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American disorder

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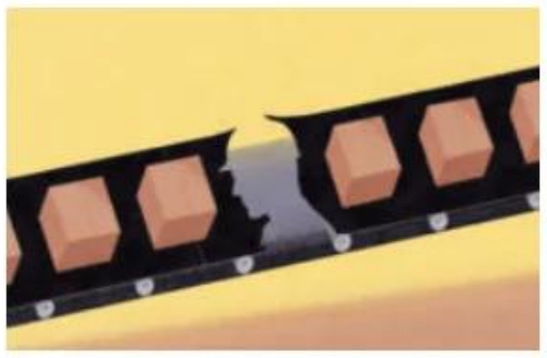
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to take part in *"a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."*

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The world this week Politics



Violent protests were triggered in **Los Angeles** by an attempt to arrest illegal migrants. Donald Trump's decision to deploy the National Guard to the city, backed by US marines, to support immigration agents was condemned as a provocation by Democrats; Gavin Newsom, California's governor, described the uninvited deployment as an abuse of presidential power. Karen Bass, the city's mayor, eventually imposed a curfew in the protests' hot spots. The Republican governor of Texas, Greg Abbott, had no hesitation in putting the National Guard on standby there, as demonstrations spread to the state.

A **Salvadorean migrant** who was mistakenly deported by America to El Salvador was returned to the United States. American courts had told the Trump administration to facilitate the return of Kilmar Abrego Garcia. After months of foot-dragging, it eventually relented, and sent him straight to a courtroom in Nashville on charges of transporting illegal migrants within the US.

Australia, Britain, Canada, New Zealand and Norway placed sanctions on two far-right government ministers in **Israel**, Itamar Ben-Gvir and Bezalel Smotrich, for their alleged "repeated incitements of violence against Palestinian communities".

In Gaza the Hamas-run health ministry said that more Palestinians had been killed near **aid centres** run by the American-backed Gaza Humanitarian Foundation. Israel has accused militants of trying to disrupt the distribution of supplies, which remain far short of what is needed to feed the population. Five workers from the GHF were shot dead, which the foundation blamed on Hamas. Adding to the carnage, Israel confirmed that it had armed a **criminal gang** in Gaza in the hope it will fight Hamas. The gang is thought to have stolen aid in the past.

Israeli naval forces boarded a ship being used by activists, including Greta Thunberg, to bring aid to **Gaza**. Israel said the ship was a stunt, describing it as a "selfie yacht" with little actual aid on board. Ms Thunberg was deported.

Let's get out of here

Wagner, a mercenary group backed by Russia, said it was leaving **Mali**. The group claimed it had accomplished its mission of helping the junta wrest back control from jihadists. Yet there is little evidence that the threat from jihadism, which is spilling from the Sahel into neighbouring countries, has diminished.

At least 20 people were killed in attacks in north-central **Nigeria**. It was the latest flare-up of violence in the region, where clashes between nomadic herders and settled farmers are common.

An **Air India flight** destined for London's Gatwick airport crashed soon after taking off from Ahmedabad. More than 240 people were on board.

The government in **Pakistan** announced a new budget, which cuts overall spending by 7% to help comply with an IMF loan agreement. But following the recent military clash with India, defence spending was increased by about 20%.

Sara Duterte, the vice-president of the **Philippines**, was thrown a lifeline in her impeachment trial in Congress when the Senate decided to return the case to the House to reconsider its constitutionality. Ms Duterte, who may run for president in 2028, hopes to count on the support of a newly elected Congress when it convenes in late July.

The high court in Seoul decided to indefinitely postpone a trial of **South Korea's** new president, Lee Jae-myung, for alleged breaches of election law in 2022. The announcement allows Mr Lee to begin his term without the distraction of a potentially embarrassing court case.

In **Colombia** Miguel Uribe Turbay, a conservative senator and presidential candidate, was in a critical condition after being shot in the head at a campaign rally. A 15-year-old suspect was arrested. Marco Rubio, America's secretary of state, said the shooting was engendered by "violent leftist rhetoric" from the government. Meanwhile, at least eight people were killed in bomb-and-gun attacks centred on the city of Cali and nearby towns.



Jair Bolsonaro, **Brazil's** president from 2019 to 2023, gave testimony at his trial in the Supreme Court for allegedly trying to stop Luiz Inácio Lula da Silva from taking power after he won the 2022 election. Mr Bolsonaro denied plotting to overthrow the government, but admitted he had sought "alternatives" to stay in office. He also apologised to the court's judges, who hold his fate in their hands, for making untrue claims of corruption against them.

Rachel Reeves, **Britain's** chancellor of the exchequer, unveiled a review of public spending. New money was allocated to health and defence, but other departments, such as the Home Office, which oversees policing and immigration, were kept short of cash. Ms Reeves also announced a huge new programme for affordable housing by reallocating capital spending.

Russia continued its bombardment of **Ukraine**, conducting intense air strikes and launching one of its biggest drone attacks on Kyiv since the war began. Meanwhile, **NATO's** secretary-general, Mark Rutte, called for a 400% rise in spending on air defences. A summit of the alliance starting on June 24th is expected to call on member states formally to increase defence spending, broadly defined, to 5% of GDP. Predicting that Russia could strike NATO within five years, Mr Rutte believes that "We're all on the eastern flank now."

In **Poland** the centrist Civic Coalition easily won a vote of confidence in parliament, where it holds a majority. The vote had been called by Donald Tusk, the prime minister, to shore up his government following the victory of Karol Nawrocki, a conservative-nationalist, in the recent presidential election.

Ten people were shot dead and 11 injured by a gunman at a school in Graz, **Austria's** second-most-populous city. The shooter, a 21-year-old former pupil at the school, killed himself.

Couldn't be bothered

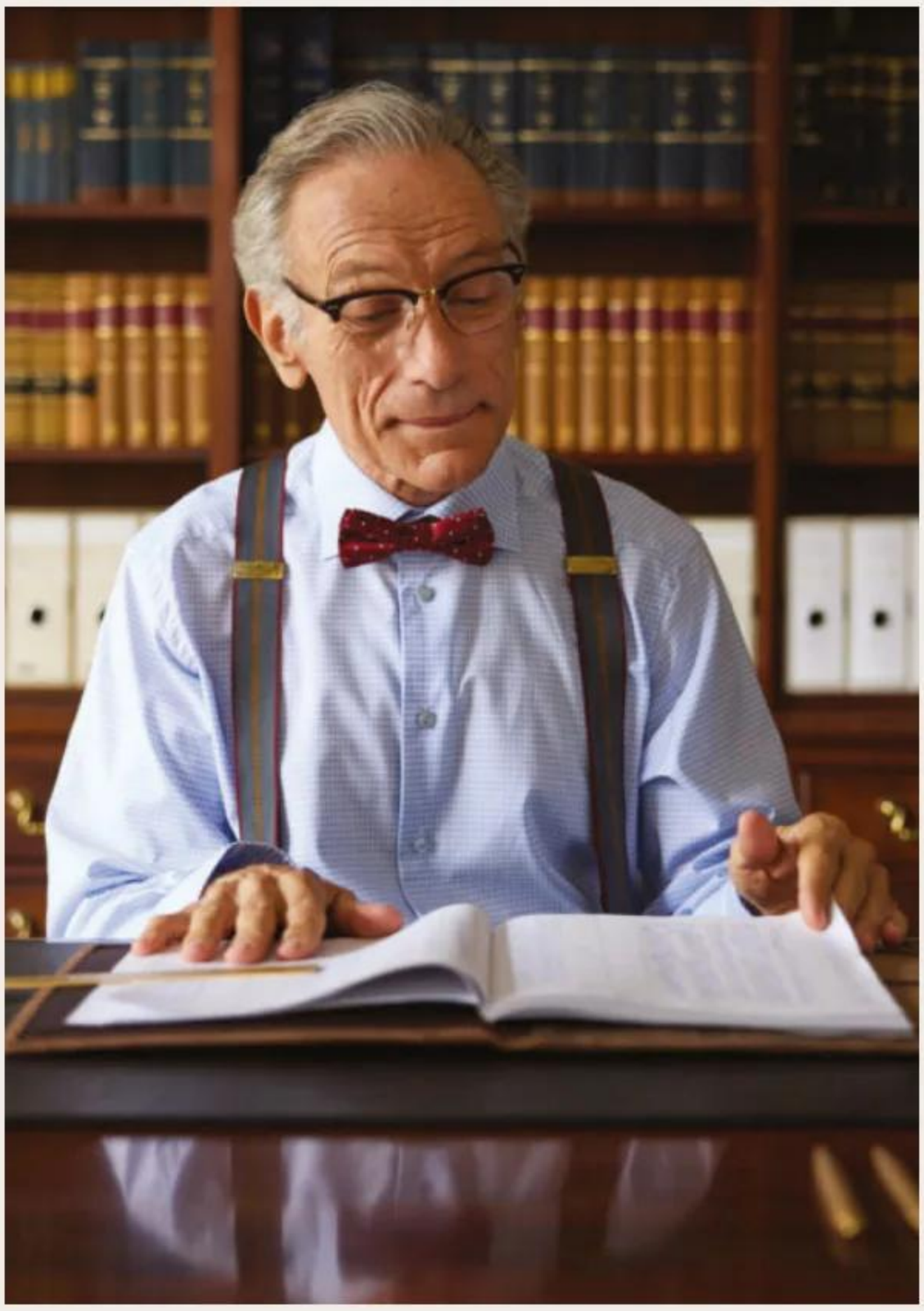
A referendum in **Italy** that would, among other things, have lowered residency requirements for migrants to apply for citizenship was declared invalid because not enough people voted. Turnout was 30%, well below the 50% threshold for referendums. Giorgia Meloni, the right-wing prime minister, had described the plebiscite as unnecessary, because Italy's immigration laws were already "very open".

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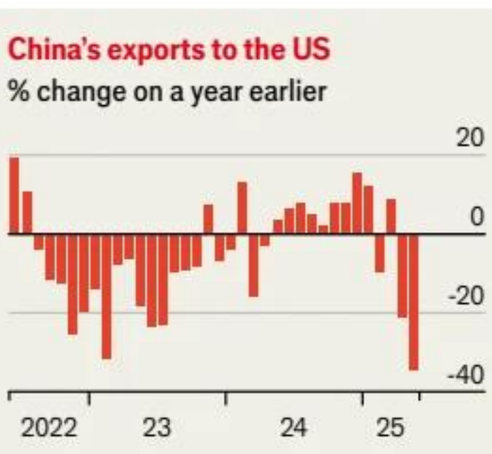
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The world this week Business

America and **China** reached a tentative agreement on trade following talks in London that were attended by senior members of both governments. America's main sticking-point was greater access to China's rare earths, which the White House said had been resolved. Under the framework America will still charge a 55% tariff on Chinese goods, made up of a 10% reciprocal levy, 20% tariff related to fentanyl smuggling and 25% in existing duties. Donald Trump described it as a done deal, which would include Chinese students "using our colleges and universities".



Constrained by Mr Trump's trade war, **China's exports** to America plunged by 35% in May, year on year. Many businesses brought forward their orders for Chinese goods earlier in the year to beat the imposition of tariffs. Still, China's exports in total increased by 5% in May, and were up by 12% to the European Union.

Despite Washington's newfound bonhomie with China over trade, the United States embassy in Panama announced that the American government would replace telecoms towers in the country that have been made by **Huawei**, a Chinese company, with "secure American technology". This would help "counter the malign influence of China throughout our hemisphere", it said.

The World Bank cut its estimate of **global growth** this year because of "trade-related headwinds". The world economy is now expected to expand by 2.3%, down from the bank's January forecast of 2.7%. America's GDP is now expected to grow by 1.4%, down from 2.3% in January. The bank said that "Without a swift course correction, the harm to living standards could be deep".

Central banks worldwide now hold almost as much **gold** as they did in 1965, according to the European Central Bank, which found that bullion had replaced the euro in 2024 as the second-biggest store of official reserves, after the dollar. Gold prices have rocketed from $2,320 a troy ounce a year ago to around $3,350.

A stitch-up?

In France the Senate voted for a bill to ban advertising for **fast-fashion companies** such as Shein and Temu amid concerns that their cheap almost-disposable clothing is not environmentally sustainable. The bill has a whiff of protectionism about it by making a distinction between "ultra" fast fashion, such as that sold by the two Chinese companies, and "classic" fast fashion supplied by European retailers, such as Zara and H&M.

Following Mr Trump's imposition of tariffs on cars made in Mexico, **General Motors** announced plans to invest $4bn in its factories in the United States, bringing home the production of some vehicles that currently takes place across the border.

America's annual rate of **inflation** rose slightly in May, to 2.4%. There is little evidence so far that the higher costs of imported goods, because of tariffs, are being passed on to consumers, though economists expect that to change in the coming months.

The British government confirmed that it would invest a further £11.5bn ($15.5bn) in the **Sizewell C** nuclear plant on top of the £2.7bn it put in last year. The plant is expected to start supplying energy to homes in the mid-2030s, but the funding commitment is only for the current parliament, or around three to four years.

Warner Bros Discovery decided to split into two separate companies, one focused on its film studio, HBO and streaming assets and the other on its television channels, which include CNN. The split frees the fast-growing streaming side of the business from the waning cable-TV side.

Apple's annual Worldwide Developers Conference was an unusually subdued affair. The main announcements were an upgrade to Apple's operating system and a decision to let app developers access its artificial intelligence, but there were no big developments in AI. Apple is reportedly struggling to create the large language models it needs and investors are worried that it is falling behind in the AI race. Its share price has fallen by more than 20% this year, an even worse performance than Tesla's.

When bros become foes

Tesla's stock clawed most of its losses, after falling by 14% when Mr Trump threatened to end government contracts with **Elon Musk's** companies following the spectacular break-up of their relationship. Mr Musk has left the government and criticised Mr Trump's "big, beautiful" spending bill. "I regret some of my posts" about the president, he said, without elaborating if that meant his claim (for which he produced no evidence) that Mr Trump is mentioned in secret files on Jeffrey Epstein, a deceased sex offender. Mr Trump said he had "no hard feelings" and opened the door to a reconciliation.



The Economist

American disorder

What happens when a radical performance artist has command of an army

IN THE 1960S the Yippies had a theory about how to transform America. The system, they thought, was rotten, and the best way to show it was to create a spectacle for TV. They scattered dollar bills in the New York Stock Exchange and held a mass meeting to levitate the Pentagon. Some also thought that if armed police or soldiers attacked protesters, Americans would realise they were living in a fascist state and revolt. It backfired: the silent majority saw these stunts and voted for Richard Nixon. The Yippies had got on the wrong side of a fundamental political divide: who stands for order?

By sending troops into Los Angeles, President Donald Trump is trying to show that he does. His opponents, who include the mayor of Los Angeles, Karen Bass, and California's governor, Gavin Newsom, believe he is provoking disorder. Who wins this argument matters for America's second-largest city and the country. Mr Trump has just established a formula for conflict. If it works for him, he will surely try it again. All of America's big cities have large populations of undocumented or illegal migrants. Almost all of them are run by Democrats. Mr Trump is betting that the cycle of protest, violence and repression benefits him and makes his opponents look extreme.

America's partisan divide is not news. But people who loathe each other online can mostly put politics aside in person. For all the hostility between the parties, the ballot box and the courts continue to mediate their differences. The confrontation in downtown Los Angeles threatens to be different. Unlike the battles Mr Trump is having with universities or law firms, this involves actual troops. Regardless of who provokes violence, it could escalate and spread.



One side in America is cheering him on. For this bit of America, LA and other big cities are places where internal enemies lurk and invaders wave the flags of foreign countries. Rather than repel these alien enemies, the story goes, Democratic mayors and governors harbour them, preventing the government from keeping Americans safe. Democrats not only allow the rules to be broken but reward the rule-breakers with legal protection and benefits. In this they disrespect the president and the people who gave him a mandate, as well as serving police and soldiers. Mr Trump should give Chicago and New York the same treatment.

For the other side, what's happening offends against America's fundamental values. It asserts that the government in Washington, which once called out the National Guard to protect civil rights against the wishes of racist governors, is now about to use troops to suppress civil rights and to kick out brown people. Yes, undocumented migrants who commit serious crimes should be deported. But the government is going after law-abiding, hard-working immigrants. The president is a hypocrite who celebrates the violent protest carried out in his name on January 6th 2021. He prefers one-man rule to the separation of powers. And he wants troops on American streets to become a common sight: look at the parade of military hardware he has planned for his birthday on June 14th.

This is all alarmingly reminiscent of the 1960s, and not just because that was the last time an American president deployed the National Guard over the objections of a governor. Fortunately—so far, at least—there are differences.

One is scale. When the Watts neighbourhood of LA saw riots in 1965, 34 people were killed and 1,000 arrested. In this week's protests some cars were burned and fireworks were launched at officers, but violence was limited and the protests were well marshalled by police (see United States section). Ms Bass, who is on the side of order too, has wisely declared a curfew. A few hundred people have been arrested. Thankfully, nobody has yet been killed.

Another difference concerns the soldiers. When the National Guard was deployed in the 1960s, America was at war and some protesters sympathised with the enemy. The decade that gave birth to the Civil Rights Act and Martin Luther King's dream ended with four students shot dead by National Guardsmen at Kent State University in Ohio. In 2025, by contrast, civil-military relations are on a different footing. Most soldiers do not want to be on the streets facing down other Americans. When New York's subways were policed recently by soldiers in camouflage, at the request of the governor, nobody saw it as a harbinger of fascism.

A last difference is that sending troops to LA, aptly given the city's most famous industry, is about performance and spectacle rather than a real need to enforce order. Mr Trump implicitly acknowledged this in the way he federalised the California National Guard, setting rules that allow troops to protect federal property but not to get involved in crowd control or immigration enforcement. For Mr Trump, the attraction of sending in the Marines is that he can say: "Send in the Marines!" It lets him do what he likes best: horrify liberals, look tough and dominate the news. This produces pictures of soldiers facing people wrapped in Mexican flags, with flames in the foreground and smoke in the background. Elon Musk and the Epstein files are already ancient history (see Lexington). What could be better?

Yet what serves Mr Trump is dangerous for America. The president is a kind of reactionary Yippie and his reckless actions seem designed to provoke his opponents. Although army commanders want to stay away from politics, Mr Trump held a rally at Fort Bragg on June 10th, where he whipped the troops into a MAGA fervour. It is easy to see how—in LA or the other cities where protests are planned this weekend—a confrontation could descend into further disorder or lethal violence.

This is a perilous moment for America. Mr Newsom struck the right note in his address, also on June 10th. Accusing Mr Trump of choosing "theatrics over public safety", he encouraged peaceful protest but warned: "Criminal behaviour will not be tolerated. Full stop." The most powerful message has come from protesters who laid flowers before National Guard troops. The hope is that they are conjuring a vision of the country which both Americas can still believe in. ■

Factory fever

The manufacturing delusion

Governments' obsession with making things is self-defeating

AROUND THE world, politicians are fixated on factories. President Donald Trump wants to bring home everything from steelmaking to drug production, and is putting up tariff barriers to do so. Britain is considering subsidising manufacturers' energy bills; Narendra Modi, India's prime minister, is offering incentives for electric-vehicle-makers, adding to a long-running industrial-subsidy scheme. Governments from Germany to Indonesia have flirted with inducements for chip- and battery-makers. However, the global manufacturing push will not succeed. In fact, it is likely to do more harm than good.

Today's zeal for homegrown manufacturing has many aims. In the West politicians want to revive well-paying factory work and restore the lost glory of their industrial heartlands; poorer countries want to foster development as well as jobs. The war in Ukraine, meanwhile, shows the importance of resilient supply chains, especially for arms and ammunition. Politicians hope that industrial prowess will somehow translate more broadly into national strength. Looming over all this is China's tremendous manufacturing dominance, which inspires fear and envy in equal measure.

Jobs, growth and resilience are all worthy aims. Unfortunately, however, the idea that promoting manufacturing is the way to achieve them is misguided. The reason is that it rests on a series of misconceptions about the nature of the modern economy.

One concerns factory jobs. Politicians hope that boosting manufacturing means decent employment for workers without university degrees or, in developing countries, who have migrated from the countryside. But factory work has become highly automated. Globally, it provides 20m, or 6%, fewer jobs than in 2013, even as output has increased 5% by value. For all countries to take more of a shrinking pie is impossible.



Many of the good jobs created by today's production lines are for technicians and engineers, not lunch-pail Joes. Less than a third of American manufacturing jobs today are production roles carried out by workers without a degree. By one estimate, bringing home enough manufacturing to close America's trade deficit would create only enough new production jobs to account for an extra 1% of the workforce. Manufacturing no longer pays those without a degree more than other comparable jobs in industries such as construction (see Finance & economics section). As productivity growth is lower in manufacturing than it is in service work, wage growth is likely to be disappointing, too.

Another misconception is that manufacturing is essential for economic growth. India's manufacturing output, as a share of GDP, languishes about ten percentage points below Mr Modi's target of 25%. But that has not stopped India's economy growing at an impressive rate. In the past few years China has struggled to meet its growth targets, even as its manufacturers have come to dominate entire sectors, such as renewable energy and electric vehicles.

What about the argument that, given the war in Ukraine and tensions with China, the rich world must reindustrialise for the sake of national security? It seems dangerous to rely on factories abroad. And covid-19 caused a supply-chain panic. Some dependencies are indeed chokeholds. China's near-monopoly in refining rare earths has recently allowed it to put the brakes on global carmaking, giving it leverage over America. It is also prudent for the West to build up stocks of weapons and ammunition, to ensure that crucial infrastructure is sourced from allies and to build things with long lead times, like ships, before conflict breaks out.

But in today's ultra-specialised world, across-the-board subsidies for reindustrialisation will not do much to boost war-readiness. Making Tomahawks is entirely different from making Teslas. Far from suggesting that countries at peace must develop the capacity to make lots of drones, the war in Ukraine shows that a wartime economy can innovate and multiply production volumes remarkably fast (see Free exchange).

The final part of the manufacturing delusion is the idea that China's industrial might is a product of its state-led economy—and so must be countered with a similarly extensive industrial policy everywhere else. China does indeed distort its markets in all kinds of ways, and early in this century it manufactured an unusual amount given its level of development. But those days are past.

China has not escaped the global shrinkage of factory jobs since 2013. The share of its workforce in factories corresponds to America's at a similar level of prosperity; and it is lower than it was in most other rich economies. China's 29% share of global manufacturing value-added is a function of its size rather than its strategy. After years of fast growth, it now has an enormous domestic market to support its manufacturers. Innovation is begetting innovation; a "low-altitude economy" of drones and flying taxis promises to take flight soon (see Briefing). Yet, even though China's goods exports have grown by 70% relative to global GDP since 2006, they have fallen by half as a share of the Chinese economy.

Factory settings

The way to rival the manufacturing heft of China is not through painful decoupling from its economy, but by ensuring that a sufficiently large bloc rivals it in size. This is best achieved if allies are able to work together and trade in an open and lightly regulated economy; factories in America, Germany, Japan and South Korea together add more value than those in China. As the pandemic showed, diverse supply chains are a lot more resilient than national ones.

Alas, governments today are heading in precisely the opposite direction. The manufacturing delusion is drawing countries into protecting domestic industry and competing for jobs that no longer exist. That will only lower wages, worsen productivity and blunt the incentive to innovate, while leaving China unrivalled in its industrial might. The mania for manufacturing is not just misguided. It is self-defeating. ■

Ecuador

Busting gangs, keeping the law

In Ecuador, President Daniel Noboa is running a crucial experiment in dealing with gangs

THE GANGSTERS are in their pomp. From the mangrove forests of Colombia and Brazil they launch 20-metre-long narco-submarines stuffed with cocaine and pilot them to Spain and America. They hide hundreds of tonnes of the drug in the crates that shift some 600m bananas through Ecuador's ports every week. Across Latin America they rely on pliant judges and politicians, bought or terrorised. Cocaine production is soaring and illegal gold-mining is booming. Bodies are piling up amid a struggle to control billion-dollar businesses.

So far efforts to curb the gangs have been dispiriting. This week in Colombia, where the government has pursued fruitless negotiations, police stations were bombed and a tough-on-gangs presidential contender, Miguel Uribe, was shot. El Salvador's President Nayib Bukele has crushed the gangs but abandoned the rule of law. For six years under the previous president, Andrés Manuel López Obrador, Mexico avoided confronting gangs, leaving them free to traffic fentanyl and migrants over the northern border.



Ecuador is the new front line. In recent years gangsters have transformed a peaceful Andean tourist spot into the murder capital of Latin America. Daniel Noboa, the Harvard-educated president whom we interview this week (see Americas section), has been re-elected on a promise to defeat them. The country is a crucial test case of whether national governments can beat back transnational organised crime without breaching the constraints of liberal democracy.

The surest way to weaken drug gangs would be for the world to legalise drugs. But since that won't happen, Mr Noboa must act. One measure would be to strengthen Ecuador's civilian police. They need more weapons, armour and manpower to confront gangsters wielding machineguns and rocket launchers. This is under way, but will take time. Mr Noboa was right to put the army on the streets during the genuine emergency that erupted during his 18-month first term. But as the police grow stronger, he should pull the army back.

Ecuador also needs an effective justice system. Jailing suspects indefinitely with no trial, as in El Salvador, reduces gang crime but means the state can also threaten anyone it chooses. Deterring gangsters lawfully involves consistently putting them before independent judges with enough evidence to convict them. For this, Mr Noboa needs to spend heavily to hire, train and protect prosecutors and judges, so they can stand up to wealthy criminal empires. A supercharged independent judiciary should also go after money-launderers and corrupt politicians. Mr Noboa acknowledges this. Now he must make it happen.

The gangs move people, weapons and drugs over jungle borders and communicate via encrypted messaging. They can be held in check only if governments work together. That happens too little, partly because tired ideological differences get in the way. Thus, whereas gangs in Mexico and Ecuador are joined at the hip, the two governments speak only through Swiss intermediaries. They have been at odds since Ecuador raided the Mexican embassy in Quito last year to seize a former vice-president being sheltered there, who had been convicted of corruption.

America could galvanise co-operation, which is in its interest as well as Latin America's. So far President Donald Trump has lionised El Salvador's police state. Far better for the West to support Mr Noboa with cash and intelligence, while watching for any authoritarian drift. Should he fail it would embolden the likes of Mr Bukele, who believe that organised crime can only be tackled with authoritarianism. ■

Apple and AI

Glasnost in Cupertino

In the age of AI, Apple's tight control over its products has turned into a liability

DURING APPLE'S annual developer conference, which began on June 9th, the tech giant's bosses were in their happy place. On home turf in Cupertino, California, they unveiled a glossy visual overhaul of Apple's operating systems and showed off new features that pull its devices into ever-closer harmony. However, although the new "liquid glass" styling may give its software a new sheen, beneath the window-dressing things are not going well.

Nearly all of Apple's products are made in Asia, so President Donald Trump's tariffs threaten to crush its margins in America. Its tight grip on its software ecosystem has got it into trouble with regulators; after a bust-up with a judge during its long-running fight with Epic Games, the maker of "Fortnite", over how it runs its App Store, Apple was slapped with a court order that jeopardises the $30bn it takes each year in app-related fees. And in the vital field of artificial intelligence (AI), Apple is floundering. No wonder, then, that its share price is down by almost a fifth this year, the most of any of America's five biggest tech firms (see Business section).

The company's struggles to adapt to the AI boom are deep-rooted. Even before OpenAI launched ChatGPT in late 2022, Apple was falling behind, as Siri, its voice assistant, proved to be notably less capable than the alternatives from other firms. At last year's conference Apple previewed a new version of Siri that could combine data from different apps to handle complex requests. It looked impressive, but it never shipped. ▸▸

As in the fight with Epic Games, Apple's difficulties come down to control. The firm has long differentiated its products by enabling users to keep their personal data private. It can afford to do this because it makes most of its money selling hardware—unlike rivals such as Google and Meta, whose business models depend on collecting and analysing data in order to sell personalised ads.

The rise of AI has turned Apple's control-freakery from a strength to a weakness. The plan, announced last year, was to deploy the company's own AI model directly on users' devices, where it could gain access to personal data (such as emails, messages and calendars) to answer queries and perform tasks, without compromising privacy. The problem is that this doesn't seem to work: a small model running on a smartphone cannot compete with a much more powerful one running in the cloud. Surely Apple could develop its own big cloud-based model, to compete with ChatGPT, Claude or Gemini? Maybe. Catching up might be possible if Apple dipped into the rich trove of its users' data. But it has promised not to.

As a result, it is now seeking outside help. Already, Siri can offer to hand off more complex queries to ChatGPT, though it must clunkily ask permission each time. This week Apple announced a deeper partnership with OpenAI. With users' permission, ChatGPT will be given more access to their devices, for example to answer queries about what is on their screens. ChatGPT will also be baked into Apple's programming tools.

This is a step in the right direction, but Apple needs to go further. Rather than trying to control what AI can and cannot do on its devices, Apple should let users decide. This would go against Apple's instincts for control, which have only intensified under the leadership of Tim Cook. Yet openness may not be as scary as Apple fears.

Think back to when Apple launched the iPhone in 2007, and refused to let anyone else build native apps for it. Apple changed its mind the following year, allowing others to build apps on its terms and unleashing a surge of new tools, games and services. It should now apply the same approach to AI. Opening up the App Store helped make the iPhone the world's most successful consumer product. Opening up to others' AI models is Apple's best chance of keeping it that way. ■

Britain's spending review

Shoestring statism

Britain's government is short of cash, but pivoting to interventionism. That is worrying

IT WAS NEVER going to be a glorious task. On June 11th Rachel Reeves, Britain's chancellor of the exchequer, apportioned the spending for which she had budgeted. The government is so cash-strapped that most of its departments suffered in order to help the rickety National Health Service. To gloss over this, Ms Reeves delivered a tub-thumping speech in Parliament about the virtues of big government.

At times the performance was ridiculous. The chancellor listed endless tiny projects, such as cash for Kirkcaldy's high street and Southport's pier, to make it sound as if she is showering the country with money. Yet the speech was also genuinely worrying. Suffering in the polls and menaced by Nigel Farage's populist Reform UK, Labour seems to have decided that interventionism is a route to popularity. Even without the higher taxes or borrowing that Ms Reeves has forsworn, a statist turn, via regulation and the composition of spending, could do much damage.

Ms Reeves pledged to "buy, make and sell more" at home, to make the country a "defence industrial superpower" and to ensure that "the energy technologies of the future are built here and owned here, and that those jobs come to Britain". She will maintain a limit on bus fares and cap school-uniform prices. And she will adjust the Treasury's methodology to favour "place-based business cases": ie, to tilt infrastructure spending away from London, favouring redistribution over growth. The capital city, also known as the goose that lays Britain's golden eggs, will be kept waiting for money to finance its Docklands Light Railway and Bakerloo Line projects (see Britain section).

Some parts of the economy really do need more government. It is wise to boost defence spending in light of Russia's aggression. Labour is also correct to throw its weight behind nuclear power by funding the new Sizewell C plant in Suffolk and investing in small modular reactors. Nuclear power is essential as Britain seeks to bring down its punishing energy costs while cutting its carbon emissions.

The rest of the pivot to statism is unwelcome. The most harm could come where the stakes are highest: the housing market. A shortage of homes in the south-east of England chokes growth. Labour has incrementally loosened planning rules when a more radical deregulation is needed. Now the chancellor says she will use her capital budget to build lots of social housing, which the government heavily subsidises. This is a classic demand of British left-wingers, who resent the fact that reforms carried out under Margaret Thatcher have since the 1980s allowed social tenants to buy their houses at a discount.



Yet social housing is a red herring. It already makes up a share of Britain's housing stock that is about twice the average in the OECD, a club of mostly rich countries. Rules requiring developers to include "affordable" homes are one of many disincentives to private development, and reduce the average quality of new houses. As with most things, the state allocates homes inefficiently. Westminster Council recently announced that it would offer contracts for life to all its tenants, who enjoy below-market rents—an astonishing and indiscriminate giveaway. Ms Reeves touted that new homes would be built in Blackpool, Preston and Sheffield, where housing is far less scarce.

Such are the mistakes when the state controls too much. It is good that Ms Reeves is not letting tax and spending rip, as many Labour backbenchers would like her to do. But even the chancellor's shoestring statism could undermine the government's pursuit of economic growth. ■

Letters: *American taxes, fact-checking, public speaking, "Bluey", nose hair*

Reforming America's taxes

Your leader on Section 899 in the Republican budget bill obscured the true reasoning behind the provision and its inclusion in the legislation ("Capital pains", June 7th). Rather than being merely a tax on foreign investors, Section 899 is a measured response to the OECD's "two pillar" plan, which creates discriminatory taxes on successful American firms (pillar one) and an extra-territorial global minimum tax that conflicts with America's tax code and international tax treaties.

As the co-author of Section 899, I, along with my Republican colleagues, have forcefully and repeatedly opposed the OECD's plan for more than three years. As you mentioned, the provision is written narrowly to apply to digital services taxes, as well as other discriminatory taxes levied on business such as the undertaxed profits rule. The nonpartisan Joint Committee on Taxation, made up of House and Senate members, estimated that, under one scenario, the US Treasury would lose $122bn over ten years if the rest of the world implemented pillar two. Section 899 would raise $116bn over the same time period, effectively defending our tax base in a corresponding manner.

The authority to write tax law is still jealously guarded by Congress, unlike other countries that seem to have ceded some of their taxation policy to Brussels. This targeted provision in the budget bill will apply only to countries that want to pilfer our Treasury. The message is simple. Remove the offending taxes or suffer the consequences.

CONGRESSMAN RON ESTES
House Ways and
Means Committee
United States Congress
Washington, DC

Suppressing an argument

"The lie-detectors" (May 17th) discussed the work of "doughty fact-checking organisations" and mentioned that Facebook and Instagram "deleted 27m falsehoods about covid-19" during the pandemic. Among the "falsehoods" that these platforms deleted were posts claiming that covid-19 came from a laboratory, posts objecting to mask mandates and posts arguing that social distancing was ineffective. At the very least, these statements are now open to debate.

Fact-checking during the pandemic should provide a cautionary tale about censorship, rather than a model for future fact-checkers, doughty or otherwise, to follow.

JUDGE GLOCK
Director of research
Manhattan Institute
Fairfax, Virginia

Ladies and gentlemen...

Bartleby is right in recognising that speaking in public is a widely shared fear (May 24th). The most important thing to realise is that nobody overcomes this fear without practice, and with practice, anyone can. Trust me on this. The academic profession selectively recruits introverts and then expects them to deliver lectures to hundreds of sceptical teenagers. When we begin our careers few academics relish this opportunity, but with practice it becomes part of a normal day. Sometimes we even enjoy it. If we can learn to do it, anyone can.

TOM STAFFORD
Professor of cognitive science
University of Sheffield

A quiet institution devoted to public speaking has been developing in London and Essex for the past 19 years. The Jack Petchey Speak Out Challenge runs workshops in schools teaching essential speaking techniques like those that Bartleby experienced at RADA. Each student makes a speech on a topic important to them, and has the chance to compete in various stages culminating in a grand final held at the Cambridge Theatre in London.

I was the runner-up in my borough's regional final in 2024, when I was 15, and this March had the immense pleasure of judging the event. I have been struck by the diversity of subjects that participants choose, from their experiences with knife crime and racism to their love of pigeons and universal basic income, as well as their confidence when delivering their speeches thanks to expert training.

The competition is especially useful, given that every pupil must complete a spoken-language examination as part of their GCSE English Language qualification. Learning the craft of public speaking would make this often dreaded component vastly easier and more enjoyable for students. Learning how to speak properly changed my life, and there is no reason why we can't share this with everyone.

FRANCES YOUNG
London

Bartleby's column reminded me of Jerry Seinfeld's observation about public speaking being the number-one fear among Americans, even more than death. He quipped that if you were at a funeral you would probably rather be in the casket than giving the eulogy.

LEO COTTON
Bloomington, Minnesota

One method to help with public speaking is to hold a model skull. It instantly casts you as a dramatic orator, and at least one listener is comfortably in the palm of your hand.

MATT BURKHADT
East Norwich, New York

Something to pick over

The Free exchange column on taxing the rich (May 17th) mentioned the intuitive belief that an extra dollar of wealth buys less additional happiness the richer you are, but it did not expound on why the rich do not willingly accept higher tax rates. Perhaps this proverb provides the explanation: "Wealth is like the hair in your nose. It hurts as much to part with a little as it does a lot."

STEVE KISH
Pleasanton, California

Puppy love

Your review of "Fatherhood: A History of Love and Power" by Augustine Sedgewick, mentioned that today's trend in television is to portray "dads as doofuses", Peter Griffin in "Family Guy" being a prime example ("The sins of the fathers", May 17th). As the father of a wonderfully wilful two-and-a-half-year-old can I recommend "Bluey" instead to my fellow fathers. The cartoon series is about a family of Australian cattle dogs. Named after the family's eldest daughter, the show is largely centred on the relationship that she and Bingo, her sister, have with their father, Bandit. His patience, forbearance and wholehearted playfulness are actively educational and inspiring to this dad. And running at just seven minutes apiece, an episode doesn't interrupt playtime for too long.

HENRY BIGGS
Minchinhampton, Gloucestershire



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BY INVITATION
Jeremy Hunt

Britain's former chancellor on how to fix a welfare crisis that is partly of his own making



THIS WEEK Rachel Reeves, Britain's chancellor of the exchequer, announced the outcome of the government's spending review. She sugared the pill of real-terms budget cuts for most government departments from next year with growth-friendly capital projects for regions outside London. But underneath her decisions lies a dilemma which I too was forced to confront as chancellor: are growth-destroying tax increases the only way Britain can afford decent public services? Many respected economists think we are now condemned to a doom-loop of ever higher taxes and ever lower growth.

They are wrong. But we should start by acknowledging why Britain's public finances are so tight. It is not the fictitious £22bn ($28bn) "black hole", a political device engineered by the current Labour government to justify tax rises. Rather it is a steadily building pressure that all recent chancellors have faced from an ageing population and the need to spend more on defence. If the British economy were growing like the clappers, we might just about be able to manage. With anaemic growth we can't.

So Ms Reeves is right to prioritise getting back to the 2%-plus growth we had before the global financial crisis of 2007-09. That, however, will take time. Measures that boost business investment, reduce energy costs and speed up planning decisions are all necessary. Some, on planning and pensions reform, are under way. Other government actions, such as the rise in employers' national insurance, a payroll tax, have taken us in the wrong direction.

Even if we implemented the most beneficial measures, however, they would not deal with the immediate pressures. And one of those pressures will be felt acutely at this month's NATO summit. At the same summit in 2018 I was sitting at the table when Donald Trump threatened to pull America out of the alliance unless Europe spent more on defence. This time Europe—including Britain—will need to cough up.

To avoid more tax rises this autumn, there is only one game in town: welfare reform. Recent noises from the government have not been encouraging. They include a U-turn on winter-fuel payments for pensioners. But proper reform would be transformative fiscally and also for the supply side of the economy. It could also make a big dent in poverty, including among children.

Since the pandemic Britain has been dishing out disability and incapacity benefits to a million more claimants. The cost of disability benefits has gone up by 45% in real terms. No other European or G7 country has seen anything similar—indeed, in Germany the number of claimants has fallen. The Institute for Fiscal Studies (IFS), a British think-tank, describes it as "largely a UK phenomenon".

Even after recently announced savings, the costs are still rising. If the chancellor cut the value of overall working-age benefit claims to 2019 levels, she would save £49bn a year in real terms by the end of the fiscal period. That is more than enough to avoid tax rises as we wait for longer-term growth measures to kick in.

So why is Britain such an outlier on welfare spending? I am afraid I may be indirectly responsible. In 2014, as health secretary, I passed the Care Act through Parliament. It included a landmark reform requiring the secretary of state to try to treat mental and physical health equally in order to stop the National Health Service from treating mental health as a poor relation. The NHS now treats 2m more mental-health patients every year.

But the act had unintended consequences. The IFS says that mental-illness claims account for more than half of the post-pandemic increase in disability benefits. Citing anxiety or depression on a benefit claim boosts entitlement to Universal Credit and the Personal Independence Payment, the two main benefits. But is it the right way to give people the help they need? Doctors say that social contact is one of the most important ways to tackle mental illness. Signing people off work does the opposite. Of course we should support people who are unable to work because of the most severe mental illnesses. However, signing off those with moderate anxiety or depression could make their problems worse.

We therefore need a total overhaul of the way the benefits system treats people with mental illness. The Care Act does not apply to the Department for Work and Pensions, the ministry responsible for welfare, so there is no law that needs changing. Instead of signing people with mental illness off work, we should direct them to treatment. For just £1bn a year we could double the number of people using the highly successful NHS "talking therapies", such as counselling and cognitive behavioural therapy.

Getting more people into work is also a powerful supply-side measure to boost GDP and living standards without resorting to more migration. Around half of people with disabilities are in work in Britain. In Denmark it is three-quarters. One of the reasons Denmark has higher living standards is that nearly 80% of its adult population work, several percentage points more than in Britain. Part of that is because of generous work incentives that cost money, such as the child-care measures I copied in my budget. But if the impact is more people in work, such spending more than pays for itself.

Welfare reform is not easy. But nor is it beyond the ability of a government with a large majority and plenty of time left in the parliamentary calendar. When you include pensions, Britain now spends 11% of its GDP on welfare, nearly five times more than it spends on defence. Reforming it may now be the only card the government has left. ■

Jeremy Hunt was Britain's chancellor of the exchequer from 2022 to 2024. He is the author of "Can We Be Great Again? Why a Dangerous World Needs Britain" (2025).

Briefing China's "low-altitude economy"



Delivery drones and flying cars!

SHENZHEN

Airborne packages and people will soon be whizzing through China's cities

YOUR CORRESPONDENT'S heart raced as the door thudded shut. She was alone in the plush two-seat vehicle, but too nervous to take much pleasure in the leather upholstery and panoramic windows. The 16 propellers arranged in a circle around the passenger cabin began to turn, and then the electric vertical take-off and landing (eVTOL) aircraft—to all intents and purposes, a self-flying car—began to rise smoothly into the air. It climbed to a height of about 50 metres, affording sweeping views of the cranes and docks of an industrial neighbourhood of Guangzhou, before descending again to the same spot from which it took off, at the headquarters of EHang, the company that made it. EHang had invited *The Economist* to try out the vehicle, just after a social-media influencer and just before an investor in the firm. But in March EHang became the first eVTOL-maker in the world to receive a licence to carry passengers commercially. It is planning to start offering flights to the public soon in Guangzhou and another big city, Hefei.

Flying cars are only just beginning to take off, but drone deliveries are already flying high in parts of China. Most of the office-workers filing out of skyscrapers in Shenzhen on a recent spring day to queue at a kiosk run by Meituan, a food-delivery app, looked blasé. Only one, Huang Jieling, appeared surprised to discover that her lunch would be delivered by a drone. Meals are dispensed through the front of the kiosk, after customers identify themselves by entering the last four digits of their mobile-phone number, even as a steady stream of drones drops off bubble tea, noodle soup and chicken rice through a hatch in the kiosk's roof. "I didn't think takeout, which is very cheap, would be delivered by drones," Ms Huang, a 24-year-old e-commerce worker, admitted.

Delivery drones and flying cars are mainly science fiction in the rest of the world, although in some places they have advanced to the realm of prototypes and trials. Walmart, a pioneer, has made 150,000 deliveries by drone in America since 2021. In China, however, these technologies are becoming an everyday reality. The government is vigorously promoting them as part of its ambition to develop a "low-altitude economy". By that it means a proliferation of airborne devices whizzing around at less than 1,000 metres (far lower than ordinary commercial planes), offering a dizzying array of services. The intention is to foster a futuristic industry for China to dominate by refining the approach that has already turned the country into an electric-vehicle (EV) juggernaut.

Warp speed

The low-altitude economy is small, but growing fast. The civil-aviation authority reckons it will reach a turnover of 1.5trn yuan ($208bn) by the end of this year and 3.5trn yuan by 2035. Meituan alone delivered more than 200,000 meals in 2024, al-

most double the number of 2023. EHang's share price is up by about half over the past two years—and it is just one of many flying-car-makers. "By 2030, China will have at least 100 eVTOL firms," declared Luo Jun, head of the China Low-Altitude Economic Alliance, an industry group, at a conference in April in Beijing. By the end of 2024 2.2m civilian drones were operating around the country, a 455% jump in five years (see chart).

Anti-gravity

Drones are popping up all over the place. Last year they delivered around 2.7m packages in China (not including meals). China Post uses them to spare couriers the ferry ride required to make deliveries to residents of islands in Fujian province. Dozens of cities around the country transport blood to medical facilities by drone. A quarter of a million drones spray fertiliser and pesticides on farmland. Other fleets extinguish fires in high-rises, monitor drug-smuggling along borders and transport medical tests to laboratories.

This proliferation is partly a response to official encouragement. Early last year Li Qiang, the prime minister, declared the low-altitude economy an engine of growth in the government's annual agenda-setting report, alongside artificial intelligence and quantum computing. That sent a clear signal to all officials, investors and entrepreneurs that the Communist Party had designated drones and flying cars as the next big thing and would throw its weight behind them. In December the powerful state planning agency created a department specifically to foster the low-altitude economy. That is another strong indication of the government's enthusiasm: other such departments have much broader remits, such as "national defence" or "employment". The new low-altitude department has already brought together ministries to discuss safety supervision, business development and the construction of ancillary infrastructure.

Most of China's airspace is reserved for military use or subject to strict security constraints. That makes it all the more striking that China is promoting the use of low-altitude aircraft, and revising rules accordingly. Six cities, including Shenzhen and Hefei, are being given a degree of autonomy in opening airspace below 600 metres for commercial activity.

Lower-level functionaries and institutions are getting the message. This year alone six universities have established degree courses in "low-altitude technology and engineering". Local governments, which raise much of their income from land sales and so have been impoverished by China's property downturn, are anyway keen to attract a high-flying (figuratively) new industry. At the conference in Beijing in April, officials from the south-western city of Mianyang pitched it as a potential destination for low-altitude investment. It is in a mountainous area, and suffered severe damage in 2008 in the country's deadliest earthquakes in decades. In addition to spurring growth it sees the low-altitude economy as a way to accelerate disaster relief and to improve other services over difficult terrain. Officials talk, for instance, of delivering medicine by drone to residents living in remote areas. Investors would have access to subsidies, skilled workers and a permissive regulatory regime, they promised: "All you need to do to fly is register 20 minutes in advance."

