The Economist

- Russia's wartime economy
- Give Ukraine F-16s
- Britain's next prime minister?
- Farewell, possums

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Contents

On the cover

As Israel turns 75, its biggest threats now come from within: leader, *page 7*. Months of chaos highlight its political divides, *page 33*. How Zionism has evolved from a project to an ideology, *page 35*. The growing American split over Israel: Lexington, *page 21*

Russia's wartime economy It can withstand a long war, but will struggle to support a more intense one: briefing, *page 14*

Give Ukraine F-16s The country needs fighter jets, *page 39*. So send them: leader, *page 9*

Britain's next prime minister Sir Keir Starmer has made the Labour Party electable again. But there is more to do: leader, *page 8*. He explains his programme, *page 45*. Fighting climate change is not the same as curing Britain's economic ills, *page 46*. The shadow cabinet's reasonable but unreadable books, *page 47*. Circumstances might shift Labour leftwards: Bagehot, *page 48*

Farewell, possums Dame Edna Everage, a megastar, and Barry Humphries, her manager: obituary, *page 74*

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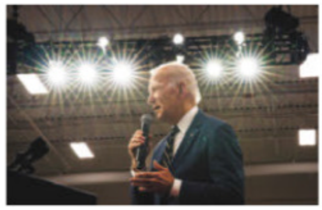
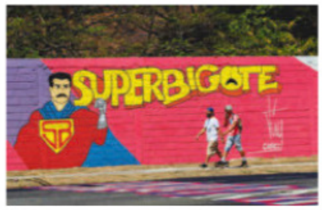
Schumpeter Mining's next wave of mega-mergers is nigh, *page 56*





Contents continues overleaf

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Joe Biden launched his campaign to be re-elected president of America. Some Democrats had questioned whether he would run again, given that, if he wins, he will be 82 at his re-inauguration. Mr Biden said America was still in a battle for its "soul" with Republican "extremists"; his announcement video replayed the violent attack on Congress by Donald Trump's supporters in January 2021. If Mr Trump can stay out of jail before the election he seems on course to be the Republican candidate. Polling shows that most voters want neither man to run again.

All Tuckered out

Tucker Carlson, America's best-known right-wing pundit, was abruptly sacked by Fox News. It was unclear exactly why Mr Carlson, for years a thorn in the side of liberals, was defenestrated. There was speculation that Fox News considered him to be a liability, soon after it paid $787.5m to Dominion Voting Systems for broadcasting fake claims about its election machines.

The House of Representatives passed legislation that increases the cap on the **federal debt**, but also calls for deep spending cuts. The bill was supported by Republicans, but rejected by Democrats, who don't want any conditions attached to raising the debt ceiling. The government has already hit that ceiling and is using "extraordinary measures" to pay its bills.

Disney filed a lawsuit against Ron DeSantis, the governor of **Florida**, claiming he was behind "a targeted campaign of government retaliation" against the company when it came out against the state's "Don't Say Gay" bill. Disney was stripped of its special self-governing status amid the row over the bill, a decision it says threatens its business.

An Islamic State terrorist who planned the bombing of Kabul airport in August 2021, killing more than 170 people, including 13 American troops, has been killed by the Taliban, according to America's National Security Council. IS renewed its campaign of violence in **Afghanistan** after the Taliban returned to power in 2021, launching attacks on civilians and Taliban fighters. The Taliban has responded by killing key IS commanders.

Yoon Suk-yeol visited Washington for the first state visit to America by a **South Korean** president in a decade. Joe Biden renewed his country's commitment to protect South Korea from North Korean aggression, announcing the deployment of more nuclear-capable aircraft to the country and promising more consultation on nuclear strategy. South Korea pledged not to develop its own nuclear weapons.

Australia's Labor government announced the biggest shake-up to the country's defence priorities in decades. A strategic review pointed to competition between America and China in the Indo-Pacific as "the defining feature of our region and our time", which had "the potential to threaten our interests". Improved long-range missile technology means Australia can no longer rely on its remoteness to avoid attack. The government said the first guided missiles to be made in Australia would start production in 2025, earlier than expected.

Singapore executed a man for arranging to smuggle 1kg of cannabis into the country in 2013. Human-rights groups and his family claim the man's conviction was unsafe. The authorities insist that he received a fair trial.

Volodymyr Zelensky, **Ukraine's** president, held an hour-long phone call with Xi Jinping, **China's** leader, the first direct talks between the two since Russia's invasion of Ukraine. This came after China's ambassador to France caused a diplomatic spat by saying that former Soviet states, including Ukraine, "do not have an effective status in international law". China's foreign ministry disowned the ambassador's remarks.

Nine European countries, including Britain, signed an agreement to boost offshore wind power in the **North Sea**. On the day the deal was signed Norway's prime minister, Jonas Gahr Store, warned that Russia was increasing its maritime intelligence surveillance in the area, which he described as a threat.

Aggressive, or assertive?

Dominic Raab resigned as **Britain's** deputy prime minister after an independent inquiry found some of his behaviour towards staff as foreign secretary and justice secretary counted as bullying. Mr Raab noted that all but two complaints had been dismissed, and said he had been targeted by "activist civil servants". His defenders said the inquiry set a low bar for bullying and would make effective government more difficult.

Gustavo Petro, **Colombia's** left-wing president, asked his cabinet to resign after it became clear that he had lost his majority in Congress. Mr Petro spooked markets by ditching José Antonio Ocampo as finance minister. He is a moderate and was seen as a stabilising force in the country's first leftist government. The new finance minister is Ricardo Bonilla, who is an ally of Mr Petro and seen as less independent than Mr Ocampo.

In **Chile** Gabriel Boric, the left-wing president, launched a plan to create a state-run lithium company. Chile is the world's second-largest producer of the metal. A bill to formalise the creation of the nationalised company will be presented this year.

In **Sudan** fighting continued between two rival generals, despite efforts to broker a ceasefire. Several countries including America, Britain, France and Germany have evacuated their nationals. Thousands of residents of Khartoum, the capital, have fled to the countryside or neighbouring countries.

Men wearing uniforms of the **Burkina Faso** army surrounded a village and killed 150 unarmed people in the latest of a series of atrocities against civilians. The killings came after a jihadist attack on a nearby army position.

South Africa's government got itself into a twist over the country's membership of the International Criminal Court. The court has issued an arrest warrant for Vladimir Putin, putting pressure on South Africa to arrest him if he attends a summit in August. Cyril Ramaphosa, the president, said he would withdraw from the ICC. His office said he had spoken in error.

Israel celebrated the 75th anniversary of its founding. In a speech Binyamin Netanyahu, the prime minister, highlighted Israel's achievements since its birth and called for unity. Meanwhile more big protests were planned against his government's push to reform the judiciary. The government has put the reforms on hold but is expected to reintroduce them when the Knesset comes back into session on April 30th.

Another regional bank in America teetered on the brink of collapse. **First Republic**, based in San Francisco, said it was "pursuing strategic options" after revealing that customers withdrew some $100bn in deposits amid the turmoil surrounding the failure of Silicon Valley Bank. Although outflows stabilised in April, First Republic is reducing its workforce by up to 25% to cut costs. The bank's already enfeebled share price fell by 50% in a day.

Compare and contrast

Customer outflows at **Credit Suisse** reached $69bn in the first quarter, mostly in the days leading to its collapse and takeover by **UBS** at the behest of Swiss regulators. Many customers redirected their money to UBS, which reported $28bn in client inflows.

America's tech giants began announcing their latest results. **Microsoft** reported solid earnings. Revenue from cloud computing rose by 16%, year on year, a slower rate than in previous quarters but faster than markets had expected given the pullback in corporate IT spending. And advertising sales at **Alphabet's** Google business bounced back following two disappointing quarters. The stock of both companies has risen by about 20% since the start of the year, outperforming the S&P 500.

Microsoft's proposed $75bn takeover of **Activision** was blocked by Britain's competition regulator, potentially sounding the death knell for the deal. Regulators around the world worry that Microsoft's purchase of Activision, whose video games include "Call of Duty", would make it dominant in gaming. America's Federal Trade Commission sued to stop the takeover in December.

Meta's quarterly revenue rose by 3%, year on year, the company's first increase in sales in nine months. The Reality Labs division, tasked with developing the metaverse, made another heavy loss. Still, investors seem pleased with Meta's strategy, sending its stock up by 74% this year.

America's Supreme Court declined an appeal from an inventor over a refusal to grant two patents for products created by **artificial intelligence**. Stephen Thaler registered his DABUS AI as "inventor" for the patents, which was rejected because only humans can obtain copyright. Mr Thaler is fighting that law in America, Britain and Europe. He believes that DABUS has sensory experiences, and even a stream of consciousness.

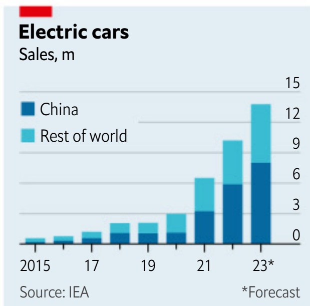
Rakuten Bank's share price soared on its first day of trading on the Tokyo Stock Exchange. The internet banking pioneer raised $625m, making it Japan's biggest initial public offering since 2018.

Sweden's central bank raised its main interest rate again, to 3.5%, and said it would increase the rate again in June or September.

The Bank of England's chief economist, Huw Pill, urged people to accept that they are worse off because of **inflation** and not seek higher pay, and said firms should stop trying to pass on their higher costs to consumers. Trying to "pass the parcel" would just add to inflationary pressures, he said.

Breaking apart news

Two years after winning a Pulitzer prize for its reporting on Xinjiang's internment camps, **BuzzFeed** decided to wind down its stand-alone news division as part of a cost-cutting drive across the whole group. Like other digital-news providers that are mostly free to use, BuzzFeed has seen a sharp fall in revenue from advertising.



Global sales of **electric vehicles** rose by 25% in the first quarter, year on year, according to the International Energy Agency. EVs are expected to count for 18% of total car sales by the end of 2023 as more affordable models become available, up from less than 5% in 2020. The "exponential growth" of EV sales is being driven by China, which accounts for 60% of the market. Sales tripled in the emerging EV markets of India and Indonesia last year, though they are still dwarfed by sales of petrol cars in those countries.

After months of struggling to stay afloat, **Bed Bath & Beyond** threw in the towel and filed for bankruptcy protection. The retailer fascinated Wall Street with its fight for survival and attempts to raise funds. Its status as a meme stock helped it ride out previous brushes with insolvency. The company never rose to the challenge of the digital age. "We missed the boat on the internet," said one of its founders.

Anheuser-Busch placed two executives on leave amid a furore over linking **Bud Light** with a high-profile transgender activist. The brewer sent Dylan Mulvaney a gift can of the beer with her face on it, which she promoted in a video. That prompted a backlash from conservatives: sales of Bud Light drooped by 17% in a week. "We never intended to be part of a discussion that divides people," said AB's boss.

Survivor nation

As Israel turns 75, its biggest threats now come from within

As Israel marks its 75th anniversary, take a moment to admire how it has triumphed against the odds. Before it declared independence in 1948 its own generals warned that it had only a fifty-fifty chance of survival. Today Israel is hugely rich, safer than it has been for most of its history, and democratic—if, that is, you are prepared to exclude the territories it occupies. It has overcome wars, droughts and poverty with few natural endowments other than human grit. It is an outlier in the Middle East, a hub of innovation and a winner from globalisation.

Yet, as we explain, Israel faces a different set of opportunities and threats in the coming decades (see Middle East & Africa section). You can get a taste of this from the turmoil of recent weeks: a constitutional crisis over judicial independence triggered by the right-wing government of Binyamin Netanyahu; an eerie power vacuum in the stagnant West Bank; and the rules of the old American-led order being shredded as Saudi Arabia, Iran and China cut new deals. In the 20th century the risk of invasion threatened Israel's survival. In the 21st the danger is that internal splits sap it of the strength and agility it needs to thrive.

Israel's achievements are easy to take for granted. After 1948 it built a liberal—and gladiatorial—democracy with fiercely independent courts, despite lacking a written constitution. After flirting with socialism it embraced markets. In 1980 its GDP per person was about half of Germany's; now it is 12% higher. It is 11 times richer than Egypt. Israel has more "unicorn" tech startups than the rest of the Middle East and more Nobel prizes than China. It has navigated geopolitical shifts adeptly. After the cold war it absorbed 1m Jewish migrants from the Soviet Union, while maintaining its special relationship with America.

Like most successful places it has married an embrace of competition and disruptive change with a capacity for unity when the stakes are high enough. Its military advantage over its vastly more numerous Arab neighbours reflects superior technology, and also an army of over 400,000 motivated reservists. As climate change has intensified droughts, it has created a state-run, world-leading desalination network supplying half its water. In its darkest and most divisive days—the Yom Kippur war of 1973; its disastrous invasion of Lebanon in 1982; the murder of prime minister Yitzhak Rabin in 1995, and all the endless failed peace talks with the Palestinians—it has managed to adapt and find a new political and social accommodation.

Israel's ingenuity and resilience will be tested again by three new trends. First, demography. The country is young: its population could rise from 10m now to 20m by 2065. But it is growing more divided. Mr Netanyahu's coalition relies on far-right religious parties enmeshed in the growing settler movement. Reflecting this, it wants to limit the independence of the courts, which it sees as unrepresentative. Meanwhile the share of citizens who are ultra-Orthodox, a group less likely to work, do military service or attend conventional schools, will rise from 13% now to 32% by 2065. This will further fragment the electorate, shift politics rightwards and strain Israel's liberal-democratic character. Over time the values of ultra-Orthodox citizens may evolve as more attend conventional schools or get jobs. But if Israel's lurch from liberal values continues it will endanger prosperity. Its coders, capitalists and creatives may move elsewhere.

The second big shift is the fading global salience of the Palestinians, 3m of whom live in the West Bank under a "temporary" Israeli occupation and 2m of whom are pinned down in Gaza. In the 20th century American presidents strained mightily to try to broker a peace deal, assuming that it was the key to making Israel secure and unlocking the potential of the moribund Middle East. Now the world has given up and moved on. For Israel this may seem like a boon. It is unlikely to be forced by outside powers to make big concessions on territory or settlement-building, even as it has built political, defence and economic ties with more Arab states through the Abraham accords, signed in 2020.

Yet in the longer run it is hard to see how ignoring the Palestinians can work out well for Israel. The economic gap grows ever larger: GDP per person in the West Bank is 94% lower than in Israel, and on a par with Papua New Guinea. The Palestinian Authority is collapsing; its ageing leaders have suspended elections and lost legitimacy. Israeli hardliners once grudgingly accepted the benefits of mutual economic development, even as they denied Palestinians political rights. Now Israel's ascendant right-wing parties want to isolate and impoverish the West Bank. It and the even more wretched Gaza may end up as failed statelets, compromising Israel's safety and moral standing.

The final shift is the advent of a multipolar world. America was the first country to recognise Israel in 1948 and has been its staunch ally. A more distributed global balance of power will create new opportunities for Israel, including links with Arab neighbours and with China and India, which care little about the Palestinians. Already Israel trades more goods with Asia than with America. The catch is that America still provides 66% of its arms imports and a de facto security guarantee that deters attacks, including from Iran. On Israel's present, illiberal political path, public support for it in America will weaken and grow more partisan: one in four American Jews say it is an apartheid state (see Lexington).

The plan for 2048

Israel's first prime minister, David Ben-Gurion, wrote in his diary that Israel's "fate lies in the hands of its defence forces". Today it also lies with its political system. It is easy to imagine a virtuous cycle that allows Israel to thrive in the next few decades. The key is a new political settlement that diminishes the power of extremists and is flexible enough to absorb the stresses from demographic shifts. That is why Israel must establish a constitutional convention that codifies the powers of parliament and the courts, and encourage a party realignment that affords its centrist majority more weight—which would require the exit of the divisive Mr Netanyahu. More moderate politics at home would hold open the possibility of a more just and pragmatic stance towards the Palestinians, and reduce the risk of estrangement from America. Israel controls its own fate. It is time to act. ■

Britain's Labour Party

Is he ready?

Sir Keir Starmer has made Britain's Labour Party electable again. But there is more to do

It is 26 years since Labour last wrested power from the Conservatives in a British general election. At the moment Sir Keir Starmer, the leader of the Labour Party, is on course to emulate Sir Tony Blair's achievement in 1997. The next election must happen by January 2025 and is likely to take place sooner. Labour enjoys a big, if narrowing, poll lead and has positioned itself assiduously as a government-in-waiting. That alone is remarkable. Sir Keir became the party's leader in 2020, soon after Jeremy Corbyn had led Labour to its worst electoral defeat since 1935. Labour has been greatly helped by the Tories' haplessness in office; even so, to have a good chance of winning is a huge turnaround.

But to take power, Labour still needs to persuade voters of three things. First, that it is genuinely competent. Second, that it is not a bunch of closet Corbynites, touting pro-business policies before the election and unfurling red flags after it. Third, and most important, that it has ideas for how to fix some of the entrenched problems that Britain faces. On the first two, Sir Keir has good answers. On the third, work is needed.

Competence is core to Sir Keir's appeal. He lacks Sir Tony's charisma; he does not excel at the cut and thrust of parliamentary debate. But he does know how to run large public-sector organisations: before becoming an MP in 2015, he was in charge of the Crown Prosecution Service. When asked to define what Starmerism is in an interview with *The Economist*, he focuses as much on the "how" as the "what" of government (see Britain section). That is partly in response to the political chaos of recent years—the combination of Brexit, Boris Johnson and Liz Truss has made stability seem sexy. But it is also central to Sir Keir's diagnosis of what ails Britain: a short-termist and siloed approach to government.

He has outlined five "missions" for a Labour administration, from achieving the highest sustained growth rate in the G7 to having zero-carbon electricity by 2030. These missions are designed to direct the energies of a future Labour government over the course of a five-year parliament and beyond. Such ambitions might seem like so much wishful thinking, but the insight that a more effective state would make a big difference to Britain is entirely right. A failure to join the dots between government departments helps explain why too many people languish in hospitals rather than being discharged into social care. Health outcomes would be better with a greater emphasis on prevention. The endless churn of policies and ministers is a problem that predates the turmoil of recent years.

Sir Keir's overhaul of Labour speaks to the question of competence, too. And it allays the fear that he is much further to the left than he cares to admit. The Tories endlessly remind people that Sir Keir served under Mr Corbyn, and that he won the leadership with a redder set of policies than those he now espouses. But he has been ruthless in weeding out the far left (see Bagehot). Mr Corbyn will not stand for Labour again; Momentum, a far-left campaign group, would be better named Inertia; the slate of new Labour candidates is relentlessly Starmerite. The hard left ought to be able to recognise a good purge when they see one.

This is still Labour. It does not think an activist state is a thing to be shunned. But its policies are mainstream social democratic, more Olaf Scholz than Alexis Tsipras. On foreign policy the anti-Americanism of the Corbyn years is gone; this is an Atlanticist party again. Domestically, Sir Keir is at pains to say that tax rises cannot be the answer to every problem; he insists that proposed tax hikes on private equity and private schools are not a harbinger of a war on wealth. Under his leadership Labour accepts that private providers have a role to play in the National Health Service. On industrial policy, there is a real risk that public money will be wasted but the party's promise is to bring in private capital, not nationalise everything.

Labour has rightly identified economic growth as the central priority, the only way to ensure that public services can be properly funded without taxes rising and rising. The party is offering a supply-side statism, in which the government works with business to identify specific policies, sector by sector, that will help boost productivity.

Indeed, the big question is not whether Sir Keir stands for anything or whether he is a closet communist, but whether he will smash enough barricades. Making Labour electable again has required him to radiate a reassuring brand of centrism. That offered a credible path to victory while Mr Johnson and Ms Truss were doing their slapstick routines in Downing Street. But now that the competent, pragmatic Rishi Sunak is in charge, it may no longer be enough for Labour to win.

It is certainly not enough for Britain to thrive. Breaking the queasy equilibrium of low growth, high taxes and creaking services will require Labour to make bold decisions and real enemies. In the area where he can have most impact quickly, Britain's broken planning system, Sir Keir sounds more willing to have a fight than Mr Sunak, who has caved in to his backbenchers and party members. Yet in other areas, it is not clear how far the Labour leader will go.

He promises more devolution, for example, but skirts the question of whether local conurbations will get more fiscal responsibility, as they should. He needs a deeper economic relationship with Europe to bolster growth and more migrants to fill gaps in the public-sector workforce, yet hesitates to shout about it. Making the state work better will mean spending more money in some areas. But in trying not to scare the horses on taxes, sensible reforms, such as updating the property valuations that underpin council tax, are left to one side.

Victoria Audacia Crescit

It is understandable at this stage of the electoral cycle for an opposition party to leave some things unsaid. Yet it will not be sustainable for much longer. When Sir Tony won his victory in 1997, the economy was bubbling and Labour was soon able to invest boatloads of money into the public services. Sir Keir would not have that luxury. He has made Labour electable again. But to distinguish himself from Mr Sunak and to change Britain for the better, he still has some hard choices to make. ■

The war in Ukraine

Send in the jets

Ukraine's request for F-16s should no longer be ignored

As Ukraine prepares its forces for a crucial counter-offensive, the argument among its Western allies about what equipment to provide chunters on. Having finally received the tanks it had been pleading for since last year, Ukraine has increased the intensity of its demands for fighter jets. Yet its pleas are falling on largely deaf ears. About 30 former Warsaw Pact MiG-29s are on their way from Poland and Slovakia. But what Ukraine says it needs are the American F-16s that have been the backbone of NATO air forces for much of the past 40 years.

Ukraine is right. The arguments for denying it F-16s are becoming threadbare (see Europe section). At the start of the war, Ukraine had about 125 elderly combat-capable aircraft, of which a little over half were air-superiority fighters. At least 40% of them have since been lost. Russia can still field roughly five times as many fighters as Ukraine started the war with. Nearly all are newer, with longer-range radars and air-to-air missiles.

Even so, Russia has not been able to establish air dominance over Ukraine. That could change. As well as losing planes, Ukraine is running low on the Soviet-era surface-to-air missiles (SAMs) on which its ground-based air defence has mainly depended. It is getting more Western systems, but integration takes time. If flying in Ukraine's airspace becomes less dangerous, Russia could establish air superiority—first over Donbas and then other areas. The chances of Ukrainian land forces retaking territory could evaporate.

Nevertheless, Ukraine's Western backers say that beefing up its ground-based air-defence system is the priority, and that fighter jets would be an expensive distraction. Even if approval were given to supply F-16s, they say, it would be a year before they became mission-capable because of the time required to train Ukrainian pilots and maintenance crews. F-16s need smooth runways that Ukraine lacks. Finally, they argue, Russia would regard the supply of F-16s as a major escalation.

Getting new SAMs into Ukraine is indeed vital. But almost everything else about this excuse for inaction is just that: an excuse. Ukraine has more pilots than planes, so training on F-16s could begin right away, and they could be flying before the end of this year. And much of the servicing of F-16s could initially be carried out in Poland and Romania, both of which use the plane.

Runways are more of a problem. Some aircraft could be damaged by debris. Sweden's Gripen, which requires less maintenance and can take off from short runways and even roads, would be ideal. However, there are relatively few Gripens in Europe—perhaps 126, of which Sweden has about three-quarters (Ukraine reckons Sweden might be able to spare 12 of them, an offer well worth taking if made). That compares with the 4,600 F-16s that have been built since the 1970s.

As to the self-deterring fear of escalation, fighter jets for Ukraine would send a message to Vladimir Putin about the West's long-term commitment. He might respond with possibly deniable physical sabotage or cyber-attacks, but few observers think that deploying F-16s would prompt the Kremlin to start World War III. And Ukraine's air force will have to be recapitalised with new aircraft sooner or later, so why wait? President Volodymyr Zelensky is asking for F-16s because his advisers believe that, without them, Ukraine's skies may fill with Russian bombers. So far they have been better judges of the war than most Western experts. It is past time to listen to them. ■

Reserve currencies

Heavy lies the crown

The dollar's dominance is not under threat today. But there are limits to the greenback's power

Every so often an appetite surges for an alternative reserve currency to the dollar—and a market booms in predictions of the greenback's imminent demise. For nearly three-quarters of a century the dollar has at a global scale dominated trade, finance and the rainy-day reserve portfolios of central banks. Yet high inflation, fractious geopolitics and the sanctions imposed by America and its allies on countries such as Russia have lately caused dollar-doubters to become vocal once again.

Often these episodes are fuelled by a world leader's spasm of anger towards the dollar. In 1965 Valéry Giscard d'Estaing, then France's finance minister, raged against the "exorbitant privilege" the greenback conferred on America. This time it was Luiz Inácio Lula da Silva, Brazil's president, who on a recent visit to China called for emerging markets to trade using their own currencies. At the same time, a surging gold price and a fall in the dollar's share of global reserves has roused other doubters, who can also point to this month's admission by Janet Yellen, America's treasury secretary, that over time using sanctions "could undermine the hegemony" of the currency. It does not help that America could soon face a fiscal crisis if Congress fails to raise the ceiling that limits how much the government can borrow.

