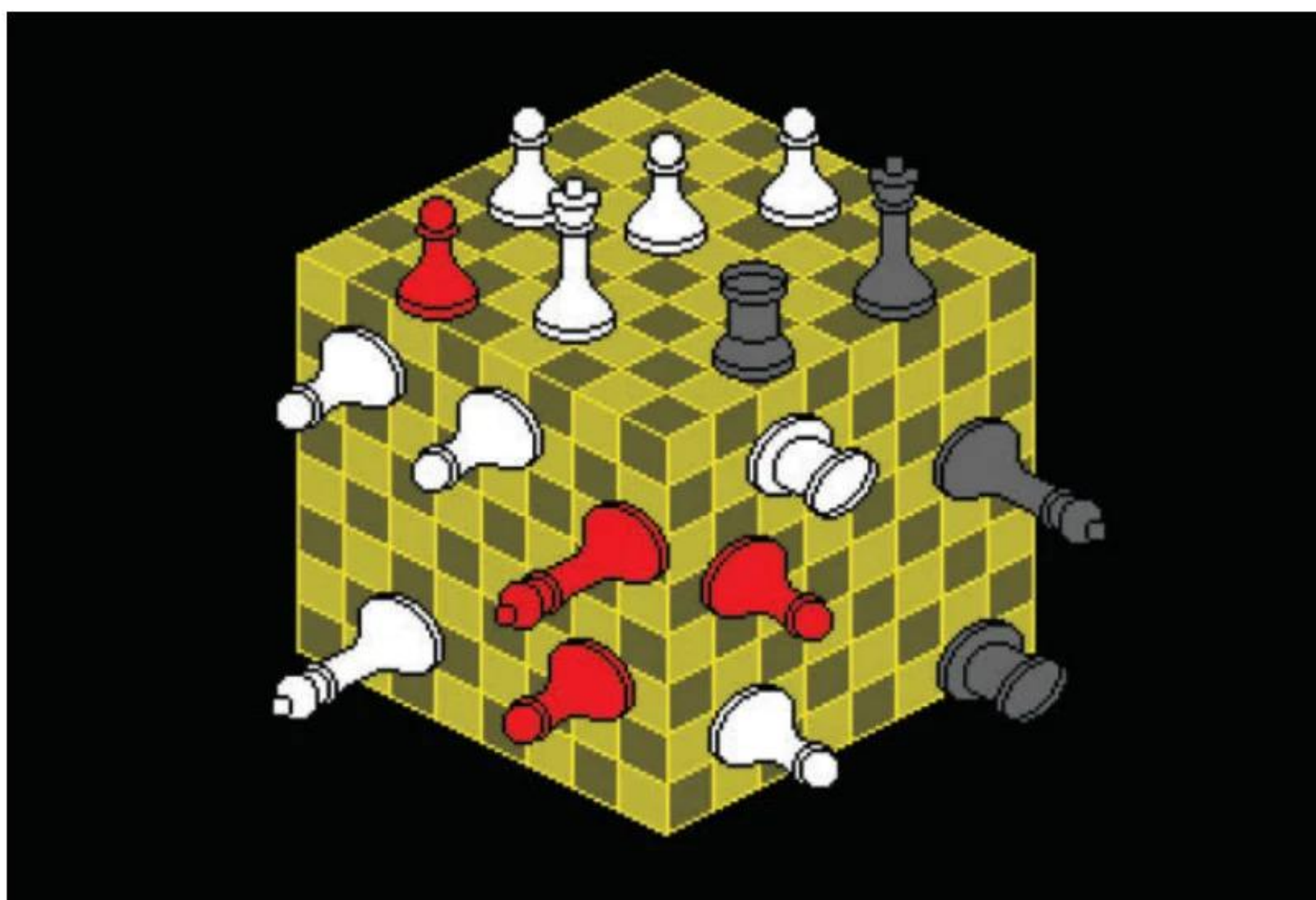
IN A MESSY age of grinding wars and multiplying tariffs, negotiators are as busy as the stakes are high. Alliances are shifting and political leaders are adjusting—if not reversing—positions. The resulting tumult is giving even seasoned negotiators trouble keeping up with their superiors back home. Artificial-intelligence (AI) models may be able to lend a hand.

Some such models are already under development. One of the most advanced projects, dubbed Strategic Headwinds, aims to help Western diplomats in talks on Ukraine. Work began during the Biden administration in America, with officials on the White House's National Security Council (NSC) offering guidance to the Centre for Strategic and International Studies (CSIS), a think-tank in Washington that runs the project. With peace talks under way, CSIS has speeded up its effort. Other outfits are doing similar work.

The CSIS programme is led by a unit called the Futures Lab. This team developed an AI language model using software from Scale AI, a firm based in San Francisco, and unique training data. The lab designed a tabletop strategy game called "Hetman's Shadow" in which Russia, Ukraine and their allies hammer out deals. Data from 45 experts who played the game were fed into the model. So were media analyses of issues at stake in the Russia-Ukraine war, as well as answers provided by specialists to a questionnaire about the relative values of potential negotiation trade-offs. A database of 374 peace agreements and ceasefires was also poured in.

Thus was born, in late February, the first iteration of the Ukraine-Russia Peace Agreement Simulator. Users enter preferences for outcomes grouped under four rubrics: territory and sovereignty; security arrangements; justice and accountability; and economic conditions. The AI model then cranks out a draft agreement. The software also scores, on a scale of one to ten, the likelihood that each of its components would be satisfactory, negotiable or unacceptable to Russia, Ukraine, America and Europe. The model was provided to government negotiators from those last three territories, but a limited "dashboard" version of the software can be run online by interested members of the public.

The Futures Lab is also designing add-on models for the simulator. Each is a bot trained on studies of, and speeches and



writings by, a different political or military leader. To help negotiators work out how China's president, Xi Jinping, might react to a scenario, for example, an AI alter ego, dubbed "Xibot", is being developed. The bots also stimulate creativity, says Benjamin Jensen, the lab's director. His team has already produced three such AI "advisers" that reason in the distinct styles of George Patton, Genghis Khan and Sun Tzu.

Britain's Foreign Office, meanwhile, is helping fund a more ambitious AI negotiations adviser that is being developed at the University of California, Berkeley. A lab there is training a model exclusively on documents relating to America's NSC, including minutes of meetings that stretch back to 1951. The idea, says Andrew Reddie, the project's leader, is to produce a versatile AI adviser for negotiators. The model will produce talking points in a wider range of "voices" than CSIS's bot advisers.

Demand for such models is high, reckons a negotiator based in London who advises senior government officials in talks on war and peace. When discussions are in full swing behind closed doors, negotiators can lack a way to quickly gauge the opinion of superiors back home, says the adviser (who asked to remain anonymous owing to the sensitive nature of her work). She therefore often needs to pause talks to make contact, which breaks momentum and gives the other side time to regroup. A negotiating team with an AI model that allows it to speed up its tempo in talks, she says, could gain an edge. A good simulator may also be able to flag potential sticking-points early, she adds, as well as helping negotiators see through the eyes of an unsavoury or unrelatable adversary.

Consummate AI diplomats of this sort are still some way off. In tests to identify differences in the negotiation styles of sev-

en AI models, the Futures Lab found that some, including DeepSeek, Gemini and Llama, are particularly "escalatory". In one scenario Llama opted to use force in a whopping 45% of runs. In other cases, notes Jacquelyn Schneider of Stanford University's Hoover Institution, a model's code may be overly conciliatory. Her team compiles data on how various AIs play war games involving negotiation, and briefs congressional staffers on the findings. The "risk-averse" camp includes GPT-4, an OpenAI model Dr Schneider describes as partial to "Obama's foreign policy".

Comparative analysis such as Dr Schneider's could improve future models. So might a new AI project at DARPA, a research agency at the Pentagon. Called CODORD, it aims to convert natural human language about acceptable and unacceptable actions, as well as obligations, into code. That, it is hoped, will help models better hew to a human leader's intent.

Futures Lab's next step is to soup up its Ukraine-talks simulator with game theory, which models decision-making by predicting the likely actions of stakeholders based on their goals, motivations and levels of influence. Whereas language models make inferences from existing data, game theory employs deductive reasoning from first principles. Folding it in should give the simulator firmer footing to spot logical errors or unmerited results, says Yasir Atalan, a data scientist at the lab.