"Demanding GDP from the sky" has become a common slogan, but exactly how governments will get cash to rain down remains unclear. Pingyin, a county in the eastern province of Shandong, ignited controversy when it auctioned "low-altitude economy franchise rights" for 924m yuan. Some praised the creative approach to filling empty coffers. Others expressed scepticism. "The next step is to sell the air," scoffed a netizen. A statement later clarified that the transaction concerned only the operation of terminals for low-altitude aircraft at two local airports, not the "national public resources" of airspace.

Shenzhen, the gleaming metropolis that pioneered China's embrace of the market in the 1980s, is one of the biggest champions of the low-altitude economy. Like other Chinese cities, it has promoted drone deliveries by creating a network of terminals for take-offs and landings and designating fixed routes between them. By the end of last year the city had approved 250 delivery routes and built nearly 500 terminals. It has also overseen a huge expansion of the 5G mobile network to ensure strong connections for drones flying below 120 metres. All this enabled more than 776,000 drone deliveries last year. The city has also created a special fund to invest in low-altitude businesses.

Meituan says it set up its drone operation in Shenzhen in 2019 to take advantage of a pilot scheme to test drone delivery. At first employees had to knock on countless doors to explain to residents, the air force, the security services and other officials what they wanted to do. Now it takes days rather than months to win approval for a new delivery route. "The grand vision is that we will have a network of many, maybe thousands, of sending or receiving points in a city like Shenzhen," says Mao Yinian, the executive in charge of drone delivery at Meituan.

At 2pm at Meituan's control centre for drones in Shenzhen, the lunchtime rush is dying down. A large display tracks 41 drones still flying across the city of 18m. The firm says it has more than 100 in the air at the busiest times. Each drone is represented by a rectangular box, which is bigger than the drone itself as it includes a safety buffer. To avoid crashes, Meituan's drones operate on routes that are designated for the firm's exclusive use. Its drones also have sensors that can detect and evade objects in their path. In places where Meituan's routes might overlap with other low-altitude traffic, such as along the Great Wall of China, where helicopter tours are common, Meituan and the tour operators share flight plans with one another in advance. Shenzhen, like other cities, is also planning a command centre of its own to ensure safe and efficient use of low-altitude airspace.

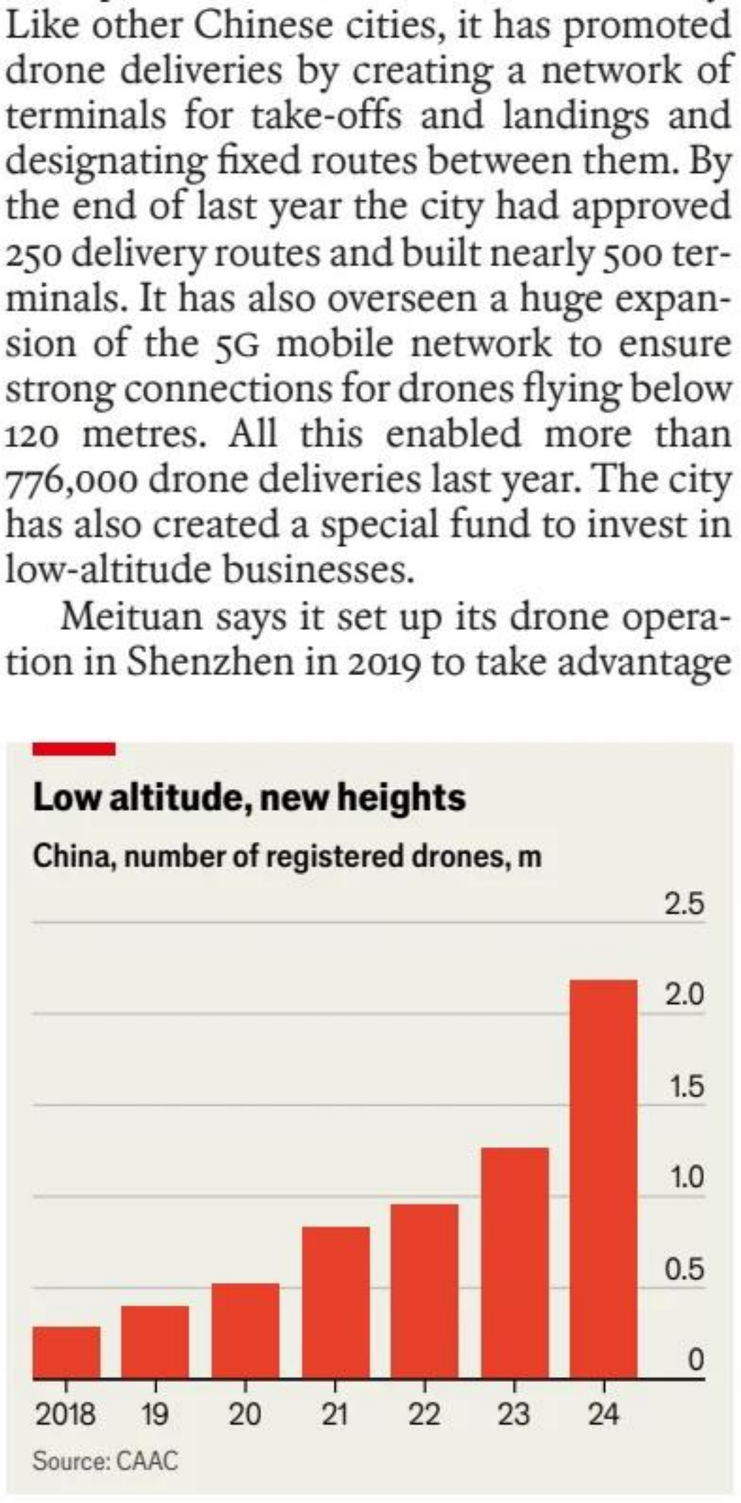
Meituan has delivered more than 520,000 orders by drone since launching the service in 2021. It wants drones to account for 10% of total deliveries in the next five to ten years, Mr Mao tells *The Economist*. On its busiest day last year the firm delivered 98m orders across China, so 10% of that would mean as many as 10m drone deliveries a day.

Even as it expands drone delivery, however, it is also trying to make it more efficient. At a shopping mall in Shenzhen, Meituan employees run from outlet to outlet, collecting food for delivery before heading to the drone terminal on the roof. Each order has to be placed in a delivery box, weighed to ensure that it does not exceed 2.3kg and then fastened to a drone. Mr Mao thinks there is scope to automate much of this process. And even as it is, he says, "pilots", meaning the workers who monitor the self-flying drones, are far more efficient than ordinary delivery-drivers: "The average pilot today in our system can oversee hundreds of meals delivered a day. You're never going to get this with human riders on e-scooters."

Flying cars, although not nearly as widespread as drones, have also been boosted by the Communist Party's endorsement. Many Chinese carmakers are trying to manufacture them. One of them, Xpeng, has designed a chunky six-wheel electric vehicle that holds an eVTOL air-

Low altitude, new heights

China, number of registered drones, m



Source: CAAC

craft in the boot. It says this futuristic two-in-one will enter mass production next year and cost less than 2m yuan ($280,000). It has already received more than 4,000 orders. The idea is to create a network of designated launch sites, says Wang Tan of Xpeng's flying-car subsidiary, AeroHT—although the firm has not yet received all the necessary approvals.

Valuations of privately held eVTOL firms have jumped over the past year or so. State-owned carmakers are unveiling prototype eVTOL models. Even Hongqi, which produces limousines for the Communist Party's bigwigs, is letting its fancy take flight. Its Tiannian 1 concept car features a luxurious cab which can either sit on a land-lubbing chassis for driving or hang from an array of propellers for flying.

Hyperdrive

Sitting on a sofa in his high-rise apartment, Hu Huazhi, EHang's CEO, alternates between disparaging "0.5-dimensional" ground transport (not even one-dimensional, he says, because traffic rules mean that you often have to drive in the wrong direction just to turn around) and extolling three-dimensional freedom in the skies. Despite only having slept a few hours, he is buzzing like one of his aircraft. Consider the example of Beijing, he instructs, a city with multiple concentric ring roads that is notorious for gridlock. The distance between the east and west sides of the fifth ring road is about 30km. It takes about an hour to drive between them, but only ten minutes to fly. "Short-distance flights within the city will be the largest market in the future," he says.

Talk of flying around Beijing is purely hypothetical, Mr Hu admits: the city's airspace is especially closely protected. And it could take a year for EHang to start offering point-to-point flights anywhere. For now it is focusing on sightseeing trips that start and end in the same place. Nonetheless, local governments and state-owned firms are snapping up its aircraft, hoping to set up tourism businesses: it sold 216 last year, even though there are more bureaucratic hoops to fly through before they can enter regular service.

The Chinese government routinely champions favoured industries, in the hope of spurring growth. Recent examples include the "ice-and-snow economy" (winter sports and tourism) and the "silver economy" (anything related to ageing). The hype sometimes outstrips the results. But analysts insist the low-altitude economy shows promise, for several reasons.

First, flying cars and drones play to existing industrial strengths. China is the world's biggest manufacturer of both the batteries such aircraft need, and of electric vehicles, which involve lots of the same technology. "Why can our low-altitude economy quickly generate strong explosive power? One very important reason is that we have accumulated a lot in the new energy industry, especially in cars, in the past few years," Qiao Dong of Yunhe Capital, an investment firm, argued at the conference in Beijing. Shenzhen, for instance, is home to both the world's largest drone-maker, DJI, and the world's largest EV firm, BYD, along with lots of their suppliers.

What is more, despite the controlling nature of the Chinese state, regulators are nimble and accommodating. Bureaucrats from different cities now come to Meituan to suggest that it initiate a new delivery route, rather than the other way round, an employee notes. Rather than spending a long time drafting a systematic policy, officials have been drawing up rules as the industry develops. "You have to have a policy that can match whatever technical progress that is being made on the ground," Mr Mao says. Although this might involve less exacting safety standards than may be imposed in Western countries, Chinese consumers, at any rate, do not seem too worried. Fully 86% of them are keen on the idea of drone delivery, according to a survey by McKinsey, a consultancy, compared with only 53% of Americans.

As a result, Chinese firms can develop products faster than their counterparts elsewhere. EHang was founded five years after Joby, one of America's leading eVTOL companies. "We can iterate faster by leveraging the strengths of the manufacturing industry, and we can also accumulate relevant experience faster through actual flights in China," says Mr Hu. Robin Riedel of McKinsey notes that, whereas Western firms in the industry consider their products superior in quality, Chinese firms view themselves as faster to commercialise: "There's a little bit more willingness to experiment in China versus in North America and in Europe."

America's new administration, at least, seems concerned. Earlier this month it issued an executive order to accelerate the use of drones and eVTOL, with the explicit goal of warding off foreign competition. There is much discussion within China of whether it can leapfrog Western firms in eVTOL, despite its relatively unsophisticated aviation industry, just as it has come to dominate electric vehicles despite the lacklustre reputations of its conventional carmakers. Boosters talk of *wandao chaoche*: overtaking on a bend. "It's definitely a tech play to start with, but it's also a policy play," Mr Mao contends.

If anything, the Chinese authorities are worried that they may be encouraging the industry too much. It must be developed in accordance with the "one country, one chessboard" principle, the national planning agency has warned, meaning that investments should be co-ordinated at a national level, rather than each locality making its own plans. State media have cautioned local governments against "blindly following trends and rushing in" and creating "redundant infrastructure and disorderly competition".

Although the economics of drone delivery seem sound, at least in some instances, it is less clear how eVTOL firms will make a profit. Several Western ones have recently gone bust. In China much of the capital underpinning the industry's growth comes from state investment funds, which may focus more on signals from the high-ups than from the market. But even if investors make little money, China's skies seem certain to see a proliferation of drones and flying cars. As Mr Hu of EHang puts it, "The era we are in now is already the future era referred to by science-fiction movies." ■



Cloudy with a chance of meatballs

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The Economist

United States



LA v Trump

And the sky is grey

LOS ANGELES

The meaning of the protests in California

THE MOOD changed by the moment. On June 8th a woman hugged her two young daughters on a bridge overlooking the 101 freeway in downtown Los Angeles. Vendors sold Mexican flags and protesters adjusted the rhythms of their chants. "Move ICE get out the way" morphed into "Donald Trump, let's be clear, immigrants are welcome here". It felt like a neighbourhood block party—if block parties encouraged graffiti. But chants turned to screams as police exploded flash-bang grenades to clear the road. The two young girls grimaced and hustled away. California Highway Patrol officers paced in riot gear, their less-lethal weapons aimed at the crowd. Some protesters lobbed bottles at police, who dodged the projectiles. Nearby, several Waymo driverless cars were set aflame.

Immigration and Customs Enforcement (ICE) had conducted several raids across Los Angeles County, which sparked protests. Mr Trump likened them to a "rebellion" and invoked a rarely used statute to deploy at least 2,000 members of the California National Guard to LA to protect federal agents and property, against the wishes of California's state and local officials. This overreaction galvanised Angelenos and turned what were isolated clashes between protesters and federal agents into general unrest that swallowed parts of downtown. Since then, Me Trump has doubled the number of guardsmen and added 700 active-duty marines to the mix.

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Mr Trump's political success since 2016 can be partially explained by his talent for rallying his supporters against a common enemy, whether that be illegal immigrants, Democrat-run cities, or, in this case, both. That his first reaction was to reach for the military suggests that the move was meant as a provocation, as if he were daring Angelenos to resist, thereby justifying his decision to call in troops and proving to his followers that Democrats will raise hell to shield immigrants from deportation. Local leaders urged protesters to stay peaceful lest they offer Mr Trump a reason to invoke the Insurrection Act, a law from 1807 that gives the president the power to deploy the military to help quell domestic uprisings. He has not ruled that out. The troops' deployment has already traumatised Los Angeles and turned a tense relationship between California and the Trump administration into a hostile one. What happens next will determine whether the unrest in LA fades, or sparks a national movement.

LA was already having a bad year. Raging wildfires in January killed 30 people, incinerated two neighbourhoods and left locals angry at their leaders. A survey from the University of California, Los Angeles, in April found that just 37% of Angelenos viewed Karen Bass, the city's mayor, favourably, down from 42% a year ago. Now the president is piling on. During a speech

at Fort Bragg on June 10th Mr Trump expressed disdain for his country's second-largest city, calling it "a trash heap" in need of liberation. Ms Bass is trying to strike a balance by promising to punish protesters who got violent, while defending LA's massive immigrant community (roughly one-third of the county's 10m people are foreign-born).

The unrest could unite the city against the administration, but right now it seems more likely to sow division. Several protest leaders stood on a truck bed in front of City Hall and decried Mr Trump, ICE—and their local leaders. "If Karen Bass can't protect us, if the city council can't protect us, if the Democratic Party can't protect us, who's going to protect us?", asked one young man. The answer, he argued, isn't just rebellion but "revolution".

Still, LA has seen worse. More than 220 people have been arrested so far and Gavin Newsom, California's Democratic governor, promises that number will grow. In 1992 thousands of people were arrested and 63 were killed when Angelenos rioted after police officers were acquitted of beating Rodney King, a black motorist. Across most of the city there was no sign that anything unusual was happening, except perhaps the circling helicopters. Even downtown, protesters ambled past "Fuck ICE" graffiti to admire the violet buds of the blooming Jacaranda trees. That duality is part of the city's character: LA promises a sun-drenched dreamscape but sometimes delivers something closer to the darkness and moral ambiguity of film noir.

The unrest pits California squarely against the Trump administration. It was not an easy relationship to begin with. The liberal politics of America's most-populous state make it a favourite target of the Republican Party. Mr Trump attacked Kamala Harris last year as a "San Francisco radical" who would turn America into California. When Mr Trump was inaugurated in January, Mr Newsom played nice: he needed the feds to help pay for LA's recovery from the fires.

Things began to devolve even before the recent immigration raids. Last month the Republican-led Senate voted to revoke a waiver California uses to set stricter emissions standards than the federal government, and the administration said it would claw back federal dollars for the state's boondoggle of a bullet train. California, meanwhile, is involved in at least 22 lawsuits against the administration, including a new one questioning the legality of Mr Trump's deployment of troops to Los Angeles (see next story).

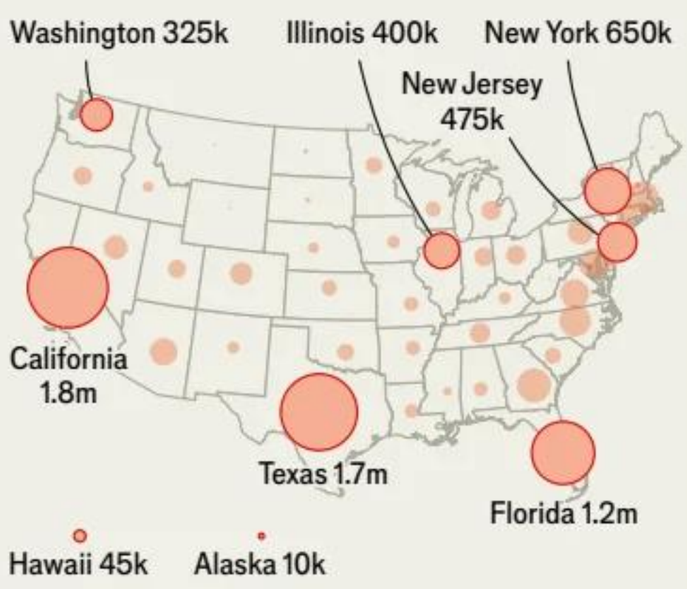
Though Mr Newsom and Mr Trump are on opposite ends of the political spectrum, they share a love of the limelight. When Tom Homan, the president's border czar, threatened to arrest the governor for allegedly interfering with immigration enforcement, Mr Newsom told him to "come after me, arrest me, let's just get it over with". Mr Homan backed down, even if his boss didn't. "I would do it," Mr Trump told the press outside of the White House. "I like Gavin Newsom, he's a nice guy, but he's grossly incompetent." Their catty spats can be mutually beneficial. The president titillates his base by attacking the governor, and Mr Newsom raises his national profile, perhaps with 2028 in mind, by presenting himself as the anti-Trump.

Now more is at stake than their approval numbers. In a speech on June 10th Mr Newsom warned other states that "California may be first but it clearly will not end here." Legal scholars point out that the proclamation federalising National Guard troops did not mention LA, leaving open the possibility of sending them to other cities. After California, New York, New Jersey and Illinois are the Democratic-run states where the most unauthorised immigrants live (see map). Anti-ICE protests have already started to spread beyond Los Angeles, to Chicago, New York City and elsewhere. Some Democratic mayors may see the trouble LA is in and try to avoid attracting Mr Trump's ire. Daniel Lurie, San Francisco's moderate mayor, seems to be trying this route, though protesters there have taken to the streets anyway.

What the federal government does next will depend on whether Mr Trump's end goal is to scare cities into not protesting against deportations, or to provoke unrest so he has an excuse to declare an insurrection and use the military to crack down on places that disagree with him. LA's experience suggests the latter is not hyperbole. During his speech Mr Newsom coined a clunky phrase: "the rule of Don" (rather than the rule of law). He meant it as an insult, but Mr Trump may not mind. When asked what the standard would be for sending troops elsewhere, the president replied: "The bar is what I think it is." ■

The shadow census

Undocumented-immigrant population, 2022 estimate



Source: Pew Research Centre

Presidential power

National guardians

WASHINGTON

Donald Trump has the legal authority to deploy troops in a crisis

IN 1957 NINE African-American pupils attempted to register at Little Rock Central High School in Arkansas. The previously white-only school was belatedly complying with the Supreme Court's decision in *Brown v Board of Education*, issued three years before. Yet, after braving a mob of some 300 who heckled and hissed, the students found their entry barred by members of the Arkansas National Guard, summoned by the segregationist governor, Orval Faubus. The president, Dwight Eisenhower, soon resolved the crisis by federalising the Arkansas National Guard, wresting it from the control of the governor. The very guardsmen who had been ordered to prevent the pupils' attendance now escorted them into the building.

Most Americans are only dimly aware of the many functions that the National Guard performs. Its long history predates the formation of the United States by more than a century. Recent events are forcing examination, though. On June 7th President Donald Trump federalised units of the California National Guard, over the strident objections of Gavin Newsom, the state's governor. Mr Trump's action came after deportation raids in Los Angeles provoked protests, some of them violent.

Ordinarily, state national guards are under the control of governors. Most of their members hold civilian jobs for most of the year but can be mobilised for emergencies such as natural disasters or urban unrest. They are the modern-day versions of the colonial state militias; their role is enshrined in the constitution. Article I assigns to Congress the power "to provide for calling forth the Militia to execute the Laws of the Union, suppress Insurrections and repel Invasions". Yet they also are reservists for the professional military services and can be commanded by the president and deployed abroad when needed.

The very public spat between Mr Trump and Mr Newsom has prompted both sides to exaggerate the purpose of the mobilisation. The American military is not actually carrying out deportations. A long-standing principle of English common law is that troops are prohibited from carrying out domestic-law enforcement operations. In America this was formalised in the Posse Comitatus Act which bans the practice unless specifically authorised by Congress or the constitution.

So far, Mr Trump has authorised a lim-

ited mission to the 4,000 members of the National Guard under his command that does not involve making arrests. They are to protect federal buildings and personnel. Department of Justice lawyers have long argued that presidents hold this so-called "protective power". For Mr Trump to assign the guardsmen and recently deployed Marines tasks of keeping the peace, he would have to invoke another authority, like the Insurrection Act. This law, enacted in 1807, does not require the president to obtain the consent of a state's governors to deploy troops there when "unlawful obstructions, combinations or assemblages, or rebellion against the authority of the United States, make it impractical to enforce the laws". In this case, the president can use troops "as he considers necessary to enforce those laws or to suppress the rebellion".

What is different about Mr Trump's deployment is that it seems to have inflamed the protesters in the name of keeping the peace. The state of California has filed suit, claiming that the president's actions were illegal. Courts are generally reluctant to restrict presidential actions premised on national security, says Chris Mirasola, a law professor at the University of Houston. But even if they did, Mr Trump could easily invoke the Insurrection Act, which would then permit him to go further than he already has. Any ensuing violence would be treated as post-hoc justification for mustering troops in the first place. In such a case, it would also be harder for federal judges to intervene, for instance by declaring that the conditions of "insurrection" or "rebellion" had not been met. There is also risk of further contagion in American cities. On June 14th a military parade will be held in Washington, DC, that coincides with Mr Trump's birthday. Protesters are agitating to bring out millions under the banner of "No Kings".

Neither Mr Newsom nor Mr Trump seems prepared to back down—perhaps because both find it in their political advantage for the spat to continue. Democrats may think that massive demonstrations of resistance empower them; Republicans think that the ultimate effect of the Black Lives Matter protests in 2020 after the murder of George Floyd was to their benefit. Mr Trump would certainly rather fight with his Democratic antagonists over immigration enforcement and imposing law and order, on which he believes the silent majority backs him, than reckon with his chaotic tariff policy or faltering diplomatic efforts. The president has extensive powers—ones that he is expected to exercise judiciously, in the broad interest of the country rather than the narrow interest of himself or his party. The question is not whether Mr Trump is acting legally—he probably is—but whether or not he has the self-restraint to act rightly. ■



Foreigners

Give us your wealthy

LOS ANGELES

Donald Trump's new travel ban will probably stand up in court

THE EXECUTIVE order banning travel from 12 countries, which came into effect on June 9th, is more methodical than previous iterations. In his first batch of executive orders, issued on January 20th, President Donald Trump directed top advisers to compile a list of countries with insufficient screening standards for potential migrants, which they considered to be a national-security risk. The order warned that people from these countries could be barred from coming to America. It was a signal that Mr Trump intended to resurrect the travel ban, one of the most controversial immigration policies of his first term.

Most of the countries targeted in this, the fourth version of the policy, are in the Middle East and Africa. Nationals from seven other countries, including Cuba and Venezuela, face partial restrictions. A country might find itself on the list if its citizens tend to overstay their visas; if it has refused to take back deportees; if instability prevents proper screening or information-sharing; or if it "has a significant terrorist presence". A tally from David Bier and Alex Nowrasteh of the Cato Institute, a libertarian think-tank, suggests that 116,000 immigrants and more than 500,000 visitors (including students and temporary workers) could be blocked by the ban over the next four years.

The way the ban was written and rolled out shows how the White House has learned from its earlier failures. When Mr Trump first tried to ban travel from seven Muslim-majority countries in 2017, chaos ensued. Travellers who had already been issued visas or were approved for refugee resettlement were held at airports. Some green-card holders were detained. The ban followed a campaign promise for "a total and complete shutdown of Muslims entering the United States". Thousands of Americans, joined by Democratic Party leaders, gathered at big-city airports to protest. This was early in Mr Trump's first term and the #resistance was in full swing.

Federal judges issued nationwide injunctions to block the first and second iterations of the travel ban. A third version ended up in front of the Supreme Court by virtue of *Trump v Hawaii*. Writing for the court, Chief Justice John Roberts found that the Immigration and Nationality Act gives the president exceptional discretion to bar certain people, including specific nationalities, from the country if he argues that their presence is "detrimental to the interests of the United States". The ruling offered yet more evidence for what Adam Cox of New York University calls "immigration exceptionalism": the court's profound deference to the president where immigration policy is concerned.

That opinion influenced the way the Trump administration has resurrected the policy. The president halted refugee admissions in January (except for white South Africans) and waited until June to ▸▸

The other border

United States, visitor overstays, '000
Top ten countries*, 2023



*Excluding Canada and Mexico
†Visitors banned or restricted under Trump's 2025 travel ban
Source: Department of Homeland Security

implement the new travel ban, to try to avoid the protests and litigation that took place last time around. The proclamation lists each country and the justification for its inclusion. There are exemptions, including for green-card holders, World Cup or Olympic athletes, Afghans who worked for the American government and the immediate families of Americans, so long as they can prove it. This is a "much more defensible executive order than the iterations in Trump 1.0", says Muzaffar Chishti of the Migration Policy Institute.

Travel ban 4.0 looks like it will hold up in court, but it still doesn't make sense. Like slapping tariffs on allies to bring back American manufacturing or declaring n foreign invasion to speed up deportations, Mr Trump's justification for banning people from these countries does not hold up to much scrutiny. The ban is supposed to help neutralise national-security threats such as the recent attack on Jewish marchers in Boulder by an Egyptian man who overstayed his visa. Yet Egypt is not on the list. A Department of Homeland Security report confirms that most listed countries do indeed have high visa-overstay rates. But, except for Haiti and Venezuela, the total number of people from restricted countries who didn't leave America when they were supposed to is relatively small. Meanwhile some 40,000 Colombians and 21,000 Brazilians, who are not subject to travel restrictions, overstayed their tourist and short-term work visas (see chart), yet their countrymen are not banned.

The travel ban also sends a message that America is becoming much more hostile to foreigners. In Justice Anthony Kennedy's concurring opinion in *Trump v Hawaii*, he described an "anxious world" watching to see whether America's leaders "adhere to the Constitution and to its meaning and its promise". That warning looks ever more prescient. ■

Political neologisms

The woke right

WASHINGTON, DC

Members of the anti-woke coalition are turning against one another

THE HORSESHOE theory of politics—the idea that the far-left and far-right resemble each other—has performed admirably well in the Trump era. It gained fresh vindication in a recent squabble among intellectuals of the new right, as some accuse others of being part of the "woke right", the mirror image of their hated opponents on the left.

The most prominent accuser has been James Lindsay, an intellectual gadfly first of the left and lately of the right. He first came to prominence for the "grievance studies affair", in which he and two co-authors submitted parody articles of leftist drivel, some of which successfully passed peer review. He recently conducted a similar prank by getting the thinly disguised introduction to Karl Marx's "Communist Manifesto" published in a minor Christian publication (by substituting the words "Christian right" for "communism" and "liberalism" for "bourgeoisie").

To Mr Lindsay, this proved an intellectual kinship between right and left. In his other writings he has elaborated that the "woke right" adopts the oppressor and oppressed binary of the woke left, but inverts it by placing straight, white, Christian men as the victim of systemic injustice. Just as members of the woke left are fixated on systemic racism, the woke right thinks international liberalism is the structural explanation for their misfortune. This must be counteracted in strong terms, including through the use of cancellation.



Like a horse and carriage

Although even Mr Lindsay concedes that the term "woke right" is imperfect, left-leaning critics of wokeness have leapt upon it, in part because of how effectively it irritates certain conservative thinkers. Yoram Hazony, a prominent proponent of national conservatism, wrote a lengthy post on X denouncing the term as "intentionally designed to be humiliating" and that "every anti-Marxist liberal using this term is being a shmuck". Rod Dreher, an American conservative writer and admirer of Viktor Orban who now lives in Hungary, inadvertently provoked such a reaction when he wrote an essay for the *Free Press* titled "The Woke Right is Coming for Your Sons". Mr Dreher meant to use the term "woke right" in a pejorative sense to denounce a different set of ideas—the antisemitism and white identity politics that he saw percolating among the new right.

When his fellow national conservatives pointed out that Mr Lindsay had been attacking them as members of the "woke right", Mr Dreher apologised for using the term. "I think that creating the phrase 'woke right' doesn't actually help advance practical goals," says Christopher Rufo, a prominent conservative activist. "There is right-wing antisemitism, right-wing conspiracism, a right-wing racialism. But the idea that these are somehow just mirror images of left-wing ideologies emerging in the 2010s and 2020s is not right at all."

There are other senses in which President Donald Trump's administration has appropriated the tools of their enemies—ones that the internecine squabblers on the right have not dwelt much on. In waging its war against the universities, the administration is using civil-rights law on behalf of Jewish students, arguing that chants can make Jewish students feel unsafe, and that pro-Palestinian op-eds about Gaza in campus newspapers do so much harm to American foreign policy that their authors must be deported. The American right protested at the woke left when it sought to censor ideas by equating words with violence and prescribed swift punishment for wrongthink. Now, not so much.

The squabbling suggests factionalism is growing among the new breed of conservative thinkers as they try to translate anti-wokeness into governing. Other terms may be more precise, for example "illiberal conservatism", but these do not irk the ascendant thinkers on the right, who proudly label themselves as post-liberal. Richard Hanania, a conservative writer who has recently turned against Mr Trump, suggests that the term "MAGA Maoist" may be more apt, as it captures the Cultural Revolution tendencies of the administration. Whatever the term, infighting among Trump-curious thinkers is sure to follow. ■

Reading, writing, Jesus

Closing the church-state gap

ATLANTA

How an evangelical Christian group is changing public education across America

THE LESSON was on the crucifixion. The teacher asked the seven- and eight-year-olds to write down a list of their "most troublesome sins". She had brought an example of a whip to show them how Jesus was tortured before his death. "There would have been no skin left on Jesus's back. His ribs would have been exposed because once it takes your skin off, when they keep going it's digging into your organs," she said. After the beating his raw body rubbed against the cross. "Think of the splinters!" she exclaimed. The children sat mostly quietly as she told them that God could not look at Jesus because he was covered in sins. Soon time was up. Jesus would be resurrected, she reassured them, but that was for next class.

The session was recorded by a concerned teacher's aide just before Easter in a small Ohio town. The instruction was part of a weekly programme run by LifeWise Academy, a non-profit. LifeWise buses children from public schools to local churches during recess, gym, art, library and other elective classes to teach them the gospel during the school day, if parents opt in. Its instructors are a mix of retired teachers, pastors and local mums.

Parents initiate bringing the programme into their schools and raise funds to pay LifeWise a startup fee. The group then provides red buses and a plug-and-play curriculum. It is no small enterprise. This year LifeWise operated in 585 school districts across 28 states and enrolled more than 44,000 students. By autumn, when school starts again, it will be in 982 districts in 33 states, an increase of nearly 70%. The group's meteoric rise can also be measured in money. In 2023 LifeWise made a $4m surplus, according to tax filings. Last year the figure was $17m.

Joel Penton, a former football player at Ohio State University, founded LifeWise six years ago. He was shocked to discover in 2018 that pupils in taxpayer-funded schools could legally be released for religious study, as long as classes weren't taught on school grounds and students weren't forced to go. *Zorach v Clauson*, a 1952 Supreme Court decision stemming from a New York City case, had set the boundaries. As a born-again Christian bent on evangelising, Mr Penton reckoned that "release time" might be "the single greatest missed opportunity to give access to the Bible to the next generation". Mormons and Jews had done it, but not at scale. "That was the day I stopped sleeping," he says. America's public schools became his mission field.

The classes, a handbook explains, are "designed primarily to engage unchurched students" rather than mimic traditional Sunday schools that just serve young Christians. Some parents are thrilled about the maverick model, as the soaring attendance numbers show, but others say LifeWise is pernicious. LifeWise students are taught to proselytise to their peers, which can pressure non-participants. A parent says her fourth-grader who opted out of LifeWise was bullied and called a "sinner" after she cussed during recess. A Jewish nine-year-old begged his parents to let him believe in Jesus so he could attend.

Get thee behind me

Molly Gaines, a parent who lives in an Ohio town with seven churches and no grocery store, says that in poor rural places a LifeWise pizza party may be the only hot meal children get that week. "They're preying on these kids who have hard lives and want to be a part of something," she says.

Ms Gaines and Zachary Parrish, an Indiana dad, co-founded the Secular Education Association, an advocacy group. They argue that LifeWise is crossing the lines laid out by the Supreme Court in *Zorach*. They have identified more than two dozen districts where school staff have promoted LifeWise, let the group fundraise on school property, included it on class schedules or rented it space. In some schools teachers are prohibited from teaching new materials while LifeWise students are away.

Mr Penton says that LifeWise teaches love and kindness and that the organisation is careful not to break any laws. A study he commissioned found that school attendance and behaviour improved when LifeWise came to town. But state laws are also changing to accommodate the programme. Laws in 14 states say that school districts "may" allow for release time, while 16 say they "shall". This year Montana, Iowa and Texas flipped to "shall". LifeWise is advocating "for the strongest possible laws", Mr Penton says, and building relationships with politicians "is a group effort". He is in touch with First Liberty Institute and the Alliance Defending Freedom, two prominent Christian law firms, in case *Zorach* needs to be relitigated.

On June 4th LifeWise received a cash prize for innovation from the Heritage Foundation, a think-tank close to the Trump administration. Kevin Roberts, Heritage's president, praised them for "doing what the left fears most: telling the truth, defending the innocent, and rebuilding the institutions the radicals tried to burn down". Danae Gambill, a LifeWise director in rural Georgia, saw her programme double in size this year. "Not everybody is going to agree with the things that are taught," she says, "but that's why it's optional." Reflecting on recent lessons about Jesus's suffering, she adds that teaching children serious things, at the appropriate age, is important. "The topic of the crucifixion is not unicorns and rainbows but it's the whole crux of our salvation," she says. "No one is out here trying to scare kids." ■



The way and the Lifewise

LEXINGTON

The true meaning of Trump Derangement Syndrome

His partnership with Elon Musk is the Rosetta Stone



ELON MUSK said Donald Trump should be impeached and that he was covering up his ties to an accused sex trafficker. Mr Trump said Mr Musk, whom he had put in charge of eliminating waste and fraud in the government, had ignored the easiest way to do the job, cutting his own government contracts. He also said Mr Musk had lost his mind. Do any of these accusations matter? Probably not, at least not nearly as much as they seemed to at the time, lo these few days ago, when they were riveting national and even global attention.

Already, in a concession to the leverage each man holds, the two are making nice with each other. Illegal immigration, the problem that has always made Mr Trump beloved by his base and at least acceptable to enough other Americans, helped the president change the subject and the businessman reingratiate himself. Mr Musk tweeted approvingly about Mr Trump's militarised response to demonstrations in Los Angeles that turned violent, and Mr Trump told reporters he wished Mr Musk "very well". By June 11th Mr Musk was publicly regretting "some" of his posts.

Since Mr Trump began taking control of the Republican Party more than a decade ago, it has often been noted that he was succeeding in "normalising" behaviour that would have once scandalised members of both parties, from freely using expletives in speeches to scoffing at the sacrifices of American war heroes to making outrageous insinuations about adversaries—whether that Barack Obama was a foreign-born Muslim, that Ted Cruz's father had a link to the killing of John F. Kennedy or that Kamala Harris was cognitively impaired. But "normalisation" has always been the wrong way to think about Mr Trump's peculiar achievement. If his antics were becoming normal, they would not continue to command the spotlight. An outrage is not outrageous if it is normal.

What Mr Trump succeeds in doing is trivialising obnoxious and even corrosive conduct. Where normalisation still invites accountability—that's normal, after all—trivialisation defies it. The alliance with Mr Musk has been the most extreme instance of Mr Trump's politics of trivialisation, in which outrageous abnormality after outrageous abnormality has whetted more interest in speculating about the next abnormality than in weighing the consequences of what has happened. Rather than just move on, let us reckon with a few features of their partnership—so far—that have had little if any precedent in American history.

Mr Musk spent more than a quarter of a billion dollars in a matter of months to help elect Mr Trump last year, including through a "lottery" awarding $1m each day to a registered voter in Pennsylvania. During Mr Trump's transition, Mr Musk advised him about staff, sat in on his meetings with foreign leaders and accepted responsibility for overhauling the entire federal government. His companies not only had billions in federal contracts; they were subject to more than two dozen federal investigations and enmeshed with governments around the world. The White House waved away concerns about conflicts of interest with assurances that Mr Musk would voluntarily avoid any.

The very name of Mr Musk's operation, the Department of Government Efficiency, or DOGE, was a joke, a smirking reference to a meme coin Mr Musk had made fun of for years. Mr Musk blitzed minions into targeted agencies to commandeer their information-technology systems and use them to cancel contracts and fire people, apparently without considering what they did. Agencies wound up frantically rehiring specialists who safeguarded nuclear weapons, protected against bird flu or calculated interest-rate tables to rationalise the mortgage market. Thousands of other federal workers have lost their jobs, but the precise number is uncertain because DOGE cuts are still working their way through the courts, and because DOGE's statistics have proved far less trustworthy than those of the bureaucracy Mr Musk scorned.

The principal agency for foreign development, USAID, was authorised and funded by Congress. But Mr Musk did not ask Congress to reconsider, let alone to grant him permission, before chortling on X that he had sent the agency "into the woodchipper". No doubt the spending was not all wise. And maybe hundreds of thousands of people have not died already, as one academic has estimated. Still, that number is surely not zero, as the secretary of state, Marco Rubio, testified it was to Congress last month.

"The picture of the world's richest man killing the world's poorest children is not a pretty one," Bill Gates told the *Financial Times*. That judgment may haunt those in Washington—Mr Rubio used to be one—who valued foreign aid. Still others may remain offended by DOGE's overpromising, sloppiness and glibness. But all that seems somehow beside the point now, fading as memories of "Liberation Day" should not be but are, as Mr Trump sends the Marines into Los Angeles and works to ram his overstuffed, deficit-amping, DOGE-deriding budget bill through the Senate.

A small beautiful bill

That bill was ostensibly the reason Mr Musk erupted, because it undermined DOGE's work. He called it "a disgusting abomination". (Though who would bet he will focus on persuading Republicans to oppose it?) For his part, Mr Trump said during the spat that Mr Musk suffered from "Trump Derangement Syndrome", brought on by how much he missed working for the president.

As it happens, two House Republicans introduced a bill last month to get to the bottom of this phenomenon. The bill instructs the National Institutes of Health to spend precious federal dollars to "conduct or support research to advance the understanding of Trump Derangement Syndrome, including its origins, manifestations, and long-term effects". What more perfect demonstration could there be of the syndrome itself? ■

The Americas



Ecuador

Make it safe while respecting the law

President Daniel Noboa explains how he intends to do both

GUAYAQUIL

THE PRESIDENT loves jogging. Yet so determined are gangsters to kill Daniel Noboa that his runs require a military operation. As his motorcade of black SUVs and outriders sweeps back to his apartment after a morning run in Guayaquil, Ecuador's biggest city, a swarm of heavily armed soldiers surrounds him. Mr Noboa and his wife, incongruous in colourful lycra, slip swiftly inside. "We've had death threats on a daily basis for two years," he tells *The Economist*, matter-of-factly.

Ecuador is deep in the bloody grip of transnational criminal gangs with links to Mexico, Colombia and Albania. They ship thousands of tons of cocaine, mostly made in Colombia, out of the country to Europe and the United States. Illegal mining and extortion bring in stacks more cash. Other Latin American countries have balked at taking on the gangs. Mr Noboa was recently re-elected on the promise to do just that. His efforts to make Ecuador safe again pose a crucial test that is about more than just one country: is it possible to beat back the rampant transnational gangs while respecting the rule of law and democracy?

Ecuador's descent into chaos has been shocking. In 2019 the murder rate was below seven per 100,000, similar to that of the United States. By 2023 it had surged to 45, making it the most violent country in mainland Latin America. The violence followed cocaine-export routes, which shifted to Ecuador to escape increased security at Colombian ports. Ecuador's vast banana exports offered an ideal smuggling route, its dollarised economy a perfect conduit for laundering cash. Mr Noboa says gangs are moving about $30bn-worth of drugs through Ecuador every year, equivalent to a quarter of the country's GDP. (Other estimates are smaller.)

Posting through it

The man Ecuadorians have chosen to fight this storm is a curious mixture. Born in Miami, Mr Noboa is the son of a billionaire banana magnate who unsuccessfully ran for president of Ecuador five times. His social-media posts alternate between pictures posed with seized loot and cowed bad guys, and clips of him working out with his influencer wife: a crime-fighting Camelot for the TikTok age.

In light of this, you might expect Mr Noboa to combine charm with the thinly veiled arrogance of privilege and chest-thumping alt-right machismo. Instead, the graduate of the Harvard Kennedy School of Government appears introverted, nervous and wonkish. He is keen to discuss Ecuador's debt-to-GDP ratio and country-risk premium. He admits to doubts. "There are moments that you start questioning it," he says when asked if the job is worth the risk. "Most of the time it feels right."

Mr Noboa was first elected president in October 2023 after the government of a conservative president, Guillermo Lasso, fell apart, prompting a snap election. Mr Noboa's political experience was a short stint in the National Assembly. At just 35 years old, he was the youngest president ever elected in Latin America. Since then he has pushed legal limits to combat crime, governing through a series of states of exception and using his expanded powers to send the army onto the streets and into prisons. After gangs rioted in prisons and attacked journalists live on television in January 2024, he declared a state of "internal armed conflict". He is building mega-prisons and has designated 22 gangs as "terrorist organisations".

After winning re-election in April, Mr Noboa is stepping up the crackdown. He is taking advice from Erik Prince, founder of Blackwater, a controversial mercenary ▸▸

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group. Mr Noboa wants to bring in foreign troops, mentioning Israel and the United Arab Emirates. Mr Lasso says all this is "a bit of the pageantry of populism—like, 'Look, I'm bringing in Iron Man, I've got Spider-Man'". More serious is a new law that allows for drop-of-a-hat raids and asset seizures, increases sentences for organised-crime offences and gives the president greater discretion to declare an internal armed conflict. It reduces the powers of the Constitutional Court, which has blocked some state-of-emergency moves.

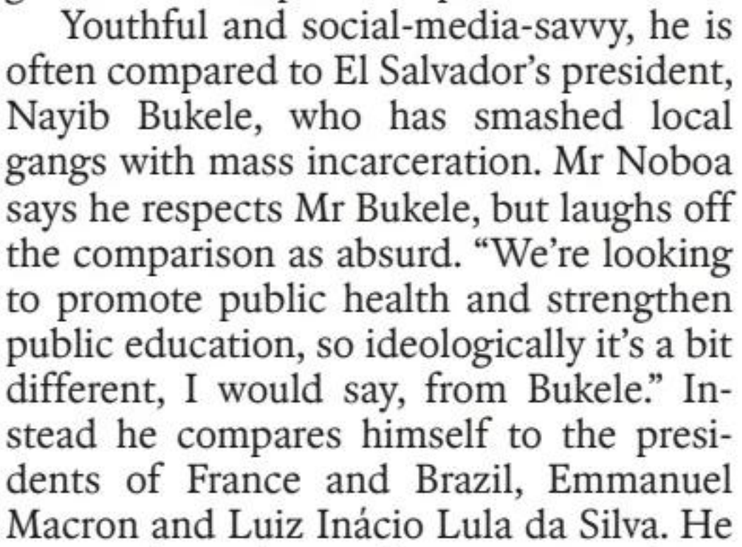
So far, results have been underwhelming. Homicides fell by about 15% from 2023 to 2024, but have since surged, especially on the coast. The first months of 2025 were among the bloodiest on record (see chart). Beatriz García Nice, a policy analyst in Guayaquil, suggests Mr Noboa has weakened the gangs, prompting them to lash out in a last-ditch show of force. It is also possible his policy has broken up larger groups, spurring increased violence in the process. "The groups adapt, wars are not linear," says Mr Noboa.

The militarisation of law enforcement often comes with human-rights violations, for instance when four boys from Guayaquil were found dead near a military base in December after being seized by soldiers. Mr Noboa concedes there are risks to militarisation, but vows to prosecute soldiers who commit abuses. His new law, however, gives him more power to pardon them.

Youthful and social-media-savvy, he is often compared to El Salvador's president, Nayib Bukele, who has smashed local gangs with mass incarceration. Mr Noboa says he respects Mr Bukele, but laughs off the comparison as absurd. "We're looking to promote public health and strengthen public education, so ideologically it's a bit different, I would say, from Bukele." Instead he compares himself to the presidents of France and Brazil, Emmanuel Macron and Luiz Inácio Lula da Silva. He expounds on the need to invest in education and create jobs for young men who are vulnerable to gang recruitment.