Yet the doubters' excitement has become detached from reality. The greenback exerts an almighty gravitational pull on the world economy that has not materially weakened—even if America has recently found that there are real obstacles to exploiting its currency's pre-eminence.

The starting advantage of the dollar is immense. Between a third and a half of global trade is invoiced in dollars, a share that has been relatively stable over the long term. It is involved in nearly 90% of foreign-exchange transactions; such is the liquid- ▸▸

ity of the greenback that if you want to swap euros for Swiss francs, it can be cheaper to trade via dollars than to do so directly. About half of cross-border debt is dollar-denominated. And although the dollar's share of central-bank reserves has fallen over the long term, it still accounts for about 60% of them. There is no sign of a dramatic recent change, save that which has been caused mechanically by central banks revaluing their portfolios to take account of exchange-rate movements and higher interest rates in America.

No other currency is close to matching this ecosystem's size, or its fundamental appeal: the supply of safe assets available to dollar investors. The euro zone is fragile and its sovereign-debt market is mostly fragmented between its member states. China cannot possibly satisfy global demand for safe assets so long as it both tightly controls flows of capital and runs current-account surpluses (meaning it is, on net, accumulating financial claims on the rest of the world rather than vice versa). And the dollar, as the dominant currency, benefits from network effects. People want to use the currency everyone else is using.

What is increasingly clear, though, is that individual countries can circumvent the dominant system if they really want to. Though Russia's war economy has been wounded by sanctions, it has not been crippled, in part because 16% of its exports are now paid for in yuan, up from almost none before it invaded Ukraine (see Briefing).

China's alternative to the SWIFT interbank-messaging system has been growing rapidly. It has also been switching more of its bilateral trade towards settlement in renminbi—an easier task than replacing the dollar in trade flows between other countries. Even many firms in the West now use renminbi for trade with China. New digital-payments technologies and central-bank digital currencies could yet make it easier to move money around the world without involving America.

Balance of power

Moreover, Ms Yellen is right that using the dollar to push countries around is no way to make or keep friends. America has not placed secondary sanctions on countries like India which still trade with Russia, because it fears the backlash that would result. Although a shift to a multipolar system of currencies is not imminent, it could occur later this century as America's share of the world economy shrinks. Such a system would be inherently less stable than one centred on the dollar—so it would be in the interests of neither America nor the world to hasten the shift. ■

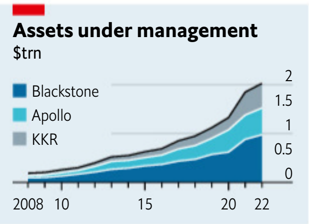
Financial markets

Private's progress

Why private markets remain attractive, even in a higher-rate world

A DECADE OF low interest rates turbocharged a spectacular boom in private markets. As pension funds and other institutional investors hunted for yield after the global financial crisis of 2007-09, they ploughed money into private-markets firms, which in turn invested it across private equity, credit, property and infrastructure. The three biggest listed such firms—Apollo, Blackstone and KKR—manage more than $2trn in assets between them, up from $187bn in 2008.

Now, however, the Federal Reserve has raised rates at its fastest pace in four decades. The reversal has already caused turmoil in the banking industry; as we published this, the share price of First Republic, a lender based in California, had been bludgeoned. What does the new world hold for private markets?



Higher rates, together with a cloudy economic outlook, may well humble private equity (see Finance & economics section). The business of buying, managing and selling heavily indebted firms is more difficult today than at any point during the past decade. Returns look far less attractive now that yields have jumped on fixed-income investments. Private-equity managers could once rely on rising valuations and cheap debt to fuel returns. Now they will have to wring efficiency improvements from the firms they own.

Yet for the private-markets giants, private equity is becoming less of a focus. When Blackstone reported its first-quarter results on April 20th, for instance, the company's credit funds stole the limelight. During the quarter they received a big chunk of inflows from investors, and assets under management in the firm's credit-and-insurance arm now exceed those in private equity. In recent years both Apollo and KKR have acquired big insurers, which in turn are big investors in debt.

As banks shy away from some riskier lending activities, private debt markets are helping fill the gap. When credit markets tightened in 2022 and banks pulled back from financing buy-out deals, private credit stepped in. In time it is likely to pop up in more corners of the credit markets, including property and infrastructure. Last year Apollo struck a deal to buy Credit Suisse's securitised-products business, which lends to other lenders.

For investors, the allure of private markets remains. Those repositioning their portfolios are likely to do so within private markets rather than move away from them. According to a recent survey of institutional investors conducted by BlackRock, an asset manager, 43% were planning to substantially increase their allocations to private equity. This next phase of growth is likely to favour the biggest private funds; they are better placed to attract cash, including from flush sovereign-wealth funds, which are expected to increase their investments in private assets over the next decade.

Private markets are notorious for their opacity. As the private managers grow in size and complexity, and their insurance businesses expand, regulators must be watchful. A significant rise in corporate defaults could also test how judicious a lender private credit has really been.

Nonetheless, regulators have historically welcomed the transfer of risky lending activities from deposit-taking banks to non-bank institutions, with good reason. The process of maturity transformation at banks exposes them to runs, and ordinary depositors to losses. A shift towards private credit, where sophisticated investors bear the risks instead, is preferable. ■

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1. Mitchell, C. (2022, July 16). ***Deforestation: Clearing The Path For Wildlife Extinctions.*** Source: The World Animal Foundation.

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In defence of the IMF

You claimed that the IMF has become uncertain of its purpose, leaving the impression that *The Economist* has, in this instance, lost perspective in favour of a more sensationalist viewpoint ("Nightmare on 19th Street", April 8th). First and foremost, those who would claim that the fund's purpose is uncertain simply need to read Article One of its constitutional document. The purposes listed—beginning with promoting "international monetary co-operation"—without a doubt would find support and agreement among the institution's 190 member countries. That the IMF's specific operations in pursuit of its purposes have been evolving has been a constant since its inception.

Nor is the fund enfeebled. Some 96 countries requested and have received IMF financing since the beginning of the pandemic. Outstanding loans or promises to lend total \$300bn. Just since Russia's invasion of Ukraine, the IMF has agreed in principle to requests from 37 countries for new financing totalling \$128bn, most recently including \$15.6bn for Ukraine, \$3bn for Sri Lanka, and a \$5bn precautionary credit line for Morocco.

Moreover, the issues on debt restructuring are notoriously complex and contentious. Success will require co-operation, not confrontation, and the only way a solution can emerge is through meaningful dialogue. To this end, the fund, in collaboration with the World Bank and the G20, has convened a Global Sovereign Debt Roundtable that brings creditors (including China) and borrowers together to seek consensus on standards and processes.

You also dismissed efforts by the fund to take into account the economic influence of such issues as climate change as "side-gigs", and decried the limited commitments to date from the new Resilience and Sustainability Trust that is intended to help the IMF's poorest members confront these issues. However, this measured pace is by design, in order to pilot a new instrument and learn from experience. Is your counterargument that the fund simply should ignore these factors, and leave them to others?

On the challenge posed by geopolitical tensions and fragmentation, you seemed to recommend that the fund should become a front-line warrior in a new cold war. This would be terribly wrong. It is precisely at a time of deep divisions that a multilateral convening place is needed badly. With its 190 member countries, the IMF serves that purpose. Its members today are asking more from the institution, not less.

JOHN LIPSKY
Senior fellow
Foreign Policy Institute
School of Advanced International Studies at Johns Hopkins University
Washington, DC

Degrees of concern

I was astounded by the title and the text of "Useless studies" ("April 8th), and by the graphs. Since many now believe that a degree is no longer worth the cost, the solution offered is to teach only subjects that have demonstrable earning value: computing and economics, "yes", English, philosophy and arts "no". Why not go further? Let's drop any faculty members, libraries, museums and labs that can't demonstrate their cash value, indeed why bother to have colleges and universities at all?

It would be much simpler just to set up "Comp Sci U" or, more accurately, "Comp Sci Inc." Of course, one might end up with a world where no one would want to read a news publication, or perhaps no one could even write for it, except ChatGPT.

HOWARD GARDNER
Professor of cognition and education
Harvard Graduate School of Education
Cambridge, Massachusetts

Although student-loan debt is indeed a problem in the United States, it is less so for students earning liberal-arts degrees. The highest proportion of student debt is incurred at for-profit colleges offering practical degrees. Moreover, a study from Georgetown University's Centre for Education and the Workforce demonstrated that the average 40-year return on investment for students at liberal-arts colleges can reach \$918,000, more than 25% above the median return of all colleges, including engineering and technical schools, which is \$723,000.

Humanities majors do tend to start at lower salaries than students specialising in scientific or technical fields. However, a study from the Brookings Institution noted wide variability in individual career paths of people with liberal-arts degrees, with some outstripping earnings of those from science or business fields. What you call degrees "of peripheral relevance" ("Higher expectations", April 8th) in fact provide a broad foundation in critical thinking, research and communication skills that allow graduates to assume leadership roles in a wide variety of fields and to adapt during their careers.

ALISON BYERLY
President
Carleton College
Northfield, Minnesota

The antecedents of woke

You cited research suggesting that woke ideas began not in "the social science departments of American universities" but rather in countries like Australia, France and Sweden ("Global pandemic", April 15th). However, Carlos Granés argues in his excellent "Delirio Americano: Una Historia Cultural y Política de América Latina", published last year and not available in English, that the politics of grievance has been a distinctly Latin American phenomenon for more than 100 years. Mr Granés traces the roots of what he calls "the invention and instrumentalisation of the victim" to the Cuban war of independence from Spain and to the *indigenista* movement that flourished after the Mexican revolution.

Grievance culture quickly spread throughout Latin America. It is the core of the Peronist political style that first came to power in the 1940s. It inspired the liberation theology of the 1960s and 1970s and dozens of guerrilla movements throughout the region. These "typically Latin American phenomena", Mr Granés argues, "currently pervade the political and cultural practices of the entire Western world."

BORIS SPIWAK
Amsterdam

Robotic politicians

It is correct to say that when both chatbots and humans do not know what to say, they often fib (Daily chart, April 14th). This is particularly true of humans in one profession: politics. Indeed, if you apply the criteria to get the job done at a thousand times less cost and hundred times better quality you will find that politicians can be replaced by software. This will be an event to be welcomed and not feared.

SANJOY SANYAL
Visiting fellow
Judge Business School
University of Cambridge

Club culture

OK, OK. We get it. You're going to keep referring to the OECD as "a club of mostly rich countries", or some derivative thereof (Letters, April 8th; "From strength to strength", April 15th). But maybe there is a solution. Has anyone considered asking the OECD if it might be willing to change its name to the CMRC?

ADAM WILSON
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Letters are welcome and should be addressed to the Editor at
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Military-industrial complexity

MOSCOW

Russia's economy can withstand a long war, but it will struggle to support a more intense one

A WEEK AFTER Russia invaded Ukraine last year, Antony Blinken, America's secretary of state, crowed, "The value of the rouble has plummeted; the Russian stockmarket closed as fear of capital flight rose; interest rates more than doubled; Russia's credit rating has been cut to junk status." American authorities clearly hoped that the "severe and lasting economic costs" they and their allies had imposed on Russia would impede its war machine. Yet over the following year, despite the repeated tightening of sanctions, Russia's economy recovered its poise. The IMF expects it to grow by 0.7% this year—on a par with France, and even as the British and German economies shrink. The hope that the state of Russia's economy will provide any sort of constraint on the war has faded.

However, by the admission of none other than Vladimir Putin, Russia's president, "The illegitimate restrictions imposed on the Russian economy in the medium term may indeed have a negative impact on it." The question is not so much whether Russia can endure an even longer war of attrition (it can), but whether it can support the sort of intensification of the conflict Russia will probably need to transform its prospects on the battlefield. That looks almost impossible.

Russia's bureaucracy has achieved three feats over the past 14 months. It has found ways to withstand the fusillade of sanctions that Mr Blinken heralded. It has supplied enough men and materiel to propel Russia's invasion. And it has avoided a sharp decline in living standards at home, which might prompt popular unrest. But any attempt to escalate the conflict would inevitably undo these successes.

Russia has been able to endure Western sanctions in part because there were always big holes in them and in part because it has found ways around some of the restrictions that did initially hem it in. Some of the least effective measures have targeted cronies of Mr Putin's regime. World-Check, a data firm, reckons that 2,215 individuals with close ties to the government can no longer travel to some or all Western countries, or access property there, or both. Despite the impounded superyachts, however, most of Mr Putin's henchmen are still putting caviar on the table. Foreign governments have frozen about $100bn of private Russian assets, a quarter of the $400bn that Russians have stashed abroad (although much of that is humbler households' savings). The biggest difficulty for many rich Russians relates to holidays. The French Riviera is off limits; Dubai and Antalya are the main substitutes.

Financial sanctions, too, have had a limited effect. After Russia invaded Ukraine, ten Russian lenders were kicked out of SWIFT, which more than 11,000 banks around the world use for cross-border payments. Close to two-thirds of Russia's banking system can no longer process transactions in euros or dollars.

But Western countries did not cut off Russian banks entirely, as they needed to pay for the Russian oil and gas they were still importing. Gazprombank, which processes these payments, remains a member of SWIFT. Moreover, new financial pipes are being built to replace Western ones. Average daily transactions using CIPS, China's alternative to SWIFT, have grown by 50% since the invasion began. In December 16% of Russia's exports were paid for in yuan, up from almost none before the war.

Restrictions on exports to Russia have also disappointed. America and its allies ▸▸

have curbed sales of thousands of high-tech items, yet Russia is importing almost as much as it did before the invasion—from new sources. China now sells it twice as much as it did in 2019. "Parallel" imports (from the West to Russia via a third country) have soared. In 2022 Armenia's imports from the EU mysteriously doubled, even as Armenian exports to Russia tripled. Serbian exports of phones to Russia rose from $8,518 in 2021 to $37m in 2022. Shipments of washing machines from Kazakhstan to Russia jumped from zero in 2021 to nearly 100,000 units last year.

These arrangements have drawbacks. Russia's economic hubs are nearer to Brussels than to Beijing. Higher transport costs mean higher prices. People also have less choice than before (a Muscovite complains about the difficulty of finding mortadella). According to a recent survey by Romir, a Russian market-research firm, two-thirds of Russians reckon the quality of the products they buy is deteriorating.

What is more, not all goods can be obtained in sufficient quantities through backchannels. Many Russian-made medications, which depend on imported raw materials, are in short supply. The car industry is struggling with a shortage of imported semiconductors. Production was down by 70% in January-February, compared with the same period a year before.

Yet even if Russia cannot make as many cars any more, it can still import them. After Lada, a Soviet stalwart, the most popular brand in Russia is now Haval, a mid-range Chinese marque. Its monthly sales have increased 331% over the past year.

The impact of sanctions on Russia's exports has been bigger—but Western countries always shied away from making them too severe for fear of the impact on prices. The EU's imports of Russian gas have fallen dramatically. Russia has limited capacity to divert the exports to China, since the pipeline linking the two countries is small. Shipping more by sea requires new liquefaction plants which take time to build and need sophisticated tech. Rystad Energy, a consultancy, forecasts that Russia's gas sales will dwindle to 136bn cubic metres (bcm) in 2023 from 241bcm in 2021.

Oil, however, is more fungible. In December the EU, which in 2021 bought more than 40% of Russia's crude exports, imposed an import ban. It also forbade its shipping firms, insurers and financiers from facilitating the sale of Russian crude to buyers in other countries unless the price per barrel was below $60.

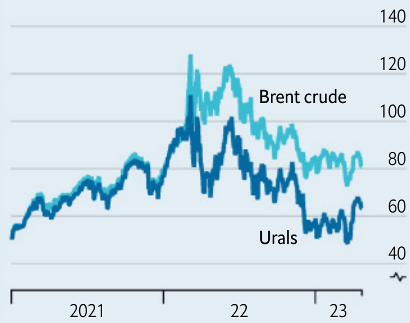
But Asian buyers have been absorbing Europe's rejects. In March nearly 90% of Russia's crude exports went to China and India, estimates Reid I'Anson of Kpler, a data firm, up from a quarter before the war. That month Russia shipped 3.7m barrels a day on average, more than it did in 2021. A new ecosystem of traders and shippers, largely based in Hong Kong and Dubai, has emerged to ferry the embargoed barrels to their new destinations, often with the help of Russian lenders and insurers. The new buyers, plus high commodity prices brought about in part by the war, helped push Russia's current-account surplus to a record $227bn (10% of GDP) in 2022.

This year will not be so lucrative. The price of a barrel of Brent, a global benchmark, has fallen below $85 from an average of $100 in 2022 (see chart 1). Urals, Russia's main grade, now sells at a big discount: below $50 on average in January and February, according to the ministry of finance, compared with $76 on average in 2022. Russia would need over $100 a barrel to balance its budget, analysts estimate. The International Energy Agency, a watchdog, reckons Russia's oil revenues were 43% lower in March than a year earlier. Economists expect the country's current-account surplus to fall to 3-4% of GDP this year.

Lower hydrocarbon sales mean lower government revenues. In 2022 the Russian government ran a deficit of about 3trn roubles ($37bn), or 2% of GDP. This year it is planning something similar, but actual spending and taxation data make that look optimistic. A deficit in the range of at least 10trn roubles, as much as 5% of GDP, looks likelier—high by Russian standards.

Sour outlook 1

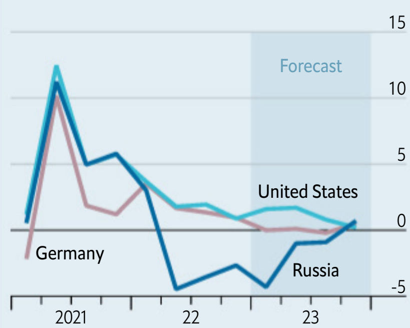
Oil prices, $ per barrel



Source: Refinitiv Datastream

Down but not out 2

GDP, % change on a year earlier



Sources: Haver Analytics; Bloomberg

All the same, the Russian state has plenty of options to fund itself. Its sovereign-wealth fund still has about $150bn (about 10% of GDP), even after being drained of about $30bn last year. The government could also issue more debt. Last year's bumper exports have left big Russian energy firms with lots of cash they must stash somewhere. Those firms, which are largely state-owned anyway, could also be hit with a windfall tax, as they were last year. And Russian financial institutions hold sufficient assets to cover 10trn-rouble deficits for 25 years—a huge resource the government might seek to tap in some way.

Money, in other words, will not be a grave constraint on the war effort. Russia is not spending that much on the war anyway. Our best guess, based on comparing actual spending figures with what was budgeted before the war, is that Russia's assault on Ukraine is costing it about 5trn roubles a year, or 3% of GDP—less than America spent on the Korean war.

But replacing damaged weapons and spent munitions is not simply a question of money. Russia has churned through military equipment on a vast scale. Estimates of the number of armoured vehicles destroyed during the war, for example, range between 8,000 and 16,000, according to a recent report by the Centre for Strategic and International Studies (CSIS), another think-tank. Russia has also lost lots of aircraft, drones and artillery systems.

One solution is to fall back on existing stocks, although many of these are old and in poor repair. Another is to redirect weapons intended for export to the front line. Siemon Wezeman of SIPRI, a Swedish think-tank, reckons Russia's arms exports plummeted from $50bn in 2021 to $11bn or less last year. He notes that unusual T-90 tanks—perhaps demonstration models, or units originally destined for Algeria—have been spotted on the battlefield in Ukraine.

Russia is also trying to make more weapons. Dmitri Medvedev, deputy chairman of Russia's security council, recently said the country would produce 1,500 modern tanks in 2023. Officials have also said they want drones to be manufactured en masse in Russia. Some factories are working around the clock. The government is lending lavishly to arms manufacturers, or ordering banks to do so. In January and February production of "finished metal goods" was 20% higher than the year before, according to official statistics.

The problem is that, to manufacture advanced weapons, Russia needs access to Western-made, high-end "dual-use" components, from engines to microchips, that are hard to obtain because of Western sanctions. Desperately needed parts can always be diverted to their most urgent use. Thus in February the government temporarily stopped accepting applications for biometric passports to save microchips. Many of those washing machines from Kazakhstan are being stripped of their chips, perhaps for use in guided missiles and other military kit. Ukraine's military intelligence recently reported that every month Russia manages to make around 30 Kh-101s and 20 Kalibrs, its two main types of guided missile, presumably thanks to such ruses. It is also cannibalising civilian planes to repair fighter jets.

But the volume of advanced weaponry produced is nowhere near what Russia needs to replace its shrinking stocks. Insiders say the army is asking for ten times more tanks than Russia's factories can produce. A partial solution is to gussy up Soviet-era weapons. Russia is modernising perhaps 90 old tanks a month by equipping them with new electronics and communication systems. It is also refurbishing old missiles and repurposing nuclear delivery systems to launch them.

Russia is getting military supplies from allies, too. Some artillery shells appear to be arriving from China, via Belarus. Russia is also buying (ostensibly civilian) drones from China, as well as artillery shells from North Korea. It reportedly traded 60 Su-35 aircraft with Iran for several thousand kamikaze drones. In short, the quality of Russian weapons is declining, but it has found ways to avoid running out.

Finding enough people to keep the war effort going is another challenge. Many have been killed in action; many more have emigrated. In the year to December 2022 the number of employed Russians under the age of 35 fell by 1.3m, according to FinExpertiza, an auditor. In December the central bank said that half of firms surveyed were struggling to find enough staff. There are 2.5 vacancies for every unemployed person, making the Russian labour market almost twice as tight as America's.

More rhetoric than rotors

The labour shortage makes life difficult for military recruiters, too. The army is now sending conscription and mobilisation notices by email, in addition to physical copies, to make it harder for people to pretend they have not seen them. With enough coercion, Russia should have no trouble filling its ranks: it was home to about 17m young men before the war. But more people on the front line means fewer people in offices and factories. And the more common conscription becomes in big cities, the greater the chance of unrest.

The government's third economic feat has been to maintain living standards. Last year it spent an extra 3% of GDP to stimulate the economy. Spending on the "national economy", including handouts to firms, rose by 20% in 2022, to 4.3trn roubles. Between January and mid-March it increased by another 45% compared with the same period last year. Banks are being asked to go easy on indebted firms. In 2022 business failures fell to a seven-year low.

"Social" spending also rose last year, from 6trn to 7trn roubles (4.5% of GDP). Furthermore, says Vladimir Milov, a former deputy minister of energy, the federal government accounts for only part of overall social spending. The pension fund—a nominally independent agency recently renamed the Social Fund—is also doling out cash to retirees, mothers, the disabled and more, as are regional governments. Allowances for constituencies important to Mr Putin, such as families with more than one child, the poor and the elderly, are growing, notes Maria Snegovaya of CSIS.

Consumer prices did rise by 12% last year, in part because of a depreciation of the rouble in the spring. But average pay at medium-sized and large firms, which include many state-owned entities, rose marginally last year even after accounting for inflation. The value of people's savings has fallen only slightly, central-bank statistics suggest. Inflation fell back to 3.5% in March. Real GDP fell by only 2-3% last year—far less than the 10-15% decline that many economists had predicted. Most forecasters believe the economy will grow this year (see chart 2 on previous page).