One game-theory model to be added is called "Competition in the Shadow of Technology". Its equations, developed by Futures Lab to increase a country's negotiating power, calculate the best time for secret military capabilities to be revealed.

The lab also has its eyes on a game-theory model called Predictioneer's Game which, as a stand-alone system, has an im-

pressive record. Its developer, Bruce Bueno de Mesquita, has used the model to advise clients, including America's Central Intelligence Agency and the Pentagon, on subjects including nuclear negotiations with Iran and North Korea. A three-day session with the software (and Dr Bueno de Mesquita) can cost \$300,000. Though cagey with details, he says he currently discusses the model's take on "a wide array" of crises with officials at the State Department.

The model has had impressive results. In 2023 Predictioneer's Game forecast that peace talks on Ukraine would begin in early 2025. In the early days of the conflict in Gaza, the model laid out how Israeli positioning might change if Yahya Sinwar and Ismail Haniyeh, two leaders of Hamas, were ever to exit the picture. That has been borne out by developments following their deaths in 2024, says Dr Bueno de Mesquita. Now 78 years old, he plans to publish the model's equations for anyone to use.

All this is heady stuff. AI's potential to reshape security talks, says Rose Gottemoeller, America's chief negotiator with Russia for New START, a treaty on nuclear arms that took effect in 2011, is "really remarkable". If the technology catches on, diplomacy may become a field in which AI models reach deals with one another. Whether humans can hold on to a seat at the table is up for discussion. ■

De-icing

Deep freeze

Two studies bring rigour to humanity's interactions with the cryosphere

JACK FROST is a tricky adversary. As the mercury falls, water's behaviour becomes erratic, leading to ice and snow with physical properties that can vary enormously depending on environmental factors such as temperature and moisture. That can complicate tasks as varied as developing new ice-repellent materials and predicting the likelihood of an avalanche. New research is suggesting ways to put this slippery field on firmer foundations.

"Ice is a complicated material," says Jean-Denis Brassard, an anti-icing specialist at the University of Quebec. Although one chunk may look like any other, each is a messy collection of individual crystals formed in ways that are sensitive to the conditions. Everything from the air pressure to the size of water droplets and the type of surface can affect the type of ice that will form and, thereby, its clinginess. To make matters worse, climate change brings with it different types of ice. »

► This is a problem for those creating materials to protect aircraft, roads, bridges and power lines from dangerous build-ups of ice. At present, such materials are tested in a number of different ways, from checking how easily a layer of ice can be pulled vertically away from a surface, to measuring ice-on-ice friction. Writing in *Cold Regions Science and Technology*, Dr Brassard and his colleagues argue that such tests do not replicate the way ice is removed from surfaces in the real world, which can lead to inconsistent and misleading results.

Dr Brassard's team has, therefore, built a tool that mimics the way people scrape their car windscreens. Rather unimaginatively called the human-motion-inspired automated apparatus, it uses compressed air to steadily push an angled blade along an icy surface. By measuring the force applied, it can rate the effectiveness of different de-icing techniques.

Such a device will help ice-clearers tackle the novel forms of ice produced in a warming world. Climate change is increasing the likelihood of mixed-phase precipitation—a weather forecaster's way of saying one of those wintry spells when you get a bit of everything. As a result, says Dr Brassard, clients are increasingly finding hitherto unseen types of ice with no sense of how best to clear them. "Then they come to see us," he says.

Based on photographs and a handful of on-the-ground measurements, his team can try to replicate the unusual ice. Their device can then be used to test combinations of coatings and chemicals to see which might be most effective.

Another type of ice test, carried out routinely on ski slopes, seeks to measure the stability of snow packs in order to assess the chances of an avalanche. This is often done by counting how many taps it takes for cracks to appear and propagate in a column of snow. The tests are typically performed in three sets of increasing power, hinging the hand tap from either the wrist, elbow or shoulder.

Havard Toft, then a PhD student at the Centre for Avalanche Research and Education at the Arctic University of Norway in Tromsø, was concerned that these avalanche tests were not reliable. Dr Toft and his team therefore persuaded almost 300 avalanche experts to have the strength of their hand taps measured, collecting more than 8,500 data points in total.

In a paper published in *Natural Hazards and Earth System Sciences*, Dr Toft showed that different individuals delivered taps of the same type with varying degrees of force. Most striking, many experts produced more load with wrist taps than colleagues did with shoulder taps, which the researchers say could lead to some dangerous misclassification of avalanche risk. The field should proceed with caution. ■

Well informed

How dirty are electric vehicles?

They emit no fumes, but their brake pads and tyres disintegrate over time

PEOPLE ARE dying for clean air. According to the most recent estimates from the Institute of Health Metrics and Evaluation at the University of Washington, air pollution caused 4.7m early deaths worldwide in 2021—about the same as dementia, road-traffic accidents, malaria and suicides combined.

Road traffic is a leading contributor to dirty air; in London, for instance, it is responsible for 60% of outdoor particulate dust. Electric vehicles (EVs) are often preferred because they can be powered by clean, sustainable energy sources and, in contrast to petrol and diesel cars, produce no exhaust fumes. But EVs nevertheless emit other pollutants common to all cars: particles originating not from the exhaust, but from brakes, tyres and roads. These, too, can be dangerous for human health.

The most dangerous particles are those smaller than 2.5 microns in diameter, which get into the lungs and reach other organs via the bloodstream. Such dust can increase the risk of heart disease, stroke, lung disease and cancer. According to British government statistics, 60% of road-traffic particles below 10 microns do not come from the combustion, but from the gradual breakdown of tyres, brake pads and roads.

In addition to being less well regulated than exhaust fumes, non-exhaust

particles are also less well studied. That is changing. One study published in February by researchers at the University of Southampton found that some brake-pad dust seems to be more damaging to dish-grown human lung cells than diesel-fume particles. This was in part because of its higher levels of copper, which can damage cells and DNA.

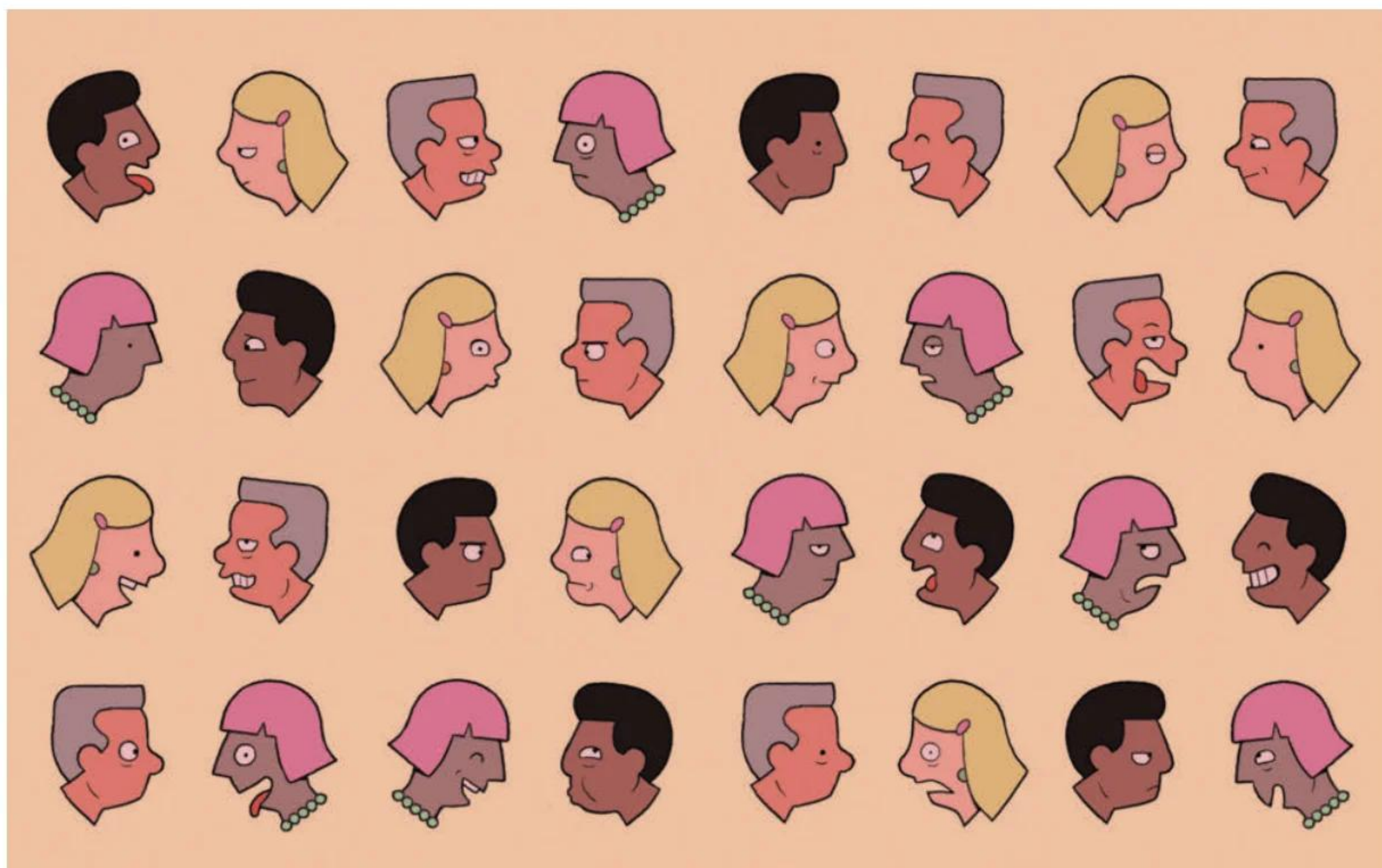
Though exact figures are elusive, scientists estimate that EVs produce more of these non-exhaust particles than other cars. This is because their batteries make them heavier, causing them to generate more friction. (According to Hannah Ritchie, a data scientist at the University of Oxford, in 2023 the mean weight of an EV was 2,133kg, whereas regular cars weighed around 1,500kg in Britain and 1,800kg in America.) As cars continue to get bigger, the risk is that EVs become more polluting.