A bloody red line

Monthly homicides per 100,000 people



*Data based on sample covering 98m people
Sources: National governments; Real Time Crime Index; UN Population Division

Mr Noboa recognises that crushing transnational gangs requires cross-border collaboration. He is right, but his execution has so far been woeful. Last year he broke international law by ordering a raid on Mexico's embassy to arrest a leftist former vice-president, Jorge Glas, who was sheltering there after a conviction for corruption. Any dialogue with Mexico now runs through Switzerland, admits Gabriela Sommerfeld, Ecuador's foreign minister. That is a huge problem. Mr Noboa concedes as much, but claims collaboration is anyway difficult, seeing that Mexico is "not going to confront narcos". He also struggles to work with President Gustavo Petro of Colombia who is pursuing "total peace" with his country's gangs and armed groups, and has a resurgence of political violence to show for it (see next story).

No Trump card

Instead he is cleaving to President Donald Trump for help. That is sensible enough, but Mr Trump's America-first agenda means he is unlikely to send troops or reopen a military base in Ecuador. Mr Noboa is eager to change the constitution to permit such a course. Asked about security help from China, he does not rule it out.

Another problem is that many institutions are either weak or compromised, from the justice system to the electoral authority, anti-money-laundering bodies and political parties. Judges and prosecutors, especially those in remote areas who inevitably handle cases relating to organised crime, lack adequate physical protection. At least 15 have been killed since 2022. Between 2020 and 2022 there were just three convictions for money-laundering.

A strong, independent attorney-general will be crucial. Diana Salazar finished her six-year term in May, having led courageous prosecutions against gangsters and corrupt politicians. Worryingly, both groups will probably try to influence the selection of her successor, as well as that of judges. That could grant criminals dangerous impunity. It helps at least that Mr Noboa wants to speed up justice and vows to "follow the money".

He is in a strong position to carry out his plans. The leftist opposition is in disarray, his allies dominate the National Assembly and the courts will probably be wary of ruling against him, says Aparicio Caicedo, a former adviser to Mr Lasso. Some, however, fear that his security crackdowns and his eagerness to reform the constitution could see him turn authoritarian.

Mr Noboa is quick to reject this idea. "I won't stay one second more than what the constitution allows me. I will never ignore the importance of a parliament or the judicial branch, and I cannot go against the Constitutional Court," he says. "That is what keeps this country civilised." ■

Political violence in Colombia

It isn't over after all

BOGOTÁ

A presidential candidate is shot

ON JUNE 7TH a 15-year-old gunman shot at Miguel Uribe, a senator from the right-wing Democratic Centre party, while he was campaigning in Bogotá, Colombia's capital. He was hit in the head. The boy was arrested and charged with attempted murder. The 39-year-old Mr Uribe, a contender in next year's presidential election, is in intensive care.

The shooting is the most serious act of political violence in Colombia for 30 years. It recalls a brutal chapter in the country's armed conflict between 1986 and 1990, when five presidential candidates were assassinated.

Politicians of all stripes spoke out against violence in politics. Gustavo Petro, Colombia's left-wing president, agreed to temper his tongue. Just a few days earlier he had labelled Mr Uribe "the grandson of a president who ordered the torture of 10,000 Colombians". In protest, Mr Uribe's supporters marched in Bogotá. Well-wishers held vigil outside the hospital.

Violence erupted again on June 10th. At least eight people were killed in a wave of explosions and gun attacks across the south-west of the country. Bombs were planted at police stations in Cali, the third-largest city, with three officers among the dead.

Armando Benedetti, the interior minister, said that whoever is responsible for these explosions may also be behind the shooting. The authorities are investigating a rebel group that operates on the Pacific coast, led by a warlord known as Iván Mordisco.

Political violence in Colombia has been rising since 2022, but it has been largely contained at a local level. The brazen attack on a prominent politician in the capital suggests the perpetrators no longer fear repercussions.

Like many Colombian politicians, Mr Uribe was shaped by the country's history of armed conflict. When he was four years old, Pablo Escobar, a notorious drug baron, kidnapped his mother, a journalist. She was later killed. At a summit last week Mr Uribe said his ambition was for Colombia to be "a country without violence".

Now he is lying in hospital, a bullet in his skull, fighting for his life.

The WHO on coca

Chewing it over

COCHABAMBA, BOLIVIA

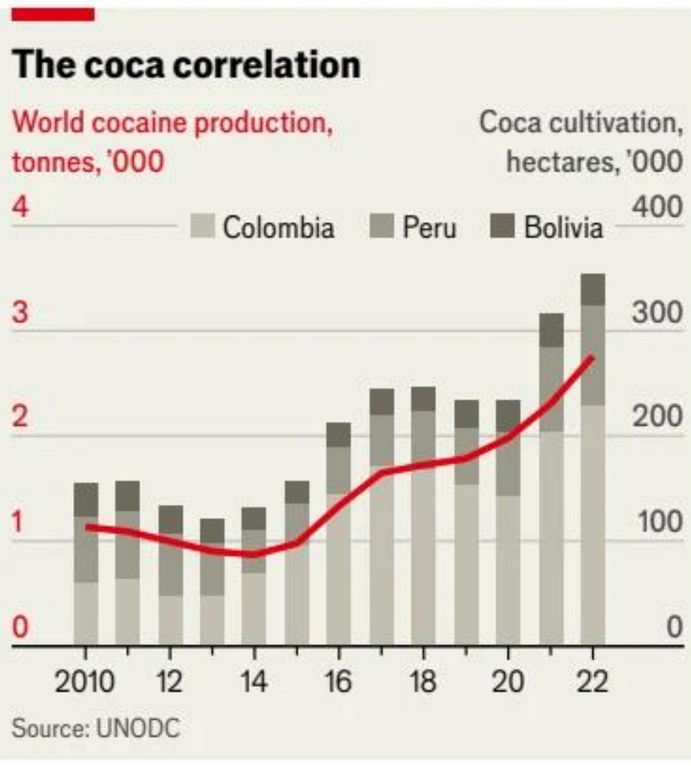
A review by the World Health Organisation may recommend removing coca from international drug-control schedules

IF NEW YORK runs on coffee, Cochabamba runs on coca. The leaves—which can be chewed as a mild stimulant, but also processed into cocaine—are everywhere: spread out by the road to dry; sold in bags alongside sweets and SIM cards; stuffed in cheeks as golf-ball-sized *bolos*. "With a *bolo* I can drive all night," boasts one trucker, with a flash of leaf-flecked teeth.

Bolivia is one of very few countries with a legal market for coca. In the rest of the world it is controlled with the same stringency as cocaine and heroin. The Single Convention on Narcotic Drugs, an international treaty adopted by the United Nations in 1961, lists coca leaf as a "Schedule I" substance, one considered to come with a high risk of abuse and to pose a serious public health threat. Some consider that to be a historic mistake. It might soon change. A review by the World Health Organisation (WHO), which will conclude in October, may recommend that coca be bumped down to Schedule II, or removed from the schedules altogether. The latter would be a first. The prospect is causing hope and anxiety in equal measure.

Andeans have chewed coca for millennia. The Spanish noticed that it kept workers going in the silver mines of Potosí, but saw it as an indigenous vice. Such attitudes persisted well into the 20th century, when the WHO described coca chewing as a "social evil". When the cocaine business took off, coca's status as an internationally controlled substance was cemented.

The coca correlation



Source: UNODC

Bolivia never seriously tried to abolish traditional uses of the coca leaf. Like Peru and Colombia, the other main coca-growing countries, it created broad exemptions under national law. Then, in 2013, it negotiated a partial opt-out from the convention. Now it wants coca taken off the drug schedules altogether; it was Bolivia that requested the WHO review. Other treaty articles mean coca would still be controlled to prevent it being used for making cocaine. But de-scheduling would make it easier to develop coca-based products and sell them abroad. Proponents hope it would be a boon for rural development.

Bolivia already has a lively coca economy. The law allows 22,000 hectares of coca fields to feed the legal market. And Bolivians have cooked up new ways to consume coca. In one garage factory, a woman sprinkles leaves with caffeine and fruity flavourings and puts it under a power hammer. The result: *coca machucada*, an amped-up version of the sacred leaf. Such products have helped win over new consumers, bringing a rural habit to the urban middle class. There is even an "executive *bolo*": sachets of ground coca for those anxious about leaves in their teeth.

If coca were de-scheduled, the hope is that the legal international market would boom. Bolivia could start exporting existing products such as coca tea, flour and sweets. But de-scheduling could also boost investment in the leaf. Bolivia's state-led efforts to industrialise coca for the domestic market failed. But the prospect of a global market could entice investment from companies to create new products, from energy drinks for health nuts to new versions of tipples like Vin Mariani, which mixed Peruvian coca with Bordeaux wine for 19th-century consumers such as Queen Victoria and Pope Leo XIII.

Bolivian coca growers worry that the profits would be gobbled up by international companies. Proponents say the idea would be to legally limit coca cultivation to Bolivia, Peru and Colombia, and to ensure locals benefit from any use of their genetic resources. One template could be the agreement that sees the rooibos tea industry pay a percentage of revenues to indigenous people in South Africa who used the plant before it was industrialised. But Bolivians still worry that industrial-scale coca farming might squeeze them out.

Another fear is that de-scheduling coca would lead to a surge in cultivation that was bound in theory for legal markets, but in practice used to make cocaine. Such diversion already happens with part of Bolivia's legal production. But while demand for cocaine exists, there will always be an incentive to grow coca for that purpose. And there is evidently no shortage of coca for cocaine under existing laws (see chart). Much would depend on the emergence of new regulatory systems.

If the WHO recommends changing coca's treaty status, the 53-member UN Commission on Narcotic Drugs will then vote on the question. The diplomatic environment is challenging. The cocaine market is growing, fuelling destructive gangs. Peru opposes de-scheduling. A winning majority would probably need the bloc vote of the European Union, two-thirds of Latin America and the Caribbean, and some unexpected alliances. "It will be tough," said Andrés López Velasco, a drug-policy expert. "But it's not impossible." ■



Seizing a Schedule I substance

Asia



Tech in India

Innovate or die

BANGALORE

Can India seize its iPhone moment?

INDIA IS BECOMING Apple's factory floor. The world's leading gadget-maker now assembles nearly one in five of its iPhones in the country. By 2026 it hopes to make all the handsets it sells in America in Indian plants, a shift that has irritated President Donald Trump. Foxconn, its biggest supplier, recently pledged another $1.5bn to expand local operations. It is not alone: over the past decade India's electronics industry has grown five-fold. For firms looking to reduce their dependence on China, India is increasingly attractive.

Yet Apple's pivot also shows how far India still lags behind. The phones are assembled locally, but their guts—chips, batteries and camera modules—are mostly made in China. And China is not merely a manufacturing base. Its domestic firms, such as YMTC (which makes memory chips) and Sunny Optical (which supplies advanced camera modules), have climbed rapidly up the value chain. That has made China indispensable to Apple—not just for manufacturing, but as a place where local firms compete with global suppliers, giving Apple more choice and leverage.

This reflects a broader problem. While India is rising as a base for assembly, it remains far behind in the kind of innovation that powers advanced manufacturing. India, which is now the world's fourth-largest economy, remains a bit player in cutting-edge technologies. It spends $71bn a year on research and development (R&D), less than a tenth of America's or China's outlay. Its R&D intensity (spending as a share of GDP) is just 0.7%, compared with 3.6% in America and 2.4% in China (see chart 1 on next page). In an index published by the World Intellectual Property Organisation, which ranks countries relative to their size and innovation capabilities, India ranks 39th. China is 11th; America is third.

India is a bundle of contradictions. Its tech workforce is vast: the country has more open-source developers than China, second only to America. Its diaspora leads some of the world's biggest tech firms, including Google, Microsoft and IBM. Yet it is largely absent from the race to build leading artificial intelligence (AI) models (see next story). Its drugmakers supply much of the world with generic drugs but have produced few original ones. In semiconductors India is home to around a fifth of the world's chip designers, yet has few large chip firms.

Indian universities, including the elite Indian Institutes of Technology, train talent for the world, but publish little world-class research. Not one Indian university ranks among the world's top 100 for scientific research, according to the Nature Index, run by the publishers of the journal of the same name.

For a country that wants to challenge China as a high-tech manufacturing hub, these shortcomings matter. Three problems hold India back: its firms invest too little in research; universities and labs rare- ▸▸

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30 Who would back Taiwan?

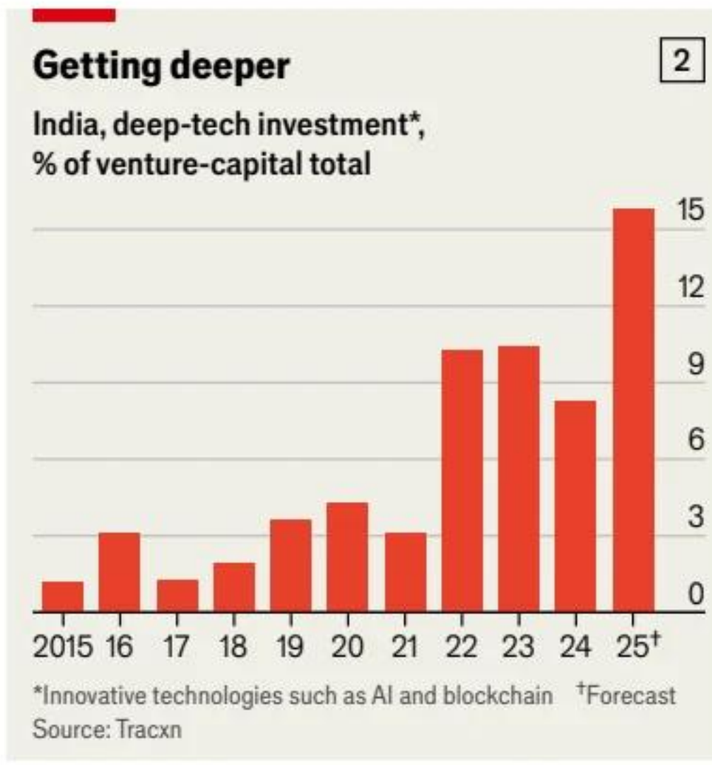
31 Banyan: Modi's third term

ly turn ideas into products; and entrepreneurs lack incentives to pursue risky, long-term innovation.

Start with industry. In particularly innovative countries, the private sector leads R&D spending, typically accounting for around two-thirds of the total. In India, it contributes just over a third. Among the world's top 2,000 corporate R&D spenders in 2023, only 15 were Indian. Together these firms invested about $5.9bn. Google alone spent $45bn that year. Tata Motors, a big Indian carmaker, accounts for over half of India's corporate R&D spending, but most of that comes from its British subsidiary, Jaguar Land Rover.

Why are Indian firms so stingy? Some blame smaller company sizes and thin margins in a ruthlessly price-sensitive market. But even India's most profitable outfits spend little. Naushad Forbes, an Indian businessman, notes that the five most profitable non-financial firms in India spend just 0.3% of their sales on R&D. In America the figure is 8.8%; in China, 2.1%. Even in export-facing sectors such as pharmaceuticals and software, Indian firms struggle to build serious research capacity. Infosys, a big Indian tech company, devotes only 0.6% of its $19bn in turnover to R&D. Mr Forbes dismisses the argument that India's tech giants are mostly service firms; many Chinese ones are, too. The difference, he notes, is in mindset: many think they are spending enough, when by global standards, they are barely spending at all.

The public sector performs little better. Indian academics are prolific: by number of publications, they rank third in the world, according to Scimago, a Spanish analytics firm. But on quality they lag. Measured by the "H-index", which tracks how often work is cited, India slips to 19th place. Funding structures are partly to blame. Grants tend to go to institutions, not individual researchers. Hiring is slow and bureaucratic. The system discourages risk-taking and rarely rewards breakthrough ideas. Nor does academic work easily translate into commercial gain. A biotech entrepreneur in Bangalore notes that, unlike in America, where university partnerships often yield "marketable" products, Indian academics are content with little more than getting published.



In 2023 the government launched the Anusandhan National Research Foundation (ANRF), modelled on America's National Science Foundation. It plans to spend $6bn over the next few years to boost research across universities and labs. Roughly 70% of the funding is meant to come from non-government sources, including private firms and philanthropies. Many remain sceptical. Susan Thomas of the XKDR Forum, a Mumbai-based think-tank, says the real issue is structural. Rather than keeping funds within state institutions, the government should outsource more research to private labs and independent centres. If the ANRF money "flows through the same old channels", she warns, "we'll get the same old results."

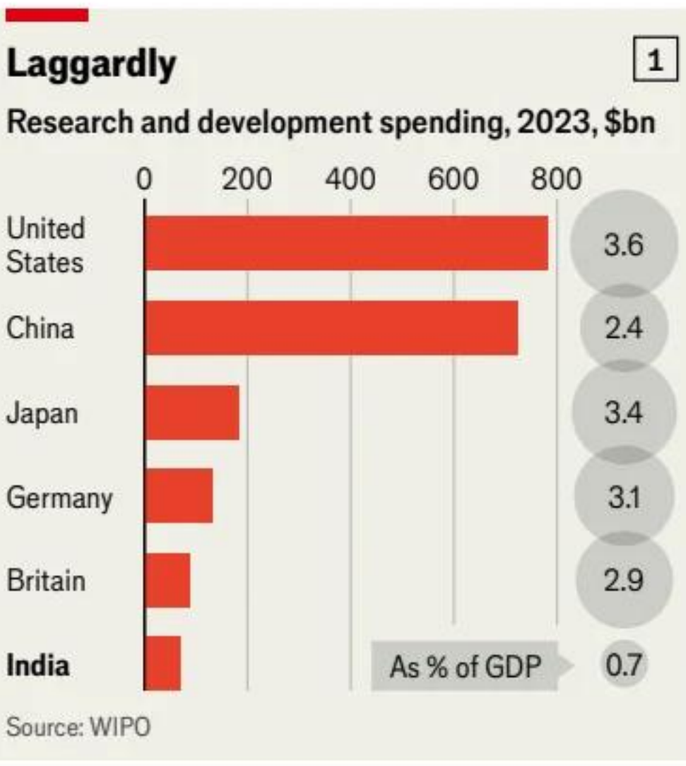
India's startup sector, often held up as a bright spot, does little to close the gap. In April Piyush Goyal, the commerce minister, caused a stir when he asked founders whether they wanted to "make ice cream or build [semiconductor] chips", a jab at the sector's fixation on quick-delivery apps. He contrasted this with Chinese startups pouring money into electric vehicles and batteries. The criticism is not unfounded. Between 2017 and April this year, Indian "deep-tech" startups—those working in fields such as AI, computer vision and robotics—raised just $8bn, according to Tracxn, a research firm. That accounts for barely 5% of total startup funding in India in that period (see chart 2). Chinese deep-tech firms raised $6.4bn in 2024 alone.

Entrepreneurs point to misaligned incentives. India's patchy infrastructure presents firms with many challenges in consumer tech, such as quick delivery or digital payments, that are relatively easy to address and offer speedy returns. More complex pursuits, with longer payback periods, get far less attention. Access to long-term capital is also limited. Ganapathy Subramaniam at Yali Capital, a deep-tech fund, says that India has a lot of "micro funds" that can make small investments, but if a company needs $25m to $100m to scale, that is lacking.

That may help explain why, despite being the second-most popular destination for American firms to set up R&D hubs (after Britain), India sees little domestic spillover into deep innovation.

One small step

India's space programme is an exception. It offers a rare example of successful public-private collaboration. In 2020 the government opened the space sector to private firms. Before that, companies could act as suppliers only to the Indian Space Research Organisation. A new agency, IN-SPACe, was created to grant private firms access to state-developed technology and infrastructure. So far, it has approved over 50 firms aiming to launch satellites and offer space-based services. Mr Forbes acknowledges the success of IN-SPACe but sees it as a special case—powered by a capable public agency and with a clear mandate. If India wants to be more than the world's next assembly line, it needs to bring the same clarity of purpose that launched satellites into orbit to the far messier business of making innovation take off on Earth. ■



AI in India

Indic intelligence

BANGALORE

The country has a lot of work to do to lead in AI

INDIA IS HOOKED on artificial intelligence. The country is the fastest-growing market for ChatGPT. By some estimates it accounts for the largest share of users, or about 14% of the total. Soon, the popular bot may have local competition. On May 23rd Sarvam AI, a Bangalore-based startup, unveiled an "Indic" large language model (LLM) capable of conversing in Indian languages. Early this month, Bharat Gen, a publicly funded model, made its debut. Both aim to help users engage with AI in the languages they speak, from Hindi to Malayalam.

The Indian government's ambitions stretch further. Narendra Modi, the prime minister, wants the country to lead in AI and insists that any global progress in the field is incomplete without India. In February Ashwini Vaishnaw, the minister in charge of technology, pledged that India would release an indigenous foundational model within ten months and develop do-

mestic AI chips in three to five years.

So far progress is modest. Sarvam's system is built atop technology from Mistral, a French firm. Bharat Gen is based on other open-source variants. No Indian model features among the top 200 LLMs ranked by LMArena, a benchmarking website. According to the AI Index compiled by researchers at Stanford University, in 2024 India attracted just $1.2bn in private AI investment, placing it 12th globally, behind Austria and Sweden. In America the figure was $109bn and China $9bn.

India's digital infrastructure also lags woefully: its datacentres account for just 3% of global capacity. While America and China build foundational platforms from scratch, India remains an adapter, repurposing foreign models for domestic needs. Whether this will be a transitional phase or a lasting weakness is an open question.

Policymakers are now playing catch-up. Last year the government announced a $1.2bn programme to support local AI efforts. Some of the funds have gone towards buying more than 34,000 chips, which are being made available to researchers and startups. (Meta, an American social-media giant, owns ten times as many.) Sarvam will have access to 4,000 chips for six months. Abhishek Singh, who leads the IndiaAI Mission, the agency overseeing the project, says the goal is to kick-start a domestic ecosystem. The agency has made AI processors available at roughly a third of the cost globally. Four companies, including Sarvam, have also been selected to develop a fully homegrown AI model.

Booting up

Not everyone is convinced. Anirudh Suri of India Internet Fund, a venture-capital firm, argues that policymakers are too fixated on chips and code. Rather than trying to pick winners, he says, they should focus on building the infrastructure that allows AI development to thrive.

One missing piece is data. India has one of the world's largest bases of smartphone users, internet subscribers and digital transactions. Its collection of public-facing digital platforms, such as a national biometric ID system and real-time payments, generates troves of data. But much of it remains siloed and inaccessible to researchers and developers. Although the IndiaAI Mission has begun releasing datasets, progress has been sluggish. Without open, high-quality data, developers in India will struggle to break new ground.

Talent is another problem. The country trains large numbers of coders, but few specialists in cutting-edge AI research. Of those, many head abroad, mostly to America. A study in 2022 by MacroPolo, an American think-tank, found that only one-fifth of India's top AI researchers remain in the country. Harshit Jain, an AI researcher of Indian origin at Stanford University, says the appeal of working abroad lies in easier access to resources and the chance to collaborate with the world's best minds. Had he stayed in India, he says, "the fear of missing out" would have loomed large.

Those who remain often work at the Indian outposts of American tech giants such as Google and Microsoft, which operate some of the best-funded AI labs in the country. Yet their presence has not catalysed a thriving local ecosystem. One reason, suggests Kailash Nadh, chief technology officer at Zerodha, a fintech firm, is that India lacks a culture of patient, long-term research. "There is a lack of cohesion between industry and academia," he says. As a result, original research remains sporadic and siloed.

Electric sheep

India's AI push has also leaned heavily on the domestic market. Policymakers often speak of making AI "work for India". That seems sensible. Many of the country's challenges—from health care to education—could benefit from AI. But a narrow domestic focus may also limit ambition. To truly seize the moment, argues Mr Suri, India needs a "big bet" mindset. AI, he argues, is more than just a tool; it is also a powerful engine for economic growth.

India has heard this story before. Previous waves of digital change, from the internet to the smartphone, were dominated by American tech firms. India is one of the largest users of products from Google, Microsoft and Meta. These shifts did give rise to some local champions, mostly in e-commerce and fintech. But few of these companies have expanded abroad. For a country that has ambitions of moving up the innovation ladder, the opportunity offered by AI is too big to be missed. ■



Taiwan

Horns of a dilemma

SINGAPORE

If China invaded Taiwan, who would enter the war?

"THE ELEPHANT in the room", acknowledged Emmanuel Macron, France's president, speaking to an audience of defence bigwigs at the Shangri-La Dialogue in Singapore on May 30th, "is the day China decides a big [military] operation." Would France intervene on day one of such a war, he mused? "I would be very cautious today."

Mr Macron's ambivalence is widely shared. If China were to invade Taiwan, no one is certain how different countries would line up. A new paper by the Centre for a New American Security (CNAS), a think-tank in Washington, examines that question. If America stayed out of the war, it suggests, everyone else would, too. Speaking in Singapore, Pete Hegseth, America's defence secretary, sought to dispel that thought. "Any attempt by Communist China to conquer Taiwan by force would result in devastating consequences," he said. "Our goal is to prevent war, to make the costs too high."

In practice, many Asian allies fear that America is getting wobblier on the issue (see The Telegram). Last year Donald Trump said that he would "have to negotiate things" before coming to the island's aid; some in the Pentagon see the Taiwanese as perhaps even a lost cause.

If America does step in, the two allies most severely affected would be Japan and the Philippines. Neither country would be enthusiastic about direct involvement, though. Japan's participation would be unlikely to go much further than submarine patrols or missile strikes, argues CNAS. The Philippines, which has 175,000 citizens in Taiwan, would be more cautious still. But if China's armed forces were bogged down, it could be tempted to grab territory in the South China Sea, where it has multiple disputes with China, suggest the authors. All this would depend on whether China had first attacked American bases in those two countries to pre-empt American involvement or whether it held back, hoping to secure American neutrality.

A second group of countries—South Korea, Australia and India—would be more insulated. But America would put pressure on each one to help. South Korea's immediate concern would be deterring North Korea from exploiting any diversion of American forces. The country might offer "rear-area support", such as logistical assistance, reckons CNAS.

Australia has become an increasingly important base for American forces, too. It has not formally pledged to join a war over Taiwan, even in private. But Australian officials acknowledge that their relationship with America, including the AUKUS nuclear submarine pact, could be in jeopardy if they stayed out. India would almost certainly focus on defending its land border with China, but America could probably count on co-operation on intelligence and anti-submarine warfare.

Then there is South-East Asia. Around 900,000 passport-holders from the region live and work in Taiwan, notes CNAS, accounting for 90% of foreign citizens there. Many countries would probably attempt to remain neutral, not least because China is by far the most important trading partner for most of the region. But America would probably push for access to Thai and Singaporean air and naval bases.

What about Europe? France and Italy have recently sent aircraft-carriers to the region; Britain has one en route. In private, European policymakers are increasingly concerned about a Chinese invasion of Taiwan. A handful could offer cyber and space capabilities. More consequential would be a decision by the EU to impose sanctions on China. In particular, writes Agathe Demarais of the European Council on Foreign Relations, another think-tank, a ban on Chinese imports to Europe "could be game-changing". For now that is an exceedingly tall order. ■

BANYAN

Running on fumes

What has Narendra Modi achieved so far in his third term?

IN THE LEAD-UP to India's general election last year, Narendra Modi instructed ministers to prepare plans for the first 100 days of an all-but-certain third stint in power. The new government completed a year in office on June 9th. What has it achieved so far?

In some respects things are going reasonably well, including the economy. In the most recent quarter growth was 7.4% year on year, beating expectations. The country's GDP is forecast to become bigger than Japan's this year. For a long time India was financially fragile. Today the current-account deficit is a low 1.1% of GDP and its huge capital markets can absorb big shocks. Inflation has cooled, helping the poor and allowing the central bank to announce a cut of half a percentage point in interest rates on June 6th. Forecasts of a good monsoon season augur well for rural incomes.

Politically, Mr Modi's Bharatiya Janata Party (BJP) has pushed through a contentious law on Muslim endowments, chalking up a legislative victory. The armed forces struck harder and deeper into Pakistan than ever before in the recent conflict following terror attacks in Indian-controlled Kashmir, although they did lose some materiel. There was a rally-round-the-flag effect, boosting Mr Modi. India has just signed a trade deal with Britain, is finalising one with America and has accelerated talks with the EU. For a trade-deal-shy country, that is serious progress.

Now for the bad news. Even if India keeps up its annual growth rate of about 6.5%—which is what the central bank forecasts—it would still need to do much better to create enough jobs or achieve Mr Modi's stated goal of making India an upper-income country by 2047. Legislatively the BJP has hit several obstacles. A sensible if ill-designed change to capital-gains tax had to be partially reversed after an outcry. A media bill meant to cow independent YouTubers was put on the back burner. A bill to synchronise state and central elections was kicked into the long grass.

Meanwhile the India-America relationship is proving trickier than Mr Modi probably hoped. India has not been spared the threat of high tariffs, or President Donald Trump jawboning American firms, including Apple, to repatriate activity from India. Mr Trump's insistence that he brokered a ceasefire between India and Pakistan went down badly. The implicit parity he drew between the world's fourth-biggest economy and a near-bankrupt state wracked by terrorism and run by its army is viewed with barely concealed outrage in Delhi. Despite his declaration of friendship for Mr Modi, and vice versa, the American president seemed not to care what India felt.

If India is to speed up its growth and gain more global clout it needs to find a new way to create jobs, relying more on urbanisation and services rather than just factories and trade. That will require the government to tackle long-festering problems. It is still all too often a nightmare to start or do business: modernising land and labour laws would help. India needs to confront reform of its deeply backward agricultural industry. Modernising farms and creating new businesses would lead to more of the good jobs Indians crave.

Yet there has been little action on this front. The prime minister may believe his domestic agenda has been stymied by the loss of the BJP's parliamentary majority in last year's election. Mr Modi must now rule with coalition partners, which mostly act as a check on his autocratic tendencies. Yet having to rule with troublesome allies is no excuse. Some of India's most significant achievements occurred under minority or coalition governments. Instead Mr Modi and his party are suffering from a lack of imagination. After 11 years in power, the BJP appears to be running out of ideas.

What is Mr Modi's priority for the remaining four years of his term? That is still an open question but there are some signals. On June 4th the government announced it would hold a long-delayed census in 2027. Having reliable data with which to make policy would be a huge relief. Yet the timing is telling. The next election is in 2029.

After the census India can by law overhaul the boundaries of its electoral districts for the first time in half a century. The poor, populous north, where the BJP is popular, may gain more seats in parliament at the expense of the prosperous south, where the party struggles. The census signals the BJP wants to keep power; what is missing is bold thinking about how to use it.



China



Alcohol in China

Sobering up

BEIJING

China's mighty appetite for booze is faltering

SOMETHING WAS missing when Kweichow Moutai, the world's most valuable spirits company, held its annual shareholder meeting in May. Participants were not served its famous *baijiu*, a fiery sorghum-based liquor. They supped on blueberry juice, instead. This was probably wise: China's Communist Party is in the midst of yet another campaign to stamp out excessive drinking (and other sorts of extravagant behaviour) among Chinese officials. Last month the party banned alcohol entirely at official events; inspectors vowed zero tolerance. "One drink can make you lose your position," an article in state media thundered.

China's appetite for booze is prodigious. In the early 2010s, party officials and businessmen cemented deals over *baijiu*-fuelled banquets; middle-class urbanites gave each other fancy foreign wines; revellers bought giant pyramids of beer bottles at karaoke bars. The crackdown on official having fun is only one of a cocktail of factors that are now dragging down alcohol consumption. The country's brewers and distillers are starting to prepare for a permanent drop in consumer spending, and generational shifts in tastes. Will they make it to the end of the night?

China is still the world's biggest market for booze. IWSR, a drinks data provider, reckons that in 2021 China necked around a fifth of all the world's alcohol, producing about a quarter of global sales by value. But the outlook is grimmer than a pavement pizza. Production of *baijiu,* the country's preferred tipple, has fallen by more than half since 2016, with demand at the lower end of the market slipping most. Production of beer, China's second favourite drink, peaked in 2013. Companies tried to make up for lower volumes by selling pricier drinks but that strategy has dried up. Five of the seven biggest brewers in China saw sales fall last year. Sales of wine (never a mainstream pleasure) have slumped by two-thirds in five years.

Politics is one explanation. The party is still obsessed with making its members, of whom there are about 100m, lead more sober lives. In March officials in Henan, a central province, were called to a training session detailing (among other things) why they needed to cut down on drinking. They had a boozy lunch, after which one of them died. These are exactly the kinds of stories that the party, which worries about its public image, is intent on stamping out. Years of campaigns are now having an impact: these days *baijiu* sales "are enough to keep the children fed but you can't make much money any more", says one gloomy shop-owner in Beijing.

A sluggish economy is a second factor. Karaoke clubs, bars and restaurants closed in droves during years of tight lockdowns aimed at halting the spread of covid-19. Those that survived have had to deal with new problems. Households are choosing to save a higher share of their income than they did before the pandemic. A property crash, among other pressures, has caused

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consumer spending to plummet.

The third factor dragging down alcohol consumption is that Chinese young people, like their peers in much of the world, are simply less keen on drink than previous generations. They tend to care more than their elders about clean living; they are more sceptical of labels, often slapped on Chinese liquor, that say it is good for your health. These youngsters have their own vices: lately China's fast-growing coffee chains have wowed fashionable urbanites with questionable soft drinks, such as pork-flavoured lattes and oolong teapuccinos. But the highs craved by today's young are mostly caffeine- and sugar-based.

In particular, young people are rejecting China's boozy workplace culture, which has historically required employees to down shots with the boss in order to get ahead. In the past it was not unthinkable to see "good drinker" listed among the requirements in job ads. But in 2021 a survey of some 600,000 young people by Chinese state-run media found that over 80% were "disgusted" with these traditions. Ren Lidong, a tattooed 22-year-old who runs an off-licence in Beijing, is scornful of the way many older Chinese drink. "It's just seeing who can drink themselves to death first."

All this is good news for public health—but for the alcohol industry, it is a headache. For foreign drinkmakers, trade wars are worsening the pain. Between 2020 and 2024 China slapped tariffs ranging from 116% to 218% on Australian wine, causing imports to tumble. Last October customs officials raised levies on French cognac after Europe raised tariffs on Chinese electric vehicles—a big problem for the likes of Rémy Cointreau and Pernod Ricard. And this year American beer has also faced higher levies in retaliation for President Donald Trump's tariffs on Chinese goods.

What to do? Companies both foreign and local are slashing prices. The retail price of a canned cocktail has slipped from over 13 yuan ($1.80) in 2022 to under ten yuan today, says Loren Heinold, who owns a business in Beijing that makes them. "That's where the market has moved and everybody has moved with it, because the people that didn't are dead." Bud APAC, the listed Asian subsidiary of the world's biggest brewer, AB InBev, is betting on its cheaper "sub-premium" brands to help its China business. It is also hoping more drinking at home will make up for declining sales in restaurants. Many off-licences will deliver a drink to nearby addresses within 30 minutes.

Some firms are hoping to hook young Chinese with novel tipples. In 2019, Bottle Planet, a distiller based in the south-western city of Chongqing, started selling a plum wine with a relatively low alcohol content that it hopes will tempt young women. Sales rose 30% last year, according to media reports. Kweichow Moutai is trying hard to shake its somewhat fusty image. Over the past three years, in partnership with other Chinese brands, it has launched *baijiu*-flavoured ice cream, coffee and chocolates.

China's shrivelled alcohol market is now driven by "real" demand from people who actually enjoy drinking, reckons Ian Dai, a businessman in Shanghai. His wine firm sold around 40,000 bottles in the past 12 months, mainly to young urban professionals. "Before, you didn't have a choice to drink. Like it or not, you just had to." China's boozers are fewer and pickier than before. But they may be having more fun. ■

The cost of marriage

Can't buy me love

Bride prices have become a huge burden

MARRIAGE IN CHINA can be mercenary. "Is 380,000 yuan a lot for a bride price?" a woman in Guangdong asks on a social-media site. She is thinking of getting married, and wants to know how much her fiancé's family should pay for her hand. The sum she is suggesting, equivalent to nearly $53,000, is more than seven times her annual wage. Thousands reply; many say she should demand more. "Sis, life is your own, don't wrong yourself, at least ask for 888,800," says one.

In many countries the custom of paying a "bride price" has faded as people have become richer. Not in China, where the practice remains deeply entrenched. In some parts of the country bride prices are an endowment passed by the groom's parents to the newlyweds. In others, it is a compensation paid entirely to the bride's family. In both cases, the amounts involved are going up.



How steep is their love?

The median bride price for marriages in the countryside doubled in real terms between 2005 and 2020, according to a recent paper by Yifeng Wan of Johns Hopkins University. Prices in urban areas are rising, too. A bride price of 380,000 yuan would indeed be steep in Guangdong province, where the median was about 42,000 yuan when last estimated. But it would look a bit less outrageous in neighbouring Fujian, where 115,000 yuan is the norm.

The government disapproves. It wants more marriages, in part to boost China's low birth rate. Lofty bride prices do not help with that. Officials desire in particular to curb them in the countryside, where they are very high, relative to incomes. Sometimes acquiring the necessary money can plunge a groom's family into poverty.

Since 2019 the Communist Party has routinely called for efforts to tackle the problem. Yet little progress has been made—even though Chinese law bans "the exaction of money or gifts in connection with marriage". Village officials often avoid interfering, out of respect for local custom and for fear of getting caught between bickering families. Various places have introduced caps, but these are sometimes high: 50,000-80,000 yuan in parts of Gansu province, for example.

In May state media said Gansu's government had circulated a plan to "effectively control" high bride-prices by the end of this year and "gradually reduce" them in 2026. But the measures in its plan look fairly meagre: there seem to be no penalties.

The desperation of some men for a bride is a big obstacle to change. There is a huge imbalance of the sexes: by 2027 China will have 119 men for every 100 women in peak marrying-age groups. Women, too, resist reform. Many see bride prices as a hedge against divorce (marriages in China fail more often than in America). Should the marriage end, part of the bride price might be returned. But a big share can remain with the female divorcee.

Some Chinese argue that bride prices commodify women. In recent weeks men and women have been fighting online over a case involving a man convicted of raping his fiancée after his family made a betrothal gift of 100,000 yuan: some dinosaurs say that accepting such sums implies consent to sex. But many Chinese are coolly pragmatic about demands for cash. "Money is the foundation of everything," writes one woman on Weibo, a social-media site: "You might not care about it in your heart, but if the other side doesn't even want to give it, that's a problem." ■

Dying well

Great rejuvenation, grim departure

BEIJING

End-of-life care in China is abominable. Can the Communist Party change that?

QUALITY OF LIFE in China has soared in recent decades. The quality of death, however, remains grim. As the population ages, the number succumbing to diseases that can be protracted and painful, such as cancer and Alzheimer's, is soaring. The government wants to make dying a bit less execrable, so it is experimenting with state-subsidised end-of-life care. But deep taboos and bureaucratic hurdles are making progress agonisingly slow.

International rankings confirm that China is one of the worst places to die. A study in 2015 by the Economist Intelligence Unit (EIU), a sister organisation of this newspaper, placed China 71st out of 80 countries for the quality of palliative care. Another international study, published by the *Journal of Pain and Symptom Management*, ranked China 53rd in its comparison of end-of-life care in 81 countries (Britain was top; America came in 43rd).

Chinese hospitals often do not allow patients to occupy beds simply to receive palliative care. Even at one of Beijing's top hospitals (which does), only one-third of the patients who need such help can get it, a doctor told state media last year. Separate institutions for the dying are scant, too. For a terminally ill patient, there are often only two options: persist with hospital treatment that is expensive and ineffective, or die at home without ready access to powerful painkillers or help from well-trained nurses.

Taboos that limit discussion of death make all this harder to fix. It is common for doctors not to tell patients when they are terminally ill. Family members get told first—and they themselves sometimes decline to pass on the bad news. This can make it difficult to move someone to a hospice bed, even when one is available. Chinese tradition emphasises the importance of filial duty. People feel they are failing their parents if they give up on attempts to stop them dying. "We knew that treatment was pointless, but I covered it up and took her to Shanghai for surgery," writes one woman on social media, about her mother's cancer. "In the end, it was nothing but pain and disappointment."

Efforts to set up dedicated hospices have sometimes faced opposition from neighbours fearful of living near a place linked with death. Li Wei, the founder of Songtang Hospice—a rare private institution in Beijing—recalls ordeals he faced after setting it up in 1987. The facility used rented property and had to move several times because landlords wanted to redevelop it. On one occasion occupants of an apartment complex gathered to stop the hospice moving in. Dozens of patients were left stranded outdoors in the summer heat with equipment piled around them.

Going gently

The good news is that attitudes towards hospice care have changed considerably in the past decade. Instead of lashing out as they usually do when China is criticised abroad, state media accepted the findings of the EIU's big study. In 2016 hospice care was mentioned for the first time in a major health-related policy document issued by the central government. In its outline of goals for 2030, it said the building of hospice facilities should be "stepped up". The following year China launched experiments in several cities. They include requiring health authorities to provide hospice beds in hospitals and offer palliative care at home.

Shanghai took the lead: by 2020 community health centres in every district were providing inpatient or home-based hospice care. Last year Beijing achieved the same. Between 2018 and the end of 2022, the number of hospice units in Chinese hospitals increased 15-fold to more than 4,200.

Yet the number of beds for palliative care remains "a drop in the bucket when considering the annual tens of millions of deaths in China", noted Yicai, a news service, last year. Although some of the pilot schemes help patients by allowing some hospice treatment to be claimed on insurance, the biggest cost in palliative care—nursing—is not usually covered. And there is little real incentive, beyond government pressure, for underfunded hospitals to provide these services: peddling more expensive treatments is better for their bottom lines. In other rich countries hospice networks rely heavily on charitable donations. But these are far less available in China, not least because the party is wary of letting civil society flourish.

Another problem with the pilot schemes is that they do not tackle a glaring unfairness in China's health-care system. When using urban medical services, many migrants from the countryside (there are about 300m such people) have to pay a far higher proportion of their expenses out of pocket than they would if they received the same treatment in their hometowns. And hospice wards are mostly in big cities.

It will not get easier. As China's property market falters, one of the main sources of revenue for local governments—land sales—is drying up. It is no coincidence that the biggest progress towards rolling out hospice care is being made in the richest parts of the country. Poorer ones have little incentive to launch new public services that are not self-sustaining financially. In addition to providing beds, hospitals would have to devote considerable resources to training staff in what for most would be an unfamiliar area of expertise. In most of China a dignified, comfortable death will remain a luxury that only the rich can afford. ■



Things need not be so dark

Middle East & Africa



Aid in Gaza

Hunger pains

JERUSALEM

Critics fear Israel will use a new aid group as a tool of long-term occupation

WHEN HUNGER gnaws, any offer of food comes as a relief. And so just before dawn on June 1st Ayman, a former taxi-driver from northern Gaza displaced seven times since the start of the war, left his tent on the beach. He and his brother walked 5km through the rubble to the edge of the remains of Gaza's southern city, Rafah, and what they had been told was a new American food distribution centre there. They filed through a wire-mesh corridor towards a line of armed private-security contractors, some American, some speaking Arabic, who guarded piles of cardboard boxes filled with food. But the hungry Palestinians far outnumbered the boxes, Ayman says, and chaos erupted. Shots were fired; subsequent reports suggest some 30 people were killed. He and his brother have avoided the hubs ever since.

Between early March and mid-May Israel blocked all aid from entering Gaza. Even officers in the Israel Defence Forces (IDF) acknowledged that Gazans were about to run out of food. In May Israel announced its solution: the Gaza Humanitarian Foundation (GHF), an opaque group, would run a network of aid-distribution hubs. So far, Israel has established three such centres south of the Morag corridor, a security strip in southern Gaza, and a fourth near Gaza City, in the north.

Israel's use of aid as a weapon of war has provoked outrage. It has prevented essential supplies from entering Gaza. And yet its new effort to distribute aid is also proving deeply controversial. Hamas says it is a front for the IDF. International aid organisations have decried it. What is this new network and what is it trying to do?

The GHF was registered in Delaware, in America, two weeks after Donald Trump took office. Its address is that of a company in Delaware that incorporates firms. It is thought to have received $150m of funding so far. Much of that has gone on hiring mercenaries, some from American private-security firms. Israeli officials refuse to say who is funding it. Even the hardline finance minister, Bezalel Smotrich, claims to be unaware of who is paying for it. But the consensus is that the money comes from within Israel. Avigdor Lieberman, an opposition MP and former finance minister, reckons the paymaster is the Israeli state.

Hopes of American government funding have dwindled following the repeated violence and horrifying scenes of hungry men scaling the fences at the hubs. The Boston Consulting Group helped draw up the plan for the group but has since distanced itself from it. The foundation's first director resigned, protesting that it breached humanitarian principles. Its new ▸▸

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boss is an evangelical preacher close to Mr Trump, Johnnie Moore, who is still bullish. "We delivered almost 11m meals last week," says Mr Moore. "It's one of the most complex humanitarian missions of our time." He denies the GHF is a tool of Israel. "All the funding is not, is not from Israel." And he says the goal of replacing a corrupt UN system is consistent with the White House's vision. "The president made a promise to get aid through a different mechanism to the people of Gaza."

Distributing aid in a devastated and dangerous war zone is nightmarishly difficult. So far the GHF's performance has been dismal. Foreign mercenaries guard the food inside the compounds, while Israeli forces defend the perimeter and the convoy routes. Shots have been fired at those coming to collect aid almost daily. The UN says over 200 people have been killed. The IDF, Hamas and armed gangs have all been blamed; independent analysis of some of the shootings points to Israeli troops. On June 11th at least five GHF workers were shot and killed; the group has blamed Hamas. Relief has become a death trap, says Philippe Lazzarini, the head of the UN's agency for Palestinians.

Israel defends the new network, saying it will stop Hamas from controlling the flow of aid to tighten its grip on the civilian population. Israeli officials say that gaining control of aid is crucial to winning the war. They claim that Hamas made between $0.5bn and $1bn from stealing aid last year, though they have provided no backing for these figures. Other sources reckon Hamas's income was $1bn last year, mostly from foreign earnings.

Hamas has attempted to interfere with the UN's supply lines. In the early months of the war, its gunmen raided a number of UN warehouses, say diplomats. It also apparently shook down traders involved in profiteering. Biting shortages mean flour and canned foods sell for 20 times their pre-war rates. It has found other means of raising income. In April 2024 it raided banks in Gaza, stealing over $100m.

The GHF's model of hubs has not eliminated abuse. The rations are already being resold. Nothing prevents repeat visits. Nor is the new system working fairly for ordinary Gazans. It has no safeguards to ensure aid reaches the neediest. The most vulnerablecannot travel long distances through a war zone to distant hubs.