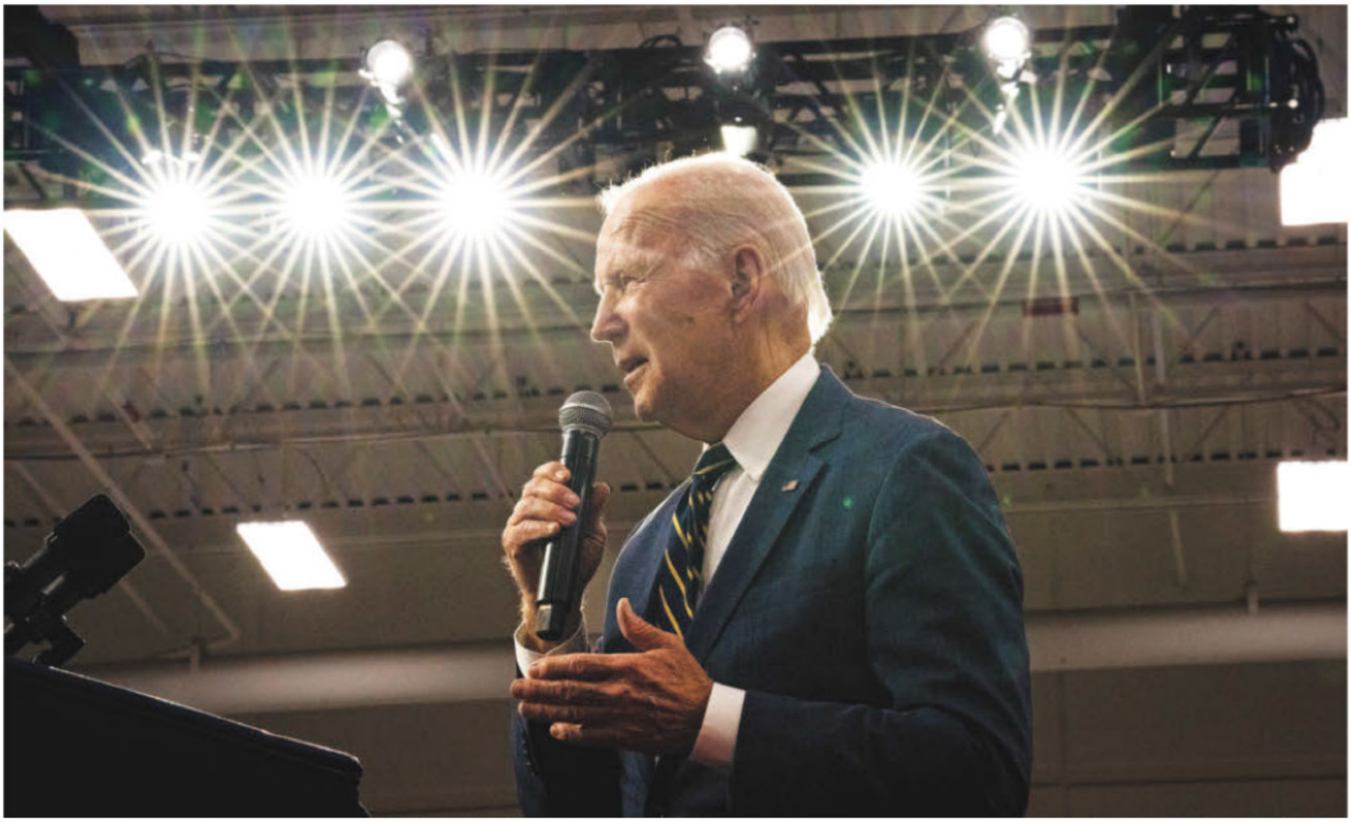
All this suggests that Mr Putin should be able to maintain the war effort for some time to come. Expanding it, however, is another matter. Anatoly Karlin, a popular Russian blogger, wants the government to boost spending on the war to 15-20% of GDP. After all, Russia has embraced total war before—including in 1942 and 1943, when it spent an astonishing 60% of its GDP on the armed forces, according to "Accounting for War", a book by Mark Harrison published in 1996.

Top, but not total

But it would be hard to do that while maintaining economic stability and preserving living standards. The first problem would be raising money fast. Not all the sovereign-wealth fund's assets are liquid. Printing money would spur inflation, causing the rouble to lose value and eroding the living standards the government has worked so hard to preserve. Loading banks with public debt overnight might have a similar effect, stirring doubts about how soundly the economy was being managed. Tax rises or a big shift in public expenditure towards defence would also eat into personal incomes. And any of these measures would undermine the air of control and stability that Mr Putin is at pains to project. "Of course, national defence is the top priority," he said recently, "but in resolving strategic tasks in this area, we should not repeat the mistakes of the past and should not destroy our own economy."

It's unclear that spending vastly more money would achieve the desired results anyway. Russia's economy has become more centralised, but it is not the planned, command-and-control apparatus of Soviet times. Converting a budgetary bazooka into weapons of a more conventional sort would thus, at best, take time. The effort would exacerbate the bottlenecks that are already constricting Russia's military output, in machinery subject to sanctions, for example, and in skilled workers. Much would depend on the continued assistance of China, the Gulf states and other countries through which Russian capital and imports flow—and they might be nervous about abetting a big Russian escalation.

Throwing the kitchen sink at Ukraine therefore looks out of the question. "Considering Russia's existing capabilities and limitations, it will likely opt for a slower-paced attritional campaign in Ukraine," asserts the CSIS report. Mr Putin has succeeded in insulating the Russian economy from the worst effects of war and sanctions—but in a way that makes the war hard to win. ■



The presidency

Take four

WASHINGTON, DC

America's future, and the West's cohesion, rest on octogenarian shoulders

THE PRESIDENTIAL election of 2024 will feature Joe Biden against the Republican nominee. The polls suggest that person will be Donald Trump, giving America the sequel it does not want. Mr Biden announced his re-election bid on April 25th, the fourth anniversary of the start of his previous presidential campaign. Though in fact this will be the fourth time Mr Biden has run for president: his first attempt came before the fall of the Soviet Union or, for those who measure time by Michael Jackson's discography, between "Bad" and "Dangerous". Were he to win and complete a second term, he would be 86 when he leaves office. America's population is younger than that of other Western democracies, its economy more vibrant. Its politics, however, are gerontocratic.

Those two facts—Mr Biden's familiarity and his age—help explain why 70% of Americans do not want him to run again, a number that includes 50% of Democrats. Were he an inspiring campaigner, the span between his first presidential bid and his first successful one might not have been 32 years. In 2020 Mr Biden's candidacy was the answer to a problem the Democratic Party had created for itself. The early front-runner in the primaries, Bernie Sanders, would have been a huge risk for the party to take, given his hard-left policies and the likelihood that he would have lost to President Trump. Who among the field had the greatest chance of holding off Mr Sanders and then beating Mr Trump? It was the guy who had always been there, the man whose appeal was that, in a time of too much political excitement, he was a bit dull.

Four years on, the Democratic Party has a similar dilemma. Incumbent presidents always run again if they think they will win their primaries. The Democratic Party has plenty of talent. Gretchen Whitmer, the governor of Michigan, Raphael Warnock, a senator from Georgia, and Andy Beshear, the governor of Kentucky, to name a few, have all shown the ability to win in places where Republicans are competitive. But Democrats are a more orderly bunch than Republicans these days. No serious candidates wish to destabilise a sitting president's campaign. And so Mr Biden's only primary challengers so far are a former spiritual adviser to Oprah Winfrey and an anti-vaccine campaigner. If the field stays like that, there may be no Democratic primary debates next year at all.

And yet this is not as sorry a position as it might seem. Yes, most Americans do not want Mr Biden to run again. But reluctant Democrats will line up behind their nominee. And, more importantly, an even higher number do not want another four years of Mr Trump. Among voters in general, Mr Biden's numbers (minus ten points if you subtract those who feel negatively about him from those who feel positive) beat Mr Trump's (minus 19). Nor is Mr Biden's approval rating as bad as it seems if the point of comparison is not just past American presidents but the current presidents and prime ministers of other rich countries. Western voters are hard to lead in the 2020s: Justin Trudeau in Canada, Rishi Sunak in Britain and Emmanuel Macron in ▸▸

France all have even lower approval ratings than Mr Biden (see chart).

In theory, sitting presidents run on their records. Were that the case, Mr Biden could feel more confident ahead of next year's vote. He has done more than almost anyone to prevent Russia from taking over Ukraine, without deploying any American troops. At home his big idea has been to pursue an industrial policy aimed at increasing the domestic manufacture of semiconductor chips, thereby easing American dependence on Taiwan, and to hand out subsidies aimed at speeding up the decarbonisation of America's economy. This may be unwelcome to free-traders (and to some allies), but it goes with the mood of a country that has profited richly from globalisation while remaining convinced that it is under threat from foreign trade. As president, Mr Biden's boast that he could make deals with the Senate that others could not—because he had spent 36 years working there—turned out to be true.

In practice, though, elections are not just referendums on the achievements of the incumbent. Campaigning matters. And Mr Biden is not very good at it. His vice-president, whose autocue sometimes seems to be controlled by Armando Iannucci, is not much help either. In 2020 big gatherings of people were prevented by the spread of covid-19. That suited Mr Biden, as did the economic slowdown.

Next year will be different. If the economy stays strong, Mr Biden has a good chance of winning. Put another way, a Biden-Trump rematch would be much more uncertain than it should be, relying on factors beyond Mr Biden's control. If Mr Trump is indeed the nominee, he promises a revenge presidency ("I am your retribution," he declared to fans at a recent gathering); and his second White House would be staffed with true believers. The task of preventing that will fall again on Mr Biden's octogenarian shoulders. Every stumble he makes over the next year and a half will be a reminder of that burden. ■

Cable news

Later, Tucker

NEW YORK

Fox's most popular anchor was always an unlikely populist

SIX YEARS ago the most popular cable-television host had a prime-time show on Fox News. Liberals abhorred him; conservatives tuned in to see him rail against "political correctness" and other liberal pieties. But after the *New York Times* reported that Fox had paid out \$13m to settle lawsuits from five women accusing him of sexual harassment or inappropriate behaviour, and more than 50 advertisers abandoned his show, the network unceremoniously kicked Bill O'Reilly to the kerb (Mr O'Reilly has long denied the charges).

History does not repeat itself, but it sometimes rhymes. On April 24th Fox parted ways with Tucker Carlson, currently the most popular host on cable television, who also rouses liberal ire. Fox is also facing a lawsuit, this time brought by one of his former producers, Abby Grossberg, accusing the network and Mr Carlson's staff of sexism and anti-Semitism—charges that Fox and Mr Carlson deny.

Expensively and coastally educated, Mr Carlson was always an unlikely populist. His stepmother is heir to a frozen-goods fortune. Earlier in his career he worked for PBS and MSNBC, both liberal stalwarts. Mr O'Reilly affected an outer-borough pugnacity; Mr Carlson's blue blazers, repp ties and cocksure delivery made him appear the embodiment of an old-school, East Coast establishment Republican.

That species, though, is as endangered as the blue whale. Mr Carlson's political views are, by contrast, a strange mixture of cranky and hard-edged. Like many on the new right, he has fawned over the corrupt, illiberal regime in Hungary. He has argued that Democrats are "trying to replace the current electorate...with new people, more obedient voters from the third world"—a theory that finds favour on the far right. He has downplayed the attack on the Capitol on January 6th 2021, airing selectively edited video and claiming the rioters were "meek" "sightseers". He has been relentlessly hostile to Ukraine's president, Volodymyr Zelensky. And he has reliably supported Donald Trump.

In private, however, his feelings about Mr Trump were not so warm. Just two days before the Capitol riot, he texted his producer: "I hate him passionately." To another colleague, he wrote: "We are very, very close to being able to ignore Trump most nights. I truly can't wait." These texts emerged as part of a defamation lawsuit filed by Dominion Voting Systems, which Fox settled on April 18th. Mr Carlson had some interesting things to say about Fox's management, too. "Those f-s are destroying our credibility," he wrote. It is not yet clear if he was fired because he was caught misleading his viewers or because he was caught badmouthing his bosses. Perhaps it was neither: Gabriel Sherman, a noted Fox watcher, reported in *Vanity Fair* that Mr Carlson was a favourite of Rupert Murdoch's now ex-fiancée, Ann Lesley Smith.

Some see Mr Carlson's unceremonious departure—he and his executive producer, who is also out, reportedly had no inkling of their fate—as a tacit admission of wrongdoing, intended to reassure investors and pre-emptively staunch an advertising outflow of the sort that hit Mr O'Reilly's show. Just a few days earlier, Fox parted ways with another Trump-boosting host, Dan Bongino. Perhaps Fox is cleaning house and needs a couple of severed heads to remind its employees of the distinction between pandering to its base, as partisan political programmes on both Fox and MSNBC frequently do, and defaming people or companies that might sue. Perhaps it was related to Ms Grossberg's lawsuit.

Whatever the reason, Mr Carlson's departure, like Mr O'Reilly's, is a reminder that while Fox News may nurture and create stars, it is not beholden to them. When their antics become too costly or embarrassing, they are shown the door. Markets were unimpressed: Fox's stock dropped sharply this week. But there is a lesson here for gleeful lefties too. They danced on Mr O'Reilly's grave, and Mr Carlson sprang up to replace him. Fox News is still the most-watched cable network in the country, and has seen off threats from upstart rivals on the right. It won't take Fox long to find someone else to thrill its viewers and enrage American liberals. ■

Gone, but not for long

Another Trump case

Lookback in anger

WASHINGTON, DC

A New York jury will be asked if the former president is a rapist

AFTER YEARS of denial and months of—in the words of the presiding judge—“absurd” delay tactics, on April 25th the civil (as opposed to criminal) trial of a former president of the United States began for the alleged rape of a woman over 25 years ago. The accusations are the most serious of this nature that Donald Trump has had to confront. If Mr Trump, who strenuously denies the allegations and says they are part of a wider witch-hunt against him, beats this case he will probably come out stronger. A guilty verdict would harm his chances of returning to the White House.

Mr Trump’s accuser, E. Jean Carroll, a former columnist, claims the rape took place in a New York department store in the mid-1990s. Ordinarily such an accusation would be long past its statute of limitation. But last May New York state enacted a “lookback window”, which grants adult victims of sexual assault a year to file historical claims in civil court. Ms Carroll helped lobby for this Adult Survivors Act (ASA) and was one of the first people to file a case when the grace period started in November. In addition to sexual assault, she also accuses Mr Trump of defamation for calling her, among other things, “a complete con job” on social media.

A jury was selected and opening arguments aired in Manhattan on April 25th. Jurors will remain anonymous during the trial due to the sensitivities of the case and concerns about their safety. Although all eyes will be on what it means for Mr Trump, the case is about more than that.

As the first prominent lawsuit heard under the ASA, it will be watched closely by victims of sexual assault who have not yet decided whether to come forward with historical allegations. And it will be studied by other states. Although several states have provided one-off lookback windows for victims of child sex abuse, only California and New York have done so for adults. “The ASA builds on the understanding that there are many reasons for someone not to have come forward in the past,” says Deborah Tuerkheimer, a law professor at Northwestern University, “and why in the post-#MeToo era many may choose to come forward now, if given the chance.”

In many ways the case is a typical “she said, he said” claim of sexual assault. As these often lack “hard” evidence such as medical records or camera footage, they come down to whether the jury believes

Her too?

the victim’s account. So lawyers typically rely on establishing, or attacking, the accuser’s credibility. In this instance the alleged attack happened long ago and was not reported to police at the time, making it even harder to prove. Mr Trump’s legal team will try to sow further doubt by picking at any gaps in Ms Carroll’s memory. They have already pointed to the lack of eyewitnesses , and have accused Ms Carroll of political and commercial motives.

However, Ms Carroll has several things going for her. First, this is a civil case, where the burden of proof is lower than in the criminal kind. Her lawyers need only convince the jury that it is more likely than not that the assault happened. Second, she has corroborating witnesses: two friends in whom she confided shortly after the alleged attack and who have since confirmed her version of events. Third, the judge has allowed her lawyers to show the jury the infamous Access Hollywood tape, recorded in 2005 and widely circulated in 2016, in which Mr Trump boasts of grabbing women “by the pussy”. (In her testimony on April 26th Ms Carroll alleged that “his fingers went into my vagina, which was extremely painful.”) The jury may also hear from two women who say they too suffered sexual misconduct by Mr Trump.

The latter is particularly significant, says Andrew Stengel, a New York defence attorney. It will probably be used to suggest a pattern of behaviour by Mr Trump—“when a person said ‘no’ and didn’t consent, he’s acted like this in the past.” Similar additional testimonies were critical in helping put Harvey Weinstein and Bill Cosby, two Hollywood bigwigs, behind bars.

But Ms Carroll’s trump card is likely to be Mr Trump himself. In the run-up to this trial he has, unsurprisingly, made his lawyers’ job harder. He has changed his stance several times—initially saying he had never met Ms Carroll, suggesting she wasn’t his type and then (discrediting the second claim) confusing her in a picture with his second wife, Marla Maples. His deposition in October 2022 was a car crash. The parts that have been released include Mr Trump calling his accuser a “nut job” and suggestions that she thought “rape was sexy”.

If the jury is persuaded by the credibility of the five women expected to take the stand, the immediate consequence for Mr Trump will be little more than monetary. But as the (also civil) conviction of O.J. Simpson in 1997 demonstrated, the general public might not make that distinction. A finding against him would presumably hurt him in an election, no matter how much he tried to portray himself as the victim. But, given how hard it is to prove sexual-assault claims, there is every chance that the case will deliver him not only a legal win, but a political one too. ■

Education

Classroom politics

OKLAHOMA CITY

Republicans worry about schools indoctrinating children, but they are throwing money at teachers

IN APRIL 2018, teachers in Oklahoma staged an insurrection. Angry at dismal pay, they walked out of their classrooms for nine days and converged on the state capitol to demand more money. This was part of a wave of teachers’ strikes that year in Republican-dominated states, including Arizona, Kentucky and West Virginia.

Five years later, things are different. The Oklahoma legislature, which has a Republican supermajority, passed an average salary increase of $6,100 in the days before the strike; then a smaller increase of $1,200 the next year. It is currently debating a further increase of $3,000-6,000, depending on seniority. From the sitting room of the governor’s mansion, Kevin Stitt, the recently re-elected Republican governor, is upbeat about the pending pay-increase legislation and dreams of paying the best teachers in the state “up to $100,000” by the end of the year.

Oklahoma is hardly the only Republican-dominated state shovelling money at teachers. This is happening even as the party has been banging on about the problems of public schools, accusing teachers of indoctrinating children with critical race theory (CRT) and gender ideology.

Ron DeSantis, the Florida governor, has placed himself in serious contention to be the party's next presidential nominee by campaigning against wokeness in schools and universities; yet he also crows about increasing starting salaries for teachers by $7,000 since 2020 and spending $2bn on teachers' pay. Sarah Huckabee Sanders, the governor of Arkansas and the pugnacious former press secretary for Donald Trump, signed a remarkable bill in March to increase minimum teacher pay in the state from $36,000 a year to $50,000 (by one measure, moving its ranking from 48th in the nation to sixth). Glenn Youngkin of Virginia was one of the first to pioneer the winning anti-CRT strategy in 2021. Yet he also proudly signed a 10% pay rise for teachers in 2022 and is pushing this year for an additional $100m in spending on teacher-retention bonuses.

Some might suggest this presents a paradox. Mr Stitt argues that it is the emergence of a coherent, competing Republican agenda that can undo the narrative that Democrats are the best party for education. "We believe in merit pay," he says, "but I'm still not supportive of the big unions, because I don't think they're doing teachers a service and not focusing on the kids." In addition to higher pay for teachers in traditional public schools and safeguards to assure that there is no wokery, he says, parents should also be furnished with tax credits to send their children to private school if they wish. "I'm always saying let's fund the students, not the system. Let's empower parents because they know what's best for their kids."

That is what is happening in other states, too. The recent pay-increase legislation in Arkansas creates a voucher scheme, establishes a merit-pay programme to reward high-performing teachers with bonuses of up to $10,000, raises standards for literacy, bans the promotion of CRT and prohibits the discussion of sex for pupils below the fifth grade (roughly age 11).

A few other factors help explain the trend. State budgets were flush after a deluge of federal dollars arrived during the covid-19 pandemic even as an unusually strong economy produced high revenues. A shortage of teachers, which remains a problem in Oklahoma, would only get worse if the state could not keep up with wages offered by its neighbours (and even the ones offered by employers such as Amazon). Schools remain the centre of many rural communities and many rural educators are Republicans; letting them flounder out of spite against potential indoctrination would be unpopular. Effective campaigning and effective governance are rather separate.

But some blur the lines. Ask Ryan Walters, the freshly elected Oklahoma superintendent of public instruction, what the biggest problem in the state's schools is and he replies without a moment's hesitation: "the left-wing mentality that education should be used to indoctrinate kids and push a perspective on them". In school districts "where the teachers' unions have a more heavy influence", he says, "you see a much greater push for pornographic materials for conversations about transgenderism in the early grades, conversations around race that are inherently racist".

No dark sarcasm in the classroom

After lawmakers queried Mr Walters's allegations he emailed a 56-page memo documenting books in school libraries with sexually explicit illustrations—including one graphic memoir titled "Gender Queer". Several lawmakers, Republican and Democratic, had printed the memo and thrust it angrily at your correspondent when he visited their offices and inquired about the education superintendent. "I asked for him to appear before my committee. I didn't ask for him to choose what the subject matter was," says Mark McBride, a Republican state representative and chair of the education budget subcommittee. "Why are we continuing what I would call campaign rhetoric? I can't answer that. I have no idea," says Ronny Johns, another Republican representative and a former teacher who is advocating for "more than a $2,500 pay raise".

But even Mr Walters says: "I absolutely believe teachers should make more." He is adamant that this must be through merit pay, not the current rigid pay schedule that ties compensation to years of experience, which he describes as "socialist".

The new policy regime is receiving a mixed reception from teachers—despite the increased money. The rhetoric "is like a dagger in your heart," says Katherine Bishop, president of the Oklahoma Education Association, the state's largest teachers' union, who says it is harder to be a teacher today than it was before the walkout, as a result of the pandemic disruptions and the lack of personnel. "We're like King George. We're going to send fully armed battalions to show teachers our love. We're going to give them raises sometimes, but we're also going to say terrible things," says John Waldron, a Democratic state representative and former teacher in Tulsa.

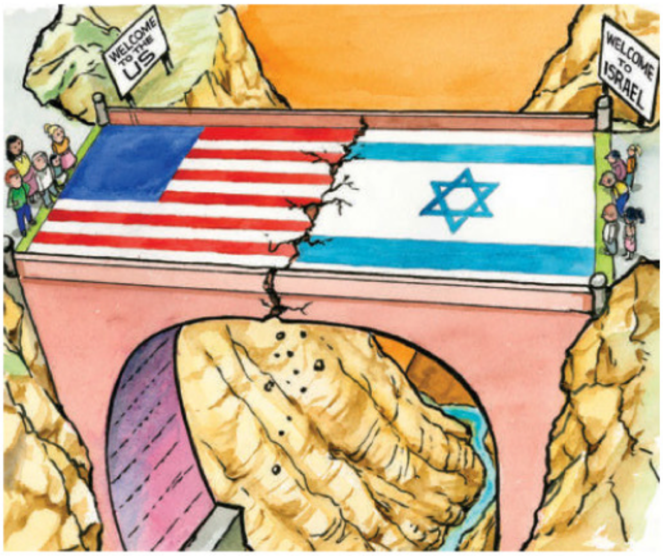
Others don't like the added conditions. "My hesitation about the pay raise is it's tied to vouchers, which is just a slap in the face to those of us that are running fully public schools," says Cecilia Robinson-Woods, the superintendent of Millwood Public Schools, a small, largely African-American school district in Oklahoma City. The scrutiny and requirement that lesson plans be posted have made her teachers "nervous wrecks", she says. She notes a recently passed bill that would make it easier for educators to have guns in school. "These are the same leaders that don't trust us with library books, but want to arm us?"

What the detractors might miss, however, is the possibility that Republicans craft a new education policy that proves to be genuinely popular. Republicans are now willing to spend money on both traditional public schools and tax credits for private schools. Their new conditions—that there not be any social-justice indoctrination in the classroom—poll well even if they also institute onerous monitoring. No parent bristles at the idea of parental rights and empowerment. ■

Scorned with increased pay

Lexington | Present at the creation

The growing American divide over Israel arises from basic questions about both states



The 75-year partnership between America and Israel stems partly from the friendship between just two men. After the first world war broke out, Edward Jacobson, a son of Lithuanian immigrants in Kansas City, Missouri, enlisted with an artillery unit and caught the attention of his lieutenant. "I have a Jew in charge of the canteen by the name of Jacobson and he is a crackerjack," wrote the lieutenant, Harry Truman, to his fiancée.

The two men became so close that after the war they started Truman & Jacobson, a haberdashery in Kansas City, which prospered until the Depression upended it. The failure did not shake the friendship, nor did the subsequent divergence in their careers. Jacobson became a travelling salesman, whereas Truman began his improbable political ascent.

As the end of the British mandate in Palestine approached in May 1948, President Truman was inclined to support a partition that would create a Jewish homeland. But the State Department opposed the idea, and the president himself felt insulted by lobbying from Jewish advocates of statehood. ("Jesus Christ couldn't please them when he was here on Earth," he snapped at one cabinet meeting, "so how could anyone expect that I would have any luck?") Chaim Weizmann, Zionism's elder statesman, sailed to America to make the case; Truman refused to see him.

Jacobson had never asked a favour of his friend. But he flew from Kansas City and, without an appointment, walked into the West Wing one Saturday. Jacobson recounted in a letter shortly afterwards that Truman showed "a brother's interest" in his business, as ever, but became angry at mention of Palestine.

Jacobson made an impassioned plea for Mr Weizmann and reminded Truman of his own steel: "It doesn't sound like you, Harry, because I thought you could take this stuff they have been handing out to you." Truman drummed his fingers on his desk. He spun away in his swivel chair, gazed out at the rose garden. Finally he swivelled back. "You win, you baldheaded son-of-a-bitch," he said. Jacobson left, found a bar and, for the first time in his life, downed two double bourbons.

At his meeting with Truman, Weizmann got the commitment he hoped for. Though the administration's public stance would shift, Truman did not falter, and on May 14th 1948 America became the first country to recognise the first Jewish state in almost 2,000 years. Truman said Jacobson's role was "decisive".