Although EVs may be dirtier than you think, they are still mostly less polluting than other cars. That is partly because they use an extra braking system called regenerative braking. When the driver removes their foot from the pedal, the continued forward motion of the car is harvested to recharge the battery, thereby slowing the car down. That system works independently of brake pads, potentially eliminating one source of emissions. One study from 2021 estimated that, when regenerative braking was used for all braking, EVs produced a total of about 14 milligrams of fine particles per vehicle per kilometre on urban roads, whereas petrol cars produced about 18 and diesel cars 20 (exhaust included).

More radical steps can also be taken. Regulating non-exhaust emissions in a similar way to fumes would be one way to minimise harm to human health. Encouraging people to consider smaller cars, though difficult, would be another. Enormous cars are disastrous for road safety and most people will never need the extra range that the largest car batteries provide. Ensuring EVs run on clean electricity is also important: if their power is ultimately generated by burning coal, say, that just moves the pollution from the exhaust to the power plant chimney. Though EVs are necessary for the energy transition, they are currently far from emission-free.

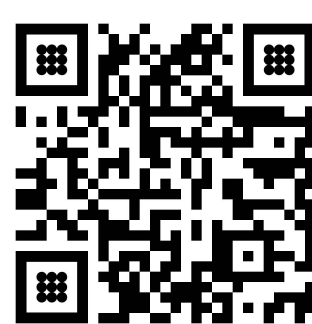


Culture



Television

The funny business



“LOL: Last One Laughing” is a rare example of a global comedy hit

EACH OF THE comedians has a method for suppressing their mirth. Harriet Kemsley gently coughs, in the manner of a child pretending to be ill. Richard Ayoade bites down on a finger. Daisy May Cooper scrunches up her face into a ghoulish expression that is at once a pout and a scowl.

They and seven other contestants are locked in a room together; over the course of six hours they must try to make each other chuckle without cracking a smile themselves. Anyone who smirks receives a “yellow card” warning; a second transgression results in a “red card” and elimination from the game. The idea of “LOL: Last One Laughing”, a reality-TV show, is straightforward: “You laugh, you lose.”

Viewers have found this a winning concept. Ms Kemsley, Mr Ayoade and Ms Cooper competed in the British version of the programme, which first aired on March 20th; almost a month on, it is still one of

Amazon Prime Video’s top TV shows there. But “LOL” is not just a hit in Blighty. To date, more than 25 versions of the show have been produced in countries around the world, including Argentina, Brazil, Canada, Denmark, Italy, Mexico, Nigeria and the Philippines. (Surprisingly, there is no American version yet.)

This week “LOL” will return for its fifth season in France and sixth season in Germany. Parrot Analytics, a data firm, esti-

mates that between 2020 and 2024 the “LOL” franchise brought in more than \$110m worldwide in advertising and subscription revenue for Amazon.

All this is unusual. Streamers frequently have big, global hits with dramas; comedies, not so much. Television history is full of failed attempts to take a beloved sitcom from one country to another. Even places which share a language have different comic sensibilities. As one Reddit user has put it: “American comedy starts with everything being shit and ends happy. British comedy starts happy and ends with everything going to shit.”

That “LOL” has lived up to its name in so many countries offers lessons about how to make an international comic hit. One is the power of a simple idea, rather than a subtle conceit or witty script: anyone who watches “LOL” will recognise the exquisite torment of trying to suppress the giggles at, say, a work meeting or funeral. Another lesson is the value of drawing on local talents and allowing them to come up with the jokes themselves.

Matsumoto Hitoshi, a Japanese comedian, launched the format in 2016 because he “wanted to see what truly funny people are really like”. Many comedians work in standup or sitcoms, modes which are rehearsed rather than off-the-cuff. The set- ▶▶

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► up of “LOL” reveals which performers rely on tried-and-tested material and which are quick-witted, able to spot the comedy potential of a breadstick or a footstool.

Though the contestants must adopt deadpan expressions throughout, the show is structured to maximise viewers’ enjoyment, observes Louise Peacock, a historian of comedy. First there is the funny material—comedians must endure challenges as well as challenging conversations. Then there is a contestant’s stifled reaction to that material.

Viewers are primed to laugh at these moments by the host, who is merrily observing the action from another room. (After contestants are eliminated from the game, they sit with the host.) The comedians themselves also offer light-hearted commentary on their performance to the camera. By framing the action in this way, the producers give laughter an opportunity to catch on.

“LOL”, then, deals in easy, cheerful entertainment. The comedians are generally pleasant to each other. The jokes are avowedly apolitical, which gives the show a broad appeal. (That is by design, it seems: Amazon provides a “steer...in the right direction” when it comes to the content, says Kelly Day, the streamer’s head of international original programming.)

The tone is farcical rather than edgy. Many contestants try for physical comedy, as slapstick and buffoonery have been making people laugh since the ancient Greeks. In the Irish version, one comedian attempts to do Evel Knievel-style stunts on a child’s bicycle. Shock tactics are another constant ploy: an Australian comedian opens an icebox to reveal a pig’s head; a Japanese one tries to defecate on a table.

It is telling, though, that “LOL” has gone global because the universal elements of the format leave enough elbow-room for local tastes. It embraces the fact that what someone in Quebec finds funny is not the same as what someone in France likes. “It’s subtle nuances,” says Lucas Green of Bani-jay Entertainment, a production group whose labels make “LOL” in 11 markets, “but you’re able, through your cast, to reflect the sense of humour of your territory.”

Inside jokes

The comedians are attuned to what their peers will appreciate. Aisling Bea’s performance of “Only a Woman’s Heart” is funny partly because it is a famous ballad in Ireland and partly because, she says, “Irish people hate vulnerability.” Germany’s Max Giermann does a skit about Jorge González, a choreographer and TV personality, that is incomprehensible to someone unfamiliar with Mr González’s work, but it has his fellow competitors close to breaking. In the South African version Jason Goliath does a bit involving an oversize replica of

boerewors, a traditional sausage.

Because the contestants have generally been on the comedy circuit for some time, they have a sense of where the line is for their audience. In buttoned-up Britain, for instance, it does not seem to occur to the comedians to take their clothes off at any point. In Australia and Japan, however, contestants are happy to expose their private parts to the public (though thankfully such bits are blurred out).

The show has given Amazon’s executives plenty to celebrate. It is crowd-pleasing and cost-effective—most of the season is filmed in one day. If it tempts other broadcasters and streamers to commission more funny material alongside po-faced dramas, then “LOL” will have proved its point: laughter is contagious. ■

Billionaire memoirs

Gates v Gates

Source Code. By Bill Gates. Knopf; 336 pages; \$30. Allen Lane; £25

The Next Day. By Melinda French Gates. Flatiron Books; 176 pages; \$25.99. Bluebird; £17.99

BILL AND MELINDA GATES divorced in 2021 after 27 years of marriage. But lately the tech billionaire-turned-philanthropist and his ex-wife have been spotted together in an unusual setting: on the shelves of bookshops. Both have published memoirs in recent weeks, telling new stories about their unusual and gilded lives. In

some ways the books are similar: they aim to burnish the public personas of their authors. But the ways in which the books differ are more telling.