Contrast that with the UN's food-distribution network. It reached 1.1m people through 400 local hubs. It was not perfect. It operated with the tacit or explicit co-operation of Hamas, who have ruled Gaza since 2007. A lot of the aid was resold. But handouts were registered. Families received text messages telling them when to collect aid. The incapacitated relied on a Deliveroo-style delivery service. Medicine and tents were distributed as well as food.

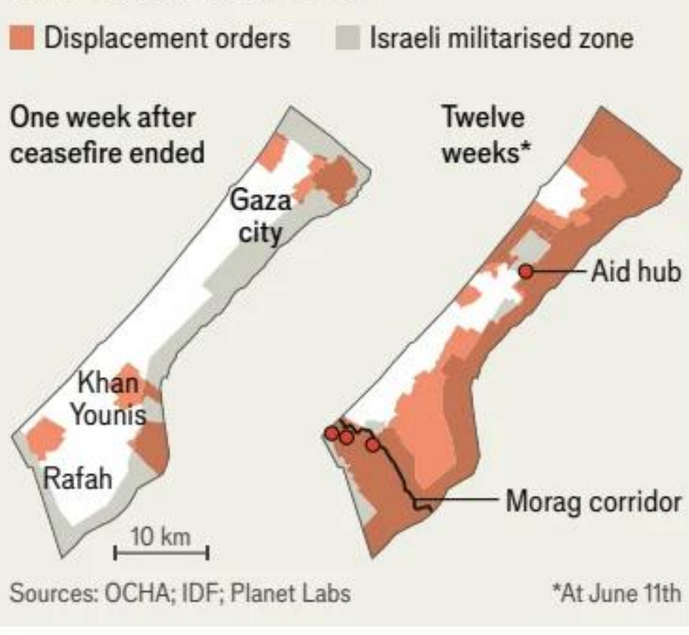
What happens next? In one scenario the foundation will prove to be transitory. If the violence continues and it proves unable to alleviate Gazans' suffering, it might collapse in weeks. And if there is a ceasefire and Israeli troops withdraw from much of Gaza, the hubs would be unprotected and the scheme might be abandoned, with the UN regaining its dominant role.

But the other scenario is that the foundation has staying power and becomes an ongoing feature of Gaza and an instrument of power there. The end of the old distribution system probably does weaken Hamas, which is not making enough money to keep itself going. Salary payments for its 50,000 public-sector workers have all but ceased. Alongside the GHF Israel may be trying to create multiple channels of aid into Gaza. Between May 19th, when it slightly eased its blockade, and June 5th, it let around 1,300 aid lorries enter through the UN network. It may also be allowing some private contractors to get food in, as well as a gang in the south (see next story).

If the GHF does last, a more troubling question arises. It is already being used to corral Palestinians into slivers of land. Sober military types fear mission creep and that the GHF will become a long-term tool of occupation, resettlement and ethnic cleansing. Far-right politicians, including Mr Smotrich, who praise the work of the foundation, talk openly of their plans to resettle Gaza. Binyamin Netanyahu, Israel's prime minister, has spoken of creating "a sterile zone" for Palestinians around the distribution hubs near the border with Egypt. Israel continues to drop evacuation notices and push Palestinians towards the sea. All but 19% of Gaza is now an Israeli militarised zone or subject to displacement orders (see map). Over 55,000 have been killed. For nearly two years Gazans have clung to the hope of a ceasefire. Now many just want out. "If Israel opened the gates to Egypt," suggests Ayman, back in his beach camp, "80% would leave." ■

A tightening grip

Gaza, restrictions by Israel after the ceasefire ended on March 18th 2025



Sources: OCHA; IDF; Planet Labs *At June 11th

Gaza's gangs

Enemy of my enemy

DUBAI

Israel is arming a criminal gang to try to undermine Hamas in Gaza

HE LOOKS MORE like a teenager playing soldier than a would-be warlord: his ballistic helmet too big for his head, his assault rifle too spotless. His militia calls itself the Popular Forces, a lofty name for a group led by one of Gaza's least popular men: his own family has disowned him.

Yasser Abu Shabab promises to wrest control of Gaza from Hamas, the militant group. That is aspirational, to say the least. He has only a few hundred fighters at his disposal; Hamas has tens of thousands. His group controls bits of turf in Rafah and Khan Younis, two ruined cities in southern Gaza. It is hardly a juggernaut. Yet it has found a powerful patron.

Earlier this month Israel revealed that it was supplying the Popular Forces with light weapons, such as AK-47s. It has given the militia licence to operate in parts of Gaza that would otherwise be off-limits to Palestinians. Some Gazans also wonder if the group is receiving advice and funds from the Gulf: its media output seems too polished to be home-grown.

Israel does not think Mr Abu Shabab will one day rule Gaza—far from it. Instead it hopes that he can chip away at Hamas's rule and, perhaps, encourage others to do the same. But its own history in Gaza suggests how that plan might go wrong.

Rumours about Israeli support had circulated for weeks. They were confirmed after Avigdor Lieberman, an opposition MP and former defence minister, condemned the policy in a social-media post. Israel's prime minister, Binyamin Netanyahu, "is transferring weapons to clans identified with Islamic State [IS]", he wrote on June 5th. His revelation forced Mr Netanyahu to acknowledge the policy, albeit indirectly: "Israel is acting to defeat Hamas in various ways," he said.

Mr Lieberman was not the only critic to accuse the militia of links to IS. Hamas and its propagandists have made similar claims. There is no evidence, though, that Mr Abu Shabab has sworn any formal allegiance to that jihadist group. He calls himself a Palestinian nationalist and accepts Israeli help to fight other Muslims, which would be anathema to the transnational jihadists of IS, who aim to erase borders and establish a caliphate.

His Bedouin tribe, the Tarabin, has long been involved in smuggling between Gaza and Egypt (it has members on both sides of the border). A decade ago, that meant it ▸▸

worked with IS to transport guns to Gaza. The jihadists helped Bedouin smugglers cross territory they controlled on the Sinai peninsula and kept a share of the guns. But those were opportunistic ties. In 2017 IS, which believes smoking is contrary to Islamic law, started to attack Bedouin cigarette-smugglers on Sinai. The Tarabin eventually joined forces with the Egyptian army and fought against the jihadists.

Since the Gaza war began in October 2023, Mr Abu Shabab has found a new business. The UN says he was a culprit behind the robberies of humanitarian-aid convoys last year. His gunmen ambushed dozens of lorries and allegedly killed several drivers. Some of his backers portray him as a Gazan Robin Hood, stealing aid to distribute to the poor (he claims he did it to help families in need). He is anything but: his group either kept the stolen aid or sold it at inflated prices, with little, if any, handed out to needy Gazans.

If Mr Abu Shabab's motives are grubby, they are at least easy to understand. He is neither an ideologue nor a do-gooder; he is a criminal. Joining forces with Israel, at a time when Israel is the only conduit for aid into Gaza, is a logical next step for him.

This is not the first time Israel has tried to play Palestinian groups off one another. In the 1980s it formed a tacit partnership with the Islamic Society, a religious group in Gaza. Israel allowed the group to raise funds and looked the other way when it started to stockpile weapons. This was a calculated gamble. Islamists had never shown much interest in fighting Israel, so perhaps they could be a cudgel against Fatah, the nationalist group that was, back then, Israel's main threat.

Israel would soon come to regret that bet. A few years later, the group would start a long campaign of suicide-bombings. It would also rename itself the Islamic Resistance Movement—better known by its Arabic acronym, Hamas.

Sometimes the enemy of your enemy becomes your enemy too. That is not to over-egg the prospects for the Popular Forces. Many Gazans despise them as thieves. The Tarabin have publicly cut ties with Mr Abu Shabab, in part because they fear retribution from Hamas. Israel's new partner in Gaza could become a threat; it could also fizzle and fade.

That Israel must rely on such groups at all is an indictment of its own strategy, or lack thereof, in Gaza. Mr Netanyahu has refused to talk about who might rule the enclave after the war. He rejects any role for the Palestinian Authority, which runs parts of the West Bank. His advisers have mused about Arab peacekeepers and a government of local notables. But after nearly two years of war they have come up with almost nothing, save for a tiny militia led by a gangster in an ill-fitting helmet. ■

Inside Gaza

A surprising shift within Hamas

KHAN YOUNIS

Its remaining hard men inside Gaza are losing their grip

THE NARROW tunnel still reeked of decomposing bodies. A section was blocked by rubble created by two Israeli air strikes on May 13th. Israeli troops opened the tunnel only when they reached the spot, at the entrance to the European Hospital in Khan Younis, in southern Gaza, nearly four weeks later. Five bodies were found in an underground room beneath the emergency ward of the main hospital in Gaza's second-largest city. On June 8th one was identified as that of Muhammad Sinwar, the military chief of Hamas.

The confirmation of Mr Sinwar's death changes little in and of itself. Hamas has already appointed a replacement and it has weathered the killings of many of its bosses. But it could shift the balance within the movement's leadership, formerly dominated by Gazans, just as Israel once again increases pressure on the coastal strip.

The Israel Defence Forces (IDF) opened the tunnel to journalists that same day, the first time international news organisations had been let into Gaza for five months. This controlled media visit (no foreign journalists have been allowed into Gaza independently since the war began in October 2023) had two purposes. The first was propaganda. The IDF was anxious to show it had left the hospital building intact (though all patients and staff had been evicted), despite Hamas using it as cover. This was undermined by devastation in and around Khan Younis, a city formerly of more than 200,000 residents who have been forced to evacuate to a grim "humanitarian zone" near the coast.

The second was psychological warfare. Israel hopes to prove to the surviving Hamas leaders that they are running out of places to hide. One military official suggested the confirmation of Sinwar's death could lead to Hamas accepting Israel's terms for a ceasefire.

That ceasefire, brokered by America and Qatar along with Egypt, has been on the table in various forms for months. It would start with a 60-day truce during which about half of the remaining Israeli hostages would be released in return for hundreds of Palestinian prisoners. During this period, Israeli forces would pull back from parts of Gaza and allow more aid in during talks towards a long-term truce.

This last point remains the main obstacle to a deal. Hamas demands guarantees for a permanent peace that Israel has refused to give. But in recent days, Hamas has indicated it is open to discussing new terms. The entry into the strip of limited aid through distribution networks over which it has little control may worry it (see earlier article). The relentless destruction of Gaza by Israel's army may, too.

The new de facto Hamas leader in Gaza is Izz al-Din al-Haddad, the last of the veteran Hamas chiefs in the strip. He was ▸▸



What lies beneath

tasked with concealing and securing many of the Israeli hostages seized on October 7th and is still believed to oversee their fate. His new role, however—co-ordinating with Hamas leaders outside Gaza—is his first brush with the broader politics of the movement. "Al-Haddad will have to decide now if he wants to be remembered as the man on whose watch Gaza was finally destroyed," says an Israeli intelligence analyst. "He may prefer to be the last man standing after a ceasefire."

Under the Sinwar brothers, the Gazan branch of Hamas dominated. With them dead, the leaders outside the strip—in Doha, Beirut and Istanbul—have the upper hand once again. The movement is run by four men: Khaled Meshal, a former head of Hamas and longtime advocate of closer ties with moderate Sunni regimes instead of Iran; Zaher Jabarin, who represents Hamas's West Bank branch and is in charge of the movement's finances; Muhammad Darwish, a Lebanese-born Palestinian; and Khalil al-Hayya.

A former deputy of Yahya Sinwar, Mr Hayya is the sole Gazan and considered the hardliner in the quartet. Even he is now in Qatar, where his hosts are pressuring him to accept a deal. The other three are expected to support a deal relinquishing Hamas's post-war role in Gaza but preserving its standing in the Arab world. This could make it easier to reach a ceasefire.

So might political changes in Israel. The far-right parties in Binyamin Netanyahu's coalition which harbour ambitions of occupying and resettling Gaza have threatened to bring down the government if he ends the war. Increasing pressure from Donald Trump and other Western allies partly explains the shift. On June 10th a number, including Britain, announced personal sanctions on Itamar Ben-Gvir and Bezalel Smotrich, both far-right ministers. So does a growing expectation that Hamas will accept Israel's conditions. That same day Mr Netanyahu said there had been "significant progress" towards a deal.

Add to that the weakening leverage of Mr Netanyahu's far-right allies as elections draw nearer. The polls are scheduled for October 2026. But tensions over demands by the ultra-Orthodox parties for a law exempting religious students from military service could lead to a vote much sooner. Mr Netanyahu is wary of an election that he is likely to lose. But if he cannot prevent one, he may prefer to hold it after securing a ceasefire that led to the release of the remaining hostages, which he could frame as a victory. A deal would also ease American pressure; Mr Netanyahu has no desire to go to the polls when he seems to be out of favour in Washington. Steve Witkoff, Mr Trump's Middle East envoy, is expected to return to the region in the coming days. He may arrive with a little more hope. ■



African commodities

The kernel of an idea

BOUAKÉ

Ivory Coast's attempt to export more processed nuts holds broader lessons

THE LOWLY cashew is globalisation in a nutshell. The route from cashew tree to tasty snack follows a peripatetic journey. More than half of the world's cashew nuts are grown in African countries. Most are exported raw, mainly to Vietnam, for shelling and sorting, before being exported again as processed kernels. Often the nuts munched by Americans or Europeans have travelled more than 20,000km.

African countries lament being the bottom link in global supply chains for cashews and other commodities. A rule of thumb in agro-processing is that just 10-15% of the cost of the final product, say a bag of roasted cashews, goes to the farmer in the country of origin. If more processing is done in Africa, goes the logic, the continent will create jobs and capture more of the $8bn cashew market.

This is why African countries—most of which export predominantly unprocessed commodities—are studying the parable of the Ivorian cashew. Fifteen years ago Ivory Coast, the world's largest grower of cashews, exported nearly all of its crop as raw nuts. But last year about 30% of its harvest was processed at home; the government aims to increase that to 50% by 2030. Its efforts hold lessons for those who feel Africa gets a raw deal from its raw materials.

After Ivory Coast's civil war ended in 2011 the government made it a priority to do more processing. The timing was fortuitous. In the 2000s Vietnam supplanted India as the global hub for turning raw nuts into kernels. It did this by mechanising tasks once done by nimble hands—cutting, shelling and peeling. This reduced the cost of processing from about $600 per tonne to $200. Factories that employed 3,000 people in India had 400 in Vietnam. This made businesses consider using the same technology, but closer to where the nuts are grown and eaten.

The Ivorian government, seeing an opening, introduced incentives for domestic and foreign-owned processors. Firms pay no import duties on machinery. They receive a subsidy of about $700 per tonne of processed kernels exported, or 10% of the price paid by the buyer. A regulator was given clout and staffed by competent technocrats. There was consistent high-level support, including from Alassane Ouattara, the president, and his late prime minister, Amadou Gon Coulibaly.

Foreign expertise has been critical. "Agro-processing in theory sounds simple, but it is very technical. It's food science and business mixed together," notes Jonathan Said of AGRA, an NGO headquartered in Nairobi. Ivory Coast convinced Olam, a Singaporean firm, to build the first big factories. Several foreign firms have followed.

One is Cashew Coast, which was set up by Mauritians but has investors from all over. Visitors to its factory in Bouaké, a city in central Ivory Coast, are given headphones to block the deafening noise from the ma- ▸▸

chines that cook, shell, dry, peel and sort the nuts. Many are high-tech: one scanner uses optical laser technology to spot defects. Software from SAP, a German tech firm, allows the firm to trace the origin of every shipment. Ivorian women deftly peel the last 15% of shells left by the machines, just as efficiently as their Vietnamese peers, reckons the head of operations.

Salma Seetaroo, the CEO of Cashew Coast, says that "Africa is increasingly delivering a greater value equation." Processing a tonne of cashews at Vietnamese factories remains cheaper than in Ivory Coast, but brands such as hers are competitive. The cashews taste better, she points out, because they are processed at source and not sitting on a ship for months. Freight costs and carbon emissions are lower. European demand for traceable and "sustainable" produce mean buyers are willing to pay a premium. Concerns that Ivorian factories produce too many broken nuts are less relevant these days, as fragments can be turned into lots of products, including vegan "cheese".

Donald Trump's trade war will raise the price of cashews for American snackers. But some in Ivory Coast see a potential upside if it ends up with a lower tariff than Vietnam. "The whole tariff thing could give firms reason to relocate some of their operations from Asia to Africa," hopes an adviser to Mr Ouattara.

Yet Ivory Coast still has work to do before it can say it has cracked the cashew-nut industry. Foreign-owned firms, which account for about 70% of exports, do not need the government's subsidy to turn a profit. But for Ivorian outfits it can be the difference between survival and bankruptcy. As ever in industrial policy, there is a fine line between supporting a nascent export industry and indulging firms with no hope. In a worrying sign of protectionism, last year the government briefly suspended the export of raw nuts to ensure supply to locally owned factories.

That step also reflected a deeper problem: the need to guarantee a long-term supply of raw nuts. Farmers' yields are low compared with those in countries like Cambodia, which has large plantations. In Ivory Coast, as in most of Africa, cashew farmers are smallholders. "There is no such thing as a cashew farmer," notes Jim Fitzpatrick, a cashew-nut expert: "There are farmers with some cashew trees." Shoddy storage leads to too much waste. Only a few firms, including Cashew Coast, try to improve farmers' productivity.

At a village an hour's drive from Bouaké one farmer says he earned the equivalent of $700 from cashews last year. Will he invest the money in his plot? "I want a motorbike," he replies. "That way I can take my daughter to look for work at a factory." These days that is not a nutty idea. ■

Luxury property in Africa

Living lavishly

LAGOS

What's behind the boom in ultra-prime flats in African megacities?

IN THE LAGOS edition of Monopoly, a board game, the priciest neighbourhood up for grabs in Nigeria's commercial capital is Banana Island. The sand-filled addition to Ikoyi, a rich part of town, has become home to some of Nigeria's hottest property since its creation 20 years ago. To enter, non-residents need security codes that change every hour. There are curfews for domestic staff. Banana Island was supposed to have more reliable power than the rest of Lagos, too, though it has not quite worked out that way. No matter. These days one square metre of land goes for almost $2,000, approaching prices in Camps Bay, a fancy suburb of Cape Town in South Africa. Plots are selling fast.

The skylines of west Africa's coastal cities are being reshaped by a surge in luxury property development. The changes offer an insight into how wealthy Africans are spending their money. They also show that property is beginning to play a more important role in African economies.

Lagos is a striking example, perhaps because it sits on a densely populated peninsula where there is little choice but to build upwards. One developer reckons that at least 600 flats worth $1m or more each are currently being built there, even though GDP per person is still just $800. Property contributed 5.8% of Nigeria's GDP in 2024, almost as much as crude-oil and natural-gas extraction, which accounted for 6.2%. That is a remarkable feat in an economy dominated by oil.



Up, up and away

But the trend is not limited to Nigeria. Arrivals at Ghana's main airport in Accra, the capital, are greeted by agents selling flats in at least half a dozen plush developments. Abidjan, the commercial centre of Ivory Coast, is being transformed, too. Land prices there have been rising by around 10% a year for more than a decade.

One reason for the boom is the changing nature of Africa's diaspora. Larger and wealthier than in the past, its members are spending more time and money on the continent. Marième Ngom, a Senegalese property developer, says clients who want luxury options already have second homes elsewhere but value staying in style when they come to see family or do business. Their ranks have been swollen by industrialists in the Sahel. Insecurity and the fondness of Sahelian juntas for expropriation have prompted the rich in Mali, Niger and Burkina Faso to send their families to safer places like Ivory Coast or Senegal.

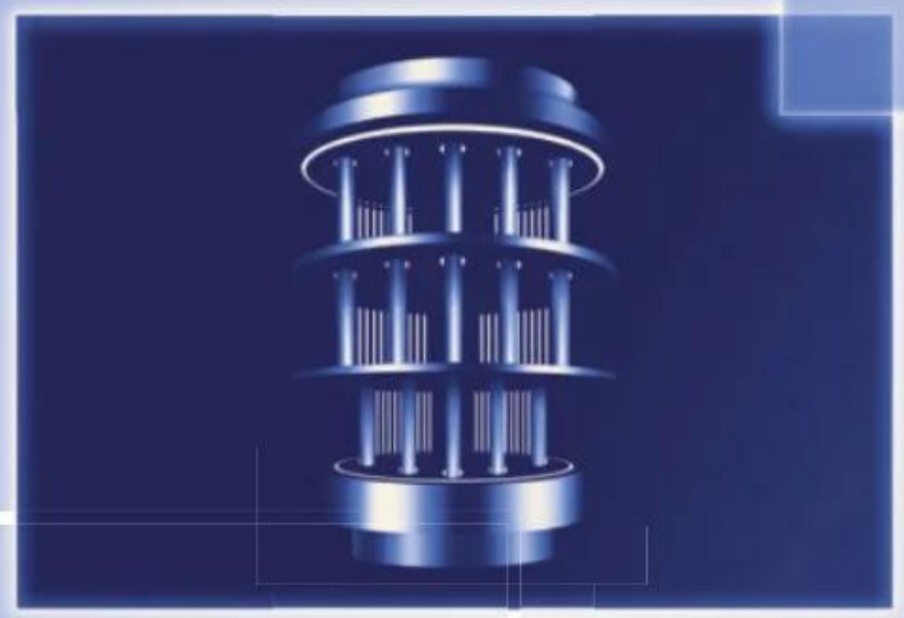
African property has also become more attractive for rich locals, as tighter financial regulation and stricter rules against money-laundering have made it harder to move money. Rich Africans used to park their money in Britain, Switzerland or the Middle East, says Pedro Novo, a property boss formerly in Abidjan. "Today it is much more difficult to get this money out." By contrast, luxury property in Africa is still loosely regulated. Pricier plots are bought and sold in dollars, insuring against the risk of weakening local currencies.

Members of the diaspora appreciate the opportunity to earn rent within the country from their flats when they are not using them. That is especially lucrative in cities like Dakar, Senegal's capital, where luxury hotels are thin on the ground. Others opt for build-to-rent blocks. Developers help them find tenants who can pay the high rents. Property across the region is still cheaper than in other places, promising higher returns as cities grow.

Population growth, too, spurs the trend. Abidjan gains 200,000 new residents a year; in Lagos, it may be as many as 1m. Most are unlikely to benefit as few investors are interested in building non-luxury homes. Yet while new middle-class arrivals may not be able to afford the priciest flats, they enjoy the malls and restaurants in mixed developments that serve as islands in the cities' traffic-snarled chaos. For investors, combining residential and commercial property mitigates risk.

There are some concerns that the boom is a bubble. Many observers are puzzled by sky-high prices and the spread of luxury developments even to sleepier cities. Yet for now, a steady flow of rich buyers and a dearth of alternative investment options will probably keep it going. ■

ECONOMIST IMPACT



Who is writing the code of the future?



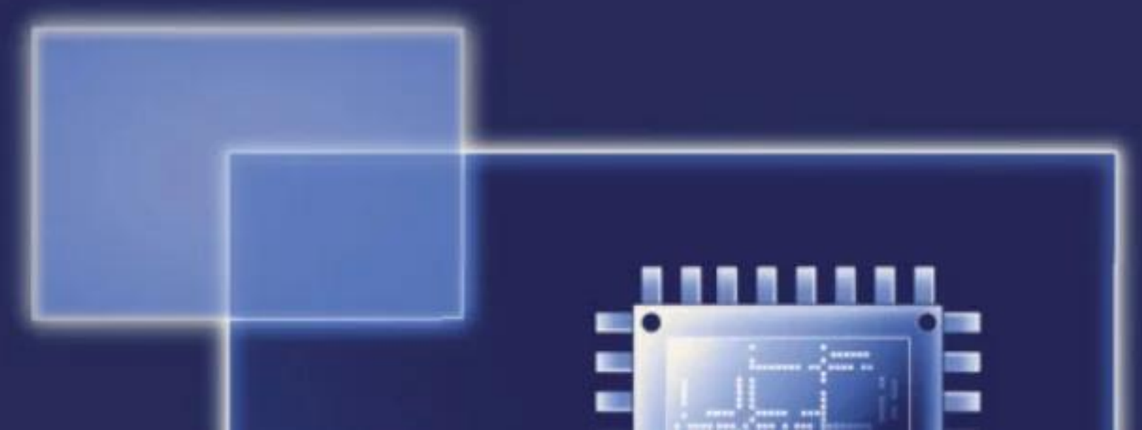
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ECONOMIST IMPACT

Power brokers: the AI data centre boom redrawing the global energy map



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The Solutionist

The world excels at diagnosing its ailments. From climate change to inequality, we've mastered the art of identifying what's broken. But what about fixing it? The Solutionist, a new series from Economist Impact, flips the script—applying the same analytical rigour to solutions that we typically reserve for problems.

Our first article examines the challenge of powering artificial intelligence without turbo-charging greenhouse-gas emissions. Although people marvel at ChatGPT's eloquence and AI's promise to transform everything from medicine to manufacturing, a less visible revolution is unfolding in anonymous buildings packed with humming servers. These data centres—the engine rooms of the AI age—are redrawing the global map of power.

The numbers are striking. A ChatGPT query consumes ten times the electricity of a Google search. By 2035, data centres globally could devour five and a half times Britain's entire annual electricity consumption. This isn't merely about keeping the lights on and the memes flowing; it's about economic supremacy. Countries that can deliver reliable, abundant power will attract the AI infrastructure that underpins tomorrow's economy—those that can't will be left behind.

The scramble is underway. Tech titans like Microsoft are making big bets on nuclear, and even reopening mothballed plants. Gulf states are leveraging their energy abundance to lure billions in data-centre investment.

> ***The impacts of AI on power systems could be extremely pronounced at the local level***
>
> **Fatih Birol**, executive director of the International Energy Agency

Meanwhile, existing infrastructure groans under the strain—Ireland, for example, faces the prospect of data centres consuming a third of its electricity.

This creates an uncomfortable paradox. The technology that many hope can help solve climate change threatens to accelerate it. Building a data centre takes 18 months; connecting it to clean power can take eight years, and existing renewables cannot scale fast enough. In that gap, fossil fuels often fill the void.

Our next two Solutionist articles will examine the future of AI from different angles—exploring the effect on people and communities, and assessing how technology can address the problems caused by its own dizzying expansion.

Find out more at

impact.economist.com/projects/the-solutionist/power-brokers

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Europe



Rearming Europe

Bombshell boomtowns

BOURGES, UNTERLÜSS AND WARSAW

Europe's defence build-up is reviving some blighted cities

THE COBBLED town of Bourges lies in France's "empty diagonal": the central swathe of farmland that city folk zoom past on their way to somewhere else. In 1860 Napoleon III decided to build a cannon foundry and arsenal there, a place safely remote from France's fragile eastern borders. Home to just 64,000 people, Bourges was until recently bleeding jobs as its modern weapons-makers lost orders. "There was a long period of depression," recalls Serge Richard, head of the local chamber of commerce.

Today, however, Bourges is on the cusp of a remarkable revival. Europe's governments are hiking defence spending in the face of Russian aggression and American volatility. Defence-dependent towns, long used to industrial decline, are preparing for the opposite. Three places, in France, Germany and Poland, illustrate the huge potential, but also the strains it can bring.

Bourges is bracing for a boom. Two big European defence firms already operate factories there: MBDA, a European company that makes missiles and missile systems, and KNDS, a Franco-German one that manufactures the CAESAR howitzer and 155mm shells. Together, they are expected to invest a massive €1bn ($1.1bn) locally over the next five years. When told of the sums, "I nearly fell off my chair," says Yann Galut, the town's left-wing mayor. "A billion euros: can you believe it?"

On the town's outskirts MBDA is demolishing old buildings on a site next door to its existing premises with a view to expansion. Across town KNDS has tripled the output of CAESARs since 2022. Together the firms are expected to add 2,500 jobs over the next five years. The effects reach beyond Bourges to the dozens of small subcontractors that supply the giants, notes François Cormier-Bouligeon, the local member of parliament, who calls the expansion *gigantesque*.

In most respects this is welcome. The new jobs will be skilled and well paid. Bourges has already benefited from new orders at the firms, thanks to an increase in the seven-yearly defence budget that began under President Emmanuel Macron in 2019. Unemployment fell from 10.3% in 2015 to 6.7% in the third quarter of 2024, below the national average.

But it brings challenges. One is planning services—crèches, schools, housing, doctors—for the newcomers. Mr Galut has written to mayors of 54 other French defence-dependent towns to co-ordinate a bid for extra state help. To lure tourists he has won for Bourges, with its Gothic cathedral, the designation "European capital of culture" in 2028. Another issue is skills. Locals need the right training programmes and apprenticeships. Already business chiefs report recruitment difficulties. Some residents fear rising property prices. ▸▸

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Such concerns chime with those in Unterlüss, a leafy German town near Hanover surrounded by the Lüsswald forest. The regular banging sound of test shots is the soundtrack to life at the biggest production site of Germany's defence giant, Rheinmetall. Heavy lorries thunder through the town; commuter traffic to the firm jams the roads at rush hour. Rheinmetall will soon employ almost as many staff at its expanded plant—about 3,500—as there are inhabitants of Unterlüss. As in Bourges, this is both burden and blessing.

Two types of boom

Rheinmetall's ambitious expansion plan includes a new ammunition factory in the town, to add to those already making self-propelled howitzers as well as the Lynx and the Puma, two types of armoured vehicle. The ceremonial opening last year was attended by Olaf Scholz, then German chancellor, and Boris Pistorius, the defence minister. Ever since, the bangs and the traffic have intensified. Dozens of forklift trucks zip around the site. "We are building our new plant at Rheinmetall speed," says Jan-Phillipp Weisswange, a spokesman for the firm, implying a contrast with the sluggish pace of most German construction elsewhere.

The firm is recruiting hundreds of skilled and other workers at good wages. Katharina Ebeling, the Christian Democratic mayor of Unterlüss, is investing €1.3m this year to renovate the train station and make other improvements to help the town cope. Even so, many locals seem unhappy. At the recent federal elections 35.7% voted for the far-right Alternative for Germany (AfD), well above the national average of 20.8%. The town has few shops, cafés or churches. Rheinmetall's staff tend to commute from nearby places. So locals suffer from the noise and pollution without the direct benefits. As in Bourges, subcontractors complain that the defence giant may poach their skilled workers.

In neighbouring Poland the challenges are rather different. The country is ramping up defence spending to 4.7% of GDP this year. But it buys much of its kit from abroad. Wladyslaw Kosiniak-Kamysz, the defence minister, says he wants half the orders for combat equipment to be produced in Poland. The difficulty is that the state-owned Polish Armaments Group (PGZ), a conglomerate of 50 firms, has crowded out most private ones but is unfit even to supply the Polish army with essentials.

To try to boost the conglomerate, the government last year ordered 96 howitzers from a PGZ company. In March it signed a deal for 111 Borsuks, the first military vehicles to be fully developed in Poland. For the south-eastern city of Stalowa Wola, where the Borsuk is manufactured, this could be transformational. Founded 80 years ago, when a woodland was cleared and a metal works erected, Stalowa Wola ("Steel Will") is welded to the state of its industries, says Lucjusz Nadberezny, the mayor. After mass lay-offs in the 1990s, the district's industrial base was revived by foreign investment in auto-part factories. The public finances of the city, in one of Poland's poorest regions, remain strained. But with more defence-related orders the city's steelworks plans to expand its warehouses and triple its production capabilities by 2026, which should provide a boost.

Dealing with a "defence dividend" is a nice problem for European towns to have. If defence spending continues to rise at current rates, the European Commission forecasts this will boost GDP in the EU by 0.5% by 2028. For the towns themselves, often in rust belts, this will need to be managed in a way that brings local benefits. If not, disappointment could end up strengthening the political extremes. ■

Ukraine

Make or break

KYIV

Vladimir Putin unleashes a summer offensive against Ukraine

AFTER WEEKS of nebulous ceasefire talks at the urging of a semi-engaged President Donald Trump, the war between Russia and Ukraine is intensifying again in savage style and with fast-rising stakes. In the past two weeks there have been record-breaking Russian missile strikes on Ukrainian cities and spectacular Ukrainian drone raids on Russia's strategic-bomber



The agony of Kostiantynivka

force, deep inside its borders. But all this is merely a prelude to the main event: a large-scale summer offensive by Russia that aims to break Ukrainian morale and deliver President Vladimir Putin a victory at almost any cost.

Many Ukrainian cities and soldiers are bracing for a final reckoning. Kostiantynivka has been on the edge of war since 2014. Now the writing is on the wall for the eastern town, which Russia has identified as the logistics hub for Ukrainian forces in the Donbas region, and a gateway to the last strongholds there. Up to 25 guided bombs rain down every day. The remaining 8,500 civilians mostly leave the city each day by a 3pm curfew. Dmitry Kirdayapkin, the police chief, knows the Russian drill well by now: kill, demolish, repeat. He saw it in 2014 as an officer in Horlivka, a town that saw fighting while Russia still denied involvement in the war it had launched, and then during the siege of Mariupol in 2022. Today his officers and paramedics in Kostiantynivka work from basements and race along drone-stalked streets in caged vans that resemble massive barbecues.

Ukrainian intelligence believes that Kostiantynivka and neighbouring Pokrovsk will be the focus of Russia's summer campaign. There are concerns about the north-eastern province of Sumy too. Russia has massed 50,000 troops there, and is advancing slowly towards the provincial capital in a mirror of Ukraine's own cross-border operation last year. Border towns and villages have been evacuated, with locals reporting swarms of cheap drones that often detonate mid-air. Military sources say they still expect that, once Russia establishes a so-called buffer zone, it will shift its focus to the Donbas and Zaporizhia fronts to the south, continuing the warfare of attrition that has turned the region into a pockmarked wasteland.

The front lines have not shifted in Russia's favour in any strategically significant way for three years. But Ukrainian sources claim that captured Russian officers tell them the summer campaign is being presented as "one last push", to break Ukraine's morale. Mykhailo Kmetiuk, the commander of Typhoon, an elite unmanned-systems unit operating near Pokrovsk, says the Russians continue to plan such operations only because commanders do not spare the lives of their soldiers. Eight out of any ten of the new recruits are eventually killed on the battlefield, he claims, yet there is no realistic end to these waves of Russians. Russia is consistently recruiting 10,000-15,000 more men per month than Ukraine, and does it by offering big sign-on bonuses rather than relying on the conscription that is proving so divisive in Ukraine.

Some Ukrainians are sceptical that Russia can ever break through. The nature ▸▸

of Russia's fighting—in small dismounted groups to mitigate the risk from drones—means that its progress is never quick, and its losses are high. The invader has still not been able to demonstrate that it can break through defences and then exploit the gap by making rapid or large-scale advances. "Russia's last big offensive ended in May 2022 [after the fall of Mariupol]," says Roman Kostenko, a special-forces officer, an MP and the secretary of parliament's defence and security committee. "They haven't been able to take Kostiantynivka in over three years. How can you even begin talking about their strategy?"

But other soldiers are warier. A key part of Ukraine's resilience has been its early edge in drone warfare, but that advantage is now eroding. Evhen, an officer in the 93rd brigade, says Russia has pulled ahead even in what he calls the "front-line drone marathon". A new Russian unit called Rubikon is causing particular trouble around the Kostiantynivka-Pokrovsk sections, chopping up Ukrainian supply lines as far as 40km to the rear. First seen near Kursk in 2024, Rubikon reports directly to Russia's ministry of defence and is thought to be well-resourced and tightly organised.

"The problem with the Russians is that they are able to absorb losses," says Mr Kirdyapkin. "Our losses may be a lot less, but we feel them much more." ■

Italy's referendums

Voting with their feet

ROME

Five opposition-backed referendums fail in Italy

WHEN MAURIZIO LANDINI arrived at the polling station in the village of San Polo D'Enza, he found it almost empty: not a promising sign. Mr Landini, who heads Italy's biggest trade union federation, was the leading sponsor of four referendums held on June 8th and 9th dealing with job security and workplace safety. A fifth proposition offered voters a chance to give immigrants easier access to Italian citizenship. But for the results to be valid, more than half the electorate had to vote. Mr Landini, other trade unionists and opposition politicians had been urging people to turn out for weeks.

The referendum on citizenship was arguably of direct relevance only to Italy's 2.5m foreign residents. But the other four affected pretty much anyone with a job. Yet not even in San Polo D'Enza, once part of Italy's Communist-friendly "red belt", did the left make a sufficient impact. Nationally the turnout barely reached 30%. Perhaps even more awkward for the left, which had campaigned hard to improve the lot of non-citizens, the results showed that many of its own supporters did not agree with its plans for reducing the residency requirement for citizenship from ten years to five. More than a third of those who heeded the opposition's call to cast their ballots used them to vote no on that measure. As elsewhere in Europe, nativist feeling in Italy is not confined to the right.

The outcome was all the more disappointing for opponents of Giorgia Meloni's conservative governing coalition because until then they had seemed to be on a roll. In local elections last month a candidate backed by the centre-left Democratic Party (PD) and the more radical Five Star Movement ousted a conservative mayor in Genoa, the biggest city up for grabs. Elly Schlein, the PD's leader, tried to look on the bright side. More people had turned out than had voted for the right at the last general election in 2022, she said. True enough. But far higher numbers have been lured to the polls by other issues in previous ballots. More than 27m, or 57% of the electorate, turned out in 2011 to block water privatisation, compared with 14m for this week's referendums.

The sponsors also claimed the government had made full use of the black arts at its disposal. Some ministers openly called for a boycott, which the opposition said was anti-democratic. Ms Meloni herself showed up at a polling station, but did not vote. Her government has established an iron grip over RAI, the state-run broadcaster. And one of the parties in her coalition, Forza Italia, was founded by the late Silvio Berlusconi, whose family also controls Mediaset, the other dominant presence in terrestrial TV. Opposition politicians said the government contrived to minimise coverage of their campaign. And they were not alone. Italy's communications watchdog last month lodged a complaint against RAI and other broadcasters, citing a lack of adequate reporting and debate. But while TV remains the primary source of news for almost half of Italians, it does not have the influence it once enjoyed. The referendum also showed that the left is not very good at using social media.

The left's best hope of unseating Ms Meloni before an election, which need not be called until December 2027, remains an implosion of her often fractious coalition. The pressure from NATO to increase defence spending could rip open an already visible rift between Ms Meloni's Brothers of Italy party and the League, the other main party in her government and the one most sympathetic to Russia. The problem for the opposition is that a similar breach divides the PD from the pacifist-inclined Five Stars. Ms Meloni's critics should be careful what they wish for. ■

Spain

Sunshine in Málaga Valley

MÁLAGA

Might a thriving town fall victim to its own success?

ON A RAINY weekday in early spring Málaga is thronged with tourists, clambering over the Moorish castle that overlooks the port, carousing at the pavement bars or queuing for one of half-a-dozen art museums. It wasn't always thus. Until the turn of the century tourists heading for the resorts of the Costa del Sol shunned what was then a drab former industrial town. Today Málaga, Spain's sixth city, is booming, powered not just by tourism but also by a burgeoning tech industry. Its economy has outpaced the rest of the Andalucía region for most of the past decade. It is held up by some as a model for other Spanish cities, but some locals fear it may fall victim to its own success.

Its revival began with the pedestrianisation of the centre and the opening in 2003 of a museum dedicated to Pablo Picasso, who was born in the city. Three others followed, including an outpost of Paris's Pompidou Centre. Though cultural tourism accounts for only a minority of the 14.4m visitors last year to Málaga province (which includes Marbella and other resorts), the museums have helped turn the city into a magnet for tech workers and others. Antonio Banderas, an actor, has returned to his native city to open a theatre.

In a nearby valley sprawl the anonymous buildings of the Technological Park of Andalucía. Founded in 1992 as a joint venture between the city and regional gov-



The sixth city

ernments and a local bank, it now employs 28,000 workers and houses companies ranging from Accenture and Ericsson to startups. Google and Vodafone have operations in the city. The park is still expanding: it now focuses on cybersecurity, games and microelectronics.

Málaga has natural advantages, says Francisco de la Torre, its mayor. They start with a benign climate and its site on the Mediterranean. It has Spain's fourth-biggest airport. But it also has good vocational-training centres and a steady, consensual leadership: Mr de la Torre, who is 82, has been mayor since 2000.

Two clouds have darkened the horizon. Like many other Spanish cities, Málaga is short of housing. Some 9,000 new homes are under way, with the city providing the land for private builders. The other worry is the excesses of mass tourism. The historic centre has around 6,000 tourist flats, the highest density in Spain. Carlos Carrera of the local residents' association complains of "strangers entering buildings, fights, drunks and hooligans in the lift" and of bars that stay open till 2am. "The balance has been upset," he says. Mr de la Torre replies that the city has banned new tourist flats and is closing those without permits. The overall number is falling, he says.

These are the problems of success. "It was a city in black and white and now it's in colour," argues José María Luna, the city's culture boss from 2011 to 2024. "Málaga has found a place in the world." ■

NATO

How to be good

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Being a reliable alliance member is not only a matter of money

WHAT MAKES a good NATO ally? Debates over burden-sharing have "moved and shaken" the alliance ever since its foundation in 1949, says Rafael Loss of the European Council on Foreign Relations, a think-tank. Most recently, Donald Trump, in both his first and his present term, has justifiably railed against Europeans for not paying their fair whack while America keeps them all safe.

He has struck a chord, even with the laggards. Belgium's defence minister has vowed to end a "period of national shame" whereby the country "was not loyal to its status as a founding member of NATO, but acted as the most notorious free rider of the entire alliance". Even Iceland, which has no armed forces, is looking into ways of being "a good ally".

To get a sense of how things stand, look to the "three Cs": cash (how much is spent), capabilities (what it is spent on) and commitment (deployment on missions). Begin, as politicians generally do, with cash. At first glance there is much to commend. All but ten of NATO's 32 members meet the current spending target of 2% of GDP, compared with 25 delinquents a decade ago. Italy and Spain, two of the alliance's lowest spenders, have pledged to hit it this year, too. But the positives mostly stop there. For one thing, the 2% goal is obsolete; at the summit that will open on June 24th in The Hague, the alliance is expected to agree to a new target of 3.5% of GDP, plus a further 1.5% for complementary infrastructure. Moreover, the narrow focus on percentages is a poor way of measuring fighting readiness. Members have long padded their figures by cramming barely related budget items under the umbrella of defence.

A better gauge of who is pulling their weight is to look at what the cash is spent on. NATO asks that members spend at least 20% of their military budgets on equipment. Virtually all meet that mark (see chart), though it is likely to be raised to one-third at the summit. But again, a focus on numbers can obscure whether the kit serves the purpose of collective defence. Take Greece. Last year it lavished 36% of its military budget on equipment, one of the highest rates. Yet much of that is focused on countering Turkey, another NATO ally, not Russia.

The alliance has long sought to influence the kit bought by members through the NATO Defence Planning Process. Under this, allies agree to buy equipment based on the alliance's operational needs. But two decades of fighting jihadists bent that process out of shape. Many members invested in a hotch-potch of systems without much co-ordination. The Russia threat has helped focus minds. "Instead of building forces for a range of potential scenarios across multiple theatres," write Angus Lapsley and Admiral Pierre Vandier, two NATO officials in charge of the new planning cycle, allies will be asked to "focus primarily" on deterring Russia.

What the division of labour will look like is not yet clear. NATO is expected to sign off on new "capability targets" in June, which will determine the equipment each member will be asked to provide. They will probably prioritise areas where America has traditionally dominated but may now pull back, such as intelligence collection, deep strike or strategic lift. Just over three-quarters of members have agreed to the new plans, including "those who [don't] usually accept", noted Mr Vandier.

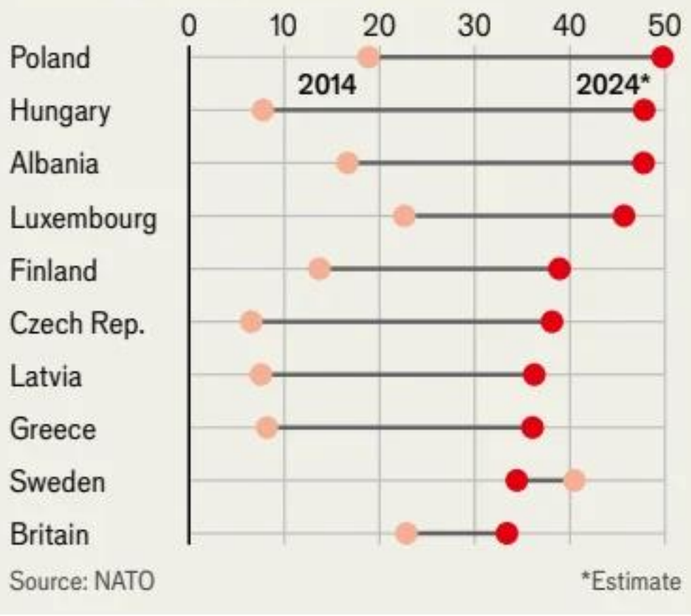
NATO is mulling greater specialisation. The head of its Military Committee, Admiral Giuseppe Dragone, has called for a "multi-speed approach" whereby bigger armed forces would take on the brunt of projecting power against Russia, while smaller states focus on more humdrum but achievable tasks like logistics or cyber-security. That is already the case to some extent. Luxembourg, with just 900 soldiers, is a critical node in providing space-based satellite communications and contributes to NATO's spyplane programme. Iceland operates an air-defence and surveillance system. But cajoling recalcitrants like Spain and Italy might be trickier. Planners could play to their strengths by asking them to invest more in maritime assets.

NATO should take heart when it comes to actual operational commitments, the third C. Even the stingiest allies have skin in the game. On the eastern flank, Spain is in charge of a brigade-sized multinational force in Slovakia, and Italy oversees one in Bulgaria. Portuguese fighter aircraft help patrol the skies over the Baltics. Nearly every small member—from Croatia and Albania to Slovenia—contributes troops to NATO's eastern flank.