A pattern was set: the relationship between America and Israel has always been close, seldom been easy. President John Kennedy threatened to review America's security commitments to Israel over its refusal to allow inspections of its nuclear reactor at Dimona. President George H.W. Bush threatened to cancel loan guarantees unless Israel stopped settling Jews in occupied territory.

Less than a month after the attacks of September 11th 2001 Israel's prime minister, Ariel Sharon, said that President George W. Bush risked appeasing "the Arabs" just as Europe appeased Hitler. The ensuing furore was such that Lexington, then the Jerusalem bureau chief of the *New York Times*, found himself granted a rare interview with Sharon. He was even more astonished when Sharon, the toughest politician he has covered, expressed regret five times in under five minutes. "Unfortunately, the metaphor in my words was not understood, and I am sorry for that," he said.

The frostiness between President Joe Biden and Israel's current prime minister, Binyamin Netanyahu, then, is nothing new. Though he rebuked Mr Netanyahu in March for his effort to undermine Israel's Supreme Court, Mr Biden has shown no interest in pressing Israel. After 75 years, the strain building between Israel and America is not between the governments. It runs deeper.

Progressive unease with Israel dates at least to the occupation of the West Bank and Gaza Strip in the six-day war, in 1967. But the stalemate that denies basic rights to Palestinians, America's polarisation and the mutual embrace of Mr Netanyahu and Donald Trump have made that view mainstream among Democrats. In March Gallup reported that Democrats' sympathies had, on balance, shifted to the Palestinians for the first time since it started asking the question in 1988. (Republicans overwhelmingly sympathised with Israelis.)

Strange lands

The American left's objections go beyond Israel's policies to the very nature of the state. As living memory of the Holocaust fades, many progressives, including Jews, see a contradiction between struggling for a multiracial democracy at home and supporting a Jewish state in the Middle East. "Many younger progressive Jews see white Christian nationalism as a form of ethnocracy that parallels Zionism," says Peter Beinart, an eloquent critic of Israel whose intellectual evolution over the past 15 years has tracked, and advanced, the shift on the left.

Fully one in four American Jews agreed with the statement that "Israel is an apartheid state", according to a poll in 2021 by the Jewish Electorate Institute, and one in five supported settling the conflict by creating a single state. "We're moving from being brothers to being cousins," a top adviser to Sharon once mused of Israeli and American Jews. "And in the next generation we will be distant cousins, with some sense of shared history." He made that remark roughly a generation ago.

Jacobson did not consider himself a Zionist, but he was moved by the horrors of the Holocaust. He might find the moral case less stark today. It is a sign of progress that the old debate over where Jews can be safe—in Israel under siege from Arabs, or in America under siege from assimilation—is being supplanted, at least on the left, by one over where Jews, menaced everywhere by anti-Semitism, can count on their children being able to live morally sound lives. Would that either Israeli or American democracy, today, offered an example that confidently answers that question. ■

Venezuela

A super-sticky dictatorship

CARACAS

With an ineffective opposition, and the possibility of more sanctions being lifted, Venezuela's autocrat is winning

His propagandists call him "Super Moustache", and his government has handed out plastic toys depicting him as a hero in a cape. But in reality Nicolás Maduro, Venezuela's despotic president, has only one superpower: an extraordinary ability to cling to office regardless of the wishes of his compatriots, as events this week have shown.

The economy has collapsed by 75% during his decade in power. A quarter of the population has emigrated: some 7m Venezuelans. In 2018 he rigged an election. The next year Donald Trump, then president of the United States, imposed stiff sanctions on Venezuelan oil and finance, in a bid to restore democracy. Yet still Mr Maduro shows no sign of budging. Politically, he seems to be growing stronger.

A former rival has now gone into exile. Juan Guaidó, an opposition politician, had been recognised by more than 50 democratic governments in 2019 as the rightful president of Venezuela. On April 24th he said he had secretly travelled overland to Colombia to meet delegates at a conference the next day, hosted by Gustavo Petro, Colombia's left-wing president. The aim of this conference was to bring together representatives of various governments to discuss Venezuela. Colombia accused Mr Guaidó of entering the country "irregularly" and says he agreed to fly to the United States. Mr Guaidó says he was deported. "The dictator's persecution these days reaches Colombia," he grumbled as he left.

The hollowing-out of Venezuelan democracy began under Mr Maduro's predecessor, Hugo Chávez, who died in 2013. Since Mr Maduro succeeded him, he has systematically undermined the country's institutions. After another set of uncompetitive elections in 2020 he established a National Assembly which rubber-stamps his decrees. He keeps the army loyal by looking the other way while officers run lucrative rackets. Other autocratic regimes, such as Cuba's, have helped to prop him up.

Mr Maduro, a former union boss, describes himself as a socialist, and has enjoyed support from extreme left-wingers globally, partly because of his enmity with the United States. A better description of his regime would be: bullying and corrupt.

Mr Maduro's cronies are doing fabulously well. Venezuela is now the most unequal nation in Latin America, according to researchers at the Andrés Bello Catholic University in Caracas, the capital. Hyperinflation, originally caused by the regime's money-printing, has subsided somewhat, falling from an almost unmeasurable peak in February 2019 to 500%. This is because Mr Maduro's government has encouraged those who can to give up on the local currency and use American dollars instead (see chart 1 on next page).

Criticism of Mr Maduro's miserable record is seldom broadcast, since the regime dominates the airwaves. Earlier this month "With Maduro", a weekly TV show, was launched. The president hosts it with Cilia Flores, his wife, and an AI presenter called "Sira", who merges the looks of a Miss Venezuela contestant with the soothing authority of a real newsreader. The show is probably a soft launch of his campaign for re-election in 2024. That poll is unlikely to be fair.

Two international developments have played to Mr Maduro's advantage. The first is the war in Ukraine, which has led to a global scramble for alternatives to Russian oil. Eager to boost global energy supplies, President Joe Biden's administration has reassessed its relationship with his regime and begun to unwind some of Mr Trump's sanctions. Last year Mr Biden twice sent envoys to meet Mr Maduro. His administration has allowed Chevron, an American oil giant, to receive Venezuelan oil in pay- ▸▸

ment for debts it is owed by PDVSA, the state oil company. Partly as a result of the easing of sanctions the IMF expects the economy to grow by 5% this year.

The second shift which has aided Mr Maduro is the recent election of several left-wingers in Latin America. Mr Petro, a former member of the M-19 guerrilla group, swiftly moved to restore relations after coming to power last year. He has met Mr Maduro several times. Armando Benedetti, the first Colombian ambassador to Venezuela in three years, was sent to Caracas days after Mr Petro took office. In January the 2,200km (1,400-mile) border between the two countries was reopened to cars after being mostly shut for seven years.

Mr Petro has become an unofficial channel between the United States and Venezuela. On April 20th he talked with President Joe Biden about the aims of his conference, which included the lifting of sanctions. The meeting on April 25th brought together representatives from at least 19 governments from Europe and the Americas. At the event Jon Finer, the US deputy national security adviser, made it clear that further sanctions could be lifted if Venezuela took steps towards restoring democracy and holding elections that are free and fair. This would involve recognising all opposition candidates and accepting independent election observers. Mr Finer told reporters that the Biden administration does not want to keep sanctions on Venezuela "in perpetuity".

The conference also agreed that official talks between the regime and the Venezuelan opposition, held in Mexico but brokered by Norway, should restart. These have been stalled since November. Mr Maduro's government claims that a humanitarian fund, which it agreed with the opposition would be created out of around $3.2bn of frozen government cash, has been blocked by the United States. The truth is more complicated: there is legal wrangling over how the fund should be administered and protected from creditors.

Mr Petro has his own incentives for cosying up to Mr Maduro. One of his election promises last year was to bring "total peace" to Colombia. A key obstacle to that is the National Liberation Army (the ELN), a left-wing guerrilla group, which since its formation in the 1960s has been continuously battling the Colombian government. The ELN's operations, which include drug-trafficking and illegal mining, are not limited to Colombian territory. The group has bases in Venezuela, too, where it operates with near total impunity.

One rumour in Caracas is that Mr Petro offered Mr Maduro a deal: he would persuade Mr Biden to lift sanctions on Venezuela in return for which Mr Maduro would persuade the ELN to negotiate peace with the Colombian state. "It sounds win-win, except both are offering something they can't necessarily deliver," says a Western diplomat in Caracas. (On April 26th, Mr Petro reshuffled his cabinet after his coalition in Congress fell apart.)

As big as an autocrat's ego 1

Venezuela, consumer prices

% increase on a year earlier

Source: Venezuelan Finance Observatory

Cape of no hope

Why would Mr Maduro agree to any concession that might lead to him losing an election? One explanation is that he believes he could win a vote deemed fair in the eyes of the outside world. That is not implausible: the opposition, which is currently arguing about if and how it will hold a primary contest in October, may fail to unite around a single candidate. Support for Mr Maduro in February stood at 22%, according to Datanálisis, a polling company. That is low, but not as low as it has been.

Another explanation is that the dictator sees the negotiations as a route to more power. Mr Maduro is "not nearly as strong as he would want to be", says Geoff Ramsey of the Atlantic Council, an American think-tank. "Going into an election year he is desperate for cash, and the only way that Venezuela can hope to recover its economy is through some form of sanctions relief."

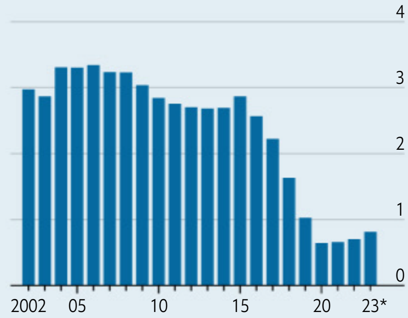
The economy is barely a quarter of the size it was in dollar terms before Mr Maduro took office in 2013. Recently it has shown some signs of recovery, but it is still in a precarious condition, not least as oil production has fallen (see chart 2). State pensions, paid in the local currency, are now worth less than $5 a month at the official exchange rate. State-school teachers have been protesting about their salaries of less than $20 a month.

An acute shortage of hard currency may be one reason why the regime launched a corruption investigation into PDVSA. This has led to the arrest of 61 business leaders and politicians, the investigation of hundreds of others and the resignation, on March 20th, of Tareck El Aissami, the oil minister and once one of the most powerful men in Venezuela. Mr El Aissami has not been accused of any crime.

The scandal began to emerge last year

Rolling off a cliff 2

Venezuela, oil production, barrels per day, m



Sources: BP Statistical Review; Rystad Energy *Forecast

when an audit of PVDSA's accounts ordered by Delcy Rodríguez, the country's vice-president, revealed that 84% of the oil it had shipped since 2020 had not been paid for. Shady intermediaries, contracted by the company in an effort to bypass sanctions, appear to have taken advantage of the situation to fleece the firm of billions.

Since Mr El Aissami's resignation he has not been seen or heard of in public. Some claim that Mr Maduro, in league with his powerful advisers, Ms Rodríguez and her brother Jorge Rodríguez, the head of the sham National Assembly, decided that he was becoming too powerful. "The PDVSA guys had become a threat so [they] needed to be removed," says one Caracas-based businessman. On April 21st it was announced that one of those detained as part of the probe, Leoner Azuaje, formerly the head of Cartoven, the state packaging company, died while in the custody of state security. The government says he killed himself. Members of his family say they are scared for their own lives.

They have reason to be concerned. On April 20th the International Criminal Court (ICC) released details of its consultation with alleged victims of human-rights abuses in Venezuela. This is part of a formal investigation to establish whether crimes against humanity have been committed by Mr Maduro's regime, including against its political opponents, which might result in prosecutions. The document, the result of more than 1,700 testimonies, includes reports of torture at the hands of state-security thugs.

The ICC investigation was mentioned in Mr Maduro's new TV show on April 24th. Mr Rodríguez went on it and spelled out five things he said were necessary for talks with the opposition to restart. Alongside a lifting of all sanctions, he called for an immediate end to the court's investigation. This is despite the fact that Venezuela is a signatory to the statute which established the ICC. After a decade in power, Mr Maduro's tyrannical regime now sees itself as entirely above the law. ■

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South Korea and America

Peninsula under pressure

BUSAN

South Korea has America in its face and China breathing down its neck

Yoon Suk-yeol entered office last May with an ambitious vision for his country's place in the world. He promised to make South Korea an assertive champion of freedom and human rights "not just for ourselves but also for others". He spoke of it as a "global pivotal state", pushing liberal values in developing and developed countries alike. Such rhetoric was unusual in a country that traditionally considers itself a shrimp trapped between whales.

It was music to American ears. President Joe Biden has sought to bolster America against China (the two leviathans in question) by bigging up its Asian allies. He, too, appeals to their liberal values, including by rallying Japan, South Korea and the rest to join a "battle between democracy and autocracy". Yet almost a year into Mr Yoon's term there is no great change in South Korea's diffident international posture, even as America's demands on its allies have increased. Mr Yoon, who is in Washington this week for the first state visit by a South Korean leader in over a decade, has hesitated to back America's arming of Ukraine. And he has largely spurned its trade and technology campaign against China. Mr Biden, who held talks with Mr Yoon on April 26th, applauded South Korea's willingness to take on "greater global responsibilities". But he expects more.

Mr Yoon's visit marks the 70th anniversary of the alliance the two countries sealed, with a mutual defence treaty, after the Korean war. Preventing a re-run of that conflict, in which more than 140,000 South Korean and almost 37,000 American troops died, remains the pre-eminent bilateral concern. America's 28,500 troops on the peninsula (notwithstanding Donald Trump's threats to withdraw them) are a testament to it. Yet the two countries' ties have thickened over the decades. South Korea sent troops to American wars in Vietnam, Afghanistan and Iraq. Commercial ties between the two countries were boosted by a free-trade deal signed a decade ago. Each has a lively community of the other's citizens—and is a fan of its pop culture.

Mr Yoon has at least provided a modest additional boost to the relationship. He has overseen expanded joint military exercises with America and launched a rapprochement with its closest East Asian ally, Japan. He signed up to America's Indo-Pacific Economic Framework before it was published. His administration even defended America after leaked documents revealed that it had been spying on the South Korean government. Kim Tae-hyo, the deputy national-security adviser, at first claimed that the documents were forged. He subsequently acknowledged the snooping, but insisted it had been conducted without "malicious intent".

Yet Mr Yoon's reluctance to show the global leadership that he promised is more striking. South Korea, Asia's second-biggest arms exporter after China, has refused requests from America and NATO to supply Ukraine with lethal weapons. It has also been far more loth than some other American allies to distance itself from China.

Japan, following America's lead, says it is in "competition" with China and plans to double defence spending over five years to deter Chinese aggression. South Korea calls China a "key partner for achieving prosperity and peace". It aims to increase defence spending by an annual average of 7% over the next five years, but mostly to ▸▸

counter North Korea. Unlike Japan and the Netherlands, it has not imposed curbs on semiconductor technology sales to China.

This hedging is understandable. China is South Korea's largest trade partner by far. It does more business with China than with its second- and third-biggest partners, America and Japan, combined. Supply chains for some of South Korea's most important industries, such as semiconductors, are largely China-based. In 2021 nearly 40% of South Korea's semiconductor exports went to China.

South Korean firms also find some of America's recent efforts to isolate China, including legislation intended to push electric-vehicle and semiconductor companies away from China and towards America, profoundly irksome. Mr Yoon will complain to Mr Biden about the protectionist nature of such measures and the superpower's failure to consult its Asian allies adequately before introducing them.

China's role in stabilising North Korea, including by supplying it with food, is another reason why South Korea is reluctant to annoy it. Japan, though deeply concerned about Kim Jong Un's missiles, does not face the same day-to-day security threat from his regime. "There is no North Japan," notes Victor Cha of the Centre for Strategic and International Studies, an American think-tank.

And China has a history of intimidating South Korea to keep it in line. After the South Koreans announced plans to install an American missile-defence system in 2016-17, Chinese state media launched a boycott of South Korean goods and services. Yet if such action has cowed South Korea, it has also exacerbated the country's preference for the West over China on most issues. Since the boycott, pro-China voices have been quelled in South Korean policymaking. According to a poll by the Pew Research Centre last year, 89% of South Koreans have a favourable view of America, while only 19% feel the same way about China. Mr Yoon's talk of making the country more geopolitically active was partly a response to such sentiment.

The South Korean leader may yet turn more of his talk into action. America's leaked wiretapping showed his administration was discussing supplying lethal weapons to Ukraine. On April 19th Mr Yoon told Reuters, a news agency, that South Korea's continued refusal would be hard to maintain in the event of a "large-scale [Russian] attack on civilians, massacre or serious violation of the laws of war". Turning to the Taiwan Strait, Mr Yoon said in the same interview that South Korea would oppose any "change to the status quo by force". Those comments earned stiff rebukes from Russia and China respectively.

South Korea worries about America's reliability as an ally. Mr Trump, or a similarly unilateralist Republican, could soon be back in the White House. Mr Kim's nuclear-missile programme has reduced the effectiveness of America's nuclear deterrent to the extent that some South Korean policymakers want to acquire their own. A new agreement to enhance consultation on America's nuclear deterrent seems unlikely to change that. Yet the South Koreans at least consider America open to discussing such concerns, unlike China. The Americans "do not accept all our requests", says Park Cheol-hee of the Korean National Diplomatic Academy, but they "try to find a way to find a better solution".

Ultimately, the two countries' mutual concern over North Korea represents a powerful adhesive. South Korea knows it is deeply reliant on America's security guarantee. It is also increasingly minded to follow America's lead on other matters, including China; but cautiously. South Korea is not a global pivotal state. It is not even in a pivotal state when it comes to reassessing its high-risk dependence on China. Yet it is inching in that direction. ■

Separatism in India

Sikh at heart

DELHI

India arrests the self-declared leader of Sikh separatism

As the police tell it, it was an intrepid capture. Tipped off that Amritpal Singh, a radical Sikh preacher and separatist whom they had been pursuing for weeks, was hiding in a village in the north Indian state of Punjab, they sealed it off and, early on April 23rd, arrested the fugitive. The version Mr Singh's supporters tell is less dramatic: the charismatic Sikh called the cops on himself and addressed a final gathering in the village gurdwara before surrendering.

His arrest ended a month-long manhunt that had Indians glued to their phones as the media reported sightings of Mr Singh across north India. He has been charged with attempted murder, among other things, over an attack on a police station in February. His capture will lower the profile of a man whose sudden notoriety raised fears of a resurgence of the militant Sikh separatism that once threatened to tear India apart.

With his long beard and flowing white garments, the 30-year-old Mr Singh models himself on Jarnail Singh Bhindranwale, a Sikh militant leader who was killed by the Indian army in 1984, setting off a decade-long insurgency in which thousands were killed. Before Mr Singh returned home to Punjab last year, he had worked in Dubai for a decade, sporting short hair and T-shirts. He first garnered popularity on social media, supporting protests which forced the central government of Narendra Modi to rescind new farm laws in November 2021. It was only last summer that Mr Singh donned his new attire and anointed himself leader of Waris Punjab De, an outfit which demands an independent Sikh nation of Khalistan. His followers, mostly young men, were inherited from the organisation's founder, an actor who died in a car accident early last year.

Amritpal, amirite?

Mr Singh's arrest has not prompted significant protests, suggesting there is less support for him than there is interest. Yet his agenda, which mingles demands for action on social problems in Punjab, such as a drug epidemic, with Sikh separatism, could yet strike a chord in the Sikh-majority state. The disintegration of its mainstream parties, chiefly the Congress party and the Akali Dal, whose longtime leader, Parkash Singh Badal, died this week at 95, has produced a political vacuum in Punjab which its current governing party, Aam Aadmi, has struggled to fill.

The authorities show signs of understanding that political risk. After they angered the public with internet shutdowns during their search for Mr Singh, the police took care over his arrest, firing no shots and respecting the sanctity of the gurdwara where he was hiding. The government should show similar judiciousness in tackling the causes of dissatisfaction among young Punjabis that Mr Singh has identified.

South-East Asian Games

My ball, my rules

SINGAPORE

Cambodia is about to host arguably the world's biggest sporting event

THE SOUTH-EAST ASIAN (SEA) Games that begin in Cambodia on May 5th will be contested by just 11 countries. But with 581 medals at stake—nearly twice the number won at the last Olympics—they can claim to be the world's biggest sporting event. Athletes will compete on the track, in the pool and in less traditional ways—including obstacle racing, jet-skiing and dance.

The inclusion of such obscure sports (loosely defined) is a SEA Games tradition. Hosts of the event, first held in 1959, have considerable discretion over its roster. Some of their selections reflect a desire to develop a sport. For instance, at the insistence of Cambodia's fledgling cricket body, that sport, which is hardly played in the region, will feature for just the second time in the upcoming games. But the inclusion of an obscure sport is more often explained by the host's hunger for medals.

Cambodia is no sporting powerhouse. At the last SEA Games it won 63 medals (ahead only of Brunei, Laos and East Timor). It has little chance of competing with its bigger, richer neighbours in most mainstream sports. The easiest way to boost its medal count is to hold events for which there is little or no competition. The coming games will also showcase *ouk chaktrang*, a Cambodian version of chess, and *kun bokator*, a local martial art.

The tactic usually works. Hosts of the SEA Games tend to win far more medals than they would abroad. When the Philippines hosted the games in 2019, it was crowned overall champion with 387 medals—thanks in part to the inclusion of baseball and other Filipino pastimes. At the next rendition, in Vietnam, they were dropped and the Philippines won 226.

Such manipulation hurts the broader sporting ambitions of the region. The SEA Games are held biennially to help athletes prepare for the Olympics and Asian Games. But when resources are directed towards offbeat events, mainstream sports suffer. South-East Asian countries only won 13 medals between them at the last Olympics.

Tinkering with the line-up also hinders the other stated goal of the games: regional unity. Thailand is incensed that the kickboxing event has been given a Cambodian name—"*kun khmer*"—instead of its preferred "*muay thai*". Thai kick-boxers are therefore boycotting the games and a regional rivalry has been aggravated.

Still, winning lots of medals plays well to the home crowd, which makes for good politics, especially for authoritarian regimes such as Cambodia's. Its strongman, Hun Sen, has spent lavishly on his country's first Games. (China has helped too, by financing a new stadium.) Last month Mr Hun Sen announced that tickets for the games would be free. After decades of war and strife, Cambodia will have an opportunity to show off its recent progress. With a general election due in July, its prime minister might also think this a good moment to engender patriotic fervour. Not that Mr Hun Sen really needs it. He has ensured that the main opposition has been eliminated by the courts. In politics as in sport, some people will do anything to win. ■


Anyone for kick volleyball?

Australia's defence

Protection by projection

SYDNEY

Australia wants to deter China by projecting power farther afield

THE BERLIN WALL still stood the last time Australia took a hard, independent look at the state of its defence. It was then "one of the most secure countries in the world...distant from the main centres of global military confrontation", a defence review concluded in 1986. A new review, commissioned by the centre-left government of Anthony Albanese, the prime minister, and released in declassified form on April 24th, starkly concludes that Australia's "strategic circumstances are now radically different." The risks of military escalation and major conflict in the Indo-Pacific region are rising. Concerns about China demand a radical makeover of Australia's defence strategy.

The review sees China's military build-up as "the largest and most ambitious of any country since the end of the second world war". It considers that it is "occurring without transparency or reassurance" about China's ambitions. The budding superpower's assertion of sovereignty over the South China Sea threatens a rules-based order on which Australia, a country of 26m that is heavily reliant on global trade, depends. The ability of America, Australia's ally, to guarantee regional security is being challenged.

With the strategic picture darkening, Australia's defences are "no longer fit for purpose", said the country's defence minister, Richard Marles, endorsing the conclusions of the review, which was overseen by a former defence chief, Sir Angus Houston, and by Australia's high commissioner to Britain, Stephen Smith. They fear less an invasion than the damage Australia could suffer from afar. It has lost the advantage of remoteness. Its north is within range of Chinese missiles. The shipping lanes in the Indian and Pacific Oceans which sustain its economy are vulnerable to blockades. (Australia knows all about coercion, having suffered Chinese trade bans in recent years that are only now being lifted.)

To defend itself as well as to preserve peace in its Indo-Pacific region, Australia must be able to project power farther from its shores, strategic planners argue. Or as one defence insider puts it, "if we get to the point where we have an amphibious landing group approaching Darwin, we're already buggered." Long-distance power projection represents the most logical form of deterrence, argues Bec Shrimpton of the Australian Strategic Policy Institute, a think-tank in Canberra, Australia's capital.

The main Australian power projection will be via AUKUS, the wave-making trilateral pact under which America and Britain will supply Australia with nuclear-propelled submarines. But it must also develop longer-range strike capabilities, with munitions built in Australia, Mr Marles said. This would involve upgrading its northern ports and bases, which stretch from the Cocos Islands in the Indian Ocean to the north-eastern city of Townsville. Beyond that, the review insists, defending Australia requires a "whole-of-government" effort. That would include more resources for the foreign ministry. Australian regional statecraft can thereby help keep the Indo-Pacific stable and open.