In “Source Code”, the first of a planned three-volume series, Mr Gates recounts his origin story, from his birth in 1955 to the early years of Microsoft in the late 1970s. Folk tales abound about the childhoods of American innovators such as Thomas Edison and Benjamin Franklin. This book seems to be an effort to define the mythology around the young Mr Gates.

It is no rags-to-riches tale: Mr Gates freely admits that his was a middle-class upbringing. A crucial event in his life was gaining access to a computer at school for the first time at 13. But he also describes his love of hiking with friends in the mountains round Seattle, sometimes for days at a time—a counter to the stereotype of the lonely nerd who never goes outdoors. In these passages you can sense the presence of a ghostwriter.

Mr Gates’s programming prowess and entrepreneurial zeal were entwined from the start. Even as a youngster, he had a propensity to bend rules and push boundaries. Mr Gates describes how, as a schoolboy, he would climb out of his bedroom window and sneak off to use the computer at night. At Harvard he and a friend, Paul Allen, made unofficial use of the university’s computers to develop Altair BASIC, the first product of the company they founded, known as Micro-Soft.

Also striking is how Mr Gates lucidly describes his childhood awkwardness. These days, he speculates, he would probably be diagnosed as being on the autism spectrum. This makes the self-awareness on display in the book (“my ability back then to filter my reactions wasn’t very highly developed”, he recalls of his Harvard ►►



From lovers to literary rivals

► days) all the more surprising.

By contrast, his ex-wife's book, *"The Next Day"*, surprises with its lack of self-awareness. In what is pitched as an inspiring self-help book, Ms French Gates recounts various turning-points from her life, in each case explaining—using quotes from TED talks, mindfulness teachers and psychology books—how she navigated difficulties and transitions. Like her ex-husband, she admits that she has "benefited from a tremendous amount of privilege...that has insulated me from some of life's hardships". However, she writes, "I believe that there are many aspects of the human experience that are universal."

As the ex-wife of one of the world's richest people, though, her examples of how to handle life's hardships come across as tone-deaf. She recounts the heart-stopping moment when one of her children nearly falls out of a hot-air balloon over the Maasai Mara. (What parent has not experienced that?) When she starts to realise her marriage is falling apart, her immediate response is to distract herself with a trip to South Africa, followed by a retreat in New Mexico. Oprah Winfrey, a media personality, offers advice. Ms French Gates eventually asks for a divorce. Her advice to others is "Distill your inner voice." (Other suggestions include "Be a greenhouse.")

Both accounts are self-justifying in places. And, thanks to its limited scope, *"Source Code"* avoids tricky topics from later in Mr Gates's life, such as antitrust investigations, marital infidelity and his controversial association with Jeffrey Epstein, a now-dead convicted sex offender.

His association with Epstein is not mentioned in Ms French Gates's book either. The episode that triggered the end of their marriage, in her telling, was that Mr Gates offered a generous severance package to a "toxic" employee who was being pushed out at the Gates Foundation, the charity they co-founded, which made her feel "disrespected and disregarded".

Neither book offers any insight into the workings of the Gateses' marriage. Ms French Gates notes that Mr Gates admitted to infidelity, but she always refers to him respectfully. Indeed, she dishes no dirt whatsoever. Presumably their divorce agreement has some pretty strict terms; readers may at times feel the hand of the lawyer, not the ghostwriter.

All the same, the books offer very different portraits of their now very separate authors. Mr Gates's memoir emphasises "the set of unique circumstances—mostly out of my control" that shaped him; Ms French Gates's tries to make her seem down-to-earth, even ordinary. Good luck trying to be like me, says Bill; I am just like you, says Melinda. Somehow it is the ruthless, socially awkward business titan who comes across as the more sympathetic. ■

The Economist watches

Money jungle

Six of the best films about financial turmoil

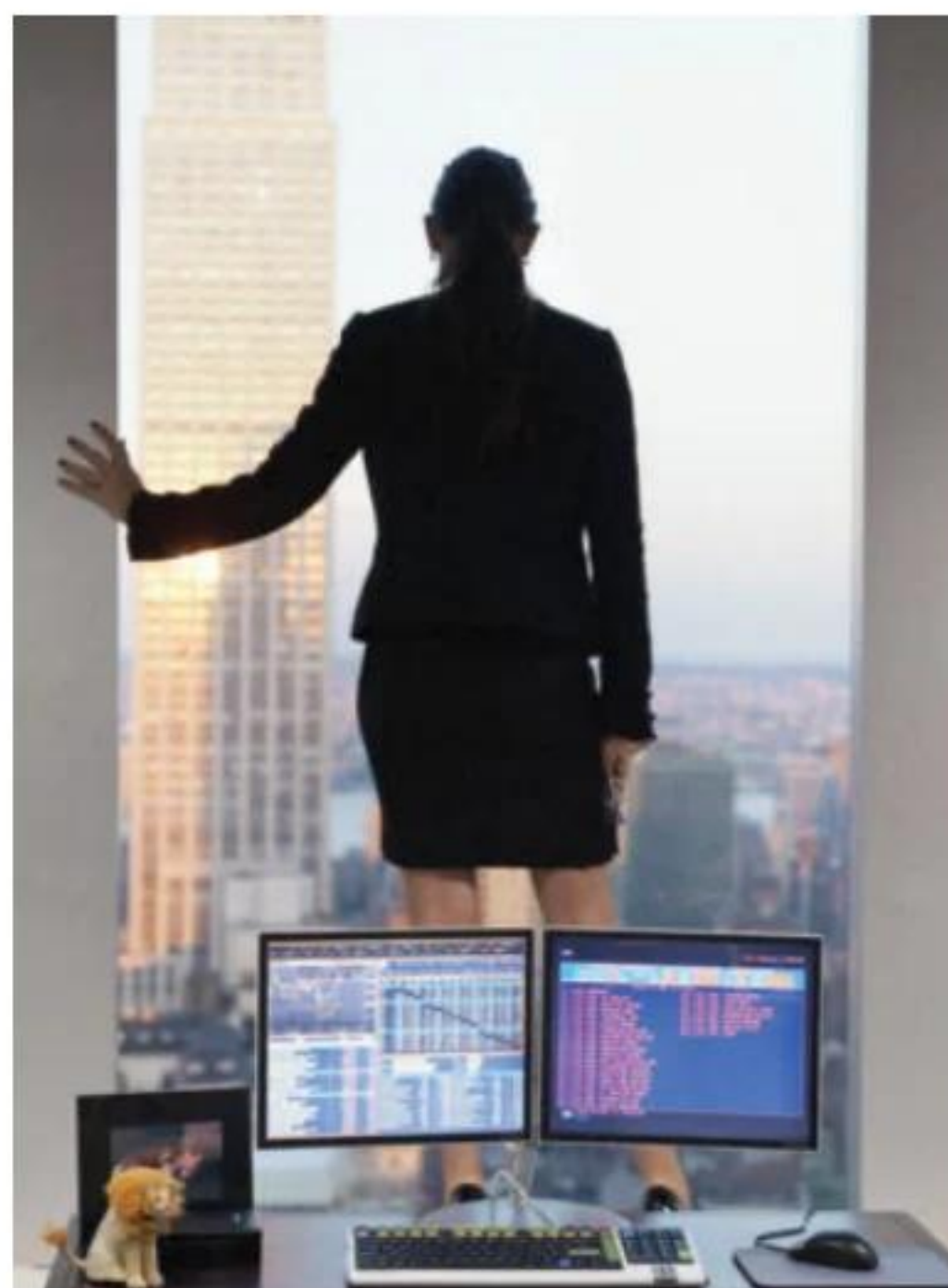
FINANCE IS NOT an obvious subject for dramatists. Interest rates, term sheets, mark-to-market accounting: these are phrases to make the average viewer's eyes glaze over. But when markets plunge—dragging down Main Street along with Wall Street—screenwriters' interest surges. Perhaps viewers can expect some terrific films about the tariff-induced chaos in years to come. Until then, here are the best films made about financial turmoil.