The more pressing question is whether these limited commitments will be beefed up. In the case of a major war in the east, NATO wants to be able to muster around 100,000 troops within ten days, a sharp jump from the 40,000 it budgets for today. It wants to raise a further 200,000 troops within 30 days. Without American boots, Europeans will struggle to be ready to reach those targets, unless they spend considerably more on recruitment. Cash might still be king after all. ■

Arming up

NATO, spending on equipment as % of total defence spending, top ten countries



Source: NATO *Estimate

CHARLEMAGNE

The Emerald petro-state

How Ireland became the Saudi Arabia of siphoned-off global profits



EUROPE GOT an unexpected dose of good news on June 6th: its economy turns out to have been growing twice as fast as had been previously thought. Granted, the new figure is a modest 0.6% rise in GDP in the first quarter compared with the prior one, but Europe takes what it can get these days. Was this a sign of German or French revival after years of lethargy? Not quite. Look at the fine print and a single statistic stands out: a 9.7% bump in the GDP of Ireland. A country of around one-hundredth of the population of the European Union was responsible for over half the entire bloc's growth. A casual observer of economic statistics might surmise Ireland had accidentally struck oil while nobody noticed.

The truth is not so far removed. Ireland in recent years has seen its GDP balloon for reasons unrelated to what its workforce is up to. The unexpected fortune stems not from oil, but from global tax-shifting. Big multinational firms have found this damp corner of Europe a good place to book profits made from their globe-spanning operations. Tech giants like Apple or Microsoft transfer intellectual-property rights—some of the most valuable in the world—to Irish subsidiaries, which use them to collect royalties from higher-tax jurisdictions beyond both Ireland and America. Pharma groups use a similar trick, but also manufacture blockbuster drugs (though they may well have been developed by American companies in America) in Ireland. Through a web of royalties and licensing fees, accountants as versed in the arts of surreal creativity as James Joyce can magic away profits to Ireland, which taxes them at just 12.5% a year, one of the world's lowest rates.

The great profit migration has three impacts on Ireland. One is to distort GDP so far beyond recognition that Irish officials use their own measures for growth. Far more real is the corporate tax from foreign firms that flows to the exchequer in Dublin. At €20bn ($23bn) a year and rising, it may not be Saudi-level, but it is enough to cover the cost of schools and hospitals, says the Irish Fiscal Advisory Council, an official watchdog. Those inflows are supplemented by local employment by foreign firms—whether in far-flung pharma plants or in downtown Dublin tech offices—which accounts for 11% of the workforce and a third of income tax.

Alas, the trick may have become too good. For the upshot of Ireland's tax grab is that others are losing out. America, notably, has good reason to gripe. Beyond the profits it might have taxed itself, a side-effect of this transatlantic profit odyssey is to produce the appearance of huge goods exports as, say, Viagra pills developed in America are sold to Americans via Cork. Illusory though it is, America's massive goods deficit with Ireland—the biggest after those with China, Mexico and Vietnam, all rather larger economies than Ireland—is a problem these days. President Donald Trump equates goods imports with the theft of American jobs, and ignores Ireland's even bigger services payments to America, which are also related to the tax-arbitrage game. What is usually a friendly St Patrick's Day visit to the White House by the *taoiseach*—the Irish equivalent of prime minister, a word whose pronunciation is as unfathomable to outsiders as Irish tax accounting—in March got a little frosty as Mr Trump told Micheál Martin that America had been "stupid" in its dealings with Ireland. A rare president not to claim Irish parentage, Mr Trump failed to mention that attempts to end the Irish tax shifting in his first term helped turbocharge them instead.

Europeans are also peeved. The "reciprocal tariffs" Mr Trump threatened in April are based on a (bonkers) formula that includes only trade in goods, which Ireland's tax shenanigans inflate. Had it not been a member of the EU, the formula would have resulted in tariffs of 15%, not 20%. To some in the EU the solution is obvious: America should cut its goods-trade deficit with Europe by shafting Ireland on tax, not imposing tariffs on all EU firms.

Perhaps unsurprisingly, Charlemagne found Irish government officials reluctant to discuss tax matters when he visited recently, as if the entire finance ministry was busy washing its hair. But arguments heard in Dublin pubs and boardrooms provided hints as to the official line. Ireland cannot be compared to a tax haven, as American multinationals have "substance" there that justifies shifting lots of revenues—and therefore profits—to its shores. That is true, up to a point, says Aidan Regan at University College Dublin for whom "The scale of profits booked in Ireland far exceeds the substance of local operations." Kevin Timoney of Davy, a financial firm, says that even absent tax shenanigans Ireland would be well positioned thanks to its trained workforce, access to the EU market and openness to foreign capital.

Pluck of the Irish

Unearned bonanzas can be a mixed blessing. Dubliners gripe that the presence of Googlers and their ilk has exacerbated a housing shortage. The Irish Fiscal Advisory Council has warned of Ireland falling prey to "Dutch disease", the imbalance that struck the Netherlands in the 1970s as natural-gas money sent the rest of its economy off-kilter. Unlike oil, nobody knows when the fiscal bonanza will run out. Just three companies accounted for 38% of all corporate-tax receipts in 2023, leaving Ireland exposed to the success of foreign firms over which it has no sway.

Nobody knows either how Mr Trump might change tax rules or impose tariffs to Ireland's detriment. Ideally the authorities there should have squirrelled away their tax windfall in a long-term fund, as Norway did with its oil revenues, better to manage if the windfall ends. In practice, says Dan O'Brien of the Institute of International and European Affairs in Dublin, only about a tenth of the €160bn earned in the past decade from corporation tax has been saved. A mix of pluck and luck has been good to the Irish. They will have to hope their good fortune can endure. ■

Britain



The spending review

Picking winners

Rachel Reeves has decided where Britain's cash will go: hospitals and tanks

FOR ALMOST an hour on June 11th the House of Commons felt like a bingo hall, or perhaps an auction house. Rachel Reeves reeled off a dizzying list of wildly varying numbers and time horizons, covering programme after programme funded in Britain's spending review. Over the next five years, £14bn ($19bn) would go to a new nuclear plant. Over a decade, trains in Wales would get £445m. Each year, £280m more would go to border security.

To hear the chancellor tell it, almost every corner of the British state was to be showered with cash and attention. All that razzle-dazzle served a purpose: to pull eyes away from the harsh trade-offs the government had actually made in allocating money across departments (see chart on next page). A year after taking charge, the Labour Party has had to lay out in stark monetary terms what it most cares about. Departments already knew how much funding to expect up to March 2026, but the spending review filled in the picture to March 2029, covering nearly all of the current parliament.

By far the largest slug of new money went to the National Health Service (NHS). The budget for day-to-day health-care spending and social care is to rise by 2.7% per year in inflation-adjusted terms over the three years covered by the spending review. That compares with near-flat day-to-day spending elsewhere over the same period, or slightly negative after taking population growth into account.

The NHS is hardly alone in creaking. Nearly every British public service is. But the NHS is totemic, both for voters and for Labour, which has pledged to clear waiting lists by the next election. Troublingly, the NHS also has a long record of swallowing up personnel and money. This time a chunk of the fresh cash will go straight to higher pay settlements for doctors and nurses. Health spending in Britain has risen faster than economic growth for decades now, reaching 8% of GDP, up from 4% in the 1990s. Labour is betting that a bit more money, coupled with reform, will be enough to deliver a perceptible improvement by the next election.

A clear loser is the Home Office, the department responsible for policing, immigration and security. Day-to-day spending is set to fall by 1.7% in real terms over the review period. That decline bakes in the government's ambition to rein in spending on the asylum system, mainly by (over the next four years) ending the expensive practice of keeping asylum-seekers in hotels. The Conservatives tried and failed to get those costs down. There is little sign Labour is doing much better.

Those totals also rely on saving 10% or more in administrative costs in each department. The government hopes for a ▸▸

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"greater embedding of a cost-conscious culture across Whitehall". Though the civil service may not be an obvious hotbed of efficiency, several previous governments have already had a serious go at chopping those same costs down.

On the capital-investment side, the main winner is defence. The government reaffirmed its plans to raise defence spending (including on the intelligence services) to 2.6% of GDP by 2027, from a little over 2% in 2023. That increase will be delivered mainly through more investment, a category of spending where the government has more leeway with its fiscal rules. Getting spending up to 3% of GDP or beyond remains a broad, but not funded, medium-term ambition. That degree of vagueness may well not survive sabre-rattling from the White House, or even the NATO summit later this month.

Putting the investment uplift on defence pokes a hole in the narrative of last October's budget: that Labour is investing to grow the economy. Tanks and munitions are certainly valuable militarily, but do far less to raise Britain's productivity than roads, railways or power stations. The review nudged up transport investment for the period between 2025-26 and 2029-30, but not by much. Energy did get a hefty rise. That includes the cost of Sizewell C, a nuclear-power plant due to open in 2033. The government is the majority shareholder in the project. Persuading the private sector to make big investments in nuclear power in Britain has become challenging, given the regulatory maze and sprawling costs that prior projects have faced.

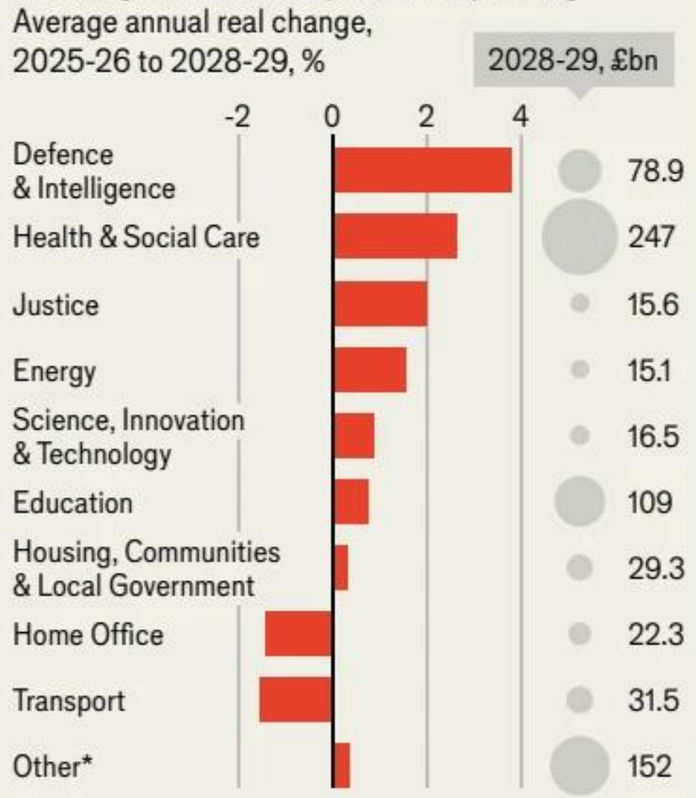
Ms Reeves also touted an extra £4bn a year for affordable housing, though the bulk of that comes by reallocating the Ministry of Housing, Communities and Local Government's capital budget, not by finding new funds. As with defence, that spending will not do a vast amount to raise growth, but does indicate a worrying revival in Labour's more statist instincts.

The government wants to tell a story of renewal, of a painful first year starting to pay off. Certainly, the spending funded by Labour's much-grumbled-over tax rises will start visibly landing soon. But even putting Ms Reeves's jumbled barrage of spending figures aside, the review still had the slight air of a mirage. The overall totals were based on forecasts finalised before Donald Trump's catastrophic "Liberation Day" tariffs. The Office for Budget Responsibility, the fiscal watchdog, may soon revise down its unusually optimistic growth projections. Those realities will hit at the next budget, due in the autumn, and could be painful. If they are, no amount of rhetorical trickery will be able to conceal the need for tax rises, spending cuts or more borrowing. ■

Winners and losers

Britain, government-department spending

Average annual real change, 2025-26 to 2028-29, %



*Including Scotland, Wales and Northern Ireland
Source: HM Government

Regional spending

Big-city blues

It is London's turn to complain about lack of public spending

DURING A PARLIAMENTARY debate in April, politicians from northern England complained about the lack of public investment in their patches. "The north has been short-changed," argued Emma Foody, MP for Cramlington and Killingworth in the north-east. "We are given the cast-offs," added Sarah Russell, the MP for Congleton in the north-west.

The government heeds such gripes, partly because the north is politically competitive. Labour sagged there in the 2019 general election, then surged in 2024. London, the part of Britain that is usually accused of grabbing more investment than it deserves, merely went from solidly Labour to more solidly Labour. On June 11th the chancellor, Rachel Reeves, revealed what she would do.

Declaring that past governments had invested too little outside south-east England, she announced money for big things elsewhere, such as an upgrade to the railway between Leeds and Manchester, and small things, like Southport's pier and Kirkcaldy's seafront and high street. A new local growth fund will go to all regions and nations outside the south. Up to 350 deprived places will receive cash—an echo of the Conservatives' "levelling up" project.

When the chancellor's spending review mentioned London, it was often in the context of promises to close government offices and move civil servants out. The capital had two big requests, for money to extend the Docklands Light Railway and the Bakerloo Underground line. Both got short shrift. The contrast with Birmingham and Greater Manchester, which will be able to extend their tram networks, is plain.

The Treasury also promised to amend its Green Book, a guide to evaluating public projects. That document has a powerful reputation in Britain, despite being little read. In the north of England it is often said to block investment there. "The perception is that Liverpool or Sheffield or Leeds didn't get funding because of the Green Book," says Rebecca Riley of Birmingham Business School, one of the few who has read it.

A review of the Green Book, published on the same day as the spending review, rubbished a few myths. There is no good evidence that it favours some parts of the country over others, the Treasury declared. A common claim, that the Green Book smiles on transport projects in London and south-east England because their residents are paid more, so projects that promise to cut their commuting times look better in cost-benefit analyses, is not true.

The Green Book will change anyway. The Treasury will solicit what it calls "place-based business cases", which should allow regions to argue that a cluster of projects (say, a new public-transport route, new housing and a skills programme) will bring benefits greater than the sum of the individual projects. That might help poor places in particular, since they rarely have just one big problem. The Treasury will also publish successful business cases, which should help those that are less expert at preparing them.

It was Londoners' turn to complain—with reason. True, in the 2023-24 financial year, the city accounted for 31% of public capital spending on transport in England. But London relies on public transport far more than anywhere else: more than half of all English bus journeys occur there. And, as John Dickie of BusinessLDN, an advocacy group, points out, more transport can mean more of the housing that the government is so keen to deliver. Transport for London had argued that if the Docklands Light Railway were extended, up to 30,000 homes could be built.

Above all, the chancellor did little to lessen the Treasury's grip over public spending. For a country of its size, Britain is exceedingly fiscally centralised: about 95% of tax is raised by central government. The great cities of England are little more than courtiers, trying to catch the eye of Ms Reeves and her officials. They had hoped that the chancellor might allow them to levy a tax on hotel stays, as cities in other countries (including Scotland) can. The response was silence. ■

BAGEHOT

Bonnie Blue's Britain

Sin, spin and soft power



BONNIE BLUE is the most famous British woman not everyone knows. Ms Blue, a 26-year-old from Nottinghamshire, has become a mainstay of social media, her blonde hair and blue eyes beaming out from TikTok feeds, Instagram reels and YouTube shorts. Her Wikipedia page gets more traffic than Beyoncé's, and a little less than Taylor Swift's, even if some still say "Bonnie who?" when her name is mentioned. She has become a frequent guest on podcasts that enjoy immense listenership, yet create barely a ripple in older media.

Why the disparity? Her fame is not family-friendly. Ms Blue is a porn star, famous for stunts such as claiming to have had sex with 1,057 men in 12 hours. Footage of the event is not erotic. It is by turns surreal and disturbing, like staring at a Hieronymus Bosch painting. Nearly all the men awkwardly queuing wear balaclavas; one man brought his mother. At the end, the final gentleman begins thanking the cameraman and crew before launching into a rendition of "You've Got A Friend In Me", from "Toy Story".

Luckily, attention rather than arousal was the aim. The video was to plug OnlyFans, a British website where customers can pay porn stars directly. Ms Blue said she earned £600,000 a month posting more orthodox videos than the marathon sessions that made her name. In terms of attracting notice, it worked. When some people picture Britain, they picture Ms Blue.

And why not? Ms Blue's strengths are Britain's strengths. Smut, scuzz and sin are fixtures of the British economy. Tobacco companies are among the largest in the FTSE 100, along with booze companies. British gambling companies, though considerably smaller, are among the country's best-run.

OnlyFans is simply another name on the list. In 2023 people spent a little under $7bn in total on OnlyFans—or roughly how much broadcasters paid in total to show the Premier League outside Britain from 2022 to 2025. OnlyFans, which takes a 20% cut, achieves pre-tax profits of nearly $700m, sending a wodge of corporation tax to HM Revenue & Customs. Now OnlyFans' owner is looking to sell it, wanting $8bn for the company.

If it is sometimes confusing to work out how Britain makes a living, Ms Blue and her ilk provide an answer. In one gimmick, Ms Blue turned up at Nottingham Trent University offering to bed any student. The gambit was sponsored by Stake.com, an Australian gambling company, whose logo also adorns the shirt of Everton Football Club. An OnlyFans star, a low-tariff university reliant on foreign students, and a gambling company? Behold Britain's thriving services sector.

After all, London is stuffed with advisory agencies staffed by smooth men with pinky rings who will tell any story for a fat monthly fee. Ms Blue simply did it for herself. If Britain has a world-class sin sector, its bullshit industry is second to none. Attention is a powerful thing and Ms Blue knows how to get it.

Without media Leviathans able to control who sees what, the battle for attention becomes a fight of all-against-all. This provides a gap for people such as Ms Blue who are willing to do anything to gain it. That is how Ms Blue wound up with the queue of men in balaclavas. After Lily Phillips, another British OnlyFans star, had sex with 101 men in one session, Ms Blue promised to breach the 1,000 mark. Extreme content generated extreme reaction. Hordes of social-media users declared themselves disgusted, but subscribers to Ms Blue's OnlyFans account trickled in.

The system can be gamed, of course. Any self-respecting OnlyFans star relies on a network of accounts to spray content across people's feeds. Synthetic attention can evolve into organic popularity. Every piece of content on a TikTok feed bears the scars of this constant, hidden struggle over the memes of production. It is a fight that Ms Blue and her team were able to win.

Such modern strategies were matched with a more traditional one. Ms Blue speaks in headlines. She fed journalists talking points, whether about sleeping with young men ("barely legal") or old men ("barely breathing"). Ms Blue was welcomed onto "This Morning", a wholesome daytime television show, because producers know that controversy and clicks will follow.

The result is that porn has merged back into people's everyday media consumption, just as it did in the days when British tabloids used to run news from Westminster opposite pictures of naked women. Discourse has returned to the 1980s, when the *Sun* would happily splash outrageous headlines, such as "Freddie Starr ate my hamster", without bothering to question precisely how true it was. Did Ms Blue *really* sleep with 1,057 men? Did Freddie Starr eat a hamster? Does it matter?

The medium is the message

A respectability of sorts beckons for Ms Blue. Channel 4, a highbrow-ish channel, is working on a documentary about her. There are limits, however. Even the most cynical of investors are wary of too much smut. OnlyFans kicked Ms Blue off the platform on June 9th. Promoting an OnlyFans account via extreme content, such as sleeping with hundreds of men in one go, violated the platform's terms of service. When an $8bn sale is at stake, having Ms Blue as one of its most prominent figures would not do.

OnlyFans can cut Ms Blue loose, but Britain has no such option. Successive governments are obsessed with soft power, carefully husbanding the country's reputation as its actual power wanes. "Britain is Great" adverts featuring Paddington Bear and Harry Potter gaze down on travellers in foreign airports. It is a vision free from the smut that also helps the country pay its way. Ms Blue is unlikely to join Paddington and Potter any time soon. There is no need. In 2025, if someone lies back and thinks of England, they may well think of Ms Blue. ■

International



Secularism's stall

Not losing my religion

CAMBRIDGE, MASSACHUSETTS

After decades of rising secularism in the West, Christianity is holding its ground—and gaining among the young

FOR DECADES America's fastest-growing religious affiliation was no religion at all. In 1990 just 5% of Americans said they were atheists, agnostics or believed in "nothing in particular". By 2019 some 30% ticked those boxes. Those who left the pews became more socially liberal, married later and had fewer children. Churches, where once half of Americans mingled every Sunday, faded in civic life. Yet for the first time in half a century, the march of secularism has stopped (see chart 1).

The same is true elsewhere. In Canada, Britain and France, the share of people telling pollsters they are irreligious has stopped growing. Across another seven western European countries it has slowed markedly, rising by just three percentage points since 2020, compared with a 14-point surge in the previous five years. The stall coincides with a pause in the long-term decline of the Christian share of the population in the same places. This suggests that slowing secularisation is caused by fewer people leaving Christianity—rather than the growth of other faiths, such as Islam—alongside a surprising increase in Christian faith among younger people, particularly those from Generation Z (born between 1997 and 2012).

"I've tried alcohol, I've tried parties, I've tried sex...none of these work," says Eric Curry at Pace University, recounting what his peers say about trying to overcome depression, ennui and loneliness. "Young people are looking and searching deeply for the truth." Mr Curry says his recent baptism was the best decision of his life.

The long rise of secularism, which Ryan Burge of Eastern Illinois University calls "a dominant trend in demography of recent decades" has shaped many aspects of Western society. These range from more liberal attitudes towards gay marriage and abortion to prospects for economic growth. Its sudden stall—and possible reversal in some places—is unexpected.

The most plausible explanation for the changing trend is the covid-19 pandemic. Lockdowns, social isolation and economic shocks affected almost all countries and age cohorts at about the time that the data on religious belief hit an inflection point. This is especially the case for Gen Z, whose years of early adulthood were disrupted, leaving many young people lonely or depressed and looking for meaning.

"The pandemic really was a catalyst" for becoming religious, says Sarah, a 20-year-old student at Liberty University, who grew up outside the Church but converted after joining a Bible-study group on Zoom during the lockdowns. "Probably over 75% of my friends who are Christians became Christian since the pandemic."

This trend seems to have persisted beyond the tumult of covid-19. Across three surveys in 2023-24, the share of young Americans identifying as Christian rose from 45% to 51%. The "nones" fell by four points, to 41%. At Harvard, a progressive bastion that started as a Puritan seminary, half of undergraduates attended a chaplain-run event or religious service this aca- ▸▸

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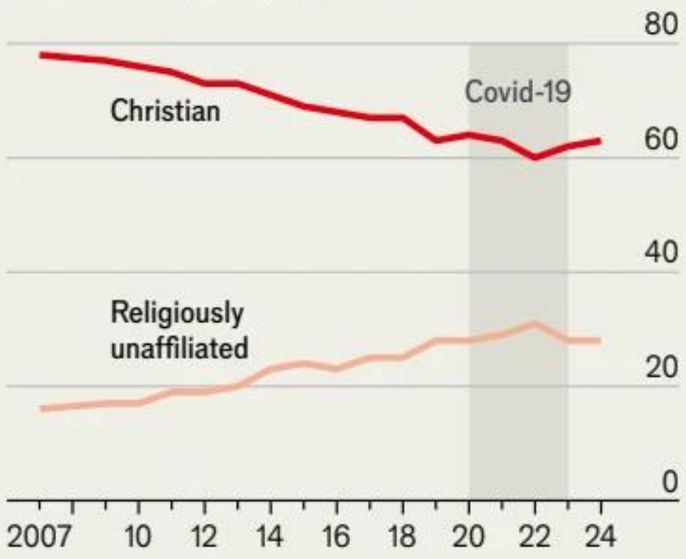
demic year. Tammy McLeod, a chaplain at the university for 25 years, also sees covid-19 as a turning-point: "People were sick of being alone." Since then, "our numbers are higher and they don't drop off after the beginning of the semester." Chaplains on other campuses are seeing the same.

In all 14 Western countries surveyed by Pew, a pollster, more people (often twice as many) said their faith was strengthened by the pandemic rather than weakened. More than a quarter of Americans had their faith fortified, says Gregory Smith, an expert in religion at Pew. Research by Jeanet Sinding Bentzen, an economist at the University of Copenhagen, shows internet searches for prayer and other religious practices shot up in almost every country in 2020.

Pippa Norris of Harvard and the late Ronald Inglehart argued that in times of existential insecurity, people tend to turn to religion for comfort. Religion can explain suffering, offer hope and provide a sense of moral order and communal solidarity, they wrote. Religious attendance (often online) increased in Italy in 2020, particularly in places hardest hit by the virus. Ms Bentzen's previous research on devotion following earthquakes—a different sort of shock—shows that religiosity tends to remain elevated for up to 12 years after a catastrophic event.

Déjà pew 1

United States, % of population



Source: Pew Research Centre

Spain, Portugal, Italy and Finland, among others, are no less Christian today than they were in 2019, according to our analysis of large European surveys (see chart 2). Some countries, such as Austria and Ireland, are still becoming less Christian, but at a slower rate than before. The share of people in the West who told Gallup, a pollster, that religion was important in their daily lives steadily declined between 2006 and 2019. But over the past five years this figure has stabilised. In Ireland, for instance, 58% said religion mattered in daily life two decades ago; by 2018, that figure was 48%, and has remained there since.

As in America, a slowdown in religious exits and resurgence among the young are responsible. Active withdrawals from the Church of Sweden have fallen for the past five years, and baptisms among young adults have more than doubled since 2019, notes Andreas Sandberg, its record-keeper. Our analysis of the British Election Survey shows both the secular and Christian share of the population have been flat since 2020. More interesting is that the irreligious share of Gen Zs has fallen every year over the same period.

Because there are fewer cradle-Christians these days, many Gen Zs who now identify with a religion are doing so for the first time in their lives. Some are diving right in, literally. Adult baptisms in France at Easter this year jumped by 45% to more than 10,000, the most in 20 years. Two in every five of these were Gen Zs, double the share in 2019. Baptisms in Austria and Belgium also rose. In 2023, the last year for which data are available, converts to the Church of Norway doubled to 4,000.

The data pointing to a levelling off of secularism are clear. These findings are consistent across several large annual surveys, including samples of almost 25,000 adults in a study from Harvard, 37,000 in a survey by Pew and 12,000 in one by Gallup. But what is less clear is whether they mark a plateau or a sustained inflection. Part of the answer may depend on what other causes are contributing to the shift besides the pandemic. "We don't know if this is a temporary lull or if we are seeing the end of the long secular surge," says David Campbell of the University of Notre Dame, Indiana. And no one knows for sure why people have stopped leaving the Church or how to account for youthful piety.

Can immigration explain why secularism has stood still in many Western countries? Probably not. In America newcomers tend to be less Christian than the native-born, making them a drag, not a boost, for the Christian share, notes Mr Smith. Migrants to Europe also tend to be non-Christian, and younger than the local population. Their presence does not explain the plateau in the Christian share of the population, or secularism's pause across a broad range of age groups.

That's me in the corner

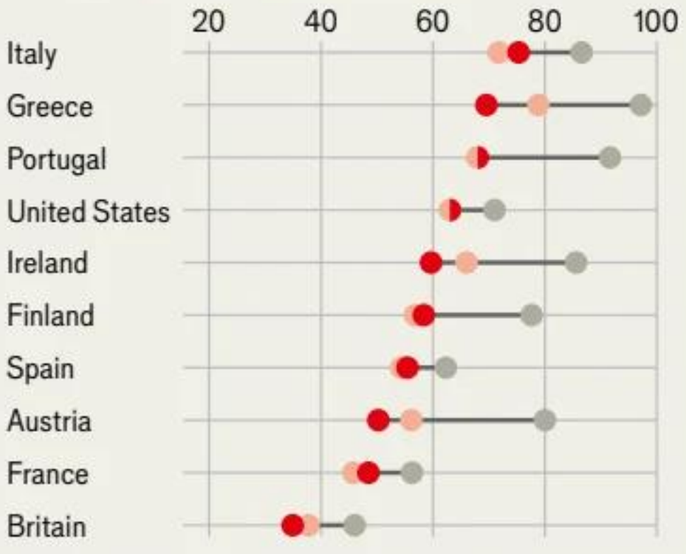
Young men are becoming particularly keen on God, overturning a norm that spans cultures and time: that women are the more devout sex. In America Gen Z women are now more likely to have no religious affiliation than their male peers, according to a study by the American Enterprise Institute, a think-tank. In Britain a YouGov poll of some 13,000 people found 21% of young men who identify as Christian now attend church—up from just 4% in 2018, compared with 12% of young women. One reason for the divergence is that women have increasingly found the Church out of step with their more liberal views.

At the same time as younger Americans are finding religion, fewer older Americans are giving it up. Between 2020 and 2024 the share of Christians in the population as a whole fell by just one percentage point. Before then, it had been dropping by that much every year. Look more closely at each generation and the Christian share either held steady or increased over the four years across all age groups except millennials. Baby boomers, for example, were seven points more Christian (at 79%) than they were in 2020. Taken together, the slowdown in religious exits across several generations and the unexpected rise among the young have caused the Christian share of America's population to stabilise at around 62% since 2020.

Similar forces are at work elsewhere.

Geography of belief 2

Population identifying as Christian, %



Sources: Pew Research Centre; British Election Study; European Election Studies

That was just a dream

Instead, wider cultural changes appear to be playing a role. For most of the past two decades, God was on the receiving end of bad publicity, while atheism found pop-culture swagger. Books such as "The God Delusion" by Richard Dawkins, an Oxford don who in 1996 compared religion to the smallpox virus, or "God is Not Great" by the late Christopher Hitchens, a journalist, became bestsellers. Now, however, it is sales of the Bible that are booming (up by 22% in America last year).

The most important driver of secularisation in the West in recent decades has been people abandoning their religion, says Stephanie Kramer, also of Pew. Loss of faith has had a far bigger effect on the numbers than ageing, migration or fertility. So if the net outflow of the devout were to end, as now appears to be happening, then Christians would retain their majority in America for at least the next 50 years, Ms Kramer predicts, rather than falling below 45% as previously expected. Hardly anyone saw this coming, just as hardly anyone predicted the pandemic. God moves in mysterious ways—and so do people. ■

THE TELEGRAM

Ukraine's long war, seen from Taiwan

Taiwan's plan was to hold off a Chinese attack until America arrived. What now?



IF TAIWAN CAN resist Chinese invasion forces for a month, then Communist Party leaders in Beijing can be deterred. That calculation has long guided war planners and politicians in Taiwan. The democratically ruled island would need to survive weeks of bombardment, blockade or even amphibious landings by the People's Liberation Army, to give America time to turn up and save the day.

Alas, Taiwanese confidence that America will arrive at all is growing weaker by the day. That is reshaping the plans that the island's sitting government, which is determined to resist Chinese aggression, must make for its defence.

For years, the island has had to live with a degree of doubt. When President Donald Trump declines to say whether he would risk war with China to save Taiwan, he is following the precedent set by most modern presidents, who used "strategic ambiguity" to deter rash moves by either side to change the status quo. Under the terms of that uneasy stand-off, China calls Taiwan a province that must one day return to the motherland. The island's leaders deny being part of the People's Republic of China, but stop short of declaring Taiwan a separate country. American ambiguity leaves China's supreme leader, Xi Jinping, wrestling with uncertainties. If Mr Xi wants to avoid conflict with America, he needs to be sure of a quick victory, or must stay his hand. As for leading Taiwanese opposition politicians, they have long seized on that same ambiguity to portray America as an unreliable friend, and counselled accommodation of China to buy peace.

What is new is the alarm engendered in Taiwan by Mr Trump's treatment of Ukraine. When Mr Trump scorns Ukraine as a small country that foolishly imagines it can defy a larger neighbour, Taiwanese hear echoes of their own plight. It does not help that Mr Trump has long scoffed at Taiwan's prospects in a fight with China. And if America stays aloof, no other power will take up arms in Taiwan's defence (see Asia section).

True, Chinese hopes of a quick victory were shaken by the failure of Russia's own attempt at a lightning conquest of Ukraine in February 2022: a debacle that China has studied minutely. But now Ukraine's long war is forcing Taiwan and friendly governments, including in Europe, to make unprecedented public efforts to prepare the island's 23m people for a crisis lasting far longer than a month, such as a naval blockade.

In June The Telegram travelled to Berlin for the Taiwan Trilateral Forum, a meeting of diplomats and analysts from America, Europe and Taiwan. Asked for lessons from Ukraine, a Taiwanese participant replied that his island needs "to prove to the rest of the world that Taiwan is able to fight for an extended period". This is as much a political as a military imperative. Taiwan's plan is "to hold on as long as possible, while China's legitimacy is challenged and the international community has time to help", he added.

Speakers described a flurry of studies and war-games in Western capitals, weighing Taiwan's vulnerabilities. Taiwanese firms, notably TSMC, make more than 90% of the world's cutting-edge semiconductors. Even if TSMC foundries are not blown up, the forum heard, a blockade could stop just-in-time imports of specialist gases and chemicals needed to make chips. The meeting, organised by the German Marshall Fund, a Washington-based think-tank, heard of growing seriousness in Taiwan, too. Green groups that clamoured for ageing nuclear power plants to be shut down are more open to arguments about national security and the risks of Taiwan's heavy reliance on imported fossil fuels.

Trump administration views were parsed like scripture. There were accounts of reassuring meetings with the defence secretary, Pete Hegseth, and the secretary of state, Marco Rubio. Against that, there were dismaying reports of Britain and Germany being chided by other American officials for sending warships through the Taiwan Strait to uphold the freedom of navigation. Europeans should be focusing on Europe's security, was the message.

The new German government risked China's wrath by allowing Jaushieh Joseph Wu, the head of Taiwan's national security council and a former foreign minister, to address the forum in Berlin. Praising Germany's "courage", Mr Wu pledged that Taiwan will spend more on defence but will "not be a provocateur", in remarks that German officials allowed to be made public. Speaking a stone's throw from Friedrichstrasse station, a cold-war crossing point between East and West Germany, Mr Wu hailed West Berlin's survival as an island of freedom. He described Taiwan's improving civilian resilience, including the stockpiling of food, water, medicines and energy, and "whole of society" training drills.

Taiwan contemplates a harsher, lonelier world

Under Tsai Ing-wen, Taiwan's president from 2016-24, such planning was kept secret to avoid alarming the public and foreign investors. The current president, Lai Ching-te, has chaired meetings about resilience and live-streamed them. His hope is to educate a society riven by partisan divisions. Promoting civilian resilience is a diplomatic play, too, allowing friendly powers to help Taiwan without arms sales that would enrage China. Israel and Finland, two countries with advanced civil-defence systems, have both welcomed Taiwanese fact-finding missions. Other Western countries want to learn from Taiwan's expertise in fighting off Chinese cyber-attacks and disinformation campaigns.

One step is almost unsayable aloud. Should Taiwan rehearse how to resist occupation by China, striving to be ungovernable after a defeat? Several Taiwanese experts are sceptical. They call such planning defeatist, divisive and panic-inducing. Besides, fears of post-war unrest and resistance on Taiwan will not deter Mr Xi, sceptics argue. Other Taiwanese see no choice. They point to Ukraine's starkest lesson: survival is a long game. ■

Business



Apple

Falling from the sky

SAN FRANCISCO

Can Tim Cook stop Apple going the same way as Nokia?

A YEAR AGO, when Apple used a jamboree at its home in Silicon Valley to unveil its artificial-intelligence (AI) strategy, grandly known as Apple Intelligence, it was a banner occasion. The following day the firm's value soared by more than $200bn—one of the biggest single-day leaps of any company in history. The excitement was fuelled by hopes that generative AI would enable Apple to transform the iPhone into a digital assistant—in effect, Siri with a brain—helping to resuscitate flagging phone sales. Twelve months later, that excitement has turned into almost existential dread.

It is not just that many of last year's promises have turned out to be vapourware. Siri's overhaul has been indefinitely postponed, and Apple Intelligence is no match for other voice-activated AI assistants, such as Google's Gemini. Meanwhile Apple's vulnerabilities in China have been exposed by President Donald Trump's trade war. Moreover, the company faces new legal and regulatory challenges to the two biggest parts of its high-margin services business.

Apple's shares, down by almost a fifth this year, have lagged behind its big-tech peers, Alphabet, Amazon, Meta and Microsoft (see chart 1 on next page). But those are not the most alarming comparisons. In a new book, "Apple in China", Patrick McGee draws an ominous parallel between Tim Cook, Apple's chief executive, and Jack Welch, boss of General Electric from 1981 to 2001. Like Welch, Mr Cook has made a fortune for investors. When Apple's market value first exceeded $3trn, in 2022, it had risen by an average of more than $700m per day since he took over from Steve Jobs in 2011. But Mr McGee raises the possibility that, as at GE, Apple's success may obscure serious vulnerabilities. If that is the case, what can Mr Cook do to avoid the sort of fate that befell GE and other once-great companies that suddenly lost their way, such as Nokia, a Finnish phone-maker that was disrupted by Apple in the late 2000s?

The answer did not emerge during the keynote address on June 9th at Apple's annual Worldwide Developers Conference. Unlike last year, Apple made few promises about AI, besides opening up the Apple Intelligence models on its devices to app developers. The biggest announcement was a refreshed look for its operating systems, which it called Liquid Glass.

Many would prefer to see Mr Cook work on a new hardware strategy instead. Craig Moffett of MoffettNathanson, an equity-research firm, notes that the greatest moments in Apple's history have come from the reinvention of what techies call "form factors": the Mac reimagined desktop computing, the iPod transformed mu- ▸▸

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sic-listening habits and the iPhone popularised touchscreen smartphones. AI looks like it will be another such pivot point. (Eddy Cue, Apple's head of services, recently admitted that AI could make the iPhone irrelevant in ten years.)

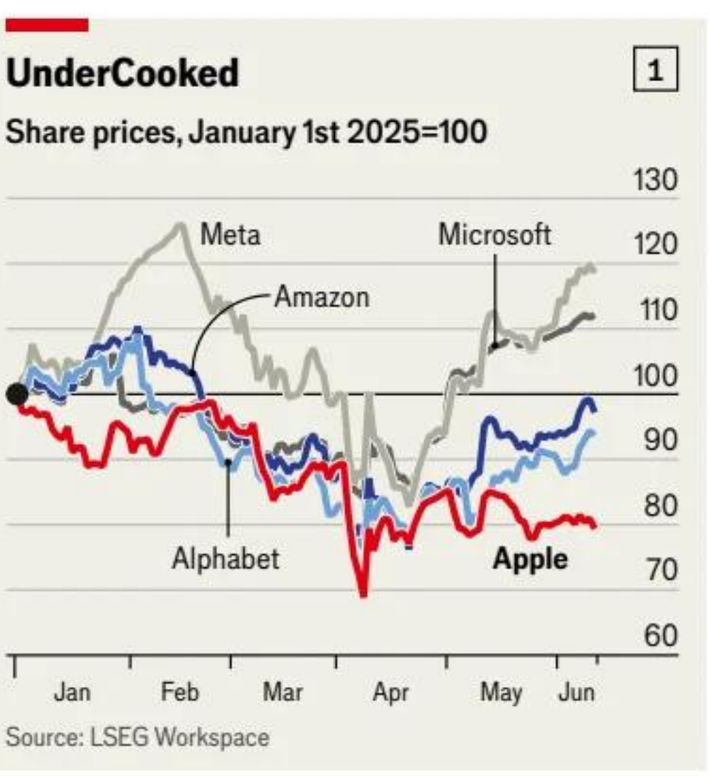
For now, Apple's rivals have been faster to explore new opportunities. Meta and Google are pinning hopes on AI-infused smart glasses, as are Chinese tech firms such as Xiaomi and Baidu. OpenAI, maker of ChatGPT, recently announced a $6.4bn deal to buy a firm created by Jony Ive, Apple's former chief designer, to build an AI device. As yet there is only hype to go on, but it has put Apple's lack of AI innovation in the spotlight.

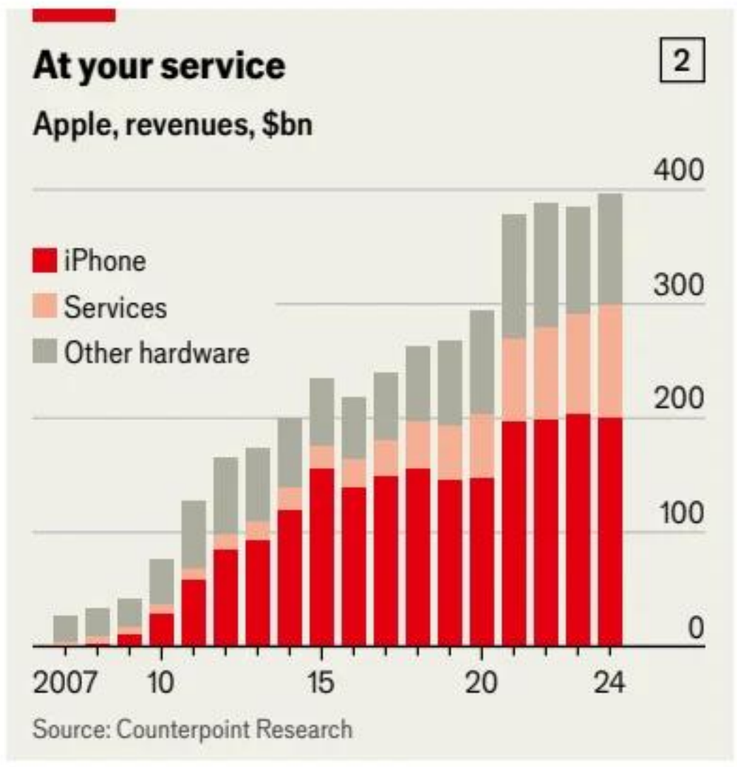
Apple's response may seem like dogged incrementalism. Next year it is expected to unveil a foldable phone, following a path blazed previously by the likes of Samsung and Motorola. But Richard Windsor of Radio Free Mobile, a tech-research firm, thinks Apple may still have an ace up its sleeve. If smart glasses take off, its investment in the Vision Pro virtual-reality headset, though so far an expensive flop, may be a useful insurance policy. It could provide Apple with enough expertise in headgear and eyewear to shift quickly to glasses. If so, the company will avoid "doing a Nokia", he says.

Questioning the Cookbook

Likewise, Apple might make use of this moment of soul-searching to rethink other shibboleths of Mr Cook's tenure, such as the obsession with privacy and the high walls it puts around its family of products. As Ben Thompson of Stratechery, a newsletter, points out, sanctifying the privacy of its users' data has been an easy virtue for Apple to uphold because until recently it did not have much of an advertising business. Yet in the AI era, prioritising privacy has drawbacks.

First, Apple's reluctance to scrape customers' individual information makes it harder to train personalised AI models. Apple uses what it calls "differential privacy"





based on aggregate insights, rather than the rich, granular data hoovered up by firms such as Google. Second, privacy has encouraged it to prioritise AI that runs on its own devices, rather than investing in cloud infrastructure. Chatbots have advanced more rapidly in the cloud because the models can be bigger (awkwardly, this led Apple to offer some users of Apple Intelligence an opt-in to ChatGPT).

In order to overcome its AI deficiencies, it could splash out on buying a builder of cloud-based large language models (LLMs). But it has left that quite late. OpenAI's deal with Mr Ive makes it less likely to ally with Apple. Anthropic is close to Amazon, which has a big stake in the maker of the Claude family of LLMs. Other options are either Chinese or too small for a company of Apple's heft.

Alternatively, it could relax its "walled garden" ethos of seamless integration, and partner with a variety of third-party LLMs, as Motorola, owned by the Chinese firm Lenovo, has done. Third-party voice-activated chatbots could quickly solve its Siri problem, giving renewed reason for people to upgrade their phones.

The likelihood is that Mr Cook will do nothing radical. As Mr Moffett puts it, his tenure has been marked by the steady ascendancy of "process over product". Instead of flashy innovations, his hallmark has been metronomic reliability, especially with regards to financial performance. Nor has he any hope of swiftly extricating Apple from China. As Mr McGee points out, even if Apple's final assembly moves to India and other countries, the supply chain's roots remain deeply embedded in the Middle Kingdom.

Yet this is no time for complacency. Whatever the ups and downs of AI—as Google has recently shown, yesterday's losers can quickly become today's winners—nothing turns investors off quicker than a profits shock. That is what makes the threats to Apple's services business so serious (see chart 2).

The most striking risk is that the judge who declared Google a monopolist may order it to suspend payments to Apple that make Google's search engine the default on the iPhone. The payments, which are partly for exclusivity and partly a revenue-sharing arrangement, generate about $20bn a year for Apple (last year its services revenue was $96bn). David Vogt of UBS Investment Bank says that, if the judge imposes a ban on the exclusivity part of the payments, it could cut Apple's revenue by about $10bn. "I'm getting calls every day of, 'What will the market do to Apple stock if that happens?'" he says. Google has vowed to appeal.

Another looming threat is to app-store revenues, which are under scrutiny as a result of the EU's Digital Markets Act, as well as from an antitrust lawsuit brought by Epic, a gaming firm, against Apple in America. Bank of America estimates that app-store commissions generate $31bn a year of high-margin services revenue for Apple. If app developers steer customers away from Apple's app store as a result of the rulings, it could clobber the lucrative cash cow.

Services have been the brightest spot of Mr Cook's tenure in recent years, helping to mitigate stagnation in iPhone sales. It will be a blow if the line of business suffers. But if it prompts Mr Cook to tear up his own rule book on AI and everything else, it may be worth it in the end. ■

The meat industry

A bigger bite

SÃO PAULO

JBS, the world's largest food company, plans to beef up in America

CONSUMERS OUTSIDE Brazil may not be familiar with JBS, even though many will have tasted its products. But as the meat-packing colossus prepared to list on the New York Stock Exchange (NYSE) on June 13th, its American competitors were quivering in their cowboy boots. The listing is designed to allow JBS, already the world's biggest food company by revenue, to gobble up even more market share by tapping cheaper capital and attracting new investors. Yet it could also leave the firm vulnerable to litigation from its broad range of enemies, who include environmentalists as well as an unusual coalition of Republicans and Democrats.

JBS started in 1953 as a small slaughterhouse deep in Brazil's interior, run by José Batista Sobrinho. Soon after, Brazil began building its modernist capital, Brasília, nearby and Mr Batista supplied the construction workers with fresh beef. All the while he instructed his three sons on how

to skin a carcass, salt the hide, prepare cuts and deliver the goods.