Yet a country that has already pledged to spend up to A$368bn ($245bn) on nuclear-powered submarines in the coming decades faces hard choices. Much of the report, which the government has accepted in its entirety, is confidential. But projects worth A$8bn will be scrapped or post- ▶▶

poned. An order for infantry-fighting vehicles will be cut sharply, and plans for a new regiment of mobile howitzers have been dropped. In return, the army will get longer-range strike capabilities. Australia must prioritise programmes with the greatest deterrent effect, stresses the same defence insider.

The government blames its conservative predecessor for some of the impending cuts. It promised lots of defence goodies without saying how it would pay for them. But there is bipartisan support for the strategic shift. Most of its critics are outside Parliament. Some say AUKUS and the new defence posture are too provocative towards China; others that they will prove wildly expensive. Even supporters of the strategy worry about Australia's capacity to realise its ambitions. The public sector has a ropy procurement record. The defence establishment is understaffed and faces looming skills shortages.

Confronting such problems is part of the challenge the review outlines, however. It advocates not just a whole-of-government but a "whole-of-nation" approach. Education and training will need a significant reboot merely to carry out the nuclear-submarine and related programmes. Politicians will need to lead a wide-ranging conversation on some of the other consequences of the strategy shift. Fully three-quarters of Australians think it somewhat or very likely that China, their biggest trading partner, will pose a military threat to them in the next 20 years, according to polling from the Lowy Institute, a think-tank in Sydney. So there is a clear agreement on the security risk. Australians now need to agree on how much cost and change they will accept to mitigate it. ■

Banyan Japan as thermostat

A chat with Kishida Fumio, who urges smart engagement

JAPANESE OFFICIALS used to fret that America took the threat from China too coolly. Even after Chinese and Japanese ships clashed over the Senkaku/Diaoyu Islands a decade ago, American leaders pursued engagement. "We warned the US," a former Japanese ambassador once grumbled to Banyan. But these days the mercury in America has risen sharply—its politicians compete to see who can sound most hawkish on China. This is now giving Japan the opposite worry.

In an interview with *The Economist* and other global media on April 20th, Kishida Fumio, Japan's prime minister, was asked what his country was doing militarily to contain China's hegemonic ambitions. He was reluctant to wade in. Instead of naming the many measures that Japan is taking to bolster its defences, he said: "What must be prioritised is proactive diplomacy."

So it continued. Speaking ahead of the G7 summit that Japan will host in his home town of Hiroshima next month, Mr Kishida, glancing often at briefing papers, took pains not to make Japan's troubled relations with China even worse. "Japan will assert what needs to be asserted and urge responsible action while maintaining a firm dialogue on various issues and co-operating on common challenges," he added. He repeated his wish to build a "constructive and stable" relationship with China. He used much the same formulation in a speech he gave in January in Washington.

There are indeed many indications that Japan thinks the American-Chinese rivalry has got too hot. Japanese leaders now consistently call for better communication with China. Sino-Japanese diplomacy has quietly resumed since the first summit between Mr Kishida and Xi Jinping, China's leader, in Indonesia in November. In late February officials from the two countries' foreign and defence ministries met. At the end of March, their armed forces established a defence hotline. Hayashi Yoshimasa, Japan's foreign minister, went to Beijing on April 2nd, the first such visit in three years.

Japanese parliamentarians are also showing restraint. The Diet has nothing resembling the belligerent China Select Committee in America's House of Representatives. Japan's parliament has a longstanding Japan-China Parliamentary Friendship Association—which this week named Nikai Toshihiro as its head. An ageing kingmaker, he is best known for his close ties to Beijing.

This does not mean Japan is any less wary of China. Mr Kishida repeated calls for "peace and security in the Taiwan Strait" and signalled Japan's unwillingness to tolerate "changes to the status quo through force"—code for opposition to Chinese aggression against Taiwan. Japan's plans to double defence spending over the next five years are all about making China believe it cannot be pushed

around. No one in Tokyo needs convincing that China poses a threat.

On the contrary, the proximity of that threat makes Japan treat it very seriously. In America, talk of war over Taiwan is an abstraction half a world away; in Japan, it makes people wonder where the nearest bomb shelter might be. That is why Japan, unlike the hotheads on Capitol Hill, is taking such pains to control the temperature. "It is very important for the international community that the US-China relationship remains stable," stressed Mr Kishida.

There are signs that the message is getting through. Partly at Japan's urging, the communiqué issued by a gathering of G7 foreign ministers on April 18th, in the Japanese province of Nagano, includes a call to countries to engage "candidly" and "work together" with China—the diplomatic equivalent of an extended hand. Katherine Tai, the United States Trade Representative, reassured an audience in Tokyo on April 20th that America does not intend to decouple from China. The same day Janet Yellen, the treasury secretary, said that America seeks "constructive and fair" ties with China.

Yet moderating the temperature will only get harder. America's election season is coming and Tokyo has become a stop on the circuit. (Ron DeSantis, Florida's ambitious Republican governor and rival to Donald Trump, visited on April 24th.) And China is hardly taking the proffered hand; a Japanese pharmaceutical-company employee was arrested on espionage charges in Beijing last month. China's willingness to speak with Japan is mostly about trying to drive a wedge between America and its allies. Even so, Mr Kishida's stab at Indo-Pacific temperature control may be his most important geopolitical contribution.

China and the world

Xivilisation

SHANGHAI

Xi Jinping's latest attempt to rally the world against Western values will deepen a global divide

THIRTY YEARS ago, in the wake of the Soviet Union's collapse, Samuel Huntington, an American scholar, offered a bleak view of how the world would change. He suggested that a "clash of civilisations" would replace the erstwhile cold-war conflict between West and East. As China's struggle with America intensifies, President Xi Jinping has recently proposed a different view—that civilisations can live in harmony. It may sound tritely upbeat, but its underlying message is less so. The West must stop promoting its values, or Huntington will be proven right.

Since Mr Xi unveiled his Global Civilisation Initiative (GCI) on March 15th, state media have brimmed with fawning coverage. The English edition of *Global Times*, a nationalist tabloid, has dubbed the president's idea "Xivilisation", calling it "all important" and "full of Chinese wisdom". Writing in the *South China Morning Post*, a Hong Kong newspaper, a Chinese diplomat alluded to Huntington: "At a time when the antiquated thesis of a 'clash of civilisations' is resurfacing, China's emphasis on the equality of civilisations is needed more than ever for a peaceful world." In other words, the West should learn to live with Chinese communism. It may be based on Marxism, a Western theory, but it is also the fruit of China's ancient culture.

The GCI is the latest in a series of suggestions by Mr Xi for how the world should be run. First came the Global Development Initiative (GDI), which he presented to the UN in 2021. It has been touted as a "twin engine" alongside the Belt and Road Initiative, a worldwide infrastructure-building scheme that was launched by Mr Xi close to the start of his more than decade-long reign. Under the GDI, China has pledged at least $4bn towards helping poorer countries with everything from public health to cutting carbon emissions. The initiative is described as a "Chinese formula" for development. That means putting economic benefits ahead of civil and political rights.

In 2022 Mr Xi produced another, called the Global Security Initiative (GSI). This came just two months after his "old friend" in Moscow, Vladimir Putin, launched an invasion of Ukraine. The GSI echoed Russia's worldview, calling for a "common, comprehensive, co-operative and sustainable" approach to building international security. That is shorthand for giving big powers, such as China and Russia, a veto over security arrangements in their neighbourhoods. Chinese officials describe a rapprochement in March between Iran and Saudi Arabia, in which China played a modest role, as a victory for the GSI. They will doubtless hail Mr Xi's telephone conversation on April 26th with Ukraine's president, Volodymyr Zelensky, their first contact since the war began, as another GSI milestone (see story later in the section).

The GCI was announced at a virtual dialogue, organised by China's Communist Party, of leaders of about 500 political organisations from more than 150 countries. The timing may have been deliberate: days later President Joe Biden was to co-host his second Summit for Democracy, also by video link (85 world leaders took part—China's was not invited). "The practice of stoking division and confrontation in the name of democracy is in itself a violation of the spirit of democracy," Mr Xi told his audience. "It will not receive any support."

In many non-Western countries, his own initiative may win backing, even though it consists of just a few bromides. "Countries need to keep an open mind in appreciating the perceptions of values by different civilisations," he said, "and refrain from imposing their own values or models on others and from stoking ideological confrontation."

China's leaders have often made similar ▸▸

points. But the initiative formally elevates China's concerns about Western "interference" to a matter involving not just countries, but civilisations. It implies that any attack on China's political system is an attack on its culture. Mr Biden describes America as being engaged in a "battle between democracy and autocracy". Mr Xi is clearly trying to portray it as waging a broader, Huntingtonian-type struggle.

Chinese civilisation has long been one of Mr Xi's preoccupations. He has convened Politburo meetings to discuss it. One of his mantras is that Chinese must display "four self-confidences". Unsurprisingly, three of them are about strengthening belief in various aspects of Chinese communism. But the fourth relates to Chinese culture: Mr Xi wants no doubting of its greatness either. His views on this are strikingly different from those of the party's founders, who played up the darker aspects of China's pre-communist history. Mr Xi prefers to highlight a cultural continuum, with a past full of glories that are now embodied in the party. Mao Zedong tried to suppress Confucianism, a philosophy that guided state and personal behaviour for centuries. Mr Xi has been promoting it.

Music to Xi's ears

In recent years, some Chinese scholars have embraced the idea of China as a "civilisational state"—a country whose borders also encompass a distinct civilisation. A book by a British author, Martin Jacques, published in 2009, helped to popularise the notion. Titled "When China Rules the World", it became a bestseller in China, where its prediction that China would displace Western power without adopting Western values chimed with the party's view. In 2011 a book on the theme by Zhang Weiwei, a Chinese academic, also became a hit. Mr Zhang describes China as exceptional: the only modern country that is also an ancient civilisation. He clearly has Mr Xi's blessing. In 2021 he was invited to brief the Politburo on how to project China's views globally.

Developing Mr Xi's new initiative will involve a tricky balancing act. As Chinese officials explain the idea, all civilisations are equal and should be tolerant of each other. So what to make of Western civilisation? Official Chinese commentary often portrays it as in decay, a victim of ingrained flaws. On April 21st at a government-sponsored forum in Shanghai, Mr Zhang contrasted the "harmony" of Chinese culture with the conflict of politics in the West (Mr Jacques was also among the speakers). Even Mr Xi, in his efforts to promote "cultural self-confidence", plays up the exceptionalism of Chinese civilisation. He has spoken of its "unique ideas and wisdom".

Like his other initiatives, this one will appeal to many poorer countries that want China's largesse and share its disdain for Western values. Early last year China formed a group in the UN called the "Friends of the Global Development Initiative", with 53 member-states. Now it has nearly 70. At last month's democracy summit, Mr Biden spoke of "real indications that we're turning the tide here" in the contest with authoritarianism. If so, there is much ground to make up. A report in March by the v-Dem Institute, a think-tank based at the University of Gothenburg in Sweden, said the share of the world's population living in autocracies had risen from 46% in 2012 to 72% last year.

In the West, however, Mr Xi's civilisation initiative will do little to boost his or his party's image. Among Western elites, many reject any notion that calling for democracy in China involves a challenge to its civilisation. In 2019, when Donald Trump was America's president, an official at the State Department described the rivalry with China in Huntingtonian lan-

The dating habits of old people

Love elderly

Ageing singles are turning to new ways to find a partner

THE MAN, who must be in his 70s, says he has money, even a pension and a house. The similarly-aged woman looks unimpressed. Across a phone connection they are sizing each other up. But the host senses a lack of interest and, with the tap of a button, the connection is cut.

This is a typical scene from the popular live-streams featuring old people looking for love. The set-up is generally the same: elderly singles can flick through different "rooms" on their phones, checking out other prospects. If one catches their eye, they can request to join the room. A host plays the role of doorman, matchmaker and bouncer. When two people hit it off, contact details are exchanged and the host receives a fee. The spectacle draws a crowd. One host has upwards of 500,000 followers.

Live-streams are one of many new ways old people are trying to find love. Data from Baidu, an online-search giant, suggests that more than half of the 100m registered users of Pair, a dating app, are 50 or older. Another app, called Middle-Aged and Elderly Life, was launched in 2019 and has grown in popularity. That same year the founder of Baihe, China's largest dating service, left the company to start Leisure Island, a social network for the elderly that has dating features.

Ooh, they're fit!

Demand for such products is being driven by an increase in the elderly population. Nearly 210m Chinese people are 65 or over, up from around 160m five years ago. The average life expectancy in China is up, too, rising from just under 73 in 2005 to almost 78 today. There isn't much recent data on how many of the country's oldies are single. But a survey published in 2015 by the China Research Centre on Ageing showed that over a quarter of people 60 and over were either single, separated or widowed. According to a survey from 2014 by Renmin University, nearly 10% of old people live alone. Traditional attitudes towards old people remarrying and potential opposition from children do not help.

The live-streams have evolved from dating shows, which are still quite popular and provide insight into the pragmatic approach taken by old singles. On "Not Too Late After All", one such show, contestants ask pointed questions of potential partners, such as whether they have a pension, a house or any children. Some want to know more about a match's health or previous relationships. In a clip that went viral, a 78-year-old man said he was looking for a servant.

"Not Too Late After All" receives, on average, 80 applications a day, according to a producer. For those who do not make the cut or are not as tech savvy as Deng, there are still other ways to find a mate. Some urban green spaces are known for their matchmaking corners, where parents try to set up their children and old people put up posters introducing themselves. But finding love in old age is no walk in the park.

guage. It is "a fight with a really different civilisation and a different ideology", said Kiron Skinner, adding that America faced a "great power competitor that is not Caucasian." But she faced a backlash in America for her remarks.

In recent years several American universities have closed their campuses' Confucius Institutes. But this has not been aimed at a 2,500-year-old philosophy. The centres, which promote Chinese language and culture, have been targeted because of their suspected political influence. There are many such institutes in the West, sponsored by the Chinese government.

Far from having a positive impact, Western officials worry that the GCI, like China's previous proposals, will be used to draw lines between the country's supporters and critics. Chinese diplomats lean on foreign counterparts to express public support for Mr Xi's ideas, keeping careful tally of who does. His triad of global initiatives will deepen the world's divides. ■

China and Ukraine

First contact

At last, Xi Jinping calls Volodymyr Zelensky. Could a diplomatic gaffe have had anything to do with it?

For weeks, Chinese officials have told foreign counterparts that the time is not right to push for peace talks between Russia and Ukraine. Neither is interested, the officials argued, as each hopes to gain ground in the coming months. Likewise, the officials suggested it was too early for China's leader, Xi Jinping, to speak to Ukraine's president, Volodymyr Zelensky.

Many were thus surprised by the news that Mr Xi and Mr Zelensky spoke by phone on April 26th, their first exchange since the Russian invasion. What is more, the Chinese government announced that it would soon send a special representative to Ukraine and other countries to discuss "a political settlement of the Ukrainian crisis".

Neither side provided much detail. China's foreign ministry quoted Mr Xi as saying that dialogue was the only way forward. "There are no winners in a nuclear war," he said. Mr Zelensky described their talk as "long and meaningful". He said the call, and the appointment of a new Ukrainian ambassador to China, would give "powerful impetus" to bilateral ties. Russia, meanwhile, noted China's readiness to try to start negotiations. But it added that Ukraine and its backers had "shown their ability to mess up any peace initiatives".

So what explains China's change of heart? Russia and Ukraine are no closer to peace talks. Nor has the battlefield shifted much. But the call follows a period of intense diplomacy focused on China's approach to Ukraine. And it comes just a few days after China's ambassador to France caused a diplomatic furore when he questioned the sovereignty of ex-Soviet states.

China's foreign ministry quickly disavowed those comments. For many in Europe and in former Soviet countries, however, the outburst provided further evidence that China is too close to Russia to act as a peacemaker in Ukraine. They were already sceptical of the peace plan that China proposed in February, as it echoes many of the Kremlin's demands and does not seek a Russian withdrawal.

Such doubts intensified following Mr Xi's visit to Moscow in March, when he pledged to expand co-operation just a few days after the International Criminal Court indicted Mr Putin for war crimes. America also alleged that China has been considering selling weapons to Russia, which European leaders say would cross a red line.

China denies any such plans and rejects all criticism of its relations with Russia. But Chinese officials are increasingly conscious that Mr Xi's position on Ukraine is undermining his efforts to persuade European governments to resist American pressure to "decouple" from China economically and to confront China more directly on security issues, including Taiwan.

European leaders have been pressing Mr Xi to do more to end the war in Ukraine (even as they debate their longer-term China strategy). Emmanuel Macron, France's president, and Ursula von der Leyen, president of the European Commission, were among those who on recent visits to China urged Mr Xi to speak to Mr Zelensky.

None of that will have altered Mr Xi's strategic calculus. His priority is China's rivalry with America and he still sees Russia as a valuable source of energy, weapons and diplomatic support. He is determined to prevent Mr Putin from suffering a humiliating defeat that might lead to his being replaced by a pro-Western leader.

"The fundamentals are the same," says Alexander Gabuev of the Carnegie Russia Eurasia Centre in Berlin. He suggests that China delayed the Zelensky call over concerns about what Ukraine's leader might say publicly, but then accelerated plans to help walk back the Chinese ambassador's remarks and to "show that Macron and others who are enthusiastic about China's diplomatic role are not mistaken".

That China has no intention to abandon or exert real pressure on Russia was made clear again in April when General Li Shangfu, China's new defence minister, visited Moscow on his first trip abroad in that position. He told Mr Putin that Russia-China relations "go beyond the military-political alliances of the cold-war era".

Yet Mr Xi is determined to portray himself, especially in the global south, as the responsible leader of a great world power. And he still hopes to drive a wedge between America and Europe, a critical source of the investment and trade that China needs to revive its economy.

Defusing the row surrounding its ambassador is unlikely to have been China's main goal. But the timing helps, says Yun Sun of the Stimson Centre, a think-tank. "China doesn't have realistic expectations that the war will end soon," she says. "But it doesn't mean China cannot exploit the opportunity to boost its influence and the goodwill it creates with Europe." ■

Chaguan | Playing the law-and-order card

A revealing backlash to a new brigade of rural law-enforcement officers

Mr Tang, a farmer from central China, bears the marks of hard luck and forces beyond his control. A wiry, shaven-headed man of 57, with red scars on his face and neck, he returned home to the province of Henan two years ago, after growing too old to find migrant work in big cities. Pouring his savings and borrowed money into a smallholding in the village of Niezhang, Mr Tang (not his real name) watched 200 pigs die last year of "the disease". He means African swine fever, which is rampant in China. "They all had to go," he recalls, pulling a thin jacket around him against a cold, damp day. "Every night we shipped them out in a three-wheeled truck to be buried." His homecoming at the height of China's "zero-covid" policy exposed him to rural life at its most controlling, as pandemic guards and volunteers in red armbands wielded coercive powers not seen since the Mao era.

Yet for all the bossing about that Mr Tang has endured, places like Niezhang need a stronger rule of law, not a weaker one. Swine-fever outbreaks that have brought ruin to farmers across this muddy corner of Henan are, in part, a glimpse of a secretive, unaccountable bureaucracy failing its own citizens. While channelling state support to industrial pork producers with modern safety systems, officials seem to be quietly writing off backyard farms and hiding the results. China has not declared a single mainland case of swine fever to the World Organisation of Animal Health in over a year, though the disease is endemic in the country.

Floods are growing more common and severe in these vast, flat plains around the Yellow River. When waters rise in Niezhang, they carry pollution from a creek beside Mr Tang's farm, which is slick and black with waste. Both animals and people are sickened, he says. A state-owned water-treatment plant, visible through stands of poplar trees, was fined in 2020 for allowing polluted waste into a local river. Promises to cover the creek with concrete have not been kept. With powerful local backers, the plant remains open. Asked about asserting his legal rights, Mr Tang sounds weary. "We farmers, we don't know about the law." Some neighbours sent petitions to higher authorities. He is not good with words, he says. "If I appealed it wouldn't amount to much."

Such unhappy fatalism about the limitations of legal appeals, multiplied enough times across China, should worry the Communist Party and its leader, Xi Jinping. For under Mr Xi, the party and state have dramatically increased their reach into every corner of society and the economy: a process greatly accelerated by zero-covid policies, but which continues after the pandemic. Mr Xi has made "governing the country according to law" a pillar of his first decade in power. That does not involve allowing the rule of law to act as a check or balance on the party's authority. Mr Xi has explicitly condemned the idea of an independent judiciary as a dangerous Western notion. Instead, in directives and amendments to administrative laws, officials have sought to increase support for the party by delivering strict but effective government. New law-enforcement agencies have been created that are answerable to central-government ministries. These, it is promised, will sweep away a patchwork of local bodies and send well-trained, professional officers to interact with farmers, traders and other folk.

To hear the authorities tell it, such reforms should bring cheer to forlorn spots like Niezhang. The Ministry of Agriculture and Rural Affairs in Beijing recently spelled out advances to be expected from its Agricultural Comprehensive Administrative Law Enforcement Department. Its officers, all wearing the same uniforms and sporting identification numbers, will be constrained by clear legal bounds on their power, it said. Their work will be "strict, standardised, fair and civilised", and will focus on such useful tasks as catching sellers of counterfeit or substandard seeds, pesticides and veterinary medicines, or inspecting animals and plants for disease. Minor violations by small farmers will be dealt with flexibly, perhaps with cautions, the ministry added.

Revealingly, the public reaction has been loud and mostly hostile. Online forums have filled with anecdotes about thuggish rural officials. The new agents have been nicknamed *nongguan*, or agricultural-management officers. That is a play on urban-management officers, or *chengguan*, who are among China's most despised functionaries, derided for their nit-picking ways and record of violence against market traders, food-cart owners and the like. Reports of a squad of agricultural-enforcement agents in Tibet trying to buy electric-shock batons and other police gear have gone viral. If leaders in Beijing hoped to hear applause for new, central-government oversight of rural law enforcement, they have been disappointed. In the past, Chinese have expressed confidence in national leaders, while blaming abuses on local officials. But citizens, exhausted by years of zero-covid bossiness, seem ready to assume that new powers will be abused, whether national leaders are watching or not.

The smack of firm government, village-style

Back in Henan, an agricultural-law-enforcement official declines a formal interview, but admits to dismay about the loud public backlash. Worried bosses have ordered him to post explanatory videos and statements from the agriculture ministry on his social-media accounts, he confides. He calls the nickname *nongguan* unhelpful and misleading, and denies that he and colleagues will wield any new police powers or seek to manage farmers' lives.

Perhaps the bleakest verdict on the reform comes from Niezhang. Detailing years of local corruption and favouritism, farmers scoff at the idea that good policies can survive the journey to their village. "All crows under heaven are equally black" and all village cadres dishonest, declares a farmer in his 70s. The party is betting that professionalised law enforcement can offer a new source of legitimacy, amid worries about a slowing economy. Alas, grassroots cynicism is a force beyond even Mr Xi's control. ■

Israel at 75

An angsty anniversary

BNEI BRAK, JERUSALEM AND TEL AVIV

Months of chaos point to the internal divides that will define Israel's future

Every year, around this time, Israel makes an abrupt transition from sorrow to joy. First the country comes to a halt for Memorial Day. Families visit army cemeteries; television channels show the names of fallen soldiers. Then, as day turns to dusk, mourning turns to joy in celebration of Israel's independence.

There should have been much to cheer at sundown on April 25th, as Israelis marked the 75th anniversary of the country's founding in 1948. (The holiday follows the Hebrew calendar; the Gregorian anniversary is on May 14th.) A country founded amid war and privation less than a century ago is, today, richer than many Western countries and safer than it has ever been.

Yet this is a contentious birthday. Military families asked ministers not to visit cemeteries and make their customary speeches. Binyamin Netanyahu, the prime minister, pleaded with mourners not to heckle his coalition members. Not all heeded him: there were scuffles at a memorial in Be'er Sheva, where Itamar Ben-Gvir, the far-right public-security minister, spoke. The opposition leader boycotted the official independence-day event.

Mr Netanyahu returned to power in December, after 18 months in the political wilderness, to lead the most right-wing government Israel has ever seen. He quickly sought to ram through a package of judicial reforms that would diminish the power of the Supreme Court. His plans set off the biggest protests in Israeli history. The main labour union called a general strike. Army reservists vowed to stop reporting for duty. The scheme has been shelved, at least for now. But anger at his government remains.

It is impossible to talk about the past 75 years without talking about Mr Netanyahu, who has ruled for fully one-fifth of that time. His pitch to voters has rested on his stewardship of Israel's security and its economy. Since 2009, when he started his longest stint as Israel's leader, 136 Israeli civilians have been killed by Palestinians—compared with 269 in 2002 alone, at the height of the second *intifada* (uprising). As security improved, so has the economy. Real per-person GDP has grown by 34% since 2009, comfortably faster than America or Germany. Israel's early years were defined by the challenges of building and securing a young state. Those challenges have now largely been met.