"The Big Short" (2015)

The financial crisis of 2007-09 was decidedly serious, but this film—about a group of outsiders and hustlers who bet on the housing bubble bursting, and hence foresaw the crisis—is very funny. (It is adapted from a book of the same name by Michael Lewis.) Various celebrities make cameos to explain financial concepts directly to viewers, while Steve Carell, Christian Bale and a frighteningly tanned and venal Ryan Gosling play three of the men who profit from the crisis. This film is morally complex and gripping; it informs and outrages.

"Enron: The Smartest Guys in the Room" (2005)

This documentary is about financiers who ended up in prison because they thought they were cleverer than everyone else.



Better not to look

Greedy and hubristic, Enron's executives used dodgy accounting and aggressive PR tactics to make their energy-trading firm seem more profitable than it was. Investors lost billions and the top executives were convicted of fraud, though the boss, Kenneth Lay, died shortly before his sentencing. Based on an equally enjoyable book by Bethany McLean and Peter Elkind.

"The Grapes of Wrath" (1940)

The Joad family, kicked off their land in Oklahoma during the Great Depression, head west to California to make a better life. The story could easily have been leaden, but Henry Fonda's spiky lead performance as Tom Joad, and the extraordinary cinematography of Gregg Toland (who also filmed *"Citizen Kane"*), make it a work of art. John Steinbeck's novel is an American masterpiece; this film is better.

"Margin Call" (2011)

A young analyst at an investment bank finds out that the firm is overexposed to risky mortgage-backed securities. This film (pictured), set in 2008, focuses on the next 24 hours, as the firm sells everything and panic spreads across Wall Street. The ensemble cast is terrific, in particular Paul Bettany as a shark with a well-hidden heart of gold. But watch it for its portrayal of the rituals and culture of high finance: how people dress and defer to superiors, what they talk about outside the office and how they cut each other's throats.

"Too Big to Fail" (2011)

Another film about the crisis of 2007-09, this time about the headlines. After the collapse of Lehman Brothers, Hank Paulson, America's treasury secretary (William Hurt), Ben Bernanke, the chair of the Federal Reserve (Paul Giamatti), and the leaders of the biggest banks gather. They negotiate the Troubled Asset Relief Programme, the government's purchase of bad assets from banks to unfreeze credit. The script is instructive—characters explain things to each other for the viewer's benefit—so you'll finish the film having learned something as well as having been entertained.

"The Wolf of Wall Street" (2013)

Leonardo DiCaprio plays Jordan Belfort, a smooth-talking huckster who, in real life, made millions in penny-stock scams before going to prison. Martin Scorsese may have intended to make a morality tale about the dangers of filthy lucre, but Belfort and his buddies are clearly having more fun than the honest lawmen who eventually do them in. Jonah Hill offers a grotesque supporting performance aided by a gargantuan set of false teeth. ■



Literary retellings

I grapple with thee

Call Me Ishmaelle. By Xiaolu Guo.
Chatto & Windus; 448 pages; £18.99

XIAOLU GUO has always been interested in people who leave. “A Concise Chinese-English Dictionary for Lovers”, her novel published in 2007, follows a Chinese woman studying in London. The protagonist in “20 Fragments of a Ravenous Youth” (2008) forsakes her sleepy home in rural China for Beijing, an ever-changing city “that never showed its gentle side”.

Her tales of migration have won several prizes and have been translated into 30 languages. Along with Yiyun Li, Ha Jin and Gao Xingjian, Ms Guo is part of a cohort of celebrated writers of the Chinese diaspora who explore the experiences of émigrés. In “Once Upon A Time in the East”, an acclaimed memoir published in 2017, Ms Guo wrote about growing up in a fishing village in Zhejiang in eastern China, before moving to Beijing to attend film school and then to London for further study. She has lived outside China ever since.

In her tenth book in English—she has also written six in Chinese—Ms Guo takes the theme of journeys both physical and personal in a strikingly different direction. “Call Me Ishmaelle” retells one of the most famous adventure novels ever published: Herman Melville’s “Moby-Dick”. Like that classic tale, it chronicles a whaling voyage run by an obsessive captain. Yet, as the title implies, the narrator is an English woman disguised as a cabin boy.

Ishmaelle seeks money and freedom; she also hopes to join the man she loves in America (he is a captain aboard another ship). When she crops her hair and binds her breasts, she feels that “a truer me was somehow being born”.

Ms Guo makes other changes to Melville’s story. Her version is set two decades later, in 1861, at the start of the American civil war. Captain Ahab is reimagined as Captain Seneca, a free black man. (“My war is not with the Confederate soldier in the field,” he says, but with “a leviathan in this goddamn lost place”.) His crew includes Muzi, a Taoist monk and sailmaker, who guides the ship using divinations from the “I Ching”, an ancient Chinese text.

When the author read “Moby-Dick” for the first time while studying in Beijing in the 1990s, its Shakespearean references and biblical framework were “completely lost” on her. “I always wonder how I should engage with Western cultures from a culture with no connection to biblical Christianity,” she says. Her version still explores man’s desire to establish dominion over nature. Seneca, like Ahab, considers the relationship between man and whale to be a contest between good and evil.

In her telling, however, Ms Guo toys with Manichaeian ideas, not least through her cross-dressing heroine. She overlays the story with Buddhist and Taoist philosophy. The author also drops Chinese cultural references into her prose, from the bloom of “auspicious” flowers to a deck-hand described as a “cockroach” (a common Chinese insult). She likens human life to a dragonfly skimming across the surface of water, touching the universe only briefly and superficially.

Ishmaelle’s time on the ship leads her to conclude that “We can only know ourselves by acting in the world.” This evokes the Taoist idea of “the way”: the question of how to chart a path through life that leaves the balance of the universe—and natural environment—undisturbed. The contest the author is interested in is an internal one. Ishmaelle’s voyage to sea is ultimately an exploration of her own psyche.

Ms Guo says recasting Melville’s work was a “bold” but obvious choice. (Other bold, strange choices include passages from the perspective of the whale: “Wwwooooohhhhhh kkkkkkkkkkkkkk www.”) As a fisherman’s daughter, raised on “ocean adventure stories”, she grew up knowing that life and death could be separated by a mere “three inches of deck”. She had the knowledge to imagine the “alternative possibilities” of the story.

In the end “Call Me Ishmaelle”, like Ms Guo’s other works, is about the impossibility of return. After the voyage, Ishmaelle finds England cold and different: she realises she is “made for the ocean and for that permanent exile”. ■