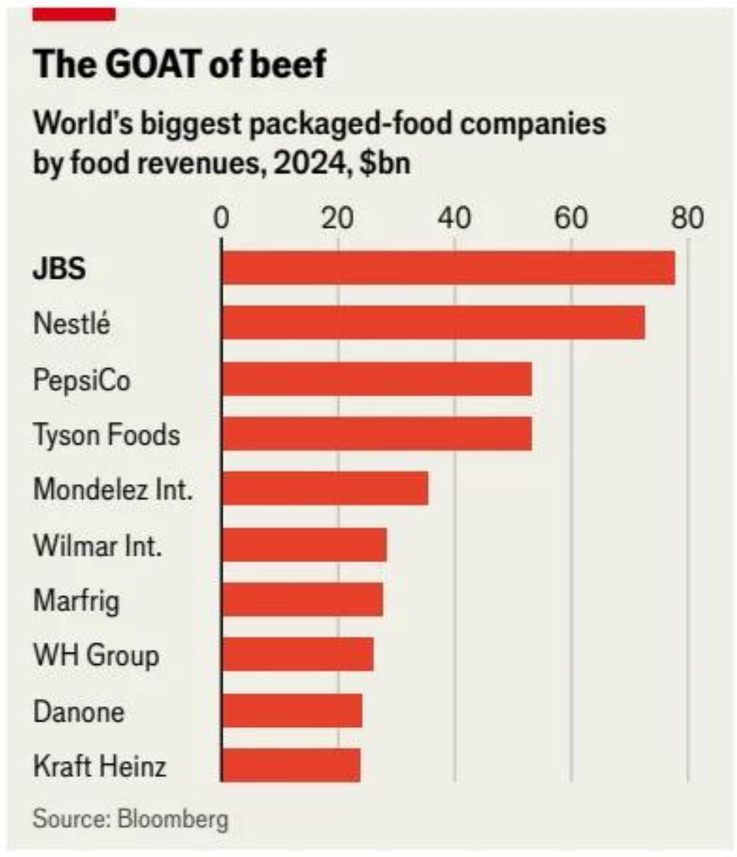
Despite not completing secondary school, two of the sons, Joesley and Wesley, showed a knack for business. When they took over the family firm in the early 2000s they expanded into poultry, pork, fish, eggs and plant-based meat, through a multi-billion-dollar acquisition spree financed partly by Brazil's national development bank. Last year the firm generated $78bn in revenue, more than any rival makes from food sales (see chart). These days around half its sales are in America.

On São Paulo's stock exchange, JBS's shares have long traded at a discount to those of its US-listed rivals. The firm hopes that listing in New York will give it access to the deep pockets of America's institutional investors, as well as the chance to join market indices like the S&P 500, where it would stand to attract capital from passive funds. More and cheaper capital could help JBS expand into new markets in Asia and Africa, where it is betting on a growing appetite for protein. It also has its eye on new lines of business, such as finished meat products. Since JBS announced its plan to list in America in 2023, its shares have almost doubled in value.

Yet some are finding the listing hard to swallow. JBS has opened a corporate entity in the Netherlands to issue two types of share, one with ten times more voting power than the other. This could give the Batista brothers almost 85% of voting shares, up from 48% (JBS says that any conclusions on voting power at this stage are premature). Such dual-class listings are popular among tech startups because they give their founders more control. Yet critics argue that JBS is not a fledgling company and that concentrating voting rights in the hands of the Batistas could undermine corporate governance. America's leading advisory firms for institutional investors recommended that shareholders reject the listing, but it was narrowly approved.

JBS counters that investors who owned stock before the listing will be able to convert their shares into the type with greater voting power, though these cannot be traded publicly. It points out that its main American rival, Tyson Foods, has a similar voting structure. "Our sector is very difficult—you need people who understand the business," says Guilherme Cavalcanti, JBS's chief financial officer. He says the Batistas' long experience in the meat industry gives them a better understanding of the company's needs than shareholders who sometimes prioritise short-term profits.

Others believe that greater control by the brothers may prove a liability. Both were briefly jailed in Brazil in 2017, but later acquitted. The same year JBS's holding company, J&F, signed a plea deal with Brazilian prosecutors and agreed to pay a fine of $2bn over 25 years for bribing officials to secure tax breaks and cheap loans for their companies. (A judge on Brazil's supreme court suspended the fine in 2023, arguing that the plea deal may have been signed involuntarily.) In 2020 J&F agreed to pay another fine, of over $250m, in a plea deal with America's Department of Justice, for using American bank accounts to pay bribes to Brazilian officials. The firm paid a $27m fine for engaging in bribery to acquire Pilgrim's Pride, an American poultry company, in 2009. In 2021 Pilgrim's Pride pleaded guilty to fixing prices for broiler chickens and was fined more than $100m.



Much at steak

Because of this unsavoury history, JBS's listing plans have provoked an unusual show of bipartisanship in Washington. Last year a group of American congressmen including Marco Rubio, now the secretary of state, urged competition regulators to consider how JBS's listing could "enhance its ability to engage in anti-competitive conduct and adversely impact US farmers and ranchers". A $5m contribution by Pilgrim's Pride to Donald Trump's inauguration committee—the largest of any donor—has irked Democrats. (The company says it has a "long bipartisan history of participating in the civic process".)

JBS has also been a target of human-rights and environmental charities, which say the company has dragged its feet when tackling illegal deforestation in its supply chain. Mighty Earth, an organisation based in Washington, DC, says that several farms which directly supplied thousands of cattle to JBS slaughterhouses were linked to alleged illegal deforestation in the Amazon in 2018-24. The charity says illegal deforestation is still more common on farms that indirectly supply slaughterhouses. On June 8th it sent a legal notice to the NYSE warning that JBS's listing could violate anti-money-laundering laws if its profits can be linked to illegal deforestation.

JBS says that Mighty Earth's allegations are unfounded, and that it is doing more than most meatpackers to tackle deforestation. From January its direct suppliers will be obliged to provide information on the farms they buy cattle from. In Pará, a state in the Amazon with 26m head of cattle, JBS is helping to fund ear-tags for cows to improve tracking. Pará hopes to have all cows tagged by the end of next year; only 12,000 have been so far.

JBS's many critics are encouraged that the firm has a corporate presence in the Netherlands, which has emerged as a favoured destination for climate litigation. Alex Wijeratna of Mighty Earth reckons that JBS will be hit with lawsuits from environmental campaigners "as soon as they land in Holland". Something for investors to chew over. ■



Cash cows

Modest-wear

Very demure, very mindful

A hit with fashionistas of all faiths

EID AL-ADHA, which began on June 6th, is nicknamed the "Muslim Met Gala" for good reason. The three-day holiday is an opportunity not only for religious observance but for worship of the fashion gods, as revellers dress up to the nines. As Muslim spending on fashion grows, designers are bringing out collections aimed at the observant. What's more, even non-Muslims are adopting the trend for "modest-wear".

Modest fashion's primary market is the world's 1bn Muslim women, many of whom dress conservatively. Muslim consumer spending on fashion will reach $428bn in 2027, up by more than a third since 2022, forecasts DinarStandard, a research firm. In the past month, modest apparel has been one of the five most popular fashion categories on the British version of TikTok Shop, a social-commerce platform.

Spotting growing demand, Western brands are targeting modest dressers. ASOS, a British fast-fashion retailer, has a modest-wear section on its site with items offering fuller coverage. Nike, which introduced a "pro hijab" in 2017, has unveiled a modest-swimwear line (the hijab costs $38 and the swimsuits $130—not so modest on the wallet). Designers such as Alexander McQueen and Versace have put out Ramadan and Eid collections in recent years.

Muslims are not the only ones spending on conservative fashion. Modest-wear's overlap with current trends has raised its profile. Social media are saturated with looks such as "Scandi minimalism", "old money" and "quiet luxury", which feature relaxed fits, long sleeves, high necklines and long hemlines. Pinterest, a social platform, has seen searches for "modest dresses fashion" and "baggy outfit ideas" more than quadruple in the past year. On TikTok the hashtag #modestfashion has over 12bn views.

Trends come and go: skinny jeans and bum-grazing shorts will no doubt return in due course. But spending on apparel by Muslims is set to rise. DinarStandard predicts continued increases of 6% a year. As Muslim markets grow, the modest-wear business will not be going out of style any time soon.



Tesla

Taxi for Mr Musk

A falling-out with Donald Trump will hurt the carmaker

FOR SALE: one bright red Tesla Model S, barely used. Payment in cash or crypto. Ready for collection as soon as possible from 1600 Pennsylvania Avenue.

Of all the threats made by President Donald Trump after his explosive (if not unexpected) falling-out with Elon Musk, the suggestion that he may sell his recently acquired car is telling. Mr Trump bought the car in March as a gesture of support for Tesla's boss, whose attempts to cut government spending had provoked boycotts and attacks on showrooms. The president's backing did little to improve Tesla's sales. But the apparent end of the friendship could spell trouble for the carmaker's bigger ambitions in autonomous taxis.

Investors may welcome the banishment of Mr Musk from the president's inner circle, if it allows him to devote more time to running his car firm. In the immediate aftermath of the messy break-up (conducted the modern way, over social media) the firm's shares fell by 14% on June 5th, but have since recovered. One reason for the relationship's end was Mr Musk's vocal opposition to a tax bill—a "disgusting abomination"—that would add trillions to America's deficit and remove subsidies on sales of electric vehicles. Mr Trump has since proposed to cut government contracts with Mr Musk's companies, including SpaceX, his rocket firm.

That may explain why the former "First Buddy" admitted on June 11th that his comments "went too far". But Mr Trump is not the only person having second thoughts about owning a Tesla. The company's first-quarter results, reported in April, were as disappointing as the annual ones for 2024. Last year the firm suffered its first fall in sales for over a decade. The next quarter could be even more of a car crash, as sales continue to drop in America and around the world.

Teasing out to what extent Tesla's woes are caused by Mr Musk's association with the president is tricky. There are other explanations. A line-up relying heavily on two ageing models, growing competition and limited availability while the firm ramps up production of a new version of the Model Y have all played a part. But falling sales may be less of a concern than Mr Trump's attitude to Tesla's next endeavour.

The future of the firm is autonomous cars and humanoid robots, according to Mr Musk. Where once its passenger-car technology was cutting-edge, it now has only a narrow lead over older rivals and may even trail some Chinese newcomers. "Innovation on the car side has slowed down massively," notes Philippe Houchois of Jefferies, a bank. Tesla plans to launch a fleet of driverless taxis in Austin, Texas, on June 22nd. But relying on robotaxis is risky, not least because as Tesla's car business falters they are not close to plugging the gap. Returns from humanoid robots are even more distant.

The service in Austin is intended to be the first of many. But Mr Musk's hope that millions of autonomous Teslas will be roaming the streets of America by the second half of 2026 is wildly ambitious. One obstacle is that autonomous vehicles are regulated at state level, with no consistent approach. Mr Musk had hoped for a new federal law that might have meant an easier ride for his technology, which critics claim is still unproven.

The chance of lighter regulation has probably blown up along with his relationship with Mr Trump. That makes the road to profiting from robotaxis longer. Wary passengers may get used to the idea and operators may stump up the billions needed to put fleets on the road. But it is uncertain whether the business will be more profitable than a human-driven taxi for many years, if ever. The burning of Waymo robotaxis in protests in Los Angeles shows another unforeseen drawback to cars without a driver to mind them.

Mr Musk has done a remarkable job of building Tesla into an industry-leading carmaker. During his spell in politics some investors questioned whether he was the right person to take Tesla forward. With that distraction seemingly over, he has the chance to prove them wrong. Unless robotaxis look like a winner in short order, though, the questions will only return. ■

Profile

Ukraine's pre-teen YouTube queen

Diana Kydysiuk is growing up—and growing rich—on camera

FROM MONDAY to Friday, Diana Kydysiuk's life looks much like that of any other 11-year-old, with her time taken up by school, gymnastics and judo practice. But at weekends Diana becomes the star of home-made videos that are viewed billions of times by people around the world. "Yeah," she says shyly, "it's weird."

She is technically too young to watch YouTube without parental supervision, but Diana is the face of its sixth-most followed channel. "Kids Diana Show" has more than 135m subscribers, placing it behind only MrBeast (who does elaborate stunts and competitions), two Bollywood brands and a couple of other children's shows. Add in 20 sister channels, in languages from Arabic to Vietnamese, and Diana's YouTube empire claims to clock more than 10bn views per month. Few people in the world are as closely watched.

Her story is a case study in the curious world of online superstardom. Diana is a celebrity among pre-schoolers while being broadly unknown to anyone else. Her set-up combines a professional media business with a home-made approach. And it exemplifies how, in the new media economy, children are not just big consumers of content but suppliers too.

Diana's entertainment career began in Kyiv when she was a year old. The first video on her channel shows her sitting in a buggy, trying to eat a leaf, as her mother, Olena, gently dissuades her in Russian. (It has been viewed nearly 2m times.) Olena and Volodymyr, Diana's father, started using YouTube to share home videos with friends and family. Soon they began aiming at a wider audience, filming toy "unboxing" videos—catnip for pre-schoolers—and adding jolly soundtracks and graphics. Her parents' backgrounds in computer programming and marketing proved a useful foundation.

As their channel grew in popularity, the family made it a full-time job. In 2018 they switched the main language from Russian to English and left Ukraine, first for Miami and then for Dubai, where they have lived for the past five years. "I used to do really bad with English, but now it's the opposite...sometimes I even forget Russian words," says Diana, who doubles up as her mother's translator while speaking to *The Economist* between filming.

The channel has nimbly adapted to YouTube's ever-changing algorithm. Its videos now are mainly roleplays, often with a loosely educational slant: one recent film is about how to sort rubbish into different bins. Diana explains what succeeds, with the admirable frankness of an 11-year-old: "Educational videos that will keep the kids entertained and will give the parents an advantage to do something else than look after their kids. Because, obviously, kids are kind of annoying."

The family's production set-up is the usual YouTubers' mixture of home-made and high-end. Olena comes up with the ideas for videos while Volodymyr manages the financial and legal side. Mum and dad both appear in many films, speaking in strongly accented English. A Ukrainian family friend does the PR. After nearly a decade of success there is still no website.

Yet in other ways Diana's operation is a serious business. Videos take up to four months to produce, and the family employs set designers, crew, writers and actors. They have built several filming locations in Dubai that can be turned into a house, a maze or a garden—"whatever our imagination calls for", says Olena, with evident pride.

Diana's parents decline to talk about their finances. But the main channel is likely to make around $10m a year from ads after YouTube takes its 45% cut, estimates Jeremy Goldman of eMarketer, a research company. In addition, there are brand tie-ins, which have the potential to generate millions more in revenue, believes Mr Goldman. In one recent video, sponsored by Mattel, an American toymaker, Diana shows off that company's latest Barbie dolls ("Awesome!" "Cool!" "Yay!" declares a chorus of sound effects).

The channel's biggest audience is in America—handily, as that is where YouTube's ad rates are among the highest. Diana is also popular in India and has a following in Brazil, Spain, Portugal and the Middle East, her parents say. They maintain a Ukrainian-language channel—"we felt it was our duty to create it," says Olena. Since Russia's invasion of Ukraine, revenue from Russian-language channels has dropped, the family says, though overall viewing hasn't fallen. Diana has not been back since the war broke out in 2022.

Being made famous by algorithm is a strangely uneven experience. Diana's fame is concentrated among young children, who are also by far the most intensive consumers of so-called user-generated content. Children under 15—who have come to be known as Generation Alpha—spend nearly twice as much time on video-sharing platforms as they do on subscription streamers like Netflix, and three times more than on live television, according to a recent study in Britain. Hollywood studios, chasing adult subscribers to their streaming services, seem to be losing the battle for young children's attention.

Diana has mixed feelings about growing up in her parents' viewfinder. She has travelled the world and tested more toys than most children will see in all their Christmases. But, she admits, "when I get noticed, it's kind of uncomfortable for me." At meet-and-greets up to 5,000 people line up for a picture. "It can be hard to stay patient, but I have to keep smiling and saying



In the pink

hi to everyone," she says.

The rise of "kidfluencers" has raised questions about their legal status. Over decades the entertainment industry has come up with rules to protect child performers (not always effectively). Children on YouTube, whose clips are often recorded and uploaded by their parents, are in a grey area. Several American states have passed laws to protect child social-media stars, following high-profile cases of exploitation. One of the latest such laws, in Utah, compels parents who make more than $150,000 a year from such content to set aside 15% in trust for the child, who also gets the right to delete any footage once he or she turns 18.

At 11, Diana is dealing with the same confusing transitions as other children her age. "I like horror movies and movies that are for adults. But then there's also shows like 'My Little Pony' that I like. So it's complicated," she says. For the family, Diana's looming teenage years also present a business conundrum, as she starts to outgrow her core audience. Lately she has been cutting down on filming to make room for schoolwork and hobbies.

Fortunately for the family business, Diana's brothers—aged 12, four and two—are taking part in videos too. At weekends, the children film on a rotating schedule to keep the content flowing. If one child happens to be unavailable, says Olena, "we simply switch to another kid. That's how our system works." ■

BARTLEBY

Decisions, decisions

Three questions to improve the speed and quality of your choices

THE WAYS in which humans can be triggered into making irrational decisions are many and varied. Investors make higher bids for stocks when the sun is shining. If you add paper packaging to a product wrapped in plastic, people will perceive it as being more environmentally friendly than the same product without paper. The act of sharing an article makes people feel more knowledgeable: people who read a story on investing and share it are likely to take more risk in investment decisions than those who read the same article but do not pass it on. It's a wonder the species has done as well as it has.

In an ideal world, individuals would correct for their own biases when they make decisions. Good luck with that, says Olivier Sibony, who studies decision-making at HEC Paris, a business school. A distinguishing feature of biases is that people are unaware of them. "If I show you a visual illusion and you fall for it, you would never say 'I will watch out and I will never fall for any visual illusion again.'" Instead, it's up to organisations to encourage better decision-making, the subject of the latest episode of our Boss Class podcast. That means asking three questions in particular.

The first is what kind of decision is being taken. When he was leading Amazon, Jeff Bezos used the idea of one-way and two-way doors to separate decisions into two categories. A one-way door is a big decision which is hard to reverse and should absorb more thought. A two-way door is a decision where changing course is not that difficult and it's better to move fast even if mistakes are made. (A revolving door is presumably for people who never come to a decision at all.)

Whatever vocabulary you choose, it's useful to think about the costs of botching a decision and to calibrate things accordingly. Michelle Gass, now the chief executive of Levi Strauss & Co, was one of the team at Starbucks that gave the world the pumpkin spice latte. In focus groups, consumers balked at the idea of a beverage full of pumpkin. Inside the coffee company, confidence was much higher that the firm was onto a winner, and they decided to press ahead. "Very few things have irreparable consequences if you're wrong," says Ms Gass.

Having a sorting mechanism like this works only if bosses have a reasonably high tolerance for reversing course if mistakes are made. But it does mean the pace of decision-making can increase.

The second question is who is taking the decision. Disagreements can quickly lead to an impasse unless someone has the authority to make the choice. There are lots of formal frameworks designed to specify decision-making roles. RAPID stands for Recommend, Agree, Perform, Input and Decide (this is not actually the order in which things happen but in management, acronyms always trump logic). The RACI framework makes tremendously confusing distinctions between people who are responsible, accountable, consulted and informed.

Even then, decisions can end up being countermanded by someone higher up the ladder (a framework informally known as BIG CHEESE). So an awful lot depends on whether bosses are willing to live with decisions if they disagree with them. Supercell, a Finnish mobile-games company responsible for titles such as "Clash of Clans", preaches the gospel of autonomy. Games teams are able to kill off new titles unilaterally before they get into users' hands, even if games have been years in the making. That degree of decentralisation will not appeal to everyone, but the clarity over where decision rights really lie is something to replicate.

The final question is how to reach your decision. Should it follow a codified process? Should there be structured ways to gather opposing views? Should it involve a pre-mortem, which asks people to imagine the things that are likely to cause a decision to turn out badly? For strategic choices, the answer to all these questions and more is probably "yes". However a decision is made, some rules are better than none. "When you wash your hands, you don't know specifically which virus or bacterium you are washing away, but you know it's a good idea," says Mr Sibony. A process makes big decisions more hygienic, too.



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SCHUMPETER
Make America French Again

Gallic lessons for the American private sector



ON JUNE 14TH Constitution Avenue will turn into the Champs Elysées for a day. Some 150 military vehicles, 50 aircraft and 6,600 troops will roll, fly and march past the White House to celebrate the US Army's 250th birthday (and, coincidentally, its current occupant's 79th). The scene will be reminiscent of the annual Bastille Day parade in Paris, which so inspired Donald Trump when he attended one during his first presidential term that he has since insisted on emulating it at home.

The Pentagon pantomime is not Mr Trump's only recent French import. The Oval Office got a Versailles-style gilded makeover. And even as they turn their noses up at goods from France and the rest of the European Union, which may soon face a 50% tariff, the president and people around him are turning into avid consumers of French ideas. These include what by America's free-market standards counts as a heavy dose of *dirigisme*.

In recent months the Trump administration has touted not just tariffs (to protect domestic industry) but also national champions (such as the $500bn Stargate artificial-intelligence project), price controls (for pharmaceuticals) and state ownership (demanding a golden share in return for blessing a Japanese takeover of US Steel). On June 5th Steve Bannon, a prominent MAGA-whisperer, went so far as to call for the full nationalisation of SpaceX, a rocketry-and-satellite firm belonging to Elon Musk, a former "First Buddy" who had just had an epic falling-out with the president.

Mr Trump himself has yet to channel his inner François Mitterrand in so far as seizing private assets is concerned. But it is becoming clear that for large sections of his right-wing movement, Making America Great Again involves the sort of protectionism and state meddling that would be more familiar to Mitterrand than to his American contemporary, Ronald Reagan.

Chief executives in industries that could benefit from protection have cheered parts of this agenda. Mary Barra of General Motors has defended Mr Trump's tariffs on cars as helping "level the playing-field" warped by other countries' unfair rules. Leon Topalian of Nucor said those on steel, of which his firm is America's biggest producer, were "long overdue". Marc Bitzer of Whirlpool has described the washing-machine maker as a "net winner" from Trumpian trade policies. However, for most American CEOs it all seems about as appealing as a corked Pétrus.

To understand their sniffiness, consider American business before Reagan's free-market revolution. The 1960s seem to be the time when, in populist MAGA eyes, America was great: men were men, most women had yet to discover feminism and businesses built stuff. Manufacturing accounted for more than a fifth of total output. Effective tariffs averaged 5-10%. Unions enjoyed plenty of clout. By 1970 more than half of the net value generated by non-financial companies was paid out to workers as wages, twice the share that flowed to their employers' bottom lines. In all these respects, America Inc and France SA were hard to tell apart.

American capitalists look back at the period of Franco-American similitude with less nostalgia. Between 1960 and 1980 their companies turned profits (as measured by the gross operating surplus of non-financial firms) amounting to a ho-hum 14% of GDP. Uncle Sam pocketed around a third of that in corporation tax. Rising inflation, exacerbated by Richard Nixon's 90-day freeze on prices and wages in 1971, pushed up short-term interest rates. The cost of capital for a typical firm soared from 7.5% or thereabouts in the 1960s to nearly 15% in the early 1980s. In the two decades to the start of 1980 the S&P 500 index of large companies rose by 80%, for a paltry compound annual return of 3%.

Both in terms of profitability and stockmarket returns, the pre-Reagan era in America also happens to mirror the past 20 disappointing years in corporate France. Since 2005 French companies' gross operating surplus has hovered around 15-16% of GDP and the CAC 40 index of the largest ones has returned a piddling 3.5% a year. The ten blue-chip businesses part-owned by the state have done even worse. They include makers of aeroplanes (Airbus, Safran), arms (Thales), cars (Renault, Stellantis) and materials (Saint-Gobain), utilities (Engie, Veolia), plus a bank (Société Générale) and a telecoms operator (Orange). As a group, they represent 21% of the index's market capitalisation—and generated no shareholder value in the 20 years to January 2025.

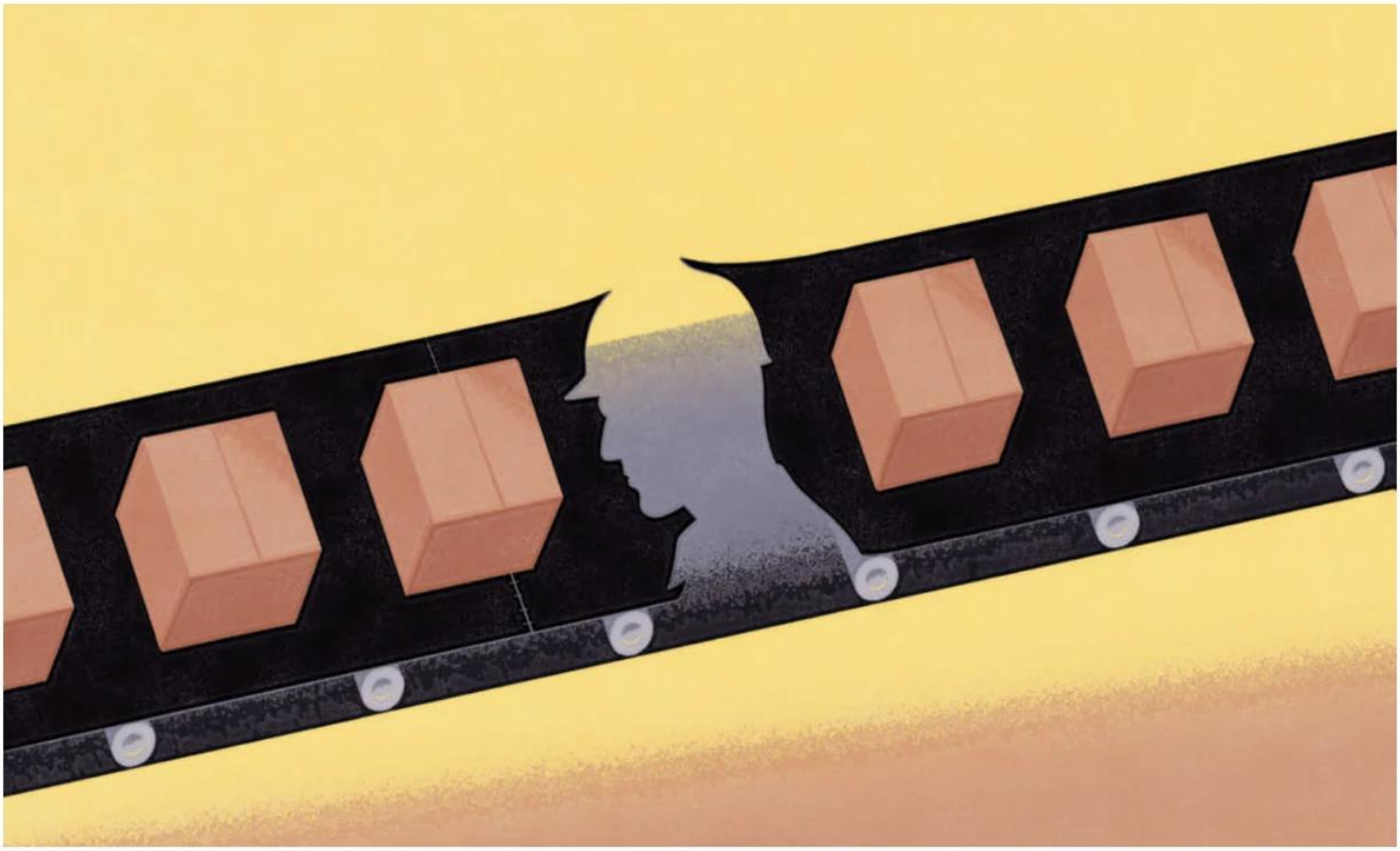
Meanwhile, American business has zoomed ahead. Its profits rose from less than 15% of GDP in 2003 to around 18.5% in the early 2020s. Since the start of 2005 the S&P 500 has ballooned five-fold, yielding a compound return of 8.2% a year. Three American technology giants, Microsoft, Nvidia and Apple, are worth more apiece than the entire CAC 40. France's most valuable firm, Hermès, a $280bn manufacturer of pricey bags and scarves, wouldn't make America's top 25.

France is not as *étatiste* as it was. But the state remains meddlesome. In 2023 it strong-armed grocers to freeze prices of hundreds of everyday food items. Dealing with its representatives on corporate boards is impossible, says an executive with experience of the ordeal. Even when it does not own a stake, it can interfere—as it did in 2005 by blocking PepsiCo's takeover of Danone, a French yogurt-maker that the government could not bear to see swallowed by an American rival.

Au revoir, laissez-faire?

Mr Trump's views on the strategic importance of dairy products are unknown. He has ignored Mr Bannon's SpaceX suggestion. He is a tax-cutter at heart (even if it means exploding debt). And his administration appears too undisciplined to enact French-style five-year economic plans. Still, American bosses are right to be on alert for more *soupçons* of Mr Trump's unlikely Francophilia. ■

Finance & economics



American manufacturing

Leave those fantasies behind

Factory work is overrated. Here are the jobs of the future

TRUMPIAN TYPES are unanimous: America needs factories. The president describes how workers have "watched in anguish as foreign leaders have stolen our jobs, foreign cheaters have ransacked our factories and foreign scavengers have torn apart our once beautiful American dream". Peter Navarro, his trade adviser, says that tariffs will "fill up all of the half-empty factories". Howard Lutnick, the commerce secretary, offers the most cartoonish pitch of all: "The army of millions and millions of human beings screwing in little screws to make iPhones—that kind of thing is going to come to America."

For years, politicians and some economists have linked manufacturing's long decline to stagnant wages, hollowed-out towns and even the opioid crisis. In the 2000s alone America shed nearly 6m factory jobs. Such work often offered high-school leavers a route to a stable, quietly prosperous life. It sustained entire cities, earning Pittsburgh the moniker "Steel City" and Akron that of "Rubber Capital of the World". Little surprise, then, that politicians across the spectrum want the jobs back. Indeed, President Joe Biden shared the same dream as his successor, even if he hoped to achieve it by different means. "Where the hell is it written", he asked, "that we're not going to be the manufacturing capital of the world again?"

Yet there is a problem: even if industry returns, the old jobs will not. Manufacturing produces more than in the past with fewer hands—a transformation much like that undergone by agriculture. Accessible, middle-class work of the sort that once drew crowds to the factory gates in America's Fordist heyday has all but vanished. According to our analysis, the most similar work to the manufacturing jobs of the 1970s is not to be found in factories, which are now automated and capital-intensive, but in employment as an electrician, mechanic or police officer. All offer decent wages to those lacking a degree.

Whereas almost a quarter of American workers were employed in manufacturing in the 1970s, today less than one in ten is. Moreover, half of "manufacturing" jobs are in support roles such as human relations and marketing, or professional ones such as design and engineering. Less than 4% of American workers actually toil on a factory floor. America is not unique. Even Germany, Japan and South Korea, which run large trade surpluses in manufactured goods, have seen steady declines in the share of such employment. China shed over 20m factory jobs from 2013 to 2023—more than the entire American manufacturing workforce. Research from the IMF calls this trend "the natural outcome of successful economic development".

As countries grow richer, automation raises output per worker, consumption ▸▸

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Jobs for the boys

United States, 2024

Occupational group*	Hourly wage†, $	Number of workers, m	No college degree, %	Under union protection, %	Male workers, %
Factory-floor workers	22.00	4.9	90	13	72
Skilled tradespeople eg, electricians, carpenters	25.00	7.3	92	16	96
Repair and maintenance workers eg, HVAC, general repair	27.80	2.8	89	16	95
Security and emergency personnel eg, police, firefighters	23.50	2.8	67	34	75
Vehicle and equipment technicians eg, mechanics	26.60	1.9	92	11	97
Operators and extractive workers eg, drillers, crane operators	27.00	0.6	93	21	98

Sources: Economic Policy Institute, Current Population Survey Extracts; *The Economist* *Derived from BLS occupational groups †Median

shifts from goods to services, and labour-intensive production moves abroad. But this does not mean factory output collapses. In real terms, America's is over twice as high as in the early 1980s; the country churns out more goods than Japan, Germany and South Korea combined. As the Cato Institute, a think-tank, points out, America's factories would, on their own, rank as the world's eighth-largest economy.

Even a heroic reshoring effort eliminating America's $1.2trn goods-trade deficit would do little for jobs. In the production of that amount of goods, about $630bn of value-added would come from manufacturing (with the rest from raw materials, transport and so on). Robert Lawrence of Harvard University estimates that, with each manufacturing worker generating $230,000 or so in value added, bringing back production to close the deficit would create around 3m jobs, half on the factory floor. That would lift the share of the workforce in manufacturing production by barely a percentage point. Assume this was done by levying an average effective tariff rate of 20% on America's $3trn of imports, and it could cost an extra $600bn, or $200,000 per manufacturing job "saved".

That is a high price for jobs that are not as attractive as in the past. Seven decades ago, factories offered a rare bundle: good pay, job security, union protection, plentiful employment and no degree requirement. By the 1980s manufacturing workers still earned 10% more than comparable peers in other parts of the economy. Their productivity was also growing faster.

Today factory-floor work lags behind non-supervisory roles in services on hourly pay. Even if you control for age, gender, race and more, the manufacturing wage premium has collapsed. Using methods similar to the Department of Commerce and the Economic Policy Institute, we estimate by 2024 the premium had more than halved since the 1980s. For those without a college education, it has gone entirely, even though such workers still enjoy a premium in construction and transport. Productivity growth has fallen, too: output per industrial worker is now rising more slowly than per service-sector worker, suggesting wage growth will be weak as well. A crucial component of the "manufacturing jobs are good jobs" argument no longer holds.

A job in industry is also now harder to attain. Modern factories are high-tech, run by engineers and technicians. In the early 1980s blue-collar assemblers, machine operators and repair workers made up more than half of the manufacturing workforce. Today they account for less than a third. White-collar professionals outnumber blue-collar factory-floor workers by a wide margin. Even once obtained, a factory job is far less likely to be unionised than in previous decades, with membership having fallen from one in four workers in the 1980s to less than one in ten today.

In order to find the modern equivalent of such jobs, we looked for employment with the same traits. What offers decent pay, unionisation, requires no degree and can soak up the male workforce? The result: mechanics, repair technicians, security workers and the skilled trades.

Over 7m Americans work as carpenters, electricians, solar-panel installers and in other such trades; almost all are male and lack a degree. The median wage is a solid $25 an hour, unionisation is above average and demand is expected to rise as America upgrades its infrastructure. Another 5m toil as repair and maintenance workers—think HVAC technicians and telecom installers—and mechanics, earning wages well above the factory-floor average. Emergency and security workers also show similarities; over a third are union members.

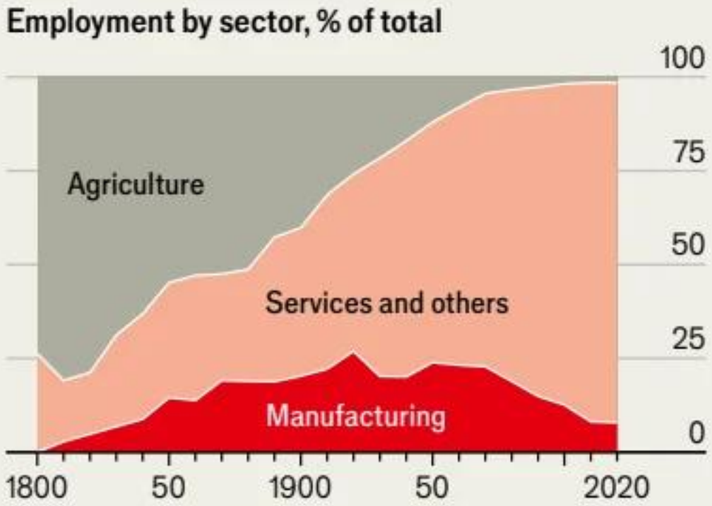
An air-con capital of the world

Still, these jobs differ from manufacturing in one important way: there is no such thing as an HVAC company town. Factories once powered whole cities, creating demand for suppliers, logistics and dive bars. The new jobs are more dispersed and, as such, less likely to prop up local economies. Yet although the benefits are more diffuse, they are almost as large. Nearly as many people are employed in such categories as held manufacturing jobs in the 1990s. With better wages, less credentialism and stronger unions, they may look more attractive than modern factory jobs to working-class Americans.

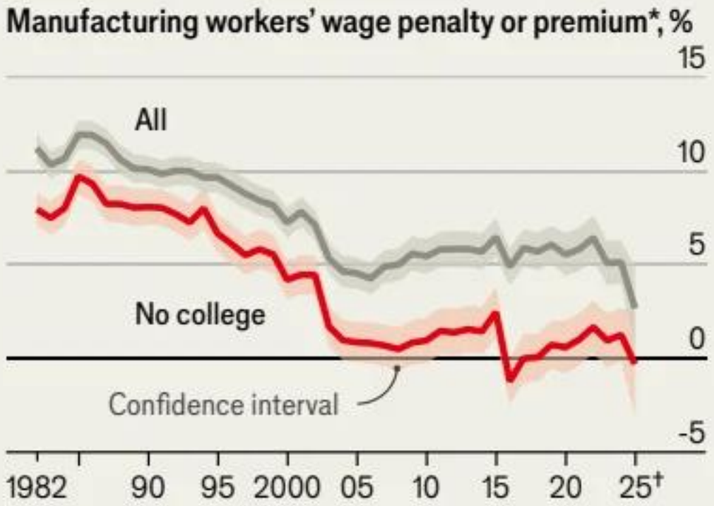
Ignoble wealth

United States

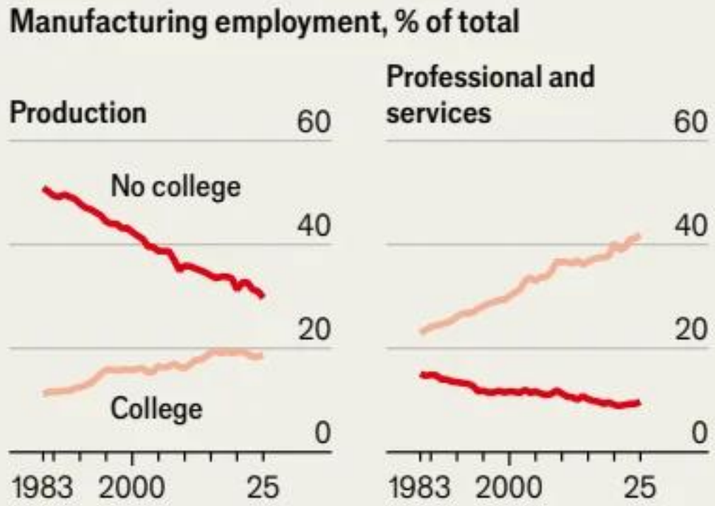
Employment by sector, % of total



Manufacturing workers' wage penalty or premium*, %



Manufacturing employment, % of total



*Controlling for age, education, ethnicity, gender, marriage status and more †To March

Sources: "Behind the curve: can manufacturing still provide inclusive growth?", by R.Z. Lawrence, 2024; Economic Policy Institute, Current Population Survey Extracts; *The Economist*

The future is drifting even further from factories. Skilled trades and repair workers should see growth of 5% over the next decade, according to official projections; the number of manufacturing jobs is expected to fall. The fastest-growing categories for workers without degrees are in health-care support and personal care, which are expected to grow by 15% and 6%, respectively. These include roles such as nursing assistants and child-care workers, and do not look anything like old manufacturing jobs owing to their low pay. The task, as Dani Rodrik of Harvard puts it, is to boost the productivity of the jobs that are actually growing. Perhaps that might include ensuring the adoption of AI, whether for managing medication or diagnosis.

In the late 18th century, Thomas Jefferson viewed farming as the foundation of a self-reliant republic. Influenced by French physiocrats who saw agriculture as the noblest source of national wealth, he believed that working the land was the path to liberty and abundance. By the 20th century, factory work had inherited that symbolic role. But like farming before it, manufacturing employment fades with rising prosperity and productivity. The heart of working-class America now beats elsewhere. ■

Trade talks

Neither up nor down

HONG KONG

America and China have spooked each other

OFFICIALS FROM America and China met for the latest round of trade talks on June 9th-10th in Lancaster House, a mansion near Buckingham Palace. The building was commissioned in 1825 by the "Grand Old" Duke of York, whose military manoeuvres have been immortalised in a children's song. A fitting venue, then, for a trade war of escalations and climbdowns.

The aim of the talks in London was narrow. America hoped to restore the truce it thought it had secured a month ago in Geneva. In particular, it wanted China to export more rare-earth metals, and the magnets that contain them. On June 11th both Howard Lutnick, America's commerce secretary, and President Donald Trump announced China had agreed to do just that. However, even if peace is truly restored, things will not be quite the same. To invoke a Chinese expression, not all the water spilled can be returned to the pot.

China's officials will have gained new confidence in their economic clout and grit. The London meeting represented the second time in two months that the world's pre-eminent superpower had come asking for help. In Geneva the Americans needed China to cut its tariffs in tandem with theirs. In London they asked China to make good on its promise to "suspend or remove" restrictions on rare earths, alleviating a supply-chain crunch most glaring in carmaking. This asymmetry of neediness extends even to the two countries' leaders. The London meeting followed a call between Mr Trump and his opposite number, Xi Jinping, on June 5th—their first since Mr Trump's inauguration. It was, Mr Trump said, a "very good" call. But it was also one Mr Xi seemed in no hurry to take.

This was not how America imagined the trade war. After Mr Trump unveiled sweeping tariffs on April 2nd, he said countries were "kissing my ass" to make deals. China took a different approach, matching his tariffs tit-for-tat. Its leaders showed they would take economic risks to defy Mr Trump. Although their retaliatory tariffs did not hurt America much in themselves, they provoked Mr Trump into a cycle of escalation that threatened agony for both countries. America decided it could not live with the pain, sparing China, too.

Before April many economists had assumed that if Mr Trump followed through on his threats, China's exports would collapse and its currency plunge. Sales to America did indeed drop sharply in April and May, falling by 28% in the two months combined, compared with the same period of 2024. But exports have risen by 6% overall, owing to increased shipments to Europe and South-East Asia. China's currency, meanwhile, is stronger now against the dollar than it was before April 2nd.



A shaky truce

As well as showing Mr Trump's limited tolerance for pain, recent events have demonstrated one of China's most potent weapons. In April it imposed export restrictions on seven rare earths, such as terbium and dysprosium, which keep the magnets used in electric vehicles and wind turbines working at high temperatures.

The interruption caused alarm. In May Ford idled a plant in Chicago that makes SUVs. The Motor & Equipment Manufacturers Association warned of broader disruption. It signed a letter highlighting that a lack of access to these inputs would hamper the production of lots of car parts.

Such complaints showed that China has a chokehold over America. This was already known within industry circles, but perhaps not fully appreciated in the Oval Office. The past two months amount to a "weapons test", showing the power of China's instruments of economic coercion.

After Geneva, the Americans may have hoped China would remove its restrictions altogether. Instead, the government began reviewing applications for licences to sell rare earths. The process was slow and opaque, overseen by an understaffed ministry buried beneath an avalanche of applications. The delays angered American officials. "Maybe it's a glitch in the Chinese system," said Scott Bessent, the treasury secretary, "maybe it's intentional."

There was not much America could do to ease China's grip: building an alternative supply chain would take at least three years and still probably fall short. Sometimes the best way to escape a chokehold is to establish one of your own. America pursued several options. Officials warned companies making chip-design software not to sell to China. They said they would revoke the visas of Chinese students. They stopped the sale of inputs essential to China's homegrown passenger jet. They even threatened to subpoena the country's banks, Mr Lutnick said in an interview with CNBC, a TV channel. These measures will be taken off, he said, if China approves more rare-earth exports.

Neither America nor China is in a position to rout its economic adversary. Each remains dependent on the other, albeit in different ways. That reality, always clear to China, should now be obvious to both sides. Neither will prevail nor disarm. More likely they will keep mobilising and demobilising their economic arsenals to keep the other in check. It is a pattern the old Duke of York might recognise. ■

Solo spenders

At least they are leaving the house

SAN FRANCISCO

The rise of the loner consumer

IN THE PANDEMIC years, people became used to staying inside. Outlays on services—everything from restaurant meals and foreign travel to elective medical care—collapsed. Demand for goods jumped, with a rush for computers and exercise bikes. Such patterns proved resilient even as life got back to normal. In 2023 we called people spending in this manner "hermit consumers".

The hermit economy is now a thing of the past. Across the rich world, the out-and-about economy is roaring back. Indeed, the share of consumer spending that is devoted to services has at last caught up with its trend from before the pandemic (see chart 1). However, there is a twist. The hermit economy has been replaced with a consumer market that still deviates from the pre-pandemic norm in an important way.

America exemplifies the resurgence of the out-and-about economy. Since 2023 spending on health care has grown by 10% in real terms, while outlays on public transport are up by 21%. By contrast, consumers are no longer splurging on power tools and garden implements. Americans are also determined to have a good time. We estimate that, at the country's largest airlines, revenues from premium products, such as business-class travel, are growing by 7% a year, compared with a rise of 1% across the board. Similarly, even as revenues decline at budget hotels, sales at luxury alternatives are up by 8% year on year.

These trends are clear on the other side of the Atlantic, too. Goldman Sachs, a bank, tracks the share prices of European companies that benefit when people stay at home (such as those in e-commerce and gaming) and firms that thrive when people bother to get dressed (such as gyms and restaurants). During the pandemic the share prices of stay-at-home companies soared (see chart 2). But recently investors have looked more favourably upon companies involved in the out-and-about economy. According to OpenTable, a booking website, in Germany the number of seated restaurant diners in early June was over 10% higher than a year ago.

In a sense, then, covid-19 is truly in the rear-view mirror. The risk of infection influences almost nobody's day-to-day decisions. Yet even today, the pandemic continues to cast a long shadow over the economy. For although people are getting out of the house, they are increasingly doing so alone.