On a recent Saturday night, as they have every Saturday this year, tens of thousands of Israelis marched through Tel Aviv to protest against Mr Netanyahu's government. To the side were a few greybeards whose T-shirts identified them as veterans of the Yom Kippur war in 1973—arguably the last time Israel faced an imminent existential threat. To them, the current moment in Israeli history felt equally stark: "Did we fight to protect a democracy," asked one, "only to tear it down ourselves?"

Some Israelis would call this hyperbole. Yet the sentiment and the chaos of recent months point to the issues that may define Israel's next 75 years. One is how Israel manages changing demographics that will reshape its society and economy. A second, related question is how to resolve political questions that have gone unanswered ▸▸

since 1948. And then there is the question that most Israelis would prefer to ignore: whether an occupation that seems manageable today will remain so.

Start with demographics. Israel is an outlier in the rich world. The overall fertility rate—the number of children a woman is expected to have in her lifetime—is 2.9, the highest in the OECD. (A level of 2.1 is needed for a stable population.) But national figures mask deep disparities. In Modi'in Illit and Beitar Illit, cities populated by *Haredim* (ultra-Orthodox Jews), the average woman has seven children. In secular places like Tel Aviv it is less than two.

The fastest-growing groups, Arab Israelis and ultra-Orthodox Jews, already make up one-third of the population. The Central Bureau of Statistics thinks they could be a majority by 2065 (see chart). Both have higher poverty rates, and lower levels of employment and educational achievement, than the rest of the population.

Many also shun army service. *Haredi* men have long been allowed to dodge conscription if they devote themselves to religious studies. The high court ruled this system discriminatory in 2017. When the Knesset (Israel's parliament) returns from its spring recess, Mr Netanyahu hopes to pass a law that will maintain the exemption but pay soldiers more. If he succeeds, though, most observers expect the court will again strike down the arrangement.

Such issues will be harder to solve as Israel becomes more polarised. The Israel Democracy Institute (IDI), a think-tank, projects that *Haredi* parties could take between 28 and 38 of the Knesset's 120 seats in 2060, up from 18 in last year's election. Arab parties, which have only once served in a government, may grow too.

Demographics do not have to be destiny. The *Haredi* have long thrived in isolation: their leaders try to keep their flocks cloistered from the outside world. That was easy in the early decades of Israel's existence. But it grows ever harder in an online era. Thousands leave the community each year. Politicians fret about losing support (although, so far, around 90% of ultra-Orthodox still vote for *Haredi* parties).

Still, a changing population will widen the gaps in Israel's society—and its economy. The weekly protests in Tel Aviv end near the defence ministry. Towering over the protesters are skyscrapers that symbolise the new Israel. Their façades bear names like Rapyd, an electronic-payments company, and Imperva, a cyber-security firm, both founded by local entrepreneurs and valued in the billions of dollars.

It employs only 10% of the population, but the high-tech sector accounts for 15% of GDP and around half of goods-and-services exports. It has played an outsize role in Israel's 21st-century economic growth. Yet it remains the icing on an otherwise unappealing cake: the rest of the Israeli economy is strikingly unproductive.

The average Israeli worked 1,753 hours in 2021, putting Israel in the top third of the OECD. But it is in the bottom half of the bloc for GDP per hour worked. The productivity gap between Israel and the G7 economies has more than tripled since 1975, even as working hours in the G7 fell much faster.

There are many reasons for Israel's low output. The level of private capital per employee is basically unchanged since the 1980s, according to the Taub Centre for Social Policy Studies in Israel. Public capital has not budged either, which is a drag on productivity. Consider the country's surprisingly horrible traffic: Israelis own 40% fewer vehicles than citizens in small European countries, but congestion on Israeli roads is almost three times worse, estimates Dan Ben-David of the Shoresh Institute in Tel Aviv.

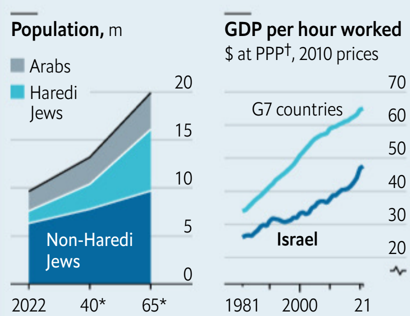
What did you learn at school today?

Another issue is the state of Israel's schools. Its score on the Programme for International Student Assessment (PISA), run by the OECD, fell in 2018, compared with the previous test, in 2015. It ranked 39th out of 77 countries, and lower on maths and science. Even those figures are too rosy: the tests barely sampled ultra-Orthodox schools, which tend to stop teaching the core curriculum after eighth grade.

It is hard to sustain a vibrant tech sector with underperforming schools. The ultra-Orthodox make up 13% of Israel's population but less than 3% of its tech workforce. The gap is even starker for the Arab community. On PISA, Arab pupils performed worse than their peers in Jordan, a country with less than one-tenth the per-person GDP. Not surprisingly, they are also underrepresented in tech: 21% of Israelis but less than 2% of the workforce.

There are, in effect, two Israeli economies. Nationwide, the average nominal monthly salary increased by 35% from 2012 to 2022. For high-tech workers, who now earn more than double the national average, it rose by 67%. Outside a small sliver of well-paid workers, most Israelis struggle with the cost of living. Mr Netanyahu likes to boast that Israel's per-person GDP is now higher than Britain's or France's. Adjust for purchasing power, however, and Israel falls to the bottom half of the OECD.

Two growing wedges
Israel



*Forecast †Purchasing-power parity
Sources: National statistics; OECD

In an IDI poll last summer, before the election, a plurality of Israelis (44%) cited the economy as their top concern. Yet Mr Netanyahu has spent his first months in office focused on the judiciary. Polls suggest that he has done grievous damage to his reputation, even among supporters who may back the proposed changes but hate the way they were introduced. One survey, published on April 9th, found that his Likud party would drop to 20 seats (down from 32) if elections were held now.

Supporters of Mr Netanyahu's reforms say they are meant to tackle a real problem: the country has no formal constitution, only "basic laws" that the courts have elevated to quasi-constitutional status. This arrangement is a hangover from the state's chaotic founding. Other fundamental issues, such as the country's borders and the exact role of religion, were never resolved.

As with the army and the economy, these questions become more difficult as society changes. Kach, an avowedly racist political party, ran in four elections before it was banned in 1988. It won just one seat, in 1984, with 1.2% of the vote. Its successor, Jewish Power, is part of the Religious Zionism electoral bloc, which has 14 seats and is in the ruling coalition. Optimists on the left hope its electoral success was a blip. But the "national-religious" camp from which the far-right draws its support, which (unlike the ultra-Orthodox) mixes religion with ardent nationalism, is a growing share of the population.

Western diplomats have long argued that Israel faces a policy "trilemma". It has three options: to control all the land between the Jordan river and the Mediterranean, to keep a Jewish majority, and to remain a democracy. It can choose only two.

For much of the past two decades, an apparently sustainable occupation has allowed Israeli voters to ignore this choice. Just 11% of them told IDI last year that security was their main concern. With the occupation entrenched and seemingly permanent, and the "peace camp" reduced to a husk, the occupation is a nearly invisible issue in Israeli elections.

Yet it is also omnipresent. Much of the national-religious camp is united by a belief in "greater Israel"—in keeping the land. Right-wing hostility towards the high court stems in part from its modest role in limiting West Bank settlements. Even the economy is affected: a recent analysis in *Calcalist*, an Israeli financial newspaper, found that the transport ministry spends

25% of its budget on roads in the occupied West Bank, home to less than 5% of Israelis. "It's not a salient issue, but it's a spectre," says Dahlia Scheindlin, an Israeli pollster. "There's nothing that predicts the left-right divide as well as this."

Meanwhile the Palestinians are undergoing their own changes. The UN projects that the population of the occupied territories will more than double by 2050, to 9.5m. Half (4.7m) will live in Gaza, a besieged, impoverished wedge of land barely able to support its current 2m inhabitants.

Khalil Shikaki, a Palestinian researcher, does quarterly surveys of public opinion in the West Bank and Gaza. This March, for the first time, more than half of respondents said they would support getting rid of the Palestinian Authority, their limited self-government. Many Palestinians, especially young ones, have lost faith in the possibility of a negotiated settlement.

There is no consensus on what to do next. Some 58% now say they support another armed *intifada*, up from 40% a decade ago. Others support mass non-violent protests. More than one in four want to abandon the two-state solution and push for one binational state. If no one agrees on a new path, though, most Palestinians agree one is needed. The placid situation of the past 15 years will not last for ever.

Predicting the future, in the Middle East, can seem a fool's game. But some of the trends in Israel look ominous. Demographic changes will hurt the army and the advanced part of Israel's economy. A rising right will resist giving up the occupied territories. It may also drive out parts of the educated, centrist middle class. The country is on track to rule in perpetuity over an ever-larger number of Palestinians—with a lopsided economy and fewer soldiers. ■

Ideology in Israel

A struggle for the heart of Zionism

JERUSALEM

How Zionism has evolved from a project to an ideology

THE FIRST protest against the Israeli government's plans to weaken the country's Supreme Court on January 7th was a sparsely attended affair, dominated by left-wing and pro-Palestinian parties. A week later, as tens of thousands gathered in Tel Aviv and other cities, the demonstrations shifted to the centre ground. Gone were the Palestinian banners. In their place was a sea of blue-and-white Israeli flags.

In the months that followed the protesters displayed other symbols of Israeli nationhood, such as massive reproductions

What was his vision?

of Israel's Declaration of Independence, with its promises of "freedom, justice and peace as envisaged by the prophets of Israel". To broaden this new movement's appeal, its organisers made a conscious decision to focus it on a battle over the nature of democracy in the Jewish state. Without explicitly saying so, they framed their cause as a struggle over the very meaning of Zionism and who its rightful torchbearers are—the secular and liberal Israelis making up much of the protest movement, or the religious, conservative supporters of Binyamin Netanyahu's government.

It is a continuation of a dispute as old as Zionism itself, yet every bit as relevant to Israel's future as it was 120 years ago. Theodor Herzl (pictured), the man venerated in Israel for sparking a movement to give Jews their own state, nearly tore it apart in 1903 when he proposed that the Jews seek a haven from rising anti-Semitism, in east Africa. His proposal for "a modern solution to the Jewish Question" highlighted the tension at the heart of Zionism. Was it simply a plan to establish a national home for persecuted Jews, wherever that might be, or an ideology for the creation of a particularly Jewish state in its biblical homeland?

Today's tensions over Israeli democracy would have been familiar to many of Herzl's followers. Some were secular, even assimilated Jews, whose imaginations were fired by the birth of nationalism across Europe. For those who were born into religious families, however, Zionism encapsulated the thrice-daily traditional Jewish prayer: "May our eyes behold Your return to Zion."

As Herzl's Zionist movement grew in the years leading up to Israel's founding in 1948, it was dominated by secular Jews who divided into two main camps. Their imprint is still felt on Israeli politics today. One camp was led by Ze'ev Jabotinsky, a right-winger who drew heavily on European nationalism, and in some cases fascism. He argued for "one flag", meaning a single-minded focus on establishing a Jewish state. He believed this should encompass not just Palestine but also modern-day Jordan. Mr Netanyahu's Likud party is the ideological heir of this "Revisionist Zionism" camp.

Set against this was the socialist camp of David Ben-Gurion, Israel's first prime minister. The socialists gained control of the Zionist movement in the late 1920s and went on to establish a state built on collectivist agriculture and government-owned industries. They dominated Israeli politics from 1948 to 1977 even as they quietly ditched their left-wing economics. "Zionism was basically split between those who saw it as an instrument not only for Jewish statehood, but for a bigger reality, like socialism, and the Jabotinskean 'one flag' ideal," says Micah Goodman, an Israeli philosopher. The socialists won, he argues, but Jabotinsky's vision endured.

A movement whose primary animating force was the yearning for a state might have been expected to die away once it had achieved its goal. But it has been challenged by the growth of religious Zionism, a once-insignificant part of the broader Zionist movement that is now a powerful force in Mr Netanyahu's government. Since the six-day war in 1967 when Israel captured the territories of the West Bank and east Jerusalem from Jordan, religious Zionists have been at the vanguard of the settler movement, which still dreams of a "Greater Israel" than that contained in its pre-1967 borders.

The presence of hundreds of thousands of settlers in these occupied territories is a daunting obstacle to the creation of a viable Palestinian state. But religious Zionism has even bigger plans for Israeli society. Its current leader, Bezalel Smotrich, Mr Netanyahu's finance minister, speaks of his desire to restore Jewish biblical law. Messianic Zionism is still a minority view, but it is gaining ground and influencing Likud, a party that was previously largely secular.

Creating their own vision

Yet the protest movement that has come out to oppose Mr Netanyahu's coalition has seen an opportunity to push back at its vision of the Jewish state. "The new struggle for Israeli democracy has highlighted that we're still fighting for a Zionism [that...] means all these things: democracy, ending the occupation of the Palestinians and achieving a more equal society," says Rami Hod, the director of the Berl Katznelson Centre, a progressive Zionist think-tank in Tel Aviv. "We can only achieve that in Israel through Zionism." The question Israelis must answer though, as in the 1920s, is which Zionism will prevail. ■

Jihadists in the Sahel

Burkina Faso on the brink

KAYA

Jihadists are gaining ground in Burkina Faso. The army's "total war" could spiral out of control

"THE JIHADISTS killed our neighbour," whispers a 12-year-old Burkinabe girl, staring at the ground. "His children were my friends." Her family fled their village immediately afterwards but are still not safe. Jihadists frequently strike nearby. At the local school, three low-slung concrete buildings in a dusty expanse, children regularly practise what to do if terrorists attack. Hundreds of previously smiling kids suddenly pull the window shutters and doors closed and dive under their desks in near total silence.

Burkina Faso is at the centre of a growing jihadist crisis that is engulfing much of the Sahel, an arid strip south of the Sahara. Last year the conflict claimed more than 4,200 lives in Burkina. In just the first three and a half months of this year it has taken about 3,000 more. Neighbouring Niger and, especially, Mali are also being hit by terrorists inspired by a mix of local grievances and links to al-Qaeda and Islamic State. Their progress south means Ouagadougou, the capital, could soon be encircled within a radius of about 125km (see map). In Mali jihadists are once again attacking on the doorstep of the capital, Bamako. Last year Hans-Joachim Lohre, a German priest who had lived in Mali for 30 years, was kidnapped in Bamako. A year earlier he had told your correspondent that his house was watched by the jihadists.

Western countries have been trying to help with development aid and by sending commandos to train the region's own armies and to conduct raids. Yet to little avail. France, the former colonial power, has had large numbers of troops in the region since 2013, when it thwarted a drive by jihadists to capture Bamako. In 2021 it still had 5,100 soldiers in Mali helping the government. Yet such efforts have failed to halt a rise in insecurity and a fraying of democracy (see chart on next page).

After a two-step coup in Mali in 2020 and 2021, the junta hired mercenaries from Wagner Group and kicked out all French forces last year. A UN peacekeeping mission in Mali struggles on, but Western governments including Britain and Germany are withdrawing their troops from it. Many believe that Mali is as good as lost and hoped to focus their efforts on Burkina Faso, which they saw as the next defensive line against the spread of jihad.

Yet Burkina Faso has rapidly fallen into much the same chaos. The government controls about 40% of the country. Outside Kaya, a major centre about 100km north of Ouagadougou, hundreds of trucks are parked in the dust, afraid to drive farther north without armed escort. About 24 towns, and perhaps 800,000 people, are under blockade by insurgents.

Last year Burkina Faso's civilian government was overthrown by soldiers, who in turn were ousted in a second coup. In February the new junta leader, the 35-year-old Captain Ibrahim Traoré, threw out 400 French commandos who had been based near Ouagadougou. Some of the French soldiers relocated to Niger.

The conflict has upended life for millions of Burkinabe. In December 2018 some 56,000 had been forced from their homes. Now 2m people, almost 10% of the population, are displaced. About 200 schools are closing every month. In the Sahel region of Burkina, the far north, almost 90% are already closed. Some children manage to enrol in the places they have fled to but most schools are overwhelmed. At one in Ouahigouya, a regional hub in the north, 198 children cram into a single class.

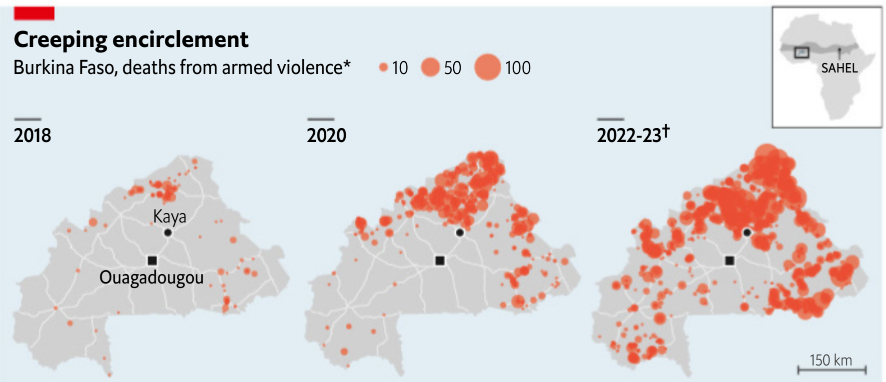
Captain Traoré's response is what he calls "total war". The government has increased air strikes using Bayraktar TB2 Turkish drones and Russian attack helicopters. Late last year it recruited 50,000 people for volunteer defence forces (known by their French acronym of VDPs), which are essentially armed militias. It recently announced a "general mobilisation" that includes widespread conscription. The decree also allows the government to requisition goods and allows the army largely to ignore human rights.

Many analysts think that achieving peace requires not just guns but also bringing basic services to abandoned regions, minimising atrocities that fuel jihadist recruitment, and trying to demobilise some fighters through talks. Captain Traoré, though, seems to believe in little but men with guns. Several people asked by the previous coup leader to start talks with jihadist groups to persuade some of them to stop shooting have disappeared. Their relatives blame the intelligence services.

In Ouagadougou many think total war is already a success, perhaps because state television routinely shows videos of drone strikes pulverising scurrying figures. "IB is popular because he put the war on television," says one Burkinabe, even though some of the broadcast footage is recycled or faked. Locals sing the praises of "IB", as they dub Captain Traoré, and talk confidently of peace within a year. That is vanishingly unlikely given deteriorating security. "Bad and getting worse", is how an American defence-intelligence official flatly describes the situation.

Many are too frightened to criticise the junta. Local journalists are threatened and detained. Some government critics have been arrested and forced to fight on the front. The junta has blocked the broadcast of French radio and television stations and expelled foreign journalists, most recently after *Libération*, a French newspaper, reported on a video showing soldiers laughing as one slammed a rock into the head of a Fulani boy as the bloodied, bound bodies of six other boys lay around them. Secret police also curtailed your correspondent's recent reporting trip in Burkina.

The junta is especially wary of people pointing out the growing number of massacres of Fulani civilians. There is little evidence to suggest that any more than a tiny proportion of Fulanis back the jihadists, yet members of this ethnic group are often butchered by government forces and militias in Burkina Faso and Mali for supposedly supporting the insurgents. Captain Traoré has at times encouraged ethnic profiling. Since he seized power in September most of the victims of arbitrary arrest or ▸▸



Creeping encirclement

Burkina Faso, deaths from armed violence*

Sources: ACLED; José Luengo-Cabrera

*Civilians and combatants †To April 21st

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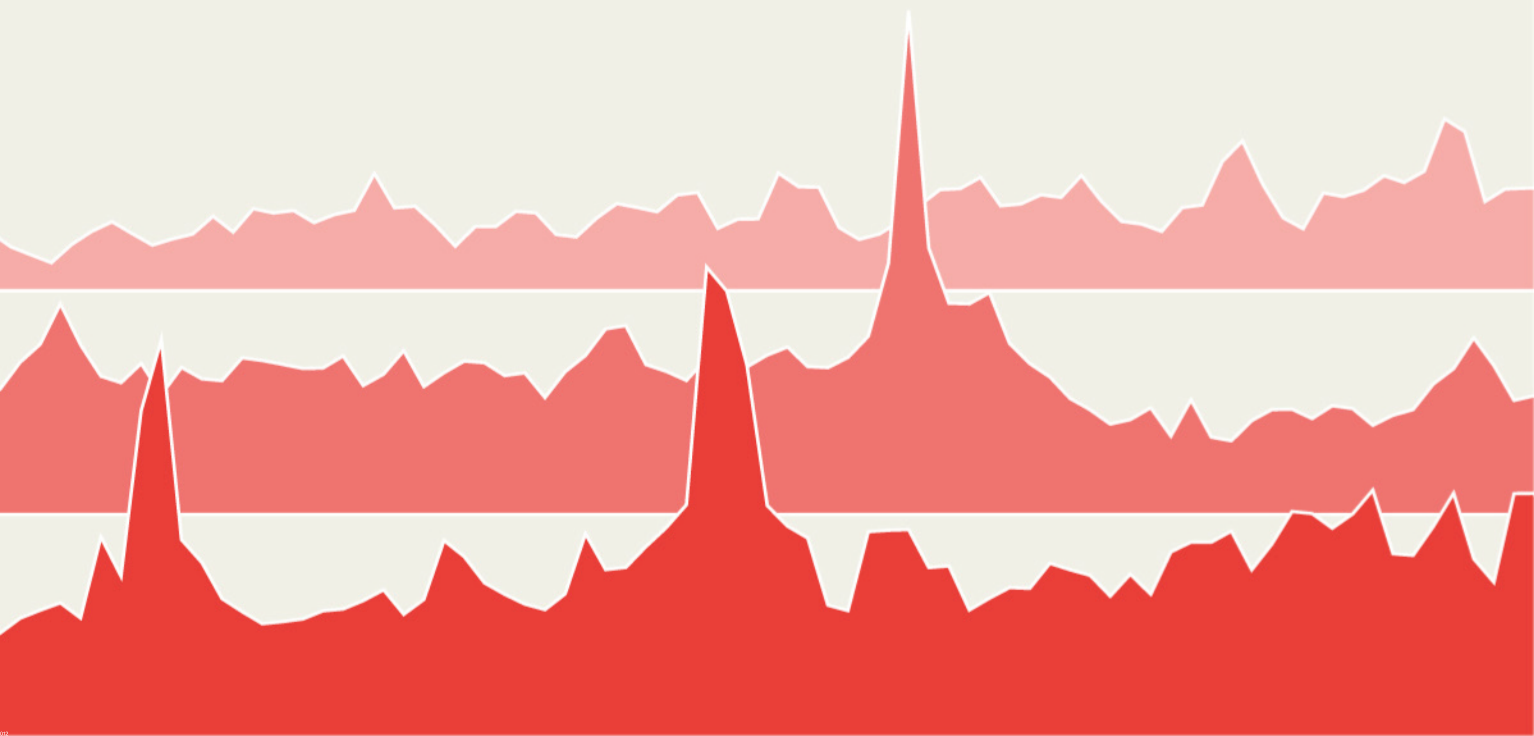


extrajudicial killings have been Fulani, says Chrysogone Zougmoré, the head of Burkinabe Human and Peoples' Rights Movement, a watchdog.

Recently Burkinabe soldiers and militiamen swept into the village of Toessin-Foulbè, rounded up its mainly Fulani inhabitants and killed the men. The security forces often kill people because of their ethnicity, says Héni Nsaibia of Menastream, a risk consultancy. The government's move to arm thousands of overwhelmingly non-Fulani militiamen may lead to more ethnic polarisation and more atrocities. "People are not afraid to say to my face, we are going to kill you," says Hassan Diallo, a researcher in Ouagadougou who is Fulani and worries the country may be stepping onto a path towards genocide. This in turn fuels the insurgency by allowing the jihadists to present themselves as protectors of the Fulani.

Civilians of other ethnic groups are also at risk if they are thought to be associated with jihadists, no matter how flimsy the grounds. On April 20th perhaps 150 civilians were shot by men in Burkinabe army uniforms in a village near Ouahigouya. (A public prosecutor has launched an investigation.) Some believe the villagers were killed as a reprisal for a deadly jihadist attack on soldiers nearby a few days earlier.

Into this bloody mix could soon come more violent men: Russian mercenaries from Wagner Group. Some analysts believe there are already a few dozen Wagner instructors in the country, where many locals seem welcoming, especially those who frequent the "Maquis Wagner VIP" bar in Ouagadougou. "When a lion is hunting you, you climb any tree, even if it has thorns," says Alexandre Sankara, a politician who used to be part of the ruling coalition. "We've seen what they've done in Ukraine." Yet the junta seems to be hesitant about a big Wagner deployment because Western countries would probably halt aid and security assistance in response.