“Minecraft” and the movies

Mobbed

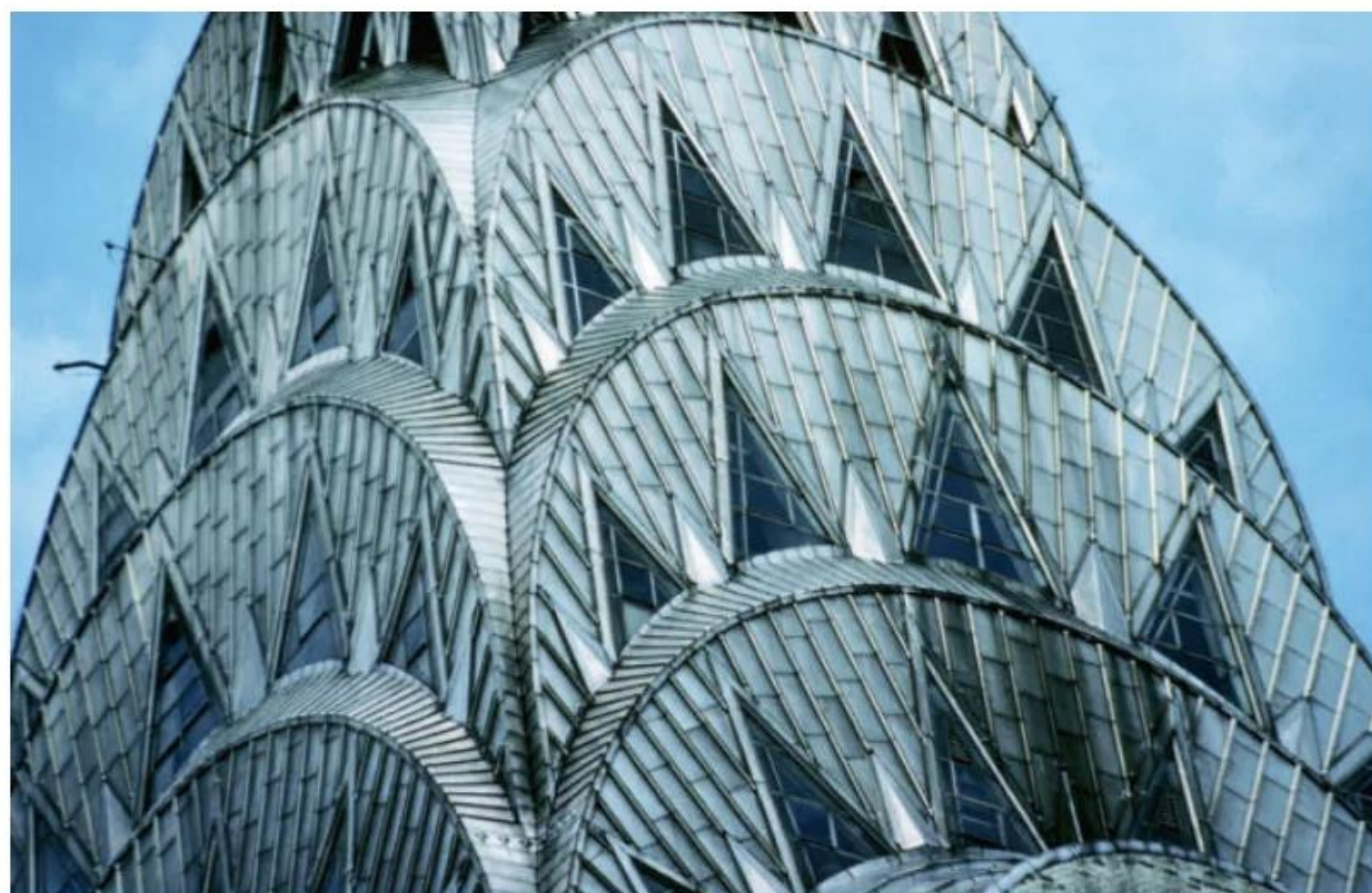
Feral fans spark irritation—and optimism

HOLLYWOOD’S FIRST hit of 2025 arrived on April 4th with “A Minecraft Movie”, a blockbuster adaptation of the block-building video game. The film took over \$300m at the global box office in its opening weekend, putting it on a similar trajectory to “The Super Mario Bros Movie”, which went on to make nearly \$1.4bn and become the second-most successful film of 2023. For cinema operators, whose overall takings last year were 30% below their pre-pandemic peak, the hit comes not a moment too soon.

Not every cinema-owner is happy, however, for something about “Minecraft” seems to send audiences berserk. Footage has spread online of crowds of teenagers screaming during screenings. Following a TikTok trend, they react to particular phrases in the movie: hurling their drinks in the air when a character mentions a “water bucket”, for instance, or jumping out of their seats at the entrance of a “chicken jockey” (ask a gamer). Some cinemas in America and Britain have banned children from evening showings unless a parent joins them.

Ushers may be fed up with the mess and damage. But there is something quietly encouraging about the phenomenon. Crowds of teenagers at the movies are a rare sight these days, as most prefer to stay at home and stream films after their release. Cinemas have tried to “eventise” moviegoing by improving their catering, laying on entertainment in the lobby and other gimmicks, but without huge success. Now, with their “Minecraft” antics, teenagers are getting a taste for the shared cinematic experience.

Can the trick be repeated with less mess? Three years ago TikTok inspired a similar trend when teenagers flocked to a “Minions” movie in formal wear (some were banned for rowdiness). Gaming movies make good material for group crazes, as existing fandoms—“Minecraft” boasts more than 100m monthly players—share in-jokes online. More gaming titles are on the way: the next 12 months will see sequels to “Mario” as well as “Mortal Kombat”. Ushers may want to brush up on their karate skills.



Art Deco

Looking sharp

A century after the exhibition that gave the style its name, Art Deco is as fashionable as ever

ELON MUSK has positioned himself as an innovative thinker, with bold ideas on what everything from efficient government to life on Mars should look like. His aesthetic principles, however, are nothing new. In 2021 he posted “I love Art Deco” on Twitter; in July 2023, nine months after he acquired the social-media platform, he gave it a distinctly late-1920s rebrand. “If X is closest in style to anything”, he wrote, “it should, of course, be Art Deco.” And when he unveiled the new Tesla Robovan in October, he was clear about the inspiration for its sleek look. The “Futuristic Art Deco Bus” was based on—you guessed it—“Art Deco trains”.

Mr Musk’s enthusiasm has coincided with, and perhaps even contributed to, a renewed interest in a decorative style that originated a century ago. Art Deco emerged in France in the years before the first world war, but it was the International Exhibition of Modern Decorative and Industrial Arts, which opened in Paris in April 1925, that helped popularise the aesthetic and disseminate it globally. (Some 16m people visited the exhibition: almost twice as many as visited the Louvre, the world’s most popular museum, in 2024.)

The French government, which hosted the show, wanted to flaunt the *Style Moderne* of architecture, furniture, jewellery and other decorative arts. The new style was a celebration of all things avant-garde and, as a result, lacked a coherent manifes-

to or direction. It drew on a wide variety of influences: ancient Egyptian and Byzantine art, Cubism, Futurism, ballet and emerging technologies. Art Deco has therefore defied easy categorisation. The term itself was not widely adopted until after 1968, when it was used by Bevis Hillier, an art historian, based on the name of the exhibition.

Art Deco may be hard to define, but you know it when you see it. Its architecture is at once angular—associated with shapes such as chevrons and triangles—and arcs. Consider, for instance, the top of the Chrysler Building in New York (pictured), completed in 1930 to become the world’s first “supertall” skyscraper.

The decorative arts incorporated streamlined forms as well as intricate patterns; many designers favoured fine materials including burr walnut, ivory, lacquer and precious metals. Stephen Bayley, a critic, notes that key figures—including Émile-Jacques Ruhlmann, a furniture designer, and René Lalique, a jeweller—often sought to evoke “the romance of travel, glamour, colour, luxury and sensuality”.

A century later, that opulence is back in fashion. Art Deco is becoming more popular, says Sandrine Zhang Ferron, the founder of Vinterior, an online marketplace for antique and vintage furniture and home decor. Searches for Art Deco items on the website are up by 50% year on year. Sales tripled in the second half of 2024.

Why might people be decking out their living rooms with Art Deco pieces? The pared-back “mid-century modern” look has dominated interior design for two decades. Though covid-19 has receded and governments no longer require people to stay at home, many are choosing to anyway; some may want to have something unusual, rather than utilitarian, to admire.

Art Deco jewellery is dazzling people, too. The style “produces fine, delicate pieces” that still feel contemporary, says Bobby Leigh-Pemberton of Humphrey Butler, a fine-jewellery dealer in London. Advances in diamond-cutting technology and the use of platinum caused a dramatic shift from the frillier and clunkier Victorian and Edwardian styles to something more refined and modern. Visit the new Cartier exhibition at the Victoria & Albert museum, Mr Leigh-Pemberton says, and the highlights will be pieces of Art Deco jewellery: those are “the things that people want to go and see”.

The centenary may be part of the reason for Art Deco’s revival: exhibitions are being held this year in cities including Brussels, Houston, New York and Paris (naturally). But part of the mode’s appeal, in the interwar years as now, is how adaptable it is. Mr Hillier has argued that Art Deco was “the last of the total styles”: something that could be applied to everything from tower blocks to trinket boxes.

In Jazz-Age America it fused with ideas about modernity and mass production: factories churned out everything from Art Deco radios to travel posters. In France, meanwhile, it remained a more elite endeavour, with a greater emphasis on one-of-a-kind creations, traditional craftsmanship and expensive materials.

As it incorporates many influences, Art Deco offers something for almost everyone, whether you like clean, geometric lines or bold colours and elaborate patterns. Such plurality is welcome in the digital era, when algorithms flatten aesthetic differences by pushing users towards the most popular content. After looking at versions of the same white-and-grey living rooms on Pinterest, Art Deco buildings—such as the Tuschinski Theatre in Amsterdam, Eltham Palace in London or Grauman’s Egyptian theatre in Los Angeles—are nothing short of visual delights.