In the past couple of years global online searches for "solo travel" have exploded. Airbnb, an online booking platform, reports that searches for solo trips have grown by 80% this spring compared with last year. According to official British data, travellers are more often using cars or taxis, which offer privacy, than public transport, which does not. People are also less likely to share meals than before. More than a quarter of Americans report eating all their meals alone the previous day, a sharp rise from just before the pandemic. The hermit economy is gone. In its place stands the loner economy. ■

There's a world beyond these walls 2

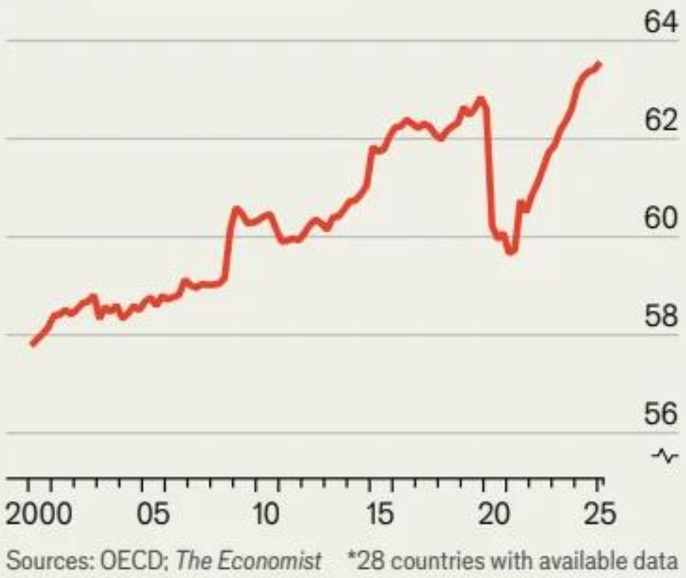
Europe*, share prices, January 1st 2020=100



Source: Goldman Sachs *Baskets of listed European companies

Out of the hermitage 1

OECD*, consumer spending on services as % of total



Sources: OECD; *The Economist* *28 countries with available data

Personal finance

Heiry questions

How to invest your huge inheritance

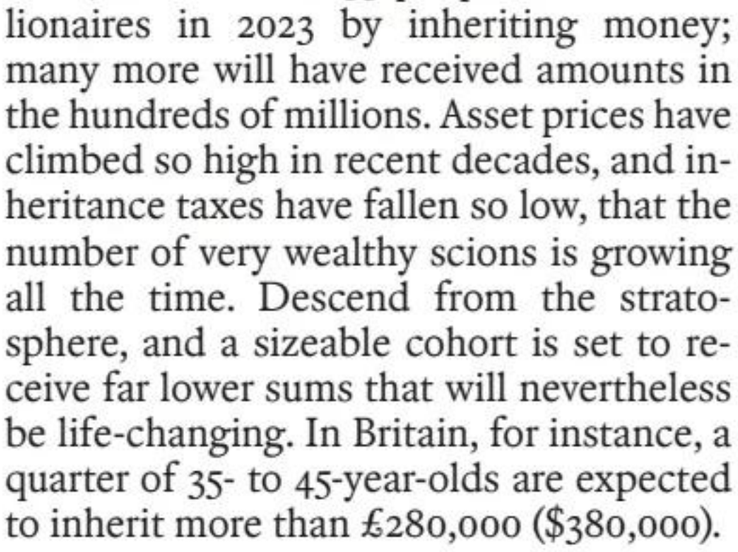
WHAT DO YOU stand to inherit? It still feels like a question from a different age, despite its growing importance today. In 2025 people across the rich world will inherit some $6trn, or around 10% of GDP—a figure that has climbed sharply in recent decades. French bequests have doubled as a share of national output since the 1960s; those in Germany have tripled since the 1970s; Italian inheritances are now worth around 20% of GDP (see chart 1).

There are two entirely reasonable responses to this. One is to worry about the new inheritocracy harming society: how it could corrode incentives to work, say, or widen inequality and distort the marriage market. The other, if a windfall is coming your way, is to rub your hands in glee and ponder what you ought to do with it.

The typical inheritance is closer to the value of a typical home than to a Vanderbilt-style fortune. Even so, a rising number of people are in line for a bonanza. UBS, a bank, reckons that 53 people became billionaires in 2023 by inheriting money; many more will have received amounts in the hundreds of millions. Asset prices have climbed so high in recent decades, and inheritance taxes have fallen so low, that the number of very wealthy scions is growing all the time. Descend from the stratosphere, and a sizeable cohort is set to receive far lower sums that will nevertheless be life-changing. In Britain, for instance, a quarter of 35- to 45-year-olds are expected to inherit more than £280,000 ($380,000). ▸▸

The Gilded Age, redux 1

Inheritance flow as % of national output*



*Measure of output varies by country

Sources: Acciari & Morelli, 2020; Alvaredo, Garbinti & Piketty, 2017; Arrigoni, Boyd & McIndoe-Calder, 2024; Bauluz & Meyer, 2024; Gabbuti & Morelli, 2025; Guzzardi & Morelli, work in progress; OECD; Ohlsson, Roine & Waldenström, 2020; Sánchez-Romero, Ogawa & Matsukura, 2013; Schinke, 2012; *The Economist*

For these lucky people, the experience of the Vanderbilts and their contemporaries offers a cautionary tale. At the turn of the 20th century, America's census recorded about 4,000 millionaires, note Victor Haghani and James White, two wealth managers, in their book, "The Missing Billionaires". Suppose a quarter of them had at least $5m (the richest had hundreds) and had invested it in America's stockmarket. Had they then procreated at the average rate, paid their taxes and spent 2% of their capital each year, their descendants today would include nearly 16,000 old-money billionaires. In reality, it is a struggle to find a single one who traces their fortune back to the first Gilded Age.

That is not down to inflation or the 20th century's wars, but to poor investment and spending decisions. After all, spending 2% of $5m in 1900—that is, $3.8m in today's money—would not exactly have consigned anyone to penury. The big question for a 21st-century heir is how to avoid the mistakes of those of the past. In other words, how can you enjoy a nice life while ensuring your inheritance lasts for ever?

Silver spoons for all

Some cheery news is that the question of how to invest, which sounds like the hardest part, need not be solved perfectly. In theory, this would mean finding the blend of risky assets with the best volatility-adjusted return, and comparing it with the "safe" return on inflation-protected government bonds. You would then solve for an optimal split between the two, which would vary with market conditions.

Thankfully, far simpler procedures can produce spectacular results. Our putative 20th-century millionaires just plonked everything in America's stockmarket, and did very well. Today, we know they could have done even better without much more effort. A simple rule-of-thumb known as the "Merton share" can approximate the optimal split between stocks and inflation-protected government bonds, by comparing their expected returns and volatility.

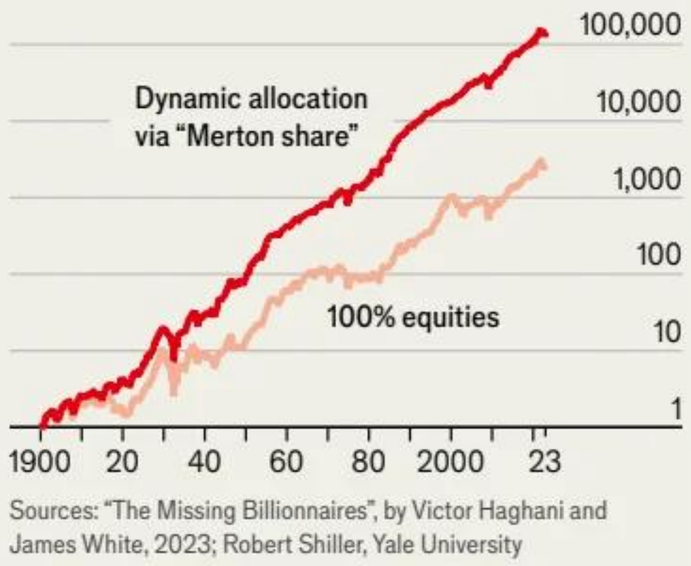
Messrs Haghani and White have calculated the annualised returns on such a strategy since 1900 (using a proxy for inflation-linked bonds for before 1997, when they were first issued). The results are shown in chart 2. Had the Gilded Age crowd and their descendants invested in this manner, they would have scored an annualised real return of 10%, compared with 6.6% from the all-stock strategy. Remarkably, it would also have been 40% less volatile. That would have produced vastly more old-money billionaires today.

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It adds up 2

United States, value of $1 invested in 1900

Log scale



Sources: "The Missing Billionnaires", by Victor Haghani and James White, 2023; Robert Shiller, Yale University

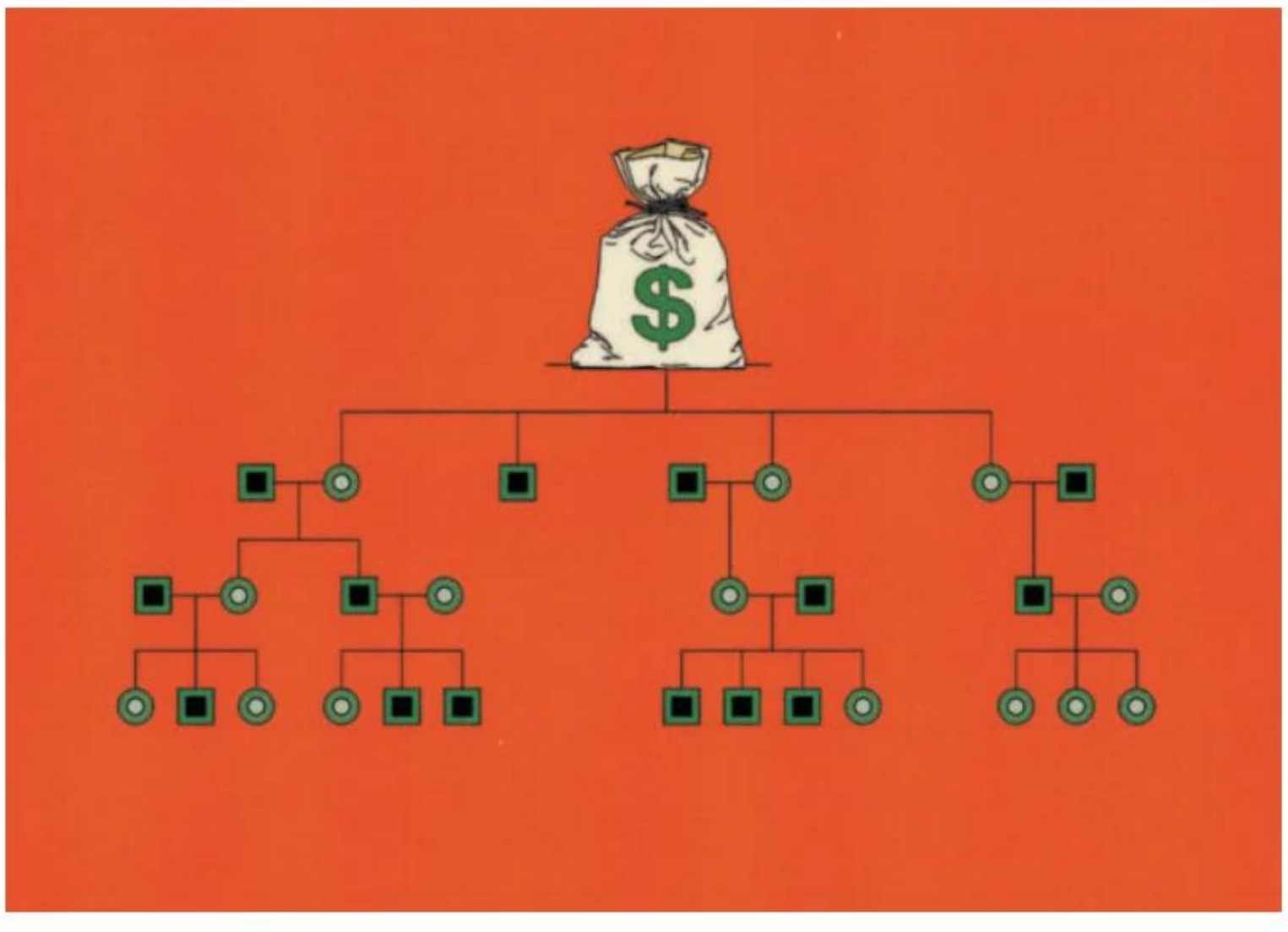
The worse news is that deciding how much to spend is trickier than it sounds. Popular rules for drawing down retirement savings, such as spending a largish fixed percentage of the initial value each year, are definitely out. In truth, these are not wise even for pensioners. Suppose you had kept a classic 60/40 split between American stocks and government bonds, starting in 2000, and drawn down 5% of the value of your initial savings a year. You would have run out of money in 2019, despite earning an annualised return of 5.25%, since you would have depleted too much capital in the market's "down" years.

Even if you spent only 4% of the initial value each year—well below the portfolio's return—you would run a high risk of going bust. Simulate many different market outcomes, based on the 60/40 portfolio's expected return and volatility, and the 4% spending rule leads to ruin within three decades about a third of the time.

To avoid this trap, the optimal amount to spend each year must be a percentage of the portfolio's value at that point (the "spending ratio"), not of its initial value. In other words, if you want to take the risk required to generate outsize returns, you must vary your (maximum) spending from year to year. That way, after a bad spell for the markets, you will not deplete too much of the remaining pot, allowing it to recover. Each year you could, for example, spend a proportion of the portfolio's value equal to its annualised expected return. This is similar to the spending rule adopted by university endowments, which aim to solve the same problem. The median outcome is that the fund's value, and hence annual spending, stays roughly constant with time (provided you have not been overly optimistic about your returns).

Nice—but hardly enough to start a dynasty. Ideally, you want to increase your portfolio's value, which means spending less to let the returns rack up. The trade-offs here are difficult to parse. You will get pleasure (or, in economists' jargon, "utility") from spending more today, albeit with diminishing marginal returns as you get more and more profligate. Doing so will also trim your descendants' purchasing power, especially if the portfolio has a large expected return, which you in part forgo by spending now. Yet such returns are inherently uncertain. In any case, it is only human to prefer an immediate pay-off to a delayed one ("time preference").

The solution is to plug these dynamics into a mathematical model, simulate possible paths for financial markets and calculate the utility derived from each for a given level of spending. You can then calculate the expected utility for each rule and pick the one that maximises this. Unsurprisingly, the procedure is hard, and generates results that are sensitive to the inputs.



Maybe spend some of your money on an excellent financial adviser.

Yet there are straightforward lessons that everyone can absorb. Although greater expected returns allow you to spend more, they do not do so by as much as you might think. With higher returns, the gap between these and the optimal spending ratio widens (since there is more value in sacrificing spending to let the portfolio grow). Higher volatility means lower spending, since it drags on your annualised return. The more reluctant you are to vary year-to-year outlays, the less you can tolerate investing in stocks, since their value fluctuates. The smaller your minimum spending requirement, the more risk you can take, meaning your expected returns, and hence your overall spending, can rise.

A more important lesson is that making your inheritance last for ever means spending far less than its expected return. Exactly how much less depends on market conditions and your risk and time preference. But under reasonable assumptions, a near-optimal portfolio might have an expected annualised return of 4.1% and an optimal pre-tax spending ratio of 2.4% per year. Even that is before allowing for how much your family tree might grow, cutting whatever you pass on into smaller chunks. "People often want to know how much they need to have to give each member of their family's next few generations a modest income," says Mr Haghani. "The answer is: a lot more than most anyone thinks." ■

BUTTONWOOD

He's just not that into you

Europe's hopes for more stockmarket listings remain a fantasy

IT MUST BE tempting to give up. Those tasked with reviving Britain's stockmarket have long faced a difficult task and a steady drip of bad news, as one firm after another departs for private ownership or America. It will still have hit like a bucket of cold water to learn, on June 5th, that Wise intends to move its main listing to New York.

One of Europe's hottest fintech outfits, Wise's flotation in London in 2021 spurred hopes that other stars would follow. If they included Klarna and Revolut, two even hotter peers, the London Stock Exchange would add a new, buzzy cluster to its old-timers in banking, energy and mining. That would attract attention from stock analysts, capital from international investors and yet more listings. Four years on, it has not worked out. Like Wise, Klarna intends to float in America; Revolut's boss has hinted that it may do so, too.

The failure to attract and retain fast-growing firms is most often laid at the doors of the London Stock Exchange, but it is a pan-European malaise. Klarna, after all, is Swedish. So is Spotify, the only European firm founded this century worth more than $100bn. It listed in New York in 2018. New Financial, a think-tank, reckons that in the decade to 2024 some 130 companies moved their listing from Europe to America, while over 1,000 were taken private. In today's money, their total value at the point of de-listing adds up to $1.7trn—more than 10% of what Europe's stockmarkets are worth. Proportional to market capitalisation, Ireland is the biggest loser, followed by Sweden, Britain and Germany.

Unnerved, Europe's financial elite has responded in time-honoured fashion: it has convened task-forces, launched consultations and commissioned reviews from grandees that, if printed, would fell forests. There have been extravagant promises of streamlined reporting, harmonised regulations and centralised supervision. In what may eventually be a radical step, Britain's government is mulling plans to force some retirement savings to be invested at home.

It is, in fact, unfair to make fun of these efforts. Speak to bosses of private firms in Europe, or to their investors, and they will commend these incremental reforms to make the continent's stockmarkets work better. A European listing, they will say, might make sense for plenty of companies. Then, without missing a beat, they will explain why theirs is not one of them and America is a better fit.

Frequently, most of the company's shareholders will be American already. "They would find it weird if I didn't list there," says the boss of a European startup planning its initial public offering. Listing in America means using bankers and a wider milieu with which the investors are already familiar. More importantly, if the company has global ambitions, which pretty much all those backed by venture capital do, America's consumer market is among the most lucrative. An IPO in New York might build the brand. It does not hurt that the median boss of a firm in America's S&P 500 share index is paid two and a half times their equivalent in Britain's FTSE 100. The biggest and most consistent bugbear among tech founders is that nervous European investors are perennially reluctant to approve the high-risk, high-growth strategies that they want to pursue.



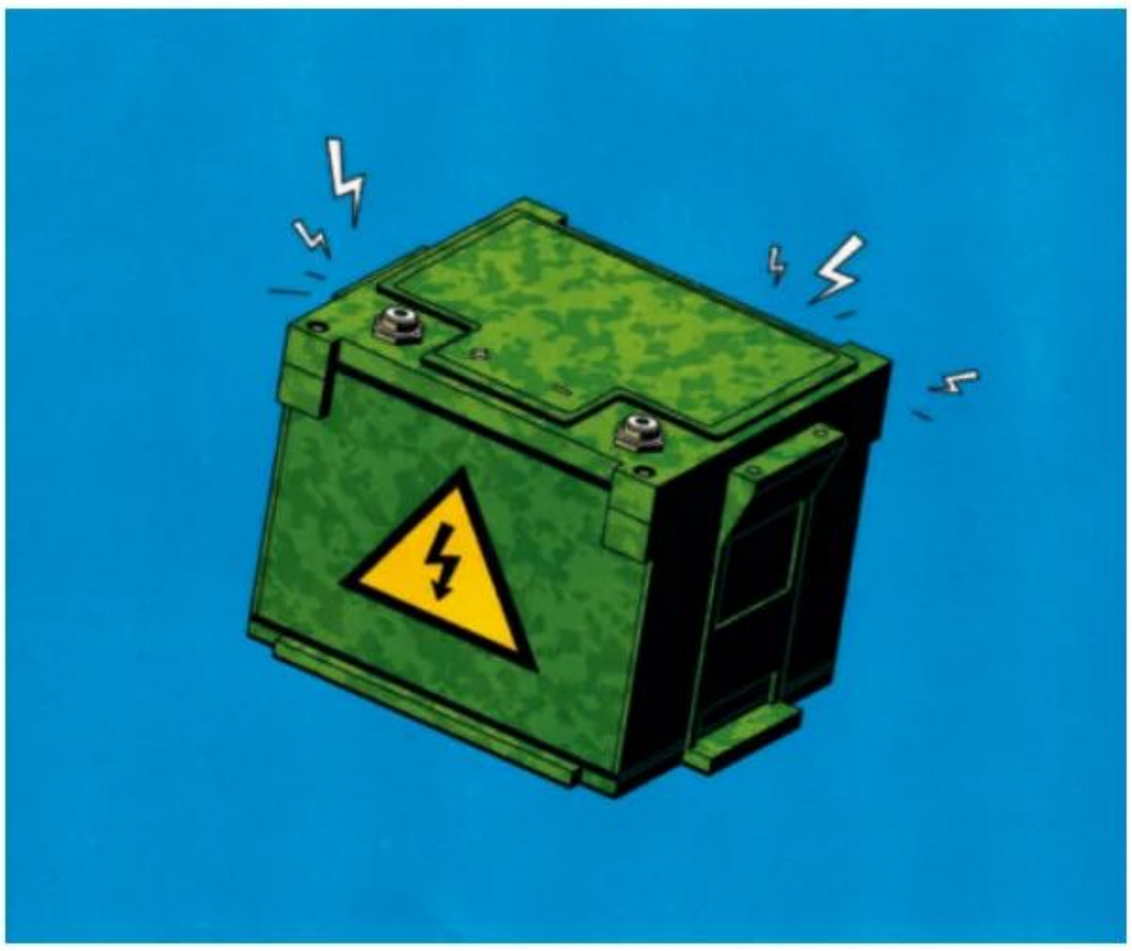
Just as important are the factors that startup bosses do not mention. The main one is the supposed "valuation gap", meaning the higher average multiple by which earnings are scaled up to generate share prices for firms listed in America as opposed to Europe. Perhaps sensing that harmonised regulation does not set pulses racing, proponents of Europe's exchanges have recently switched tack, reasonably arguing that the valuation gap is a myth. Control for expected profit growth and the different markets' sectoral mixes, and it disappears.

Before Arm, a British chip designer, listed in New York in 2023, the City of London was rife with rumours that the perceived valuation gap was why the local stock exchange missed out. But the gap does not seem to be behind recent moves. Wise's chief financial officer has said that valuation was "not really the driver" of his firm's decision. This makes sense: at 29 times its expected earnings for the coming year, it is already more richly valued than the S&P 500 average. Meanwhile, European shares have recently been outperforming American ones. The most disheartening thing for those trying to patch up Europe's capital markets is that the companies they must woo are simply not interested.

FREE EXCHANGE

Assault and battery

The economic lessons from Ukraine's spectacular drone success



ON JUNE 1ST Ukraine took military raiding into the 21st century. It did so with little more than ingenuity and 117 drones, which emerged from trucks across Russia—everywhere from Siberia to the Chinese border—and destroyed a dozen or so planes in Vladimir Putin's long-range air fleet. The raid came amid the Russian president's relentless bombardment of Ukraine. On June 9th he launched his biggest drone strike of the war, sending 479 machines to hit Ukrainian airfields, cities and factories.

As many as half of casualties on the front line are inflicted by drones, according to a Ukrainian doctor. The "Spider's Web" operation was a demonstration of the machines' supreme importance. For the West, it was also a reminder that an important military technology is dominated by an adversary, namely China, which supplies batteries and motors used by both sides. That raises a question. If, say, a conflict over Taiwan were to escalate, could America and its allies step up production fast enough?

Many people believe that a country with a vibrant electric-vehicle industry has a decisive advantage in the manufacture of drones. Lots of the batteries for EVs use lithium-ion technology; so, too, do most shorter-range drones. And in the race for battery supremacy there is only one winner: China, which accounts for 85% of global EV capacity. The European Union is studying whether this dominance would put China ahead in the event of a conflict; American officials are under pressure from companies and think-tanks to dole out subsidies to ensure that the country wins any "battery war". If subsidising battery production is such a good idea, then President Donald Trump's budget bill, which promises to end all EV subsidies, is a hugely damaging policy.

America has sought an EV industry to rival China's since 2009, when the Obama administration first subsidised consumer purchases. Joseph Shapiro of the University of California, Berkeley, and Hunt Allcott of Stanford University estimate that, in 2023, each additional EV sold owing to subsidies cost the government $32,000. Supporters of such an approach see this as sensible not just on environmental grounds, but on national-security ones. The batteries produced by a healthy EV industry could, in the event of a conflict, be repurposed to fuel drones.

Consider the mechanics of warfare in Ukraine, however, and the argument becomes less compelling. Ukraine's drones range from small, autonomous boats patrolling the Black Sea to aircraft that travel hundreds of kilometres into Russia. Most are designed to be made from parts that are cheap, easy to find and simple to put together, according to a firm a few miles outside Kyiv, which builds them in an airy suburban home. Another firm, established two years ago and now making some of Ukraine's most sophisticated drones, locates its production line in a series of garages, so as to minimise disruption from Russian airstrikes.

Most Ukrainian drones are single-use, short-range "kamikaze" ones that travel just a few kilometres before blowing themselves up—more akin to munitions than aircraft. The batteries of some store a mere 77 watt-hours of energy, compared with the 20,000-100,000Wh common in EVs. Meanwhile, production lines have become less flexible owing to the high-tech nature of modern EV-making. "It is unimaginable...that a Tesla factory would be anywhere near as useful for production as a Detroit factory was in the second world war," says the boss of a defence firm.

China has grown closer to Russia, so Ukrainian drone producers have found their old Chinese suppliers less keen to do business. Several, including Wild Hornets, now import battery cells from South Korea and assemble their own packs. Pawell, another firm, is working on its own battery chemistry. Already, building batteries in Ukraine is only a little more expensive than buying them from abroad. Wild Hornets sells its ones for simple drones at $90 a piece. Drone batteries, it turns out, are simpler to make in wartime than an EV industry is to nurture in peacetime.

Indeed, American battery-makers could adjust quickly if required—without the need for assistance from EV-makers. For proof, look at their response to the supercharged subsidies that the Biden administration introduced in 2023. Although America's capacity still lags far behind China's, the country's production has surged from 0.11 terawatt-hours in 2022 to 0.44TWh this year. Include production in Europe and among East Asian allies, and that is already sufficient to furnish Ukraine with kamikaze drones for 3,750 years at the current rate of use.

Drop a bombshell

Were American drone production to be hamstrung in a conflict with China, it would not be by industrial capacity. Ukrainian firms are now discovering that the most pressing shortage is motors, rather than batteries. They need magnetic components containing rare-earth metals that are produced and refined by China. More mineral refining, not manufacturing, is the solution.

Another question is whether America's armed forces would be able to adapt to drone warfare. So far, the Pentagon has been slow to adjust to the pace of drone experimentation and manufacturing demonstrated by Ukraine. The US Army seeks to put 1,000 drones in each of its dozen divisions. The Pentagon's Replicator Initiative, launched by the Biden administration, aims to field "tens of thousands" of AI-enabled drones. Ukraine claims to have produced 1.5m drones last year, and does so at far lower cost, in part because it is less squeamish about using parts from China.

Industrial-policy advocates might like to rescue EVs from Mr Trump's chainsaw. Unfortunately for them, arguments involving national security offer little protection. America does not need a bigger battery industry to master drone warfare. It needs more mining, more refining and more imagination. ■

Science & technology



Drone warfare

Battle of the beams

Microwave pulses can remotely disable swarms of uncrewed aircraft

ON APRIL 28TH Bray McCollum, a US Army captain, was tasked with conducting a military exercise in the Philippines. His job was to test a new weapon, the army's first specifically designed to down a swarm of drones with a single shot. The Leonidas IFPC-HPM, as the system is called, fires intense pulses of microwave radiation that "disrupt or destroy" electronic componentry in drones, says Captain McCollum. It worked.

Engineers have experimented with such weapons for many years, with mixed results. But the devastation wreaked by cheap drones in the Russo-Ukrainian war (including Operation Spider Web, in which Ukrainian quadcopters launched from lorries on June 1st struck at airfields deep in Russia) has concentrated minds.

Most attempts to disrupt drones rely on electronic warfare, in which radio signals jam datalinks to remote operators. These techniques are useless against newer drone types, notes Captain McCollum, some of which are controlled through unspooling fibre-optic wire, whereas others use onboard artificial intelligence to navigate and select targets. With the stakes high, the pace of spending on R&D has picked up, as have technological advances.

The US Army currently has a handful of Leonidas weapons, manufactured by Epirus, a defence-tech startup based in Torrance, California. Trailer-mounted and powered by a diesel generator, they are located in the western Pacific and either in or near the Middle East. Officials are mum on the weapons' range, but Andy Lowery, Epirus's boss, says it is several hundred metres. A souped-up version, due this summer, should offer a range of more than 1km. The new model will also be able to draw power from a roughly 300kg battery pack.

The microwaves do not typically fry electronic circuitry to a crisp. Instead, the energy they deposit can generate unwanted currents, overheat sensitive components and interfere with normal function. The net result, Mr Lowery explains, is a flood of electromagnetic "noise" that means a drone can no longer "hear itself think". This causes crashes.

Upfront costs are high. The army's initial contract for four Epirus microwave blasters, including services, exceeded $66m—roughly enough to buy half a dozen new Abrams tanks. But because microwave air defences only need electrical power to run, rather than ammunition, they are far cheaper to operate.

Other contractors are designing similar kit. Thales, a European giant, has developed RapidDestroyer, a container-size microwave blaster mounted on a lorry. At a test range in Wales in mid-April, the British army used RapidDestroyer to down drone swarms with "near-instant effect", according to the defence ministry. Its range is thought to be up to 1km.

Another supplier is Leidos, a defence firm based in Reston, Virginia. By early next year Leidos expects to provide America's Air Force Research Laboratory with ▸▸

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an operational microwave blaster called Mjölnir, in a nod to the Norse god Thor's hammer. Mjölnir's power output and range are classified, but the system will "screw up" microchips and other electronics in a drone swarm at operationally useful distances, says Billy Schaefer, Leidos's head of directed energy. Leidos is also designing a shorter-range system that could be carried by two soldiers. Its battery pack could also fire a few shots.

RTX, a big American defence contractor, is developing shipping container-size counter-drone microwave systems: one, called PHASER, that will work over short ranges; and another, called CHIMERA, which will work over longer ranges. Lockheed Martin, a American defence company, is refining MORFIUS, a small microwave weapon packaged in a roughly 14kg drone. The system, a spokesperson says, is designed to fly into an attacking swarm, emit microwave blasts, and return to base.

Microwave blasters pose problems for drone designers. Richard Fisher of the International Assessment and Strategy Centre, a think-tank in Potomac, Maryland, says a race is on to protect drones with reflective metal shielding. Such attempts are unlikely to be entirely effective. For one thing, microwaves heat up the surfaces they reflect off, potentially heating them to temperatures they cannot tolerate.

Microwaves can also produce electrical charges in conductive and semi-conductive protrusions (such as antennae or camera lenses) that can turn into damaging currents. Mjölnir's ability to change the wavelength of its microwave radiation could allow it to tune beams that slip through gaps between shielding panels or even holes in mesh.

Though the ends are clear, manufacturers are tight-lipped about the technology needed to achieve them. Most systems use variations of the magnetron technology found in microwave ovens, in which electrons moving through vacuum tubes emit microwaves when exposed to a magnetic field. Epirus has taken a different approach, relying on bespoke microchips made with gallium nitride, a semiconductor material. When fed electrical energy, these chips can produce microwave blasts with durations in the millisecond range, compared with the nanosecond range of magnetron emitters.

Unlike drone design, none of this is for tinkerers. The technical challenges are extreme: for one thing, targets must be detected and accurately tracked, a task which typically involves radar and electro-optical systems working in tandem. The weapon's microwave antenna must also be aimed so that one's own electronics and, especially, munitions are not accidentally zapped.

One country that would like to get its hands on such kit, and fast, is Ukraine. So says Oleh Donets, who leads projects for the development of non-kinetic air defences at Brave1, a government technology accelerator in Kyiv. Russian forces now often dispatch groups of five or more drones to destroy a single target, he notes. Not long ago, single-drone attacks were the norm.

At least two Ukrainian firms are devising counter-drone microwave weapons. One is Transient Technologies, a maker of ground-penetrating radar systems in Kyiv. It kick-started the weapon programme, quietly, in the wake of Russia's full invasion. But the firm's boss, Volodymyr Ivashchuk, laments they are only at the "proof-of-concept stage". The other is First Contact, a firm in Kyiv that built the drones flown in Ukraine's raids of June 1st. Its boss, Valeriy Borovyk, says technical assistance from a German defence contractor is being arranged, and a prototype could be ready for testing later this year.

Brave1, for its part, is seeking microwave blasters from allies to test in combat and tweak as required. So far none has arrived. Epirus did request the American government's permission to send its technology to Ukraine, but failed to obtain it. Recently, however, Mr Lowery was contacted by an official who encouraged Epirus to resubmit its paperwork. The official said that Donald Trump's thinking on the subject had shifted in favour of granting licences for export to Ukraine.

All this is exciting stuff. The hope, says Mark Montgomery, a former US Navy rear admiral, is to eventually design microwave blasters with the oomph to down drones, and possibly even subsonic cruise missiles, from 10km away. At such ranges, interceptors could still be launched if the blasts fail. For now, though, microwaves offer a promising last line of defence. ■

Maternal health

Testing time

A routine test for fetal abnormalities could make pregnancy safer for mums

WHEN NON-INVASIVE prenatal testing (NIPT) arrived in 2011, it transformed pregnancy. With a simple blood test, scientists could now sweep a mother's bloodstream for scraps of placental DNA, uncovering fetal genetic defects and shedding light on the health of the unborn baby. But the potential to monitor the mother's health went largely unappreciated.

A decade of advances in genetic sequencing and machine learning is now unlocking that potential, says Gavin Ha, a computational biologist at Fred Hutchinson Cancer Centre in Seattle. Scientists are now using prenatal tests to look for hidden cancers and predict dangerous complications of pregnancy such as pre-eclampsia and preterm births.



NIPT tests work by scouring the mother's blood for DNA fragments and mapping them to their chromosome of origin. Around 10% of these fragments come from the placenta, which usually has identical DNA to the developing fetus. If the percentage of DNA linked to a particular chromosome is unusually high or low, and doctors know the pregnant woman does not have the associated genetic condition, it may point to a fetal abnormality. Though such tests are routinely offered in rich countries from the tenth week of pregnancy onwards, approximately three in 1,000 results come back as inconclusive.

In a study published in December in the *New England Journal of Medicine*, a team of American researchers gave full-body MRI scans to about 100 women with such inconclusive findings. In half of these cases, the results were linked to false positives, maternal conditions such as fibroids, fetal and placental abnormalities or some unknown cause. In the other half, the scans revealed the mothers had cancer. The prenatal-test results had been scrambled by tumour DNA shed into their bloodstream.

The results are of interest because, at present, spotting cancer in pregnant women is extremely difficult. They are not seen as an at-risk group, and their symptoms are typically chalked up to the normal difficulties of pregnancy, says Catharina Heesterbeek, an oncologist at Maastricht University Medical Centre who led a similar study in 2022. A standard prenatal test could thus find cancers that would never otherwise have been discovered.

Dangerously high blood pressure during pregnancy, otherwise known as pre- ▸▸

eclampsia, is an even greater threat. As its onset is hard to predict, women often have to wait until the second or third trimester to see if they have it. Prenatal tests might be able to help improve matters.

In a paper published in *Nature Medicine* in February, Dr Ha and his colleague Raj Shree, a doctor at the University of Washington, used a machine-learning algorithm to categorise DNA from standard prenatal tests of almost a thousand women. Their findings showed that, compared with healthy mothers, pregnant women who go on to develop pre-eclampsia have slightly less placental DNA in their blood, and slightly more DNA from the lining of their blood vessels. Their model could predict pre-eclampsia with 80% accuracy by the 16th week of pregnancy, well before clinical signs appeared.

Prenatal tests could even predict a woman's chances of giving birth prematurely. Most such births happen spontaneously, due to inflammation, abnormal placental development and other stressors, but the presence of certain proteins in the bloodstream can serve as early-warning signals. Recent studies show that testing pregnant women's blood for these proteins, or the molecules regulating their production, can lead to almost 90% of preterm births being predicted between weeks six and 20 of pregnancy.

The clinical landscape is beginning to adapt. The Netherlands and Belgium now offer genetic counselling and whole-body MRIs to anyone with inconclusive prenatal-test results, says Merryn Macville, a clinical-laboratory geneticist at Maastricht University Medical Centre. American biotech companies including Mirvie and Sera Prognostics are selling pre-eclampsia and preterm-birth tests directly to consumers, at costs ranging from $750 to $1,850.

Early detection does not always translate into prompt treatment. Many common cancer therapies, including chemotherapy and surgery, can be extremely risky during pregnancy. Similarly, the only proven method to reduce the risk of pre-eclampsia and preterm births is a course of aspirin, which is already widely recommended for pregnant women, says Baha Sibai, a maternal-fetal medicine specialist at the University of Texas Health Sciences Centre.

Additional screening also comes with risks. The more tests a patient undergoes, the greater the chances of a stress-inducing false positive and unnecessary follow-up tests. That means the real benefits for maternal health might be indirect. Identifying mothers most at risk of pre-eclampsia and other dangerous conditions could help doctors design more targeted clinical trials and, ultimately, develop better treatments and prevention strategies. In the long run, that could allow prenatal testing to live up to its life-saving potential. ■

Well informed

How much protein do you really need?

Unless you are older or want bigger muscles, you're probably getting enough

FATS AND carbohydrates, eat your hearts out—protein is the macronutrient of the moment. Rich people love the stuff. They treat it like ambrosia. Are they onto something?

Having protein on your plate is important. It is made up of amino acids, of which the body needs 20 types in order to grow, produce hormones and stay healthy. Nine of these amino acids must come from food. The World Health Organisation recommends 0.83 grams of protein a day per kilogram of body weight (g/kg) for healthy adults to maintain muscle and tissue health.

Elderly folk may be better off eating more, since muscles wither with age and older bodies are less efficient at absorbing protein. A review published in *Nutrients* in 2021 suggested that a ratio closer to 1.2g/kg, together with resistance training, could help limit muscle shrinkage in older people. Children and teenagers, who are still growing, may also want more than the minimum, depending on how active they are. A paper from 2020 suggested that pregnant and breastfeeding women need double the recommended amount to maintain muscle mass and feed their child.

More protein can also help you lose weight. Protein takes more energy to digest than carbohydrates and fats and makes you feel fuller for longer. To build muscle mass, the International Society of Sports Nutrition has recommended a daily protein intake of between 1.4g/kg and 2g/kg, combined with resistance training. A meta-analysis published in *Sports Medicine* in 2022, though, found that eating more than 1.6g/kg does not lead to further muscle growth.



Where should the protein come from? Powders (dried extracts of milk, pea or soya) are popular and convenient—chugging protein as a drink is easier than gnawing on steak. A randomised controlled trial in 2013 found that whey protein, made from milk, was especially good at building lean body mass for exercising adults. But the supplement won't offer bulk on its own: a review published in 2014 in *Sports Medicine* found that the best results came in those who also lifted heavy in the gym.

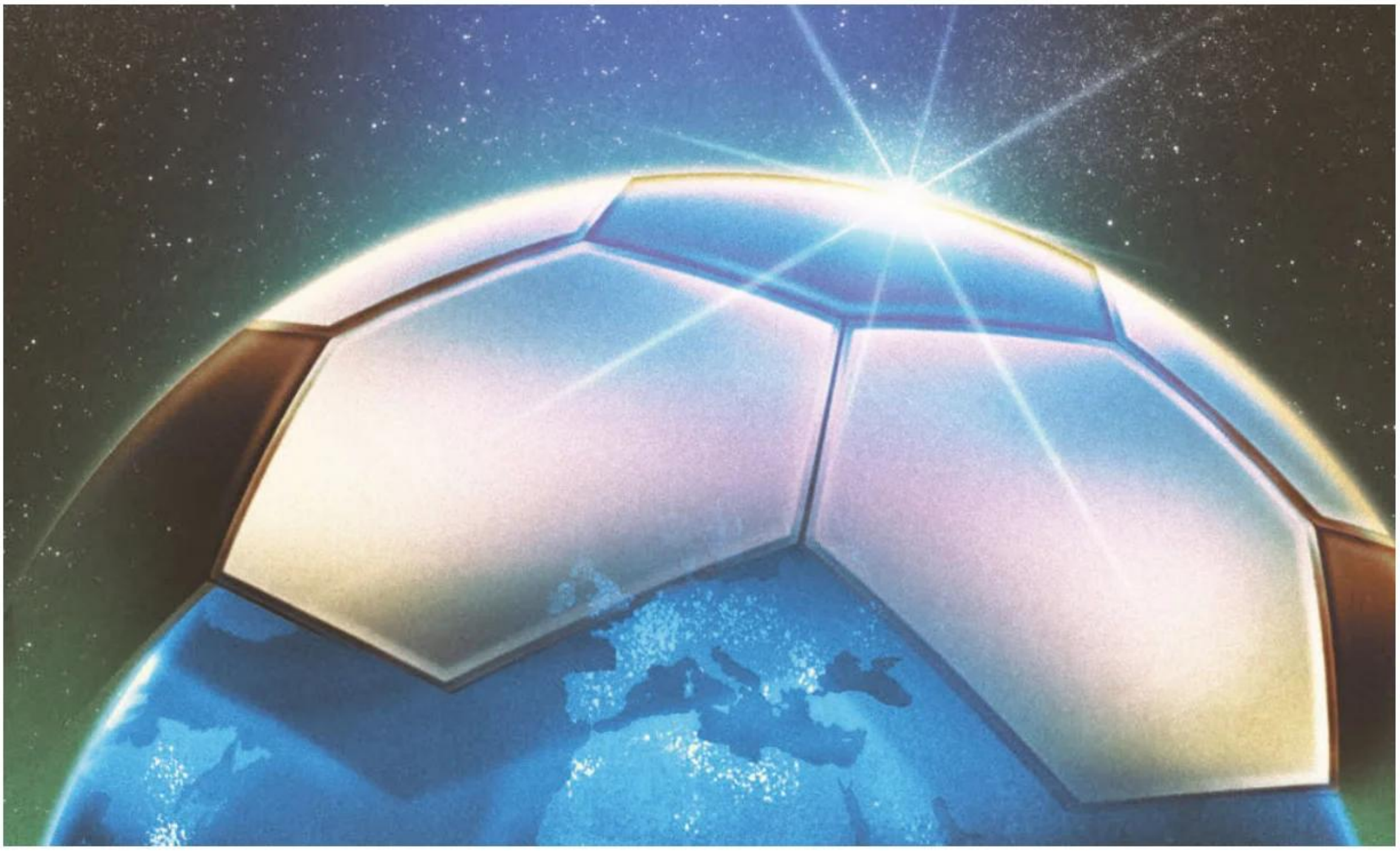
Yet advocates of a traditional balanced diet argue that because alternative sources of protein such as powders and bars often contain too many sugars, flavourings, emulsifiers and other additives, they are less healthy than food-based protein. Eating whole foods may also be a better route to building muscles after a workout, according to a review published in *Nutrients* in 2018, because of the added benefits of naturally occurring micronutrients such as calcium, vitamin D and iron.

Followers of a Western diet, typically rich in meat, dairy and pre-packaged foods, tend to exceed the minimum protein requirements without trying. This includes vegetarians and vegans, according to a review published in *Nutrients* in 2019. Most Americans get more than the recommended amount of protein because of their fondness for meat.

The risks of overdoing it on protein are debated. Some nutritionists warn of the potential for kidney damage, but a 2018 meta-analysis concluded that this is only a concern for people with existing kidney trouble. The greater risk may come from protein-rich diets which rely heavily on red meat and ultra-processed foods that can also contain the saturated fats associated with ill health.

In places where food is plentiful, measuring your protein by the gram may not be worth it. Unless you're looking to bulk up, a regular diet is ample.

Culture



Sporting competitions

The small v the mighty

SINGAPORE AND JAKARTA

FIFA's Club World Cup will be the most global football tournament ever

TO BE DECLARED club champions of the world in 1888, Renton Football Club, the holders of the Scottish Cup, had to win just one match against their English counterparts, West Bromwich Albion. The Renton players, who were amateurs employed at a local printing works, were reportedly fuelled to victory by port and eggs. Though the contest involved only two nations, Renton's "world" title was not absurd. At the time, hardly anyone outside Britain played football seriously.

Since then, the competition for the title of the world's best club has stiffened somewhat. On June 14th the latest reincarnation of the Club World Cup kicks off in America, featuring 32 clubs from six continents. FIFA, the event's organisers and the game's global governing body, touts this expanded tournament as a "massive new platform" that will yield "sportive and financial benefits"—including a pot of prize money worth $1bn.

Whereas the previous format was an annual mid-season jolly featuring only seven teams, the revamped quadrennial Club World Cup has the same structure as the one for international teams. Its architects hope that it might eventually become as popular. It will certainly be more global. FIFA expects players from nearly 90 countries to take part—more than the number that have participated in all the World Cups for national teams.

Countries that are usually hard-nosed about immigrants welcome them in their domestic football leagues. There are more than 1,000 Brazilians, 200 Spaniards and 100 Nigerians playing in Asia's top divisions. Even Brazil, the world's biggest source of football talent, is home to dozens of foreign players, from as far away as Angola and South Korea. According to data from the Football Observatory, a research outfit, the average number of expats at clubs around the world increased from 5.4 in 2017 to 6.5 in 2023—a rise of 20%. As globalisation retreats in many domains, it is thriving in the beautiful game.

It is not just players who move across borders: football culture spills over, too. The sport's tribalism intoxicates fans everywhere. At matches in Jakarta, Indonesia's capital, fans of Persija chant songs in Bahasa Indonesia, the local language, to tunes from European terraces. Even the unsavoury aspects of the game are imported: matches between Persija and Persib Bandung, their rivals, often descend into violence off the pitch. You can find posses of "ultras"—fanatical supporters—in Sudan, Syria and El Salvador.

There are more than 4,000 professional clubs worldwide, from Adelaide United in Australia to Zanaco FC in Zambia. Yet even as club football has spread far beyond its origins in Europe, the continent remains the sport's centre of gravity. Teams from Europe are simply richer and better than those in the rest of the world. That gulf will ▸▸

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be evident on June 15th when Bayern Munich take on Auckland City. Bayern, the German champions, earned €765.4m ($878m) in revenue last season; the team's stadium hosts 75,000 fans every week. Their star forward, Harry Kane, is one of the best players in the world. By contrast, Auckland from New Zealand earned $650,000 and had an average attendance of 400. Angus Kilkolly, one of the team's forwards, has a day job at a painting firm.