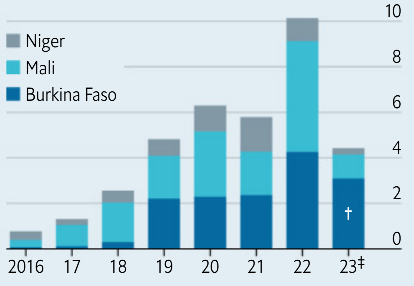
That would be disastrous. The jihadists are unlikely to try to take and hold capital cities in Burkina Faso and Mali, but are increasingly likely to mount large terrorist attacks in them as well as in other capitals such as Dakar, in Senegal. They are also spreading across borders into Ghana and Ivory Coast, threatening to destabilise west Africa's wealthier and more densely populated coastal strip.

Jihadists also frequently attack Niger, a Western ally with the Sahel's last democratically elected government. Although it has had some success in tackling the local grievances that jihadists exploit, its politics look fragile. One Western intelligence official worries about the possibility of a coup against President Mohamed Bazoum.

Even more likely is another coup in Burkina or perhaps Mali. The current military leaders in both countries say that they grabbed power to improve security. Yet having failed to do so they have tried to deflect blame onto previous leaders, the French, journalists and Fulanis. Now humanitarian workers are the latest target of social-media campaigns, of unknown origins, with preposterous claims that their trucks may be supplying guns to the jihadists. Soon there will be few others left to blame. In Burkina protests recently erupted over insecurity in parts of the south and east. Its army is already riven after two coups. Another putsch attempt would almost certainly be very bloody indeed. ■

Bad, and getting worse

Deaths from armed violence*, '000



*Civilians and combatants
†Includes OHCHR estimate of recent attack ‡To April 21st
Sources: ACLED; José Luengo-Cabrera

War in Sudan

The ravaging of Khartoum

The battle for the capital is just the beginning of Sudan's nightmare

Another day, another ceasefire. For the ever-shrinking number of civilians still left in Khartoum, Sudan's war-wracked capital, it is becoming a wearily familiar pattern. The latest truce between Sudan's warring factions, announced by America's secretary of state, Antony Blinken, shortly before midnight on April 24th, was supposed to last 72 hours. The following morning residents once again reported hearing heavy gunfire and explosions.

Since April 15th, the city has been the centre of a battle between the two most powerful figures in Sudan's military government. General Abdel Fattah al-Burhan, the country's de facto leader since a coup in 2019, leads the army. Muhammad Hamdan Dagalo, a warlord, heads the Rapid Support Forces (RSF), a paramilitary unit that grew out of the Janjaweed militias accused of genocidal acts in Darfur in the mid-2000s. Their fight for control of Khartoum and the country has already left hundreds of civilians dead and many more injured or homeless. Now the fear is that these two rival armies will level the city.

In the days before the ceasefire—the fourth so far—almost all foreign diplomats were evacuated. American special forces in Chinook helicopters rescued 100 embassy staff in less than an hour on April 22nd. Britain's Royal Air Force followed suit the next day. On April 24th a convoy of more than 750 UN officials and aid-workers arrived safely in the Red Sea city of Port Sudan. Earlier a French diplomatic convoy had been attacked, and a Qatari one looted, on the same route.

Thousands of Sudanese civilians have also escaped. Some have gone by bus to neighbouring countries such as Egypt, where large numbers are now gathered at the border. Others have fled to the countryside around Khartoum. Hamid Khalafallah, a political analyst, chose to stay in the capital with his family. But he reckons about a third or more of the population may already have abandoned the city. Those who remain risk death "by bullets or by hunger", says one fearful resident. Partly because RSF forces have been taking over private homes for use as fortifications, whole districts have been reduced to ashes. Banks are closed. Hospitals have been looted and bombed. Food, water and medical supplies are rapidly running out.

The vast western region of Darfur, home to Mr Dagalo and the RSF, is ablaze. Some 20,000 civilians have crossed into Chad. Fighting around the city of el-Geneina has killed nearly 200 people and forced thousands from their homes in recent days; police there reportedly called on civilians to arm and defend themselves.

In south Darfur, militias linked to the RSF have taken advantage of the security vacuum to rob and attack people in their homes, says Mohammed Osman of Alberdi, a Sudanese rights group based in the city. Soldiers from the national army are also stopping and sometimes beating people from the Arab tribes associated with the RSF. This is a troubling sign of "the tribal war which is to come", he warns. On April 24th, António Guterres, the UN secretary-general, urged the UN Security Council to do whatever it could "to pull Sudan back from the edge of the abyss".

Amid the gloom there are faint glimmers of hope. In el-Fasher, the capital of North Darfur, religious leaders and local activists brokered a truce between the army and the RSF units fighting there. During the most recent ceasefire in Khartoum the fighting died down for a while. On April 22nd, a weary-sounding General Burhan suggested the two sides sit and talk. But it is hard to believe he is serious. After all, barely half a day into the ceasefire his drones were back in the sky and bombing the capital once again. ■

Ukraine's air force

Freedom fighters

ABOVE THE BALTIC SEA

F-16s or Gripens would stop Russia dominating the skies

YOUR CORRESPONDENT often travels by air. But rarely does this involve breaking the sound barrier and taking the controls of a Gripen fighter jet for several rolls and loops. Next to the pilot, wisely out of your correspondent's reach, is a small switch that allows the Swedish plane to be pushed to its limits. It is set to "peace". The flick of a finger would toggle it to "war".

Since Russia invaded last year, Ukraine's air force has lost 60 fighter jets, according to a leaked American document. It has just 80 or so left. Russia has almost 500 planes allocated to the war. They largely outmatch Ukrainian ones, with better radar and longer-range munitions. The good news is that Russia has been unable to dominate the skies. Having failed to wipe out Ukraine's air defences, its planes are forced to fire missiles or lob bombs from a distance. The bad news is that the air balance is looking shaky.

Russian drone and missile strikes since October have forced Ukraine to use huge numbers of surface-to-air missiles (SAMS). The situation has stabilised, says a Western official, with new supplies. But if SAMS run short, Ukraine would have to choose between protecting cities, infrastructure or front-line troops. "Our number one task is to stop Russian planes from coming into our skies," says Colonel Yurii Ihnat of the Ukrainian air force. "We don't want a situation like the one above Mariupol, where they...flattened an entire city."

Fighter jets can substitute for ground-based defences by shooting down enemy planes, drones and cruise missiles. But Ukraine's fleet rarely sees these early enough, says Colonel Ihnat, because of "ancient radar". Poland and Slovakia have delivered around eight MiG-29 jets, but many are not in flyable condition. Ukraine really needs a fresh fleet.

The Gripen, built by Saab, is in many ways ideal for Ukraine. It was designed to defend Swedish airspace from Russian jets, rather than strike missions behind enemy lines. It was also built to land on short runways and even roads if air bases were struck by missiles. Saab says the plane can be refuelled and rearmed in ten minutes by a single technician and five conscripts.

The main problem with the Gripen is that there are so few of them. Sweden has sold or leased around 66 to other countries. It has fewer than 100 itself. And because Sweden's NATO application is being blocked by Turkey and Hungary, the country is hesitant to deplete its defences. Nothing is off the table, says Tobias Billstrom, Sweden's foreign minister, but "we don't have that many Gripens." Sweden could only provide one squadron's worth, about 14 or so, says Colonel Ihnat.

In contrast, more than 4,600 F-16s have been built. It is still in production and America plans to keep its newest ones flying into the 2040s. It is the "Toyota Hilux of the combat air world", says Edward Stringer, a retired air marshal in Britain's Royal ▸▸

→ Also in this section

Air Force. In 2020 the F-16 made up around 30% of European NATO members' fleets.

Ukraine is eyeing the second-hand market: Belgium, Denmark, the Netherlands and Norway are retiring F-16s in favour of the stealthy F-35. In February Ukraine asked for the Dutch ones. Spare parts and maintenance would be available in next-door Poland and Romania, says Mr Stringer, and in Greece and Turkey.

The F-16 also has drawbacks. One is cost. The Gripen is much cheaper to fly and maintain. The other issue is the state of Ukraine's airfields, says Justin Bronk of the Royal United Services Institute, a think-tank in London. Soviet runways were built of panels of concrete blocks. That allows them to withstand heat and cold, but moss, stones and other debris accumulate in between. The Gripen, with smaller, higher air intakes, would cope with this better than the F-16, says Mr Bronk.

Ukraine could resurface some airfields, but that would invite Russian missiles. And the F-16's lighter undercarriage is not as well suited to short runways—a point hammered home to your correspondent when his Gripen slammed down for a short landing. Colonel Ihnat bristles at such objections: "Any plane can land in Ukraine." In private, some experienced Ukrainian military pilots are more sceptical.

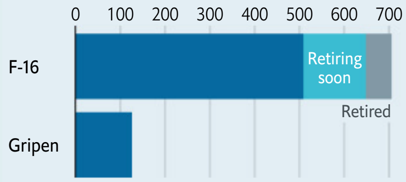
What matters as much as the plane is its armament. Mr Bronk says that even eight to 12 Gripens could keep Russia's risk-averse air force at bay if they were armed with Meteor, the world's most advanced air-to-air missile. Because Meteor was jointly developed by Britain, France, Germany, Italy, Spain and Sweden and would require a consensus to export, it would give Sweden multinational political cover. But Europeans may not want to risk the cutting-edge Meteor falling into Russian hands. America may be similarly hesitant about sending its latest AIM-120 missiles, which would be needed to give the F-16 comparable range to Russia's best ones.

Ukraine will need other capabilities, too. For electronic warfare, Mr Stringer suggests it could deploy simpler ground-based systems rather than the dedicated planes used by America and its allies. Anders Persson, deputy commander of the Swedish air force until last August, points to the importance of a data link that connects fighter jets to radars on land. Gripens or F-16s without such links, he warns, would be little more than souped-up MiGs.

Many Western officials insist that the debate over fighter jets is a distraction from resupplying Ukrainian SAMs. That seems complacent. Russia's air force is easy to mock: on April 20th it bombed the Russian city of Belgorod by accident. But it could hamper Ukraine's forthcoming offensive, particularly if it starts to take greater risks.

Choose your fighter

Europe, selected fighter jets, February 2023



Source: International Institute for Strategic Studies

"If we had begun this effort last year, modern combat aircraft would already be in Ukrainian hands," laments David Deptula, dean of America's Mitchell Institute for Aerospace Studies. If the West acts now, he reckons, there could be 30 F-16s in Ukrainian hands by the end of the year. "Where there is will, there is a way," he says. "Where there is no will, there is no way." ■

Curfew in Ukraine

After-hours war

KYIV

Ukrainians still have trouble getting home on time

One evening last summer Mykola Zhupaniuk, a trauma surgeon, was jogging near his home in the Kyiv suburbs, his usual way to shake off the stress of hospital work in wartime, when he heard someone call out "Stop, I'll shoot!" His first thought was that it was lucky that only one of his ear pods was working, so that he could hear the order. His second was alarm; he had lost track of time and it was now past curfew. He halted, raised his hands and turned to see three Territorial Defence soldiers pointing their guns at him.

Don't make us call your mother

Curfews were put in place throughout Ukraine's cities when martial law was introduced at the beginning of Russia's invasion. A year on, they are still a fact of life. The number of checkpoints has been reduced in cities like Kyiv and Odessa which are no longer on the front lines, and the curfew has been pushed back. It now starts at 11pm rather than 8pm in most areas; recently Kyiv's was relaxed to midnight. But streets are still patrolled at night by police and Territorial Defence units who have the power to stop people, check documents and search phones. Violators can be prosecuted and punished with fines (proportional to income) and a prison sentence of up to 15 days. Some young men caught out at night have been sent to the military registration centre.

How many cases have been prosecuted is unclear. Oleksiy Biloshytskiy, deputy head of the patrol police, says that if people have good reason to be out "the police are willing to meet them halfway." Dr Zhupaniuk used a different argument: recognising one soldier as a man who had done construction work for him, he asked, "If you shoot me now, who will employ you to build a fence?" The man smiled, confirmed his identity and accompanied him home.

Curfew-breakers agree enforcement is flexible. One woman was stopped at a checkpoint after losing track of time while canoodling with a fellow NGO volunteer. The guards laughed at the car's steamed-up windows and let her go (after a mortified call to a policeman acquaintance who vouched for her). When Dmytro Zinoviev was asked where he was going at a motorway checkpoint at 4am, he answered "Antarctica!" Police took him for drunk, until he displayed documents showing that he needed to catch a plane in Hungary to join Ukrainian researchers at the Vernadsky Research Base. They gave him a badge from their unit; he later sent them a photo of the badge beside a penguin colony.

The scant exemptions to the curfew include accredited journalists, humanitarian volunteers, military personnel, a few designated taxi drivers and those with tickets for early trains. People have got used to going home early. Shift workers such as doctors and nurses often stay over at their workplaces. Dr Zhupaniuk says some colleagues stopped going home late after unsympathetic police forced them to sleep in their cars at checkpoints.

When Russian forces were close to Kyiv, days-long curfews were imposed to flush out saboteurs. That threat is diminished, but Mr Biloshytskiy says nightly curfews deter sabotage too. They also seem to help with law and order. According to Mr Biloshytskiy, over the past year Ukraine's crime rate has dropped by 25%. ■

Spanish renewables

Late sun

MADRID

Solar and wind investment are waking from their siesta

RENEWABLE-ENERGY promoters are not typical movie villains. But "Alcarràs", which won best film at Berlin's festival last year, follows a peach farm in Catalonia forced to make way for a solar farm. In "As Bestas", a thriller that won Spain's own top prize, a French couple in Spain fight their neighbours' desire for windmills. Spain sometimes seems to want renewables without having to build or see them.

Spain has sun, rivers, wind and sparsely populated landscapes. But it has lagged behind its renewable potential. Much of that has to do with a solar-energy bust over a decade ago, when solar panels were expensive. The government offered developers subsidised returns, which became unaffordable during the financial crisis. The state reneged on its promises in 2013, and a gaggle of investors is suing for compensation. As a result, one of Europe's sunniest places generated less than 8% of its electricity from solar panels in 2021, around one-third the amount it got from wind.

Now a surge of big solar and wind projects is under way. Just 25 current installations have over 50MW of power, but more than 180 new ones have been approved since January 2022. The government has slimmed down the process of environmental review, and investors have piled back in. But this has led to other problems.

One is that the land where they aim to put panels and windmills is not quite empty. Many residents resent the spoiling of their landscapes to power homes and industry elsewhere. One localist platform, *Teruel Existe* ("Teruel Exists"), is now represented in parliament and urging a slowdown. And many Spaniards are suspicious of the big companies backing the projects, which once built generate few jobs. "*Renovables sí, pero no así*," goes a campaign slogan: renewables yes, but not like this. (Cynics say this really means *sí, pero no aquí*—yes, but not here.)

Such NIMBYS sometimes argue for rooftop panels generating power for local consumption. But here Spain faces barriers too. First, there is not enough rooftop real-estate. Permissions for putting up panels are bureaucratic. Some homeowners do not want to ruin the look of their old houses. And the savings from panels may not materialise for a year. Production for local consumption has risen by 26 times over the past four years, but from a low base.

Furthermore, electricity (green or otherwise) accounted for just a quarter of Spain's energy consumption as of 2020; the rest was still mostly fossil fuels. The economy may not be ready for a huge wave of renewable generation, says Mario Sánchez-Herrero of Ecooo, a non-profit that helps set up solar projects. On sunny and windy days this March, wholesale power prices touched zero. Electric cars have not yet taken off in a big country of long drives.

The final hurdle is that not enough electricity can be exported. Interconnection with France is just 2.8% of installed generating capacity; the EU's target is 15% by 2030. (Spaniards criticise the French for protectionism.) Plans to turn electricity into hydrogen and pipe it to Marseille or to lay a high-capacity cable across the Bay of Biscay will take years to realise. For Spain to become a green power-plant for Europe commensurate with its capacity, the barriers are as formidable as the Pyrenees. ■

Someday, sun, this will all be yours

Turkish foreign policy

No sharp tacks

ISTANBUL

A post-Erdogan government would be only partly different

RECEP TAYYIP ERDOGAN'S magic is not working. With less than three weeks until the elections, Turkey's populist leader has made up little ground against Kemal Kilicdaroglu, the candidate of the main opposition alliance, in the presidential race. (Parliament will also be up for grabs.) Most polls give Mr Kilicdaroglu an edge in the first round on May 14th and see him winning a run-off two weeks later. Mr Erdogan is trying to regain popularity by dipping into the public purse. But he is also looking for help abroad, balancing, as he has done over the past decade, between NATO allies, Russia and other autocracies, all while flexing his muscles at home.

In the past couple of months, his government has waved through Finland's accession to NATO, which it had been blocking since last summer; banned companies from shipping sanctioned goods through Turkey to Russia; and courted Western investors whom it once spurned. But Mr Erdogan has also assured his supporters that Turkey no longer cares what Western countries think of its foreign policy, and accused the West of backing his rivals. "Their hostile stance toward Erdogan is a hostile stance toward my nation," he said on April 13th. "My nation will foil this plot."

Turkey's relations with the EU and America are arguably at their worst in decades. Flashpoints include the country's purchase of an S-400 air defence system from Russia, armed offensives against American-backed Kurdish insurgents in Syria, accusations of American support for a coup against Mr Erdogan in 2016 and spats over maritime borders with Cyprus and Greece. Tensions would certainly subside under an opposition government. But analysts, diplomats and opposition figures dismiss the idea that Mr Erdogan's ouster would mean a foreign-policy overhaul.

A new Turkish government committed to fixing the economy, releasing some political prisoners and dismantling Mr Erdogan's autocracy would enjoy plenty of goodwill in the West. This could pay immediate dividends, such as reviving long-stalled talks on upgrading Turkey's customs union with the EU. A change in tone from Mr Erdogan's "Ankara First" approach would also go down well with NATO allies. The opposition promises a foreign policy run by seasoned diplomats, and suggests it would drop Mr Erdogan's objection to letting Sweden into NATO.

▸▸

But with regard to Turkey's relations with Russia, its attitude to Kurdish insurgents in Syria, and other sources of friction, big changes are unlikely. A Kilicdaroglu government would be unlikely to join sanctions against Russia or play a more active role in Ukraine, preferring to position itself as a mediator. There is a sense in Turkey, shared by the ruling AK party and the opposition, that America will not remain in the region forever, says Nigar Goksel of the Crisis Group, a think-tank. That weakens the appetite for confrontation with Russia. "They do not want to stick out their necks," says Ms Goksel, because that would "risk having to face Russia alone".

One irritant might go away: the S-400 air-defence system that Mr Erdogan procured from Russia, triggering American sanctions. Sending the system to another country (perhaps Ukraine, as some American officials have reportedly suggested) is not on the table. But a new government could put it in storage and throw away the key, say opposition politicians. It could also reject a proposal, favoured by Mr Erdogan, for Russia to build Turkey a second nuclear plant besides one that is already under construction.

A new government may have to rely on the country's main Kurdish party in parliament. But it would be in no hurry to make peace with Kurdish insurgents in northern Syria or to withdraw troops from the region. It would probably stop removing elected Kurdish mayors from power, as Mr Erdogan has done since 2017, and allow the release of imprisoned Kurdish politicians such as Selahattin Demirtas, a former presidential contender. But it would continue to battle the Kurdistan Workers' Party (PKK), an armed Kurdish group in Turkey, and its Syrian franchise the YPG, says Oytun Orhan, an analyst. Mr Kilicdaroglu and company would seek to restore relations with Bashar al-Assad, something Mr Erdogan, who backed the Syrian dictator's overthrow for the past decade, has also begun to explore. But that alone would not turn Turkey's Syria policy on its head.

The swathes of land Turkey wrested from the YPG in armed offensives in Syria are important bargaining chips with Mr Assad's regime. A new government would not give them up easily, says Mr Orhan. Like Mr Erdogan, the opposition plans to lean on Mr Assad to take back many of the 3.6m Syrian refugees now in Turkey and to police Kurdish insurgents. "Once we have that kind of an understanding, there may be a time we can consider withdrawing troops from Syria," says a senior opposition lawmaker. "But this will not happen overnight." For the West, a government headed by Mr Kilicdaroglu would be a much easier partner to deal with. But well-wishers in Brussels or Washington should curb their enthusiasm. ■

Romanian rebound

Pulling them in

BUCHAREST

A hot economy attracts immigrants

A GENERATION AGO Romanians queued for food. Today in Bucharest the queues are back, but those standing in them are not Romanian. In one street Ukrainian refugees line up in front of an aid-distribution centre. In another Nepalis, Bangladeshis and others wait outside an immigration office to renew work and residence permits. Like Italy in the 1970s, Romania is on the cusp of switching from a country of emigrants to one of immigrants.

Romania's economy has been growing steadily for a decade, last year by 4.7%. In 2010 GDP per person, adjusted for prices, was 53% of the EU average; by 2021 it was 74%. Meanwhile the population shrank from 23.2m in 1990 to 19m today. Birth rates collapsed after the revolution of 1989, and millions have emigrated. The country now faces severe labour shortages.

The afternoon queue outside Bucharest's immigration office is long. Nikky, a Nigerian nanny, says she would ideally like to work in Britain, but would rather live legally here than illegally there. Atharv, a software engineer from India, and Nico, a barman from Sri Lanka, speak no Romanian, but this has proved no obstacle for them so far. So hard is it to get into the office that Nico slept on the pavement overnight; the other two arrived at dawn. Suddenly there is an uproar: someone they have not seen before is attempting to queue-jump past them.

Hotels, bars and restaurants are desperate for workers, but the biggest gap is in construction. Alexandru Baiculescu, deputy general manager of Hidro Salt, a construction firm, has 350 employees. Of these 200 are foreigners, mostly Sri Lankans and Vietnamese. They are recruited via agencies, but Romania's bureaucracy is so overwhelmed by the exploding demand that many of those invited never arrive: they are filched by other countries, such as the United Arab Emirates, in the months before their Romanian visas come through.

Mr Baiculescu pays $1,000 a month plus accommodation and food, but up to 40% of his new recruits leave within months to try their luck illegally in better-paid countries. "I cannot expand because of these problems," he says. Romania's bureaucracy "is so complicated that many companies simply give up" on importing new workers, says Monica Roman, an academic studying immigration. Instead they try to lure those that bigger companies have succeeded in getting in. Many of the workers, who come to escape desperate poverty, are happy to accept "any kind of job abroad".

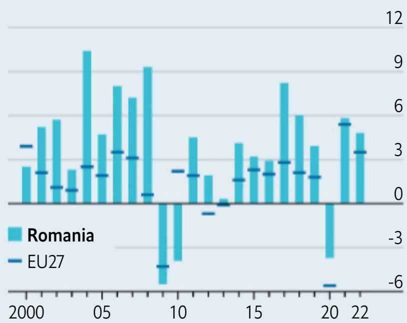
Adriana Iftime, director-general of the Federation of Construction Company Employers, says the sector needs a minimum of 100,000 new workers by the end of 2024. Builders want to meet the demand for work on infrastructure that is being stimulated by the EU's post-pandemic reconstruction funds. Romania will get €27bn ($29.8bn), of which up to €17bn will go towards construction, says Ms Iftime. Include other EU funding streams and Romania could receive more than €80bn by 2027. Foreign workers, she says, "are the solution when there is no other solution".

In 2017 Romania had a quota of 3,000 permits a year for non-EU workers. That had soared to 100,000 by last year, but many were taken up with renewals by workers already in the country. Oana Toiu, an MP who serves on parliament's labour committee, says that while Romania does require foreign workers as a "quick fix" for its labour shortages, many of the people the country needs are already in it. The problem is that the social-security system and punitive tax rules make it pointless for many people to work part-time, especially mothers with small children. "There is a huge space for having proactive measures for Romanians to step into these roles."

Many Romanians are still emigrating for better pay elsewhere, but others are returning home. Meanwhile Romania's foreign-born population is growing. By the end of 2022 there were 113,520 non-EU nationals in the country, an increase of 110% in five years. There were also 54,765 EU citizens, 113,000 Ukrainian refugees and an estimated 200,000 immigrants from neighbouring Moldova (although most of these have Romanian citizenship). Mircea Mocanu, who heads the UN's International Organisation for Migration's office in Bucharest, says her outfit calculates that excluding Moldovans, by the end of the decade there will be 600,000 foreigners in Romania. That is a big and very rapid change. ■

Growmania

GDP, % change on a year earlier



Source: OECD

Charlemagne | The with-limits friendship

A spat over farming bodes ill for Ukraine's future European prospects

If the phrase wasn't already taken, Ukraine and the EU could be said to enjoy a "no-limits friendship". The bloc's 27 countries, four of which border Ukraine, have provided money and weapons to their neighbour, taken in its refugees and trained its troops. Ukrainian flags in Brussels dangle from balconies and official buildings. To bolster morale while fighting endures, and help reconstruction once it ends, the club has raised the prospect of Ukraine soon joining its ranks. In many ways it already has. President Volodymyr Zelensky now routinely addresses summits of EU leaders, including once in person. More tangibly, after Russia launched its full-scale invasion last year Ukraine was given tariff-free access to the club's single market, beyond trade deals already in place.