Glamour and escapism have always been a key part of Art Deco’s *raison d’être*. The style was most popular in the late 1920s and early 1930s as the global economy crashed and fascism was on the rise. Rather than face the sad reality, people often preferred to retreat to gilded fantasy spaces such as cinemas and speakeasies. Today, as stockmarket chaos and the darkening political mood make headlines, people may be looking for glitz to take their minds off the grim. ■

Economic & financial indicators

	Gross domestic product				Consumer prices			Unemployment		Current-account		Budget		Interest rates		Currency units	
	% change on year ago		2024 [†]		% change on year ago		2024 [†]			% of GDP, 2024 [†]				10-yr gov't bonds	change on	per \$	% change
	latest	quarter*			latest	2024 [†]				%	% of GDP, 2024 [†]			% of GDP, 2024 [†]			
United States	2.5	Q4	2.4	2.8	2.4	Mar	2.9	4.2	Mar	-3.9	-6.6	4.3		-28.0		-	
China	5.4	Q4	6.6	5.0	-0.1	Mar	0.2	5.4	Feb*§	2.3	-4.8	1.5	\$\$	-61.0	7.31	-1.1	
Japan	1.1	Q4	2.2	0.1	3.6	Feb	2.7	2.4	Feb	4.8	-2.3	1.4		49.0	143	8.1	
Britain	1.5	Q4	0.4	0.9	2.8	Feb	3.3	4.4	Jan ^{††}	-3.2	-5.5	4.7		51.0	0.76	6.6	
Canada	2.4	Q4	2.6	1.3	2.3	Mar	2.4	6.7	Mar	-0.3	-2.3	3.1		-54.0	1.39	-0.7	
Euro area	1.2	Q4	0.9	0.8	2.2	Mar	2.4	6.1	Feb	3.2	-3.3	2.5		9.0	0.88	6.8	
Austria	-0.5	Q4	-1.4 [‡]	-1.2	3.1	Mar	2.9	5.3	Feb	2.3	-3.7	3.0		-6.0	0.88	6.8	
Belgium	1.1	Q4	0.7	1.0	3.6	Mar	4.3	5.9	Feb	-0.3	-4.5	3.1		18.0	0.88	6.8	
France	0.6	Q4	-0.4	1.1	0.9	Mar	2.3	7.4	Feb	0.4	-5.8	3.3		33.0	0.88	6.8	
Germany	-0.2	Q4	-0.8	-0.2	2.3	Mar	2.5	3.5	Feb	6.0	-2.8	2.5		9.0	0.88	6.8	
Greece	2.7	Q4	3.7	2.3	3.1	Mar	3.0	8.6	Feb	-6.3	0.4	3.5		5.0	0.88	6.8	
Italy	0.6	Q4	0.5	0.5	2.1	Mar	1.1	5.9	Feb	1.2	-4.0	3.7		-13.0	0.88	6.8	
Netherlands	1.9	Q4	1.5	0.9	3.4	Mar	3.2	3.8	Feb	9.5	-0.7	2.8		9.0	0.88	6.8	
Spain	3.4	Q4	3.2	3.2	2.2	Mar	2.9	10.4	Feb	3.0	-3.2	3.3		4.0	0.88	6.8	
Czech Republic	1.8	Q4	2.6	1.1	2.7	Mar	2.4	2.7	Feb*§	1.6	-2.4	4.1		-29.0	22.1	7.7	
Denmark	3.9	Q4	7.6	3.6	1.5	Mar	1.4	2.9	Feb	12.5	1.9	2.4		-6.0	6.59	6.5	
Norway	-0.3	Q4	-2.5	2.1	2.6	Mar	3.1	3.9	Jan ^{††}	16.3	12.1	3.9		21.0	10.6	3.5	
Poland	3.2	Q4	5.3	2.9	4.9	Mar	3.8	5.3	Mar [§]	0.1	-5.7	5.2		-51.0	3.79	7.1	
Russia	4.5	Q4	6.3	3.8	10.3	Mar	8.4	2.4	Feb [§]	3.0	-2.3	15.7		207	82.5	13.3	
Sweden	2.3	Q4	3.1	1.0	0.5	Mar	1.9	9.4	Feb [§]	6.1	-1.3	2.3		-8.0	9.81	11.0	
Switzerland	1.5	Q4	0.8	1.3	0.3	Mar	1.1	2.8	Mar	5.2	0.8	0.4		-29.0	0.82	12.2	
Turkey	3.0	Q4	6.9	3.3	38.1	Mar	58.4	8.7	Feb [§]	-0.8	-4.9	32.3		672	38.1	-14.9	
Australia	1.3	Q4	2.4	1.0	2.4	Q4	3.2	4.1	Feb	-1.9	-2.2	4.4		21.0	1.57	-1.3	
Hong Kong	2.4	Q4	3.2	2.5	1.4	Feb	1.7	3.2	Feb ^{††}	12.3	-2.7	3.4		-55.0	7.76	0.9	
India	6.2	Q4	9.3	6.3	3.3	Mar	4.9	7.7	Mar	-0.5	-4.8	6.4		-76.0	85.8	-2.7	
Indonesia	5.0	Q4	5.5	5.0	1.0	Mar	2.3	4.9	Aug [§]	-0.6	-2.5	6.9		32.0	16,815	-5.8	
Malaysia	5.0	Q4	2.2	5.1	1.5	Feb	1.8	3.1	Feb [§]	1.7	-4.3	3.7		-19.0	4.41	8.4	
Pakistan	3.2	2024 ^{**}	na	3.2	0.7	Mar	12.6	6.3	2021	0.2	-6.8	12.5	+++	-172	281	-0.9	
Philippines	5.3	Q4	7.4	5.6	1.8	Mar	3.2	4.3	Q1 [§]	-2.4	-5.6	6.4		-49.0	56.8	0.1	
Singapore	3.8	Q1	-3.0	4.4	0.9	Feb	2.4	1.9	Q4	17.5	0.3	2.5		-78.0	1.32	3.8	
South Korea	1.2	Q4	0.3	2.1	2.1	Mar	2.3	3.1	Mar [§]	5.3	-1.8	2.7		-90.0	1,425	-2.9	
Taiwan	2.9	Q4	6.6	4.3	2.3	Mar	2.2	3.4	Feb	14.1	0.5	1.6		4.0	32.5	-0.3	
Thailand	3.2	Q4	1.5	2.5	0.8	Mar	0.4	0.8	Feb [§]	2.1	-5.7	2.1		-48.0	33.6	8.9	
Argentina	2.1	Q4	5.7	-1.7	55.9	Mar	219.9	6.4	Q4 [§]	0.5	0.3	na		na	1,199	-27.6	
Brazil	3.6	Q4	0.7	3.4	5.5	Mar	4.4	6.8	Feb ^{§††}	-2.8	-7.6	14.6		318	5.88	-11.9	
Chile	4.0	Q4	1.5	2.4	4.9	Mar	3.9	8.4	Feb ^{§††}	-1.5	-2.9	5.7		-44.0	965	1.4	
Colombia	2.4	Q4	2.5	1.7	5.1	Mar	6.6	10.3	Feb [§]	-2.8	-6.6	11.9		121	4,347	-10.2	
Mexico	0.5	Q4	-2.5	1.5	3.8	Mar	4.7	2.7	Feb	-0.3	-4.9	9.5		-41.0	20.0	-16.4	
Peru	4.2	Q4	2.0	3.3	1.3	Mar	2.4	5.3	Mar [§]	2.2	-3.8	6.6		-82.0	3.74	-0.8	
Egypt	4.3	Q4	0.8	2.4	13.6	Mar	28.3	6.4	Q4 [§]	-6.2	-3.7	na		na	51.0	-5.3	
Israel	7.0	Q4	2.0	0.6	3.3	Mar	3.1	2.7	Feb	3.2	-6.8	4.3		-35.0	3.68	2.2	
Saudi Arabia	1.3	2024	na	1.3	2.3	Mar	1.7	3.5	Q4	-0.5	-2.8	na		na	3.75	nil	
South Africa	0.9	Q4	2.3	0.6	3.2	Feb	4.4	31.9	Q4 [§]	-0.6	-5.0	10.9		16.0	19.0	0.2	

*% 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. ^{§§}5-year yield. ⁺⁺⁺Dollar-denominated bonds. Source: Haver Analytics Note: Euro area consumer prices are harmonised.