Such global disparities have become entrenched. According to Deloitte, a consultancy, Real Madrid of Spain, the world's richest club, raked in around €1bn in the 2023-24 season, more than five times the amount earned by Flamengo, the wealthiest club in Brazil and the only non-European one in the top 30. As a result, talent around the world is hoovered up by European clubs at ever-younger ages. Pelé, a Brazilian considered the greatest of his generation, spent his entire career during the 1960s and 1970s playing outside Europe. Diego Maradona, an Argentine considered Pelé's successor, was signed by Barcelona when he was 21. The next generational talent, Lionel Messi, also of Argentina, moved to Europe when he was 13.

European dominance has played out on the pitch in previous Club World Cups, leading to 16 of the past 17 titles. At the upcoming edition, the top nine favourites are all European. Some fans worry that this superiority could deprive the tournament of any suspense and, consequently, meaning.

The biggest criticism of the tournament, however, concerns its motivation. Many fans, especially in Europe, see the bonanza as an attempted money grab by FIFA. The World Cup for national teams is the most popular sporting competition of all—but because it is held only every four years, FIFA's projected annual revenue of $3.3bn is dwarfed by the $7.6bn earned by UEFA, the European governing body, which runs the annual Champions League for its clubs.

Challenging the Champions League's prestige has proved difficult even before a ball has been kicked at the Club World Cup. Tickets have been hard to sell; FIFA struggled to secure a big broadcast deal leading up to the tournament. In December DAZN, a streaming service, finally bought the rights for $1bn—well short of FIFA's initial target of around $4bn. Saudi Arabia, which is deepening its involvement in football, is sponsoring the tournament via its Public Investment Fund.

Still, non-European teams are excited about the tournament. South American football fans are always eager to show they can beat the Europeans. In Argentina and Brazil, the local leagues have adjusted their schedules to help their clubs succeed in the Club World Cup. And though the favourites are all European, betting odds suggest that there is still a roughly 20% chance that one of the other teams could win the whole thing. The best of the rest would be comfortably mid-table in most European leagues, according to ratings by Opta, a sports-statistics firm.

For many clubs, dribbling on the same pitch as Manchester City and Paris Saint-Germain already counts as success. Global coverage of the sport may be skewed towards Europe, but just as there is more to music than Taylor Swift, so there is more to football than the Premier League. The tournament will help Asian clubs "define themselves on the global football map", says Windsor John, the secretary of AFC, Asia's football confederation. The sentiment is echoed by Luxolo September of CAF, the African body, who believes the tournament can change global perceptions of football on the continent.

Europeans have set aside their cynicism before. Many initially sniffed at the World Cup. Today that tournament, along with the Champions League, offers fans the thrills of high-quality competition. The contests also give improbable competitors a moment to shine. Europe's elite sits atop a vast pyramid of unheralded clubs, who plod on in the belief that one day they too will taste some sort of glory. Such hope is, after all, what sustains sport—and it may fuel the Club World Cup. ■



Can't paper over the cracks

The Arctic

Pole position

Arctic Passages. By Kieran Mulvaney. *Island Press; 240 pages; $30 and £24*
Ends of the Earth. By Neil Shubin. *Dutton; 288 pages; $32. Oneworld; £22*
The North Pole. By Erling Kagge. Translated by Kari Dickson. *HarperOne; 368 pages; $32. Viking; £22*

THE NORTH POLE has captivated people for millennia. Long before anyone got there, it existed vividly in the imagination as a cornucopia of treasures, a dark den for sea monsters or an open ocean linking opposite points of the world. Today the Arctic is still a site of peril and promise. A new race to the North Pole is under way, as politicians dream of accessing mineral wealth buried in the permafrost and opening new trade routes through the Arctic.

This is possible only because the planet is heating up. Global warming is happening faster at the top of the world than anywhere else. This winter the maximum extent of Arctic sea ice was the smallest it has been on record. As the ice cap melts, rising seas could destroy coastal cities and swallow low-lying islands. Three very different books shed a chilling light on what is at stake for the region—and the world.

In "The North Pole" Erling Kagge, a Norwegian explorer, recounts the long history of human expeditions to the end of the Earth. It starts with Pytheas, a Greek astronomer, who sailed far enough in the 320s BC to see the Northern Lights. It then describes the many efforts of European cartographers in the 1600s and 1700s to find a pathway to Asia through the Arctic. Later came explorers, enlisted by imperialist governments and sponsored by newspaper barons, who undertook dangerous journeys for the sake of a good story.

Mr Kagge himself trekked to the North Pole in 1990: he and a friend were the first to reach it by ski. Details of his trip are included throughout his account. As for other intrepid adventurers: many died, falling victim to cold, hunger, scurvy or polar bears. Yet their efforts have fed a romantic notion of the Arctic and pushed the frontier of understanding of what lies up north. Explorers' names—from Barents and Franklin to Ross and Scoresby—populate Arctic maps.

The information these men relayed has helped others conduct research at the poles. In "Ends of the Earth" Neil Shubin, an American fossil-hunter, corrals the latest science to describe what sets the regions apart—and their vital role for the planet. The book is full of great facts. Almost 70% of the world's freshwater is trapped in ice. The ice preserves fossils and meteorites, providing clues about the beginning of the universe, pre-historic times and life on Mars.

For most of Earth's history, Dr Shubin points out, it was more or less ice-free. Ice ▸▸

at the poles, but only at the poles, is a recent state of affairs—yet it is one under which every milestone of human evolution has happened. Dr Shubin sets out the probable consequences of a warming planet. As ice in the west Antarctic breaks down, seas could rise by up to four metres. Ocean currents might slow or stop, transforming weather. Perhaps hundreds of frozen ancient viruses would be released.

But where many see biblical disasters, some see opportunities. In "Arctic Passages" Kieran Mulvaney, a journalist, tells of how the vanishing ice cap at the North Pole could make the holy grail for explorers past—the discovery and exploitation of new shipping lanes through the far north—more attainable. Before long, the Arctic Ocean could be free of ice in summer. That is opening up three possible passages for commercial vessels: the North-west Passage, which hugs Canada's Arctic coast; the North-east Passage, along Russia's Arctic coast; and the Transpolar route, which goes straight over the North Pole. Mr Mulvaney looks at each passage in turn, combining reportage with recollections of three voyages he made in those regions. A trip through the North-east or North-west passages from, say, the Netherlands to Japan would be thousands of kilometres shorter than ones via the congested Panama or Suez canals.

Mr Mulvaney is primarily interested in the geopolitical rivalries sparked by the accelerated thaw. Russia, which claims sovereignty over much of the Arctic Ocean, is reopening and modernising its Soviet-era bases on the coast. China, which has declared itself a "near-Arctic" state, is building a mighty fleet of ice-breakers.

A new cold war seems inevitable; but not, Mr Mulvaney suggests, a hot one. The countries bordering the Arctic do not seem to know exactly what they want. Russia would like international traffic in the North-east Passage, but creates big barriers to its development. China's supposedly ambitious Arctic strategy is hardly mentioned in its five-year plans. Canada has embraced its northern territories, then neglected them, then made them a focus of its national identity. America wants to take possession of Greenland—or does it?

The closing message of all three books is that the future of polar regions is not preordained. "We have moved from seeing polar worlds as vast, wild landscapes to places that can be directly manipulated, even possibly designed," writes Dr Shubin. He describes some scientists' mooted geo-engineering solutions to shore up polar glaciers—by erecting deep-sea barriers, for instance, or pouring torrents of icy water on them. As these books prove, the region is not frozen in time. Thinking about the Arctic is no longer a niche obsession; it is a task of vital importance. ■

British novelists

Death of a plotter

Frederick Forsyth's bestsellers drew on his work as a journalist and spy

WHAT IS THE best career choice for someone who needs to make money quickly? Joining an investment firm? The law? (Lawyers, though, usually need extensive and pricey qualifications.) Setting up a company is an option—but because most startups fail, success requires luck in addition to ingenuity. Reasonable people can disagree about precisely which field to enter, but they can all agree what not to do: write a novel. Most never get published; many published novels never get read; very few reach the bestseller list.

But when Frederick Forsyth returned from Africa—he had been covering the Biafran war in Nigeria as a journalist—he had no money or prospects. Against friends' advice, he decided to write a novel. Worse, it would be about Charles de Gaulle: the French general and president was unlikely to set publishers' hearts aflutter.

But he sat down at his old typewriter in his bedsit and (aspiring novelists may want to skip this bit) in just 35 days produced "The Day of the Jackal" (1971). He had never written a word of fiction before. Yet the book's final version was, he claimed, precisely as he had written it. Neither he nor his editors changed a word, except for the original title, "The Jackal", which he extended to avoid it being mistaken for "a documentary about African wildlife".

It followed a dogged French detective as he tried to stop de Gaulle from being assassinated by an English mercenary hired by aggrieved French veterans of the Algerian war. Still in print—and still a great read—54 years later, it has sold over 10m copies. The novel was turned into an excellent and faithful film starring Edward Fox and a dreadful one inexplicably starring Bruce Willis. It also inspired a recent TV series starring Eddie Redmayne.

The book was an unlikely success because the central question of any thriller—will the villain succeed?—had already been answered. De Gaulle had died of natural causes the year before the book's publication; readers knew the assassin failed before they read the first word. The book's thrill lay not in the "whether" but the "how". As a journalist, Mr Forsyth had covered several assassination attempts on de Gaulle during the 1960s, and the book reflected his time in the field.

For added realism, he learned from a forger how to obtain a false passport and from a gunsmith how to make a rifle slender enough to hide inside a crutch. He understood the hierarchy of French security services—how they competed with and distrusted each other—and how an assassin could exploit de Gaulle's pride. He also understood the narrative appeal of the lone hero: Claude Lebel, his protagonist, had to battle French bureaucracy as vigorously as he hunted the Jackal.

Mr Forsyth—who died on June 9th, aged 86—would go on to write another 22 books that sold more than 65m copies. His novels were neither as haunted and gloomy as John le Carré's nor as two-dimensional as Ian Fleming's, but, like them, he was a novelist of the cold war. And, like le Carré, he was also a participant. Mr Forsyth spent three years as a pilot with the Royal Air Force, and late in life he revealed that he had worked for MI6, Britain's foreign-intel-



He wrote what he knew

ligence service, though he dismissively called his work "errand-running".

Aside from "Jackal", his best books included "The Odessa File" (1972), about a secret society that protects ex-Nazis; "The Fourth Protocol" (1984), about espionage and British peacenik politics (Mr Forsyth was a staunch conservative); and "The Dogs of War" (1974), about a group of mercenaries hired to foment a coup in a fictional west African country.

Some wondered whether truth and fiction overlapped in "The Dogs of War". According to the *Sunday Times* in 1972 Mr Forsyth spent $200,000, via an intermediary, to hire a boat and soldiers of fortune to depose the president of Equatorial Guinea. (Supposedly the aim was to create a new homeland for those who had been defeated in the Biafran war.) Spanish police intercepted and arrested the mercenaries, purportedly en route to carry out a coastal oil survey, in the Canary Islands—more than 4,000km from their target—after seeing one of them in camouflage on the boat's deck. Mr Forsyth described the reporting as "imaginary fantasies".

Mr Forsyth tried to retire from fiction in 2016, claiming he could no longer travel or come up with interesting things to say. But it was short-lived: despite not owning a computer, he published a novel about a hacker in 2018. A sequel to "The Odessa File" will come out in the autumn. Not bad for a novelist who, at the height of his fame, said: "I don't even like writing." ■

BACK STORY

The real hero of "Jaws"

As Steven Spielberg's blockbuster turns 50, it is not the film you remember

THAT RELENTLESS, rumbling music—DUM-dum DUM-dum DUM-dum—like a heartbeat gone awry. The mayor who wants to keep the beaches open (and his equally obnoxious tailoring). "You're gonna need a bigger boat." These may be your recollections of "Jaws", released 50 years ago in June 1975. But as so often with classic movies, your memory may be as faulty as an animatronic shark. Watch it again and, in particular, you may conclude that the real hero is not who it first seemed.

"Jaws" is a story of two halves. A killer great white shark terrorises Amity Island, a pretty New England resort. Then the local police chief pursues it on the waves, in company with a bumptious marine biologist and an unhinged shark-hunter. The tale of how the film was made likewise involves a man—Steven Spielberg, then 27—triumphing over nature. "Jaws" made his career, but only after his choice to shoot at sea almost wrecked it. He ran way over budget and schedule. Boats sank when they weren't meant to. Actors feuded and drank.

Yet "Jaws" became the prototype summer blockbuster and a model for big-splash action extravaganzas. For generations of fans, this saga of American grit and ingenuity has had an all-American hero: Brody, the police chief, played by Roy Scheider. Brody is an everyman, who loves his kids and likes a drink and a cuddle with his wife. He has flaws but also a conscience, plus the guts to vanquish the monster.

Brody was an apt champion in the wake of the Watergate scandal of the early 1970s. Rather than covering up his part in letting a child paddle to his doom, he accepts it. "In Amity," he declares, "one man can make a difference!" That was a stirring credo for a public



servant in a disenchanted age. Still, just as you can't lower a shark cage into the same ocean twice, today "Jaws" makes a new impression—and Brody has a rival.

Famously, the shoot's biggest hiccup was the replica sharks. "What would Alfred Hitchcock do?" Mr Spielberg asked as they malfunctioned. He fell back on portents and mystique, flashes of fin that were menacing enough to scare viewers away from seas, swimming pools and bath tubs. The upshot is that you dread the shark and long to see him.

For well over an hour, you barely do. But you see what he sees from the start. The film's signature technique is the underwater shark's-eye view, the camera looking up at frolicking holidaymakers or poised at the sloshing waterline. Admit it: as you track the shark's gaze, you want him to chomp some of those delicate legs. After all, no mastication, no movie. Each grisly meal supplies a shiver of relief that he got someone else, not you.

The script omits the adultery and mafia subplots in the novel it is based on. Even so, the shark is an agent of retribution. The mayor isn't Amity's only wrong 'un. The medical examiner and newspaperman are corrupt; the townsfolk are greedy, petty and blithe, whingeing about parking while the shark swims amok. "Bad fish," says Quint, the shark-hunter (Robert Shaw). Bad people, too.

"Jaws" is the "Macbeth" of horror flicks: a bait-and-glitch drama known for lurid violence that is intimate and pensive at heart. Its moral anchor is a boozy, below-decks chat in which Quint delivers a haunting monologue. He recalls going down with the *USS Indianapolis*—a torpedoed cruiser that had ferried bits of the atom bomb dropped on Hiroshima—and seeing sharks devour his shipmates. This explains his Ahab-like fixation on the great white. At the same time, the link to the bomb suggests the shark is part of a wider reckoning.

And the shark, it must be said, is very good at what he does—ie, eating people—and as worthy a harpooned foe as Moby Dick. "He's incredible," says Quint during the three-men-against-one-fish duel, shortly before he is munched. The shark's efficiency contrasts with the myopic officials and slapstick bounty-hunters. ("Jaws" is also a funnier film than is remembered: the funny and the frightening overlap, both springing from human vanity and frailty, the conceit of would-be demigods made of clay.)

After the movie's release, moreover, came half a century of environmental despoliation. That has been especially hard on sharks, whose global population is thought to have fallen by 70%. Now the film's elemental source of fear—that the ocean is the shark's domain, or was—tugs your sympathies towards him; he seems simply to be getting his revenge in early. The shark is the hero of "Jaws", the head, the tail, the whole damn thing.

Entertainment

In your streams

The best films and TV shows of the year so far, as chosen by our correspondents

"Adolescence"
This taut, anxiety-inducing show, about a 13-year-old boy (Owen Cooper) accused of murdering a classmate, is captivating. The acting is impeccable and the show's themes—including masculinity and online brainwashing—resonate.

"Andor"
The "Star Wars" universe has, surprisingly, produced a sophisticated show about authoritarianism. It follows Cassian Andor (Diego Luna) as he is transformed from an apolitical thief into a rebel against the Galactic Empire. The show's writers understand the machinery of repression.

"The Clubhouse: A Year with the Red Sox"
This eight-part documentary series follows Boston's baseball team. It is a triumph of editing, with terrific access to the team over the course of 162 games. Athletes open up about their mental health and family struggles, revealing the toll a long season takes.

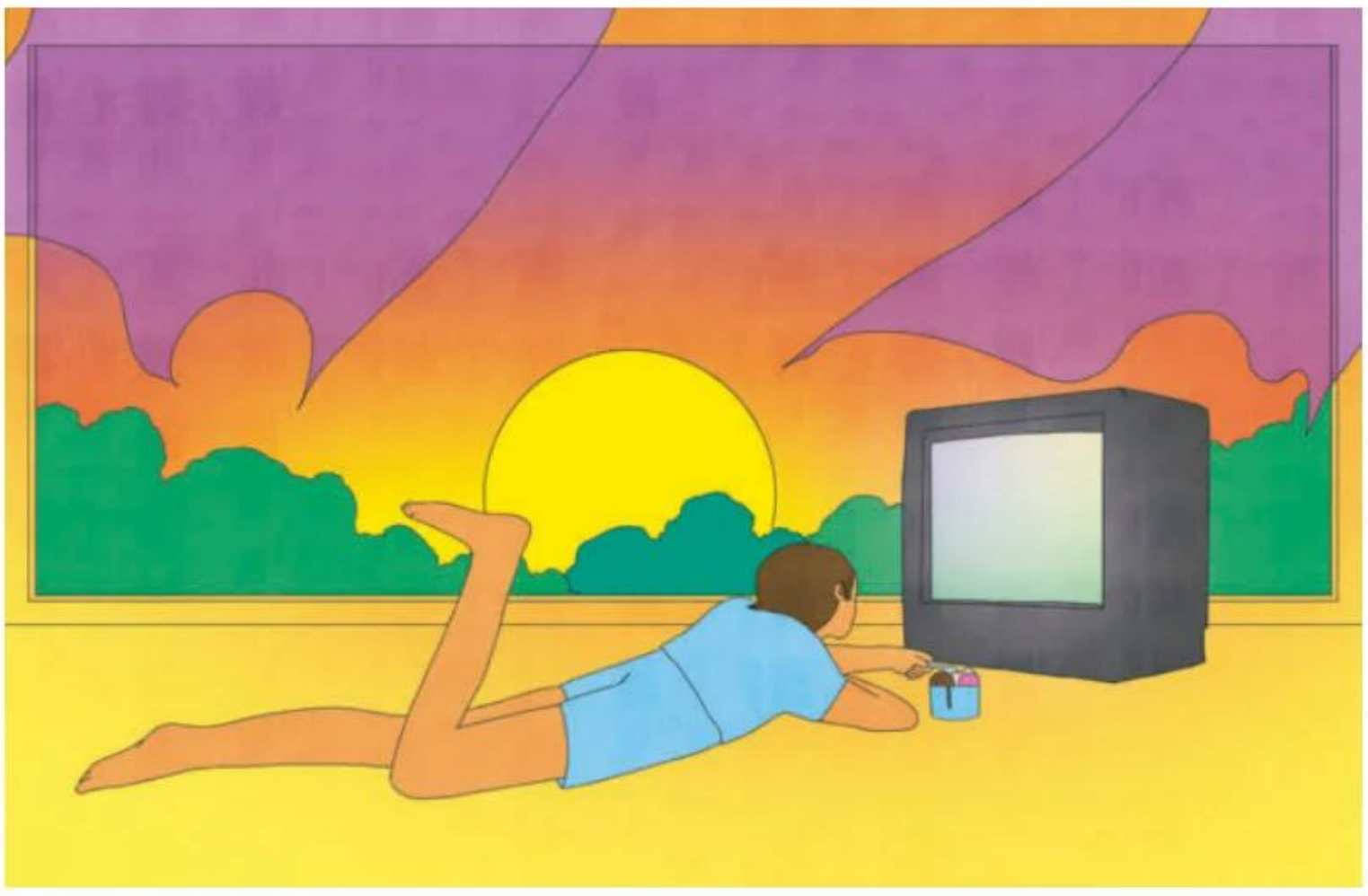
"Dying for Sex"
After Molly (Michelle Williams) is diagnosed with stage-four cancer, all she can think about is intercourse. She separates from her husband, who has not touched her in years, and embarks on a series of sexual adventures. A drama that is at once frank and funny.

"Hacks"
This comedy continues to delight in its fourth season. Deborah Vance (Jean Smart) has finally landed her dream gig as a late-night TV host. But there's a catch: her head writer is her former protégée who all but blackmailed her way into the job.

"Holy Cow"
After his father dies, Totone gets a job with a cheesemaker in his rural French village. When a local contest offers thousands of euros for the best Comté, he sets out to make his own batch, with the help of some ragtag friends. A story of mischief—with a good dollop of dairy.

"I'm Still Here"
This Oscar-winning film is set in Brazil in the early 1970s during the military dictatorship. After her husband is taken away by plainclothes policemen, Eunice (Fernanda Torres) perseveres in her hunt for information about his disappearance. It is a story of love and resolve.

"The Last of Us"
The first season of the hit video-game adaptation was memorable for its nerve-shredding intensity. The second has more than matched it in ferocity. Much of the horror comes not from the threat of the *Cordyceps* fungus, but from the desperate, vengeful people living in a post-apocalyptic world.



"The Last Showgirl"
Shelly (Pamela Anderson) has run out of road, professionally speaking. She has been a dancer in Las Vegas for three decades, but the opportunities to shimmy about in a sparkly bikini do not come round as often as they used to. Ms Anderson's own performance is at once sensitive and guileless.

"The Narrow Road to the Deep North"
A masterful adaptation of Richard Flanagan's prizewinning novel. Dorrigo Evans (Jacob Elordi), a surgeon in the Australian army, is captured by the Japanese during the second world war and sent to work on the Burma Railway.

"The Pitt"
Each episode of this exhilarating and addictive medical procedural chronicles a single hour on shift at an overworked, underfunded emergency room in Pittsburgh. The show honours the work of people doing the best they can with what they have.

"Severance"
This surreal show, now in its second season, is TV's greatest drama of modern office life. Employees of Lumon Industries receive a brain chip that cleaves their consciousness in two. Their "outies" have no knowledge of their work, their "innies" no memory of their outside lives.

"Sinners"
This film is a work of multiplicity. Smoke and Stack are identical twins (both played by Michael B. Jordan) who open a juke joint in Mississippi in 1932. The movie is a medley of cinema genres that are typically kept apart: horror, blues musical, action flick, period drama. Vampires make an appearance; so does the Ku Klux Klan.

"Toxic Town"
In the 1980s and 1990s Corby Borough Council, in the East Midlands of England, cleared the site of a former steelworks, transporting noxious material in open trucks. Local children were subsequently born with deformities. Jodie Whittaker is captivating as Susan McIntyre, one of the mothers who took the authorities to court.

"Warfare"
Set during the Iraq war, this movie recreates the end of the Battle of Ramadi, in which Ray Mendoza, the co-director and a former Navy SEAL, fought. His focus is on the visceral immediacy of combat. There is no exposition or discussion of the political context; nor is there a score—only the sound of violence. ■

These titles are available to watch in America and/or Britain.

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COURSES



PACIFIC ISLANDS
FORUM SECRETARIAT

The Pacific Islands Forum Secretariat
Simplified Competitive Dialogue
Framework Agreement for Correspondent Banking Relationships

Invitation for Initial Selection

Procuring Agency: The Pacific Islands Forum Secretariat (PIFS)
Countries: Fiji, Kiribati, Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu (Collectively Pacific Island Countries (PICs), PIC Recipients)
Project: Pacific Strengthening Correspondent Banking Relationships Project (P502591)
Framework Agreement Title: Correspondent Banking Relationships Service Provider
RFB Reference No.: PIF-001/2025
Loan No./Credit No./Grant No.: IDAE3610 to E3690 and IDA76200 to 76400
Issued on: June 6, 2025.

1. The Pacific Islands Forum Secretariat (PIFS) and the participating countries listed above (PIC Recipients) have received financing from the International Development Association (World Bank) to support the Strengthening of Correspondent Banking Relationships (CBR) in the Pacific (the Project). A portion of this financing will be used to finance the Correspondent Banking Relationship Service (CBRS) to eligible financial institutions (Respondent Banks) to be provided by CBR Service Provider(s).

2. Pacific Island Countries (PICs) have faced a significant decline in CBRs. Supervisory enforcement of international standards can make correspondent banking a high-risk, low-profit business requiring high transaction volumes. This procurement seeks to identify and engage CBR Service Provider(s) capable of delivering temporary, emergency correspondent banking services to Respondent Banks at risk of, or already experiencing, the loss of existing CBRs. Selected CBR Service Provider(s) will be expected to assess, design and implement compliance-strengthening and capacity-building programs for Respondent Banks, and to establish services promptly to help maintain uninterrupted access to critical international financial flows.

3. With an enhanced implementation support from the World Bank, PIFS, the Procuring Agency, is undertaking a procurement process with a view to concluding a Framework Agreement (FA) following an accelerated and simplified competitive dialogue approach. The FA to be concluded will be Multi-User type, for a Term of two to five years from the commencement date stated in the FA. The selection of one or more CBR Service Providers to be awarded a Call-off Contract may be done through a secondary procurement process as defined in the FA. However, the conclusion of a FA shall not impose any obligation on PIFS, including participating PIC Recipients, to hire Correspondent Bank Services under a Call-off Contract from the selected providers in the FA. The concluded FA does not guarantee that a CBR Service Provider will be awarded a Call-off Contract.

4. An accelerated and simplified Competitive Dialog process with Initial Selection (IS) will be conducted in accordance with the World Bank's Procurement Regulations for Borrowers- Procurement in Investment Projects Financing, February 2025 (Procurement Regulations). The Competitive Dialog phase will have the objective of discussion the overall requirement with Initially Selected parties, which will in turn inform the finalization of a Request for Proposals (RFP) document. Upon completion of the Competitive Dialog phase, final bidding will be conducted through an International Competitive Procurement using the RFP as specified in the Procurement Regulations to those organizations identified through the accelerated and simplified competitive dialogue phase. It is expected that the Request for Proposals will be made in July 2025.

5. Interested eligible applicants may obtain further information from the PIFS at the email address below. A complete set of Initial Selection documents in English may be requested by interested Applicants on the submission of a written request to the address below.

6. Two briefing conferences will be held by videoconference on: (i) June 16, 2025, at 4:00 PM Eastern Daylight Time (EDT) / June 17, 2025, at 8:00 AM Fiji Time; and (ii) June 18, 2025, at 9:00 AM London Time / June 18, 2025 8:00 PM Fiji Time. Interested applicants should express their interest in participating in the briefing conference and request the link to join at the address below. The videoconference aims to provide interested applicants (banks, firms and financial institutions) with an overview of the Project and the services required under the FA, discuss the initial selection documents, simplified competitive dialogue approach and answer any questions. Following the briefing conference, the banks, firms and financial institutions may seek additional clarification to the address below by July 1st, 2025.

7. Applications for Initial Selection shall be submitted by email to the address below by 2:00 PM (Fiji Time) on July 7th, 2025, using the forms included in the Initial Selection documents. Late applications may be rejected. To provide the CBR services, the applicants shall comply with the requirements set forth in the IS docs, including the following: (i) Applicants must hold a banking license or a payment institution license (or equivalent) for the provision of CBR-related services; and (ii) applicants must be able to demonstrate an ability to clear wholesale and retail transactions in USD and at least another key currency (AUD, EUR, FJD, GBP, NZD) directly or through pre-arranged correspondent banking relationships.

The address(es) referred to above is:
Pacific Islands Forum Secretariat (PIFS)
Attn: Ajay Jaganath – Project Coordinator
Ratu Sukuna Road, Suva, Fiji
Email: *pacific_cbr@worldbank.org* ***Website:*** *https://forumsec.org/;*

Economic & financial indicators

	Gross domestic product, % change on year ago				Consumer prices, % change on year ago			Unemployment rate, %		Current-account balance, % of GDP, 2025†	Budget balance, % of GDP, 2025†	Interest rates, 10-yr gov't bonds			Currency units	
	latest		quarter*	2025†	latest		2025†					latest, %		change on year ago, bp	per $ Jun 11th	% change on year ago
United States	2.1	Q1	-0.2	0.5	2.4	May	3.2	4.2	May	-3.7	-6.0	4.4		2.0	-	
China	5.4	Q1	4.9	4.4	-0.1	May	-0.3	5.1	Apr‡§	1.8	-5.9	1.5	§§	-51.0	7.19	1.0
Japan	1.7	Q1	-0.2	0.6	3.5	Apr	2.7	2.5	Apr	2.4	-4.8	1.5		45.0	145	8.7
Britain	1.3	Q1	2.9	1.0	3.5	Apr	3.4	4.6	Mar††	-2.8	-3.9	4.6		37.0	0.74	6.8
Canada	2.3	Q1	2.2	0.7	1.7	Apr	2.3	7.0	May	-0.3	-1.9	3.4		-13.0	1.37	0.7
Euro area	1.5	Q1	2.5	0.9	1.9	May	2.1	6.2	Apr	2.9	-3.3	2.5		-9.0	0.87	6.9
Austria	-0.5	Q1	0.6‡	0.1	3.1	May	2.7	5.6	Apr	1.6	-4.5	3.0		-16.0	0.87	6.9
Belgium	1.1	Q1	1.6	1.0	2.8	May	2.9	6.4	Apr	-0.1	-4.5	3.1		-20.0	0.87	6.9
France	0.6	Q1	0.5	0.6	0.6	May	0.9	7.1	Apr	-0.1	-5.9	3.2		-2.0	0.87	6.9
Germany	nil	Q1	1.7	0.1	2.1	May	2.3	3.6	Apr	5.3	-2.6	2.5		-9.0	0.87	6.9
Greece	1.8	Q1	0.2	2.2	3.3	May	2.7	8.3	Apr	-6.0	-0.4	3.3		-52.0	0.87	6.9
Italy	0.7	Q1	1.1	0.5	1.9	May	2.0	5.9	Apr	0.8	-3.6	3.5		-60.0	0.87	6.9
Netherlands	2.0	Q1	0.4	0.9	2.9	May	3.6	3.8	Apr	8.4	-2.4	2.8		-19.0	0.87	6.9
Spain	2.8	Q1	2.3	2.6	1.9	May	2.3	10.9	Apr	2.4	-3.2	3.1		-23.0	0.87	6.9
Czech Republic	2.2	Q1	3.0	1.8	2.4	May	2.1	2.5	Q1‡	0.5	-2.4	4.3		-2.0	21.6	7.0
Denmark	4.0	Q1	-2.0	2.6	1.6	May	1.8	2.9	Apr	12.9	1.6	2.5		-17.0	6.50	7.1
Norway	-0.4	Q1	-0.3	1.3	3.0	May	2.3	4.3	Mar‡‡	14.1	9.4	4.0		36.0	10.1	6.5
Poland	3.2	Q1	2.8	3.0	4.1	May	4.3	5.0	May§	0.3	-6.1	5.6		-18.0	3.70	9.5
Russia	1.4	Q1	na	1.8	9.9	May	8.4	2.3	Apr§	2.2	-1.7	15.0		15.0	79.4	12.3
Sweden	1.0	Q1	-1.0	1.8	0.3	Apr	2.3	8.9	Apr§	5.8	-1.0	2.3		-10.0	9.56	10.1
Switzerland	2.0	Q1	2.1	1.1	-0.1	May	0.3	2.9	May	6.5	0.6	0.3		-59.0	0.82	9.8
Turkey	2.0	Q1	4.0	2.9	35.4	May	32.8	8.5	Apr§	-1.7	-3.6	30.6		396	39.2	-17.4
Australia	1.3	Q1	0.8	2.1	2.4	Q1	2.1	4.1	Apr	-0.8	-1.8	4.2		-6.0	1.53	-1.3
Hong Kong	3.1	Q1	7.9	1.5	2.0	Apr	1.6	3.4	Apr‡‡	11.6	-5.4	3.1		-61.0	7.85	-0.5
India	7.4	Q1	9.8	6.2	3.2	Apr	4.3	6.9	May	-0.3	-4.4	6.3		-72.0	85.5	-2.3
Indonesia	4.9	Q1	4.8	4.7	1.6	May	1.8	4.8	Feb§	-1.4	-3.2	6.7		-29.0	16,255	0.2
Malaysia	4.4	Q1	5.1	4.2	1.4	Apr	2.0	3.0	Apr§	1.9	-3.9	3.6		-31.0	4.24	11.3
Pakistan	4.8	2025**	na	3.0	3.5	May	6.0	6.3	2021	-1.5	-6.2	12.2	†††	-194	282	-1.4
Philippines	5.4	Q1	4.9	6.1	1.3	May	1.8	4.1	Q2§	-3.1	-5.4	6.4		-40.0	55.9	5.0
Singapore	3.9	Q1	-2.6	1.7	0.9	Apr	0.5	2.1	Q1	16.2	-0.2	2.3		-97.0	1.28	5.5
South Korea	-0.3	Q1	-0.9	0.6	1.9	May	1.8	2.8	May§	2.9	-2.3	2.8		-60.0	1,374	0.3
Taiwan	5.5	Q1	7.2	3.8	1.5	May	1.9	3.4	Apr	13.7	nil	1.5		-9.0	29.9	8.3
Thailand	3.1	Q1	2.8	1.9	-0.6	May	0.2	1.0	Apr§	1.8	-5.8	2.1		-48.0	32.6	12.6
Argentina	2.1	Q4	5.7	5.7	47.3	Apr	41.1	6.4	Q4§	-1.0	0.4	na		na	1,187	-24.0
Brazil	2.9	Q1	5.7	1.9	5.3	May	5.5	6.6	Apr§‡‡	-2.6	-7.1	14.0		196	5.54	-3.6
Chile	2.3	Q1	2.8	1.9	4.4	May	4.6	8.8	Apr§‡‡	-2.1	-1.9	5.8		-18.0	936	-1.4
Colombia	2.7	Q1	3.2	2.3	5.1	May	5.1	8.8	Apr§	-2.7	-6.0	12.8		228	4,195	-5.8
Mexico	0.8	Q1	0.8	-0.2	4.4	May	3.8	2.6	Apr	-0.2	-3.5	9.2		-107	18.9	-2.6
Peru	3.9	Q1	5.1	2.8	1.7	May	1.7	5.8	Apr§	2.1	-2.8	6.6		-42.0	3.64	4.1
Egypt	4.3	Q4	0.8	3.2	16.9	May	14.5	6.3	Q1§	-5.2	-7.7	na		na	49.5	-3.9
Israel	1.4	Q1	3.4	3.1	3.6	Apr	3.2	3.0	Apr	4.1	-4.9	4.5		-50.0	3.48	6.3
Saudi Arabia	1.8	2024	na	3.4	2.3	Apr	2.6	3.5	Q4	-3.0	-4.0	na		na	3.75	nil
South Africa	0.8	Q1	0.4	1.7	2.8	Apr	4.0	32.9	Q1§	-0.7	-4.6	10.1		-18.0	17.7	5.4

*% 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 Jun 11th	% change on: one week	% change on: Dec 31st 2024
United States S&P 500	6,022.2	0.9	2.4
United States NAS Comp	19,615.9	0.8	1.6
China Shanghai Comp	3,402.3	0.8	1.5
China Shenzhen Comp	2,024.5	1.2	3.4
Japan Nikkei 225	38,421.2	1.8	-3.7
Japan Topix	2,788.7	0.1	0.1
Britain FTSE 100	8,864.4	0.7	8.5
Canada S&P TSX	26,524.2	0.7	7.3
Euro area EURO STOXX 50	5,393.2	-0.2	10.2
France CAC 40	7,775.9	-0.4	5.4
Germany DAX*	23,948.9	-1.3	20.3
Italy FTSE/MIB	40,180.2	0.2	17.5
Netherlands AEX	935.5	1.2	6.5
Spain IBEX 35	14,134.1	0.2	21.9
Poland WIG	101,699.3	0.3	27.8
Russia RTS, $ terms	1,089.9	-4.2	22.0
Switzerland SMI	12,315.8	0.1	6.2
Turkey BIST	9,686.1	2.2	-1.5
Australia All Ord.	8,819.7	0.6	4.7
Hong Kong Hang Seng	24,366.9	3.0	21.5
India BSE	82,515.1	1.9	5.6
Indonesia IDX	7,222.5	2.2	2.0
Malaysia KLSE	1,523.8	1.1	-7.2
Pakistan KSE	124,352.7	2.1	8.0
Singapore STI	3,919.1	0.4	3.5
South Korea KOSPI	2,907.0	4.9	21.2
Taiwan TWI	22,470.1	3.9	-2.5
Thailand SET	1,141.6	0.8	-18.5
Argentina MERV	2,171,272.0	2.1	-14.3
Brazil BVSP*	137,128.1	0.1	14.0
Mexico IPC	57,767.3	0.5	16.7
Egypt EGX 30	32,935.2	0.8	10.7
Israel TA-125	2,754.4	1.1	13.5
Saudi Arabia Tadawul	11,005.0	nil	-8.6
South Africa JSE AS	96,404.1	0.8	14.6
World, dev'd MSCI	3,929.4	0.7	6.0
Emerging markets MSCI	1,209.0	3.1	12.4

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	99	95
High-yield	359	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

***The Economist* commodity-price index, 2020=100**	Jun 3rd	Jun 10th*	% change on month	% change on year
Dollar Index				
All items	133.0	134.1	-1.1	-0.5
Food	150.9	152.0	-1.2	2.9
Industrials				
All	118.1	119.3	-1.0	-3.9
Non-food agriculturals	122.7	121.5	-5.5	-11.5
Metals	116.9	118.7	0.3	-1.7
Sterling Index				
All items	126.3	127.5	-3.0	-6.4
Euro Index				
All items	133.4	134.1	-3.4	-6.7
Gold				
$ per oz	3,349.2	3,325.8	2.5	43.8
Brent				
$ per barrel	65.6	66.9	0.3	-18.2

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
Valmik Thapar

The arch-protector of India's tigers died on May 31st, aged 73



ONCE SEEN, he was not easily forgotten. In his kingdom, the national tiger reserve of Ranthambore in Rajasthan, he patrolled night and day, solitary, guarding what was his. His shoulders were broad, his girth impressive; he exuded power and purpose. A thick ruff of hair grew on his cheeks, and his eyes bored and blazed. No one registered more intently the trail of pug-marks or the flocking of vultures; the deer sucking up water-plants from the shallows of Rajbagh Lake, their antlers flat among the lotus flowers, and the crocodiles that pulled them under; each piglet-rustle in the tall grass. His speed, when he charged, was terrifying. Many of his kind were lazy, but not he; day and night he paced his territory, fearless and often roaring.

His name was Genghis. But anyone who mistook him for Valmik Thapar would not have been wrong. Mr Thapar admitted that he was obsessed with him; from their first mutual glance, he moved in his skin. The Ranthambore reserve was indeed his domain, all 392 square kilometres of it, and his life was completely entangled with the tigers who, for five decades, he fought to protect. Throughout India (for his love encompassed all its tigers) he was known as "Tiger Man". In almost 30 books and TV documentaries he spoke in the tiger's booming voice. And many were the government ministers, the forest wardens and the state jobsworths who, at some encounter or another, had felt the furious glare of those eyes and dreaded the inevitable charge.

The urgency of his campaign was obvious. In 1900 around 100,000 tigers had roamed India. By 1973, through a combination of plunder, agriculture and maharajas' shooting sprees, their numbers had fallen to 1,800. That year Indira Gandhi, then prime minister, set up Project Tiger, establishing nine national reserves manned with guards. As a result the population had stabilised, but still at a desperately low level. Poachers continued to raid the reserves for lucrative tiger pelts, bones and bits to send as medicine to China. Local villagers and tribal people, deprived now of access to ancestral grazing land, wood and water, saw tigers as their enemy. India took great pride in tigers; they were the national animal. But relations between them and humans were often dire.

Mr Thapar had no idea he would take on such a role. His family were part of the Punjabi elite in New Delhi, intellectuals, army officers and friends of the Gandhis; he saw his first tiger, at ten, when majestically astride an elephant. His next sighting, though, was under very different circumstances. His first marriage had gone wrong, attempts at a career were stalling, and he went to Ranthambore to try to find healing. It came in the sprightly form of Fateh Singh Rathore, the wildlife warden, with his Stetson hat and elegant moustache, who introduced him to the delights of a life spent largely in a jeep, keeping as quiet as possible, waiting for the sheer joy of a glimpse of stripe, a tip of an ear above the grass, or a flicker of a tail: tiger-watching.

This was love from the beginning. The rarity of sightings—perhaps one every two weeks—added to the allure. For most of the day the tigers slept, perfectly camouflaged by tall grass and tree-shadows. At sundown they were on the move. In time he could sense them before he saw them, partly from the highly accurate panic-cries of peacocks but also from his own instinct, grown keen as an animal's. He observed and recorded the activities of 125 tigers, but some were family. Calm, elegant Padmini, the Queen Mother of the jungle; Akbar, a confident risk-taker; Noon, who spread her favours between two males; Nasty, who threatened to attack each jeep as it passed her. And Ghengis, whose imperiousness included refusing to be watched while he ate.

Some of Mr Thapar's findings surprised him. He saw male tigers bringing up motherless cubs, rather than devouring them, and making successful deer-kills in water. He also saw them (Ghengis again) sparring over carcasses with crocodiles, and usually winning. As the years passed he could draw closer and closer to tigresses with young, watching the little ones roll stones or chase after butterflies. The beauty of these creatures never failed to move and amaze him.

His task, then, was to spread the word in his writings and documentaries ("Land of the Tiger", for the BBC in 1997, was the best known) and to keep their plight in India's eye. Whenever he was not in the forest he tended to be prowling the corridors and anterooms of government, looking for prey. He reckoned he had sat on 150 committees, almost all rife with sloth and indifference. His action plan was small and sharp: inviolate space for tigers, far from noise and humans; properly armed local wardens who would enforce the law; and forest services run at state, not national, level.

In the villages around the reserve, however, he faced fury from the people who felt they had lost out to tigers. Here his tactics were gentler. He set up a foundation to encourage conservation in 100 perimeter villages, as well as a co-operative craft society and a school of art. Eventually, admitting that "inviolate space" was too optimistic, he spoke up for properly managed tourism, and hoped to see scientists, villagers and state officials serving tigers together. The bottom line, he reminded villagers, was that without its apex predator the forest itself would not survive.

The unique feature of Ranthambore was an ancient fort from which, in the past, successive rulers had controlled central India. It was in ruins now, but many of his sightings of tigers took place among its crumbling walls. His friends made dens there, and dragged their kill there to eat. He meanwhile made his den on the terrace of an adjacent temple, now a rest house, drinking whisky as the sun went down. The landscape was filled with evening calls, each one of which he knew. Soon he would begin to patrol in the deepest possible silence; but the reverberation of his roaring still echoed, both in his head and in the forest. ■

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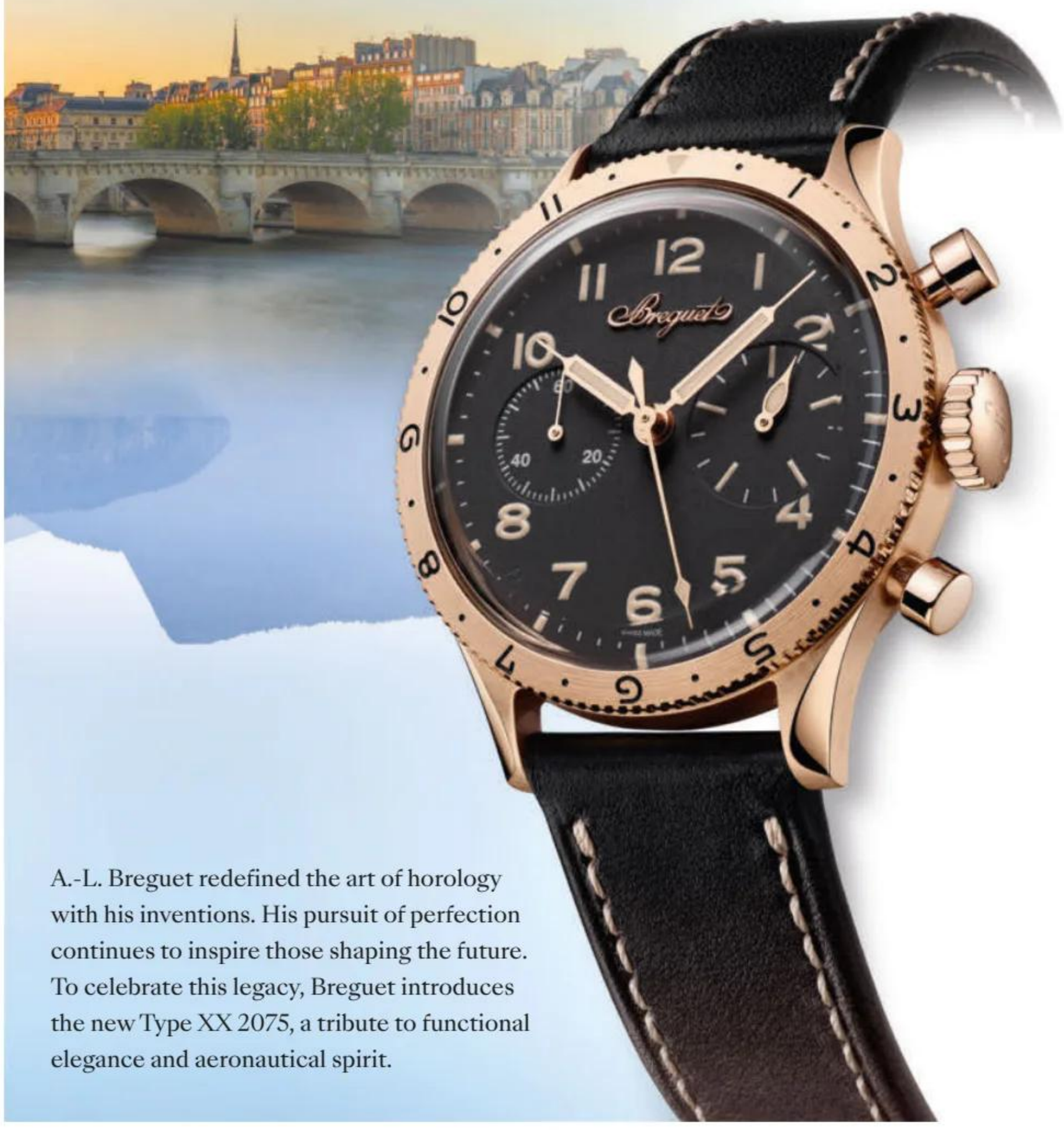
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