Markets

In local currency	Index	% change on:	
		one	Dec 31st
	Apr 15th	week	2024
United States S&P 500	5,396.6	8.3	-8.2
United States NAS Comp	16,823.2	10.2	-12.9
China Shanghai Comp	3,267.7	3.9	-2.5
China Shenzhen Comp	1,899.9	6.0	-2.9
Japan Nikkei 225	34,267.5	3.8	-14.1
Japan Topix	2,513.4	3.3	-9.8
Britain FTSE 100	8,249.1	4.3	0.9
Canada S&P TSX	24,067.9	6.9	-2.7
Euro area EURO STOXX 50	4,970.4	4.1	1.5
France CAC 40	7,335.4	3.3	-0.6
Germany DAX*	21,253.7	4.8	6.8
Italy FTSE/MIB	35,843.8	6.5	4.8
Netherlands AEX	857.1	4.0	-2.4
Spain IBEX 35	12,879.3	6.7	11.1
Poland WIG	94,140.8	4.1	18.3
Russia RTS, \$ terms	1,073.9	6.1	20.2
Switzerland SMI	11,609.8	2.2	0.1
Turkey BIST	9,393.8	-0.9	-4.4
Australia All Ord.	7,969.9	3.4	-5.4
Hong Kong Hang Seng	21,466.3	6.7	7.0
India BSE	76,734.9	3.4	-1.8
Indonesia IDX	6,441.7	7.4	-9.0
Malaysia KLSE	1,486.4	3.0	-9.5

	Index	% change on:	
		one	Dec 31st
	Apr 15th	week	2024
Pakistan KSE	116,775.5	1.1	1.4
Singapore STI	3,624.7	4.5	-4.3
South Korea KOSPI	2,477.4	6.1	3.2
Taiwan TWI	19,857.7	7.6	-13.8
Thailand SET	1,128.7	5.0	-19.4
Argentina MERV	2,284,279.5	14.8	-9.8
Brazil BVSP*	129,245.4	4.3	7.5
Mexico IPC	52,643.0	4.6	6.3
Egypt EGX 30	31,185.0	1.7	4.9
Israel TA-125	2,525.5	3.3	4.1
Saudi Arabia Tadawul	11,616.8	2.8	-3.5
South Africa JSE AS	89,521.8	6.3	6.5
World, dev'd MSCI	3,522.8	8.3	-5.0
Emerging markets MSCI	1,070.3	6.7	-0.5

US corporate bonds, spread over Treasuries

	Dec 31st	
	latest	2024
Basis points		
Investment grade	125	95
High-yield	454	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

The Economist commodity-price index				% change on
2020=100	Apr 8th	Apr 14th*	month	year
Dollar Index				
All items	130.7	133.5	-4.5	-0.8
Food	146.5	151.3	-2.0	4.5
Industrials				
All	117.5	118.7	-7.1	-5.9
Non-food agriculturals	132.9	130.4	-6.6	-2.7
Metals	113.6	115.7	-7.2	-6.8
Sterling Index				
All items	131.6	130.0	-6.0	-6.4
Euro Index				
All items	136.8	134.2	-8.2	-7.3
Gold				
\$ per oz	3,002.7	3,209.4	5.8	34.5
Brent				
\$ per barrel	63.4	65.5	-8.2	-27.5

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

For historical indicators data, visit economist.com/economic-and-financial-indicators

OBITUARY

Mario Vargas Llosa

The Peruvian novelist and passionate liberal died on April 13th, aged 89



HIS MANNERS were impeccable. That was the first impression Mario Vargas Llosa made on others. He was polite and cordial, his fluent conversation punctuated by the tic of a nervous laugh. Yet, as with many great rationalists, beneath the polished surface lay a man of passion.

In his case, it was a passion for freedom—cultural, political and personal. From that came the themes that lay at the heart of many of his novels: the struggle of the individual against dictatorship, and the temptation of utopia, deadly when applied to politics (as it so often was in Latin America). In that field, he was not just an acute observer but also an unsuccessful participant.

He discovered politics at the age of 12, when General Manuel Odría overthrew a democratic government in Peru headed by a cousin of his maternal grandfather. It contributed to his lifelong hatred of dictators. So too did his authoritarian and abusive father. It was not until he was ten that Mario, nurtured by numerous maternal relatives, was told his father was not dead but had abandoned his wife and son.

Already, the boy knew he wanted to be a writer. His father, after returning, sent him to Lima's military academy, hoping it would knock literature out of him. Perched above the Pacific on a foggy cliff, its clammy claustrophobia and sadistic bullying gave him his first novel, entitled in English "The Time of the Hero". At 26, he was catapulted into the group of talented Latin American writers who achieved fame in the 1960s and 1970s, including Gabriel García Márquez and Carlos Fuentes. Like García Márquez, he later won the Nobel prize. But their close friendship ended in a quarrel—over women, he said much later. Passion, always passion.

On leaving school, he had worked as a cub reporter on a Lima tabloid, covering crime and hanging out in low-life dives. That provided material for "Conversation in the Cathedral". Set during Odría's rule, it was a fierce indictment of dictatorship, in which unchecked power unleashed moral degradation and sexual perversion. Like "The Time of the Hero" it bore what became his stylistic trademarks: a narrative that cut between multiple stories, written with a craftsman's precision. It was a subject he returned to in "The Feast of the Goat", on the misrule, torture and sexual

depravity of Rafael Leonidas Trujillo, a dictator in the Dominican Republic. In "The War of the End of the World" he addressed the search for utopia through the prism of a backland rebellion in north-east Brazil in the 1890s.

His inspirations were Jean-Paul Sartre, William Faulkner and above all Gustave Flaubert, from whom he learned to be obsessively careful of form, writing and structure. Like Flaubert, he saw literature as a serious vocation. And as a realist writer, he deeply researched his novels. Though he looked like a Latin American playboy, he was a hard and disciplined worker. Each morning he rose early, went for a walk, and then sat down for several hours of writing. In the afternoons, he would correct. He drank little, although towards the end he enjoyed long lunches with friends and good Spanish Rioja.

His output was prodigious: 20 novels, several books of essays, plays and short stories. From 1990 to 2023 he wrote a fortnightly column in *El País*, a Spanish newspaper. He could write humorously too, in books such as "Aunt Julia and the Scriptwriter", a hilarious farce, or the black comedy of "The Bad Girl", a veiled satire on what he saw as the rape of Peru by Alberto Fujimori, its authoritarian ruler in the 1990s. He was also the Spanish-speaking world's most perceptive literary critic, publishing essays not just on Flaubert but on the novel and on Peru's indigenous writers.

Politics was never far away. In his pursuit of freedom he at first embraced the Cuban revolution and then rejected it, because it stifled cultural liberty. Disillusioned, he began a long journey towards liberalism, accelerated by living in England under Margaret Thatcher, whom he met and admired. In Latin America, where the intellectual class tends to the radical left, this was a brave stance that won him enemies. He put it into practice in Peru: when a leftist president tried to nationalise the banks, he plunged into a quixotic and successful campaign to stop it. That led to a run for the presidency in 1990. His discomfort with the flesh-pressing of campaigning was palpable. He lost, to Fujimori.

Some lovers of his novels hated his political columns. But he believed that the failures of the hard left were pushing Latin America his way. He became a kind of conscience, for Peru and for the region. Liberalism was not just concomitant with progressive democracy, but also included accepting that one might be wrong.

The same principle applied in his own life. Maybe because of the trauma of his father's rejection, he married twice within his mother's extended family. In 2015 he abruptly left Patricia, his wife of 50 years and first cousin, for Isabel Preysler, an ageing Spanish-Filipina socialite. She was a pillar of *¡Hola!*, a gossip magazine which he had pilloried in an essay. The affair was a mistake. In his final years, his mind dimming, he returned to Patricia and the house they shared (by then on separate floors) overlooking the ocean in the Lima district of Barranco.

From his 20s he had lived mainly in Europe. He was the most universal of Latin American writers. He hated nationalism as much as communism. But he was umbilically attached to his country. Peru, he wrote, was for him a kind of incurable disease from which he could not free himself. His final novel, published in 2023, "Le dedico mi silencio" ("I give you my silence"), was a bittersweet reflection on his country, dedicated to Patricia.

The book's protagonist is a failed journalist who dreams of uniting his country through *la canción criolla*, an elegant Peruvian musical style. It is a utopia, but a benign one, expressing Peru's rich cultural creativity. Of that, he was the foremost example. ■

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