But it seems the friendship may have limits after all. European politicians have found a constituency even dearer to them than Ukrainians: their own farmers. On April 15th Poland announced it was shutting off imports of most types of Ukrainian foods; many in central Europe all but followed suit, despite protests from Kyiv. The move undoes much of the trade largesse extended to the EU's embattled neighbour last spring. Given that agricultural produce makes up two-fifths of Ukraine's total goods exports—there is a reason half the national flag depicts a golden wheat field—the shortfall will be keenly felt by an economy at war. Worse, being thrown under the tractor by the likes of Poland will raise questions over Ukraine's prospects as it seeks one day to join the EU.

Poland and its neighbours claim they still stand shoulder-to-shoulder with Ukraine—but that they are bearing a disproportionate burden for its plight. Scrapping tariffs for Ukrainian grub was meant to facilitate its export to poor countries beyond Europe, in particular after seaborne routes used to ship cheap Ukrainian wheat were originally throttled by Russia. In fact much of that grain has ended up stuck in transit. In central Europe silos full of Ukrainian harvest mean lower prices for local farmers, who have both political heft and access to manure to help make their point at protests. Poland has elections coming up this autumn; the ruling Law and Justice party needs rural votes to stay in power.

The extent of the strain in Euro-Ukrainian solidarity is still unclear. A few days after the original blockade was imposed, a deal was struck that allowed produce to cross into Poland as long as it was merely transiting there (the plan involves sealed containers and guards). The European Commission in Brussels has tried to defuse the situation by offering money to compensate affected farmers, and finding ways to expedite Ukrainian exports away from markets apparently reserved for local growers. But Europe is in effect rowing back from the untrammelled Ukrainian access to its own consumers, never mind its original promise. An extension of the tariff-free deal for another year, starting in June, was once taken as given. Now it may be laden with caveats.

The prospect of no longer being able to sell staples to its immediate neighbours is bad for Ukraine. Worse still, the other export avenue—a UN-backed scheme to allow ships to transit through the Black Sea—depends on Russian acquiescence which may no longer be forthcoming from next month. Most worrying of all is the mood shift the spat has revealed. Ukraine still enjoys broad support in just about every part of the EU. But it is no longer unconditional and across all areas, as was once the case. A senior EU official familiar with the thinking in national capitals speaks of "à la carte" backing for Ukraine going forward, not the all-you-can-eat succour of 2022.

Weapons and money will continue to flow, refugees will still be hosted, and more sanctions against Russia are being mulled. Less clear are Ukraine's prospects for closer ties with the EU—including, one day, accession. The countries that blockaded Ukrainian grain have been among Kyiv's most strident allies, notably Poland. Ukraine's bid to join the club largely depends on the continued support of central Europe, to overcome the muted scepticism of "old" Europeans in France and the Netherlands, among others.

The central Europeans' pitch has been an emotional one: Ukrainians are fighting for the entire continent's freedom, and so should not have to go through the years-long box-ticking exercise that applicants to the EU usually endure. Western Europeans have made the point that Ukrainian accession will come at a cost. Much of the EU's budget is spent on farm subsidies or structural funds that go largely to poorer countries. If it were to join, Ukraine would have a fifth of all the farmland in the EU. Its population of over 40m had less than one-third the incomes of their EU neighbours (before the war). Bringing Ukraine's farms in will mean less money for current recipients. Currently 18 out of the club's 27 countries get more cash from Brussels than they pay in, including all of central Europe. The figure could drop to just four or five once Ukraine joins, according to estimates doing the rounds in EU circles.

Reaping what you sow

Poland and its neighbours used to pooh-pooh these sorts of pragmatic concerns: how could support for an ally at war be subjected to such tight-fistedness? The farm spat shows there are limits to how much even central Europeans will give up to support Ukraine. Western Europeans, repeatedly browbeaten by the likes of Poland for insufficiently aiding Kyiv with arms and money, feel like the penny has dropped. The moral authority that has given central Europe a larger say in EU affairs (though not as much as was sometimes made out) has receded.

Ukraine is still widely expected to reach the next step of rapprochement to the EU: starting formal accession talks to join the bloc. The commission will present a report on its progress next month, and another by year-end. Not long ago everyone expected the sense of momentum to continue through the talks, which may take years. But now a large Polish tractor stands between Ukraine and its dreams of EU accession. ■

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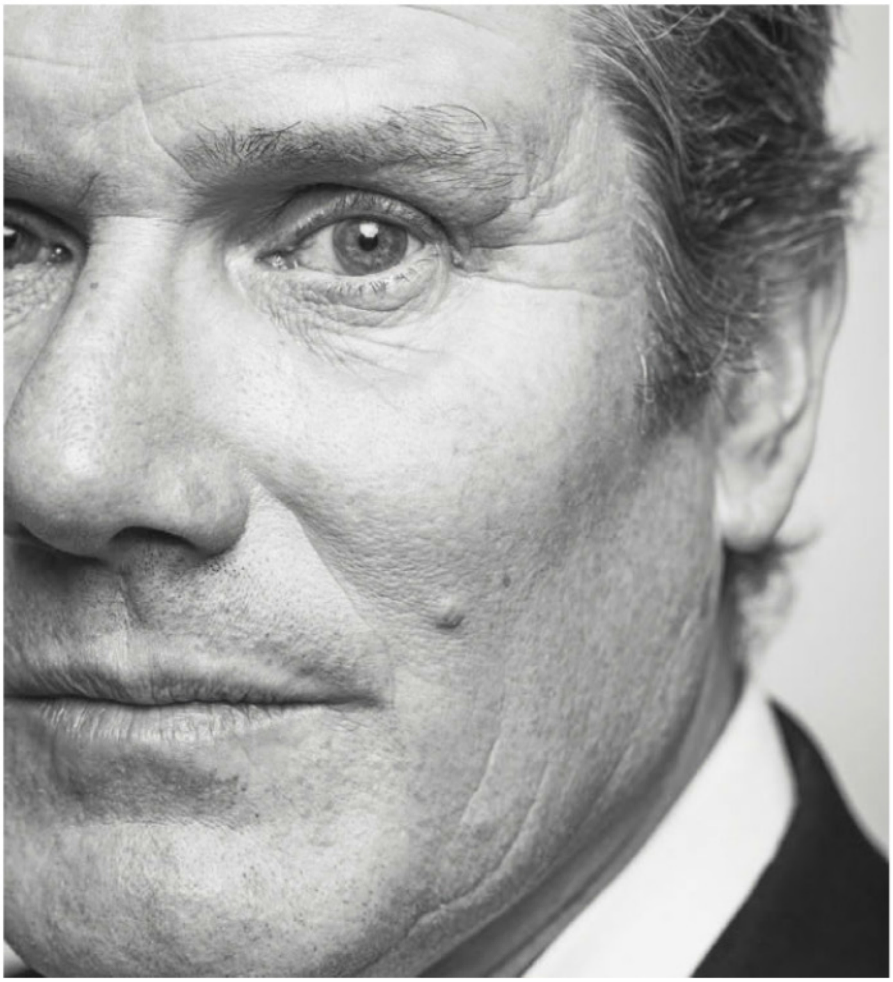


Politics in Britain

Defining Starmerism

MIDDLESBROUGH

Sir Keir Starmer explains his programme for government. The first in a series of pieces this week on the Labour Party

GIVEN THAT he has a fair chance of becoming Britain's next prime minister, Sir Keir Starmer remains curiously undefined. The Labour Party enjoys a 15-percentage-point lead over the Tories, according to our poll tracker (see chart on next page). But those same surveys reveal that voters remain unsure what he "stands for". To critics on the left and right, he is an empty vessel, an opportunist who cycles through slogans and policies.

That critique is out of date. Speeches in recent months have sketched an increasingly clear outline of his approach. Speaking to *The Economist* during a campaign visit to Middlesbrough ahead of local elections on May 4th, Sir Keir offers his own definition of Starmerism. It brackets him with other centre-left leaders who are seeking to revive the idea of "active" government in response to climate change and the plight of post-industrial towns.

There are two distinguishing elements. The first is an administrative critique: more than being too large or too small, the British state is simply ineffective. The answer is to align all government activity around five "missions", to be pursued over two terms of a Labour government. "Starmerism is as much about the 'how' as the 'what'," says Sir Keir.

The state is ineffective, Sir Keir argues, because it is both over-centralised in Whitehall and siloed between government departments. Worse still is a culture of short-termism and meagre ambition. The "missions"—covering growth, the National Health Service (NHS), decarbonisation, crime and education—will come with single audacious targets, such as halving serious violent crime and achieving the fastest sustained growth in the G7.

They will serve to triage all other policies. "Are we going to do A or B?" says Sir Keir. "If the answer is it helps with that mission, then the answer is 'yes'. If the answer is it doesn't, then the answer's 'no'." Sue Gray, a former Whitehall official hired by the party, has been tasked with putting the missions into practice. But her appointment still requires official approval.

A focus on systems thinking comes naturally to Sir Keir. Barristers normally take to Parliament like a duck to water, but Sir Keir, once the rising star of the human-rights bar, loathes Prime Minister's Questions, the veneration of oratory over delivery and what he calls the "wedge" politics of "divide, divide, divide, divide". He is better understood as a bureaucrat who found he could be more influential fixing institutions from the inside. Earlier in his career he served as an adviser to Northern Ireland's police force and then as the reformist head of the Crown Prosecution Service. The Labour Party, which he took charge of in 2020, was the most chaotic of all.

Colleagues say he regards cultural change as more important than reorganisations, and rarely has a preconceived idea of reform. "He's not iconoclastic; he doesn't go around saying I'm going to smash things up," says one colleague. Others describe a "Merkel-like" tendency to hold back from decisions until the case for a certain course is overwhelming, before implementing it aggressively. "There is very little banter or chit-chat. He will go around the table at the shadow cabinet and go: 'What are *you* doing to deliver this? What are *you* doing to deliver this?" says another colleague.

The second strand of Starmerism is an embrace of what Janet Yellen, America's treasury secretary, has called "modern supply-side economics". Social democracy cannot be done on a shoestring. Britain's sluggish economy is undermining the welfare state which Labour prides itself on having built. The Labour leader's answer is to focus on expanding the productive capacity of the economy—by streamlining the planning regime, by improving labour-market participation, by softening the impact of Brexit and so on.

One goal predominates. "Economic growth is the absolute foundational stone for everything," Sir Keir says. Above all, that means offering a stable environment after a decade of political turmoil (which "makes for great political cartoons; for the economy and investment it is a disaster.") He says he is "absolutely in lockstep" with Rachel Reeves, the shadow chancellor.

Starmerism has a strong emphasis on stakeholderism: businesses, charities and wonks will be deeply enmeshed in policy-making and delivery. Sir Keir and Ms Reeves have met over 1,000 business leaders in a "smoked-salmon offensive", according to his office. The point is not just to fix the party's image "but to model how we would work in government", he says.

The centrepiece of Labour's economic agenda is a "green" industrial strategy, comprising £28bn per year in capital expenditure and the creation of a state-owned energy operator (see next story). It is inspired by America's Inflation Reduction Act, which includes a vast package of green subsidies. Does Britain attempting to go toe-to-toe with America not risk a return to the botched industrial strategies of the past? Sir Keir says the programme would aim to release "private investment of many times the amount that we're putting in" and would, for example, target critical growth stages in a company's development. He stresses that government must not "suck up" the role of business.

Labour, says Sir Keir, will change regulations to permit onshore wind farms and accelerate their connection to the national grid. "The role of government is to knock those impediments out of the way," he says. As for confronting NIMBYism and expanding housing supply, an area where the Tories have conspicuously fallen short: "I think we have to take this on," he says. "It will require tough decisions."

The biggest question that dogs Labour is how much it is willing to spend, and by extension to tax, to improve public services. In Middlesbrough Sir Keir met a group of nursing students who, between selfies with the Labour leader, challenged him on low pay; typically, he made no commitments. "There is always the temptation with public services to think that if you put more money in the top, you necessarily get a better outcome," he says. "You don't get fundamentally different outcomes if you're not prepared to do the change-and-reform bit as well."

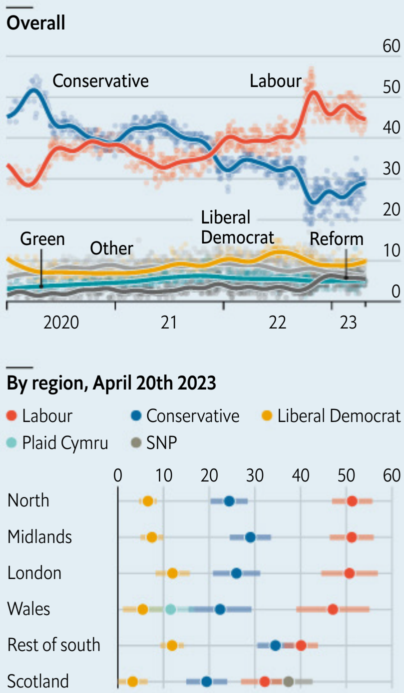
Outsourcing and private provision to fix NHS backlogs are back in favour; that was anathema to Jeremy Corbyn, Sir Keir's predecessor. The health service must shift to prevention and greater digitalisation to be sustainable. There will be internal opposition to any public-service reform, he admits. "Many people will say 'no, no, no, leave it as it is.' Always the wrong answer."

If Britons want European-style public services, don't they need to accept taxes to match? (Britain's tax burden is forecast to hit a post-war high of 37.7% of GDP in 2027, but it will still be below western European averages.) Sir Keir says taxpayers are "really, really feeling the strain" and his model "doesn't involve huge change to the tax regime". The tax reforms Labour have announced so far have been both small-fry and crowd-pleasing: among them the closing of exemptions for private schools, private-equity bosses and non-domiciled taxpayers, with the proceeds earmarked for doctors, nurses and teachers.

Does that herald an assault on the wealthy? "Quite the opposite. They are carefully calibrated decisions on particular tax loopholes. I, and Rachel, intend to resist the pull that so many people urge on us: that the first place a Labour government goes is to tax. The first place the next Labour government will go is to grow." ■

Tracked changes

Britain, voting intention, %



Sources: Ipsos; Kantar; Opinium; Politico; Survation; Savanta; Redfield & Wilton Strategies; UK Polling Report; YouGov; *The Economist*

Listen to the interview

To hear our interview with Sir Keir Starmer, listen to The Intelligence, our daily podcast. You can read a full transcript at **economist.com/britain,** where you can also find our interactive poll tracker.

Labour's industrial policy

Green loots

Fighting climate change is not the same as curing Britain's economic ills

BRITAIN IS GOING green. The country tends to be found towards the top of international league tables for emissions reductions, even after accounting for imports, thanks to copious offshore wind and a swift transition from coal to natural-gas power plants. Such success has not, however, translated into obvious economic rewards: productivity has been near-stagnant for 15 years and wages have failed to keep up with inflation. Fighting climate change has not held Britain back but it has not unleashed its economy either.

The Labour Party hopes to change this. If it wins the next election it has pledged to invest £28bn ($35bn; 1.3% of GDP) of public money a year into the green transition, if the fiscal rules allow it. Rachel Reeves, the shadow chancellor of the exchequer, has outlined a long spending list, covering everything from gigafactories and wind turbines to tree-planting schemes and home insulation. A new state-owned energy company, meanwhile, would help a Labour government to achieve one of the five missions it has set for itself: for the entire power sector to be zero-carbon by 2030.

Politically, green industrial policy is in a sweet spot for the party. It unites disparate parts of its electoral coalition—from those who are energised by environmental causes to those who emphasise the need to boost growth, from those who think it will boost manufacturing in the north of England to those who like the idea of the state once again owning companies directly. But there is no automatic connection between the two central goals of Labour's plan. Green policy aims to lower emissions; industrial policy seeks to raise growth. Trying to do both risks doing neither well.

On its own, spending more will not improve Britain's economic performance. With high inflation and near-full employment, the country does not need additional government stimulus. The Bank of England would raise rates to offset the inflationary pressures of a green splurge. Instead the policy will stand or fall depending on whether the spending can be targeted to improve the productive capacity of the economy. Advocates argue that the right investments by the state will allow Britain to create new industrial clusters and to stake out a position in frontier industries such as green hydrogen and carbon capture and storage.

Industrial policy of this kind has a deservedly poor reputation in Britain. Sir Keir Starmer, the Labour leader, says that he will not be in the business of picking winners. But £28bn a year is more than twice current spending on environmental protection. Any future Labour government must ensure that the money is not wasted on no-hopers or pork-barrel politics. "The worst thing is industrial strategy done badly," says Giles Wilkes of the Institute for Government, a think-tank. Brexit means there are fewer institutional constraints on distortionary state aid, he points out.

Ominously, Ed Miliband, the shadow environment secretary, casts the spending as Britain's answer to the Inflation Reduction Act in America, President Joe Biden's signature package of spending that aims to reduce emissions and build domestic manufacturing capacity in green industries. The goal in Britain, too, is to attract investment and green jobs. "We are not neutral about where things are built," said Mr Miliband in March. "Joe Biden wants the future 'Made in America'. We want the future 'Made in Britain'."

Britain will struggle to compete with America directly to attract investment. It has neither the existing manufacturing base nor the ability to offer larger subsidies, points out Andrew Sissons of Nesta, another think-tank. Engaging in "beauty contests" of subsidies and tax breaks to attract industry to locate in Britain instead of the larger markets of the EU and America risks spending a lot of government money for very little payback. A pound spent encouraging a battery maker to plump for Northumbria over North Carolina is one less pound spent on investing in infrastructure for charging electric vehicles instead. Manufacturing jobs are an expensive use of green funds.

Labour's moon-shot mission to decarbonise the energy grid by 2030 is more promising. It would accelerate current government aims by five years. That is ambitious but doable. Analysis by Ember, a campaign group, suggests that if all currently mooted wind and solar projects receive government approval and are constructed there would be sufficient renewable energy by 2030. The challenge would be the last sliver of power generation—ensuring that there is sufficient flexibility and storage so that the lights remain on when the wind does not blow and the sun does not shine. Some spending would be needed to help scale up new technologies; so too would reform of the planning system, the electricity market and the process of hooking up new capacity to the grid.

Reducing the need for expensive natural gas would help the British economy. It would also create opportunities to find productive uses for energy during periods of overabundant wind and sunshine. The best green industrial policy may be a well-designed energy policy. ■

Offshore thing

Political authors

A Laborious read

The shadow cabinet has written lots of books. Alas

THE BOOKS by the Labour shadow cabinet are earnest, virtuous and well-meaning. They tackle such uncomfortable topics as sexism, racism and Peterborough. Their authors travel to places like Wigan and Halifax, and feel sad in them. In reviews these books have been garlanded with such adjectives as "much-needed" and "powerful". Almost all of them, in other words, are heroically boring.

Consider, for example, one single sentence from the book "All In" by Lisa Nandy, the shadow secretary of state for levelling up. It is: "Thanks to the foresight of local leaders and the regional development agency of well over a decade ago, companies from all over the world have been persuaded to invest in Grimsby because of its great natural asset—wind." If you enjoyed that, good news: there are 198 more pages where it came from.

There are few better ways to get to know a political party than to read the books its MPs produce. Conservative cabinet ministers, for example, tend to specialise in honeyed histories of the proud past. Boris Johnson wrote a well-reviewed biography of Churchill ("this book sizzles"); William Hague, a former Tory leader, wrote a much-lauded biography of William Pitt the Younger ("first-class"); and Nadine Dorries, a one-time cabinet minister, wrote a series of historical nursing romances starting with "The Angels of Lovely Lane" ("heart-warming"). Such books tell you a little about the past—and a lot about the Tories.

The library offered by Labour's shadow cabinet is similarly revealing. For one thing, these books tend to focus more on the problematic present than the past. For another, all are notably low on lovely angels. Labour's library offers such titles as "Go Big: How to Fix Our World" by Ed Miliband, who holds the climate-change brief; "Tribes: A Search for Belonging in a Divided Society" by David Lammy, the shadow foreign secretary; and "European Human Rights Law: The Human Rights Act 1998 and the European Convention on Human Rights" by Sir Keir Starmer, the Labour leader. None has been called "sizzling".

That is not necessarily a bad thing. Many might feel relieved at the prospect of a prime minister who writes the sort of book that offers "detailed analysis of the Human Rights Act 1998". Moreover, some of these books are good. Mr Lammy's has moments of fine writing; Rachel Reeves, the shadow chancellor of the exchequer, has produced an intelligent and thoughtful history of women in Westminster.

But overall these books are not what you would call rollicking. In 1943 George Orwell wrote an essay titled: "Can Socialists be Happy?" No one doubts that Tories can be happy, or have fun. Open a book by or about Tories and you might find Alan Clark having fun with Thatcher's ankles ("attractive...in the 1940 style"); or David Cameron having fun with the perfume of the diarist, Sasha Swire ("It makes me want to grab you and push you into the bushes and give you one!"); or Boris Johnson having fun with more or less everyone.

Labour's books are less jolly. This is unsurprising. They have been out of office for 13 years. The Tories get to write about the corridors of power, whereas Labour politicians must wring their hands about the state of Britain. It is harder to write a fun book about that. At times, you get the feeling that they are hardly even trying. Ms Nandy, for example, bombards her readers with facts ("Half of all the world's polysilicon...comes from the Xinjiang province of China."). It is like reading an aggrieved version of Wikipedia.

And almost all of these books are filled with clichés. Their authors are always finding people "brave" and "inspiring" and fretting about such things as how women's voices have been "silenced". Such phrases feel like they have been assembled from a stock of Fabian Society fridge poetry. They are not bad things to write; but they are not interesting either. Orwell wondered in his essay whether socialists can be happy. The question that comes to mind when reading these books is: "Can Their Readers Be?" ■

Bagehot | Sealing the tomb

Labour's socialist rump will not shift the party left. But circumstances might

Absurdly violent imagery has a long tradition in the Labour Party. In 1976 activists attached an ice pick to the front of their bus on their way to vote against Trotskyite rivals in an internal Labour society—a homage to the murder weapon used on the Soviet inspiration of their enemies. Peter Mandelson, the Svengali of New Labour, demanded the left were put in a "sealed tomb". People are not removed from positions but "purged"; advisers talk of "hand-to-hand combat" rather than office politics.

Since Sir Keir Starmer became Labour leader in 2020, metaphorical ice picks have been wielded once more. Labour has been transformed in the three years since Jeremy Corbyn, its most left-wing leader in a generation, quit. Mr Corbyn was kicked out of the parliamentary party for saying allegations of anti-Semitism on his watch had been exaggerated. On April 23rd Diane Abbott, a prominent left-wing MP, was suspended after she claimed that Jewish people and travellers did not experience true racism. Behind the scenes, stooges of Mr Corbyn have been replaced with lackeys of the current leadership. Hardly any left-wingers have won selection as candidates in winnable seats at the next election.

Yet even as blood seeps out from under the door of Labour's headquarters (remember: this language is how some in Labour talk), not everyone believes that the party has changed. The Conservatives intend to argue that Labour are closet Corbynites who cannot be trusted to run Britain. A rump of socialist MPs, combined with an ideologically flexible leader, will see the party revert to its recent leftie stance, runs the logic. But it is wrong. If Labour shift left, it will be for other reasons.

Some scepticism towards Sir Keir's Labour is understandable. He served under Mr Corbyn. When Sir Keir ran for leader, he promised to carry on the bulk of the Corbynite economic programme. Utilities would be nationalised; taxes on high earners would shoot up; university tuition fees would be abolished. Once the internal election was won, however, Sir Keir ditched each policy in a feat of political ruthlessness or pure cynicism.

Those around the Labour leader had never wavered in their contempt for Mr Corbyn. Unlike Sir Keir, most senior members of the current shadow cabinet, such as Rachel Reeves, the shadow chancellor, refused to serve under the previous leader. Wes Streeting, the shadow health secretary, slated Mr Corbyn often and enthusiastically. Even the soft left was too much for him. At one dinner party, Mr Streeting found out that someone had supported Ed Miliband—rather than his slightly more right-wing brother, David—in the 2010 party leadership campaign. According to one profile, the shadow frontbencher and friends "got out their knives and started stabbing the table, chanting 'traitor, traitor, traitor'".

If Labour win only a slim majority at the next general election, a socialist rump of two dozen MPs could, on paper, hold the balance of power. In practice, they will not. For starters, they are craven. A Labour government is a rare treat. If Labour wins in 2024, it will be the first time they have removed the Tories from office in almost three decades. Bluntly, they will be grateful for what they are given, especially if public services are improving.

A bigger problem condemns the left to impotency should Labour form the next government: it is inept. Under Mr Corbyn, the left controlled the levers of power within the party. It dominated various arcane committees, with pressure groups such as Momentum able to whip members effectively. Yet it still struggled to enforce its will. Left-wing MPs failed to steer the car while they were in the driving seat; they will struggle even more now that they are bound and gagged in the boot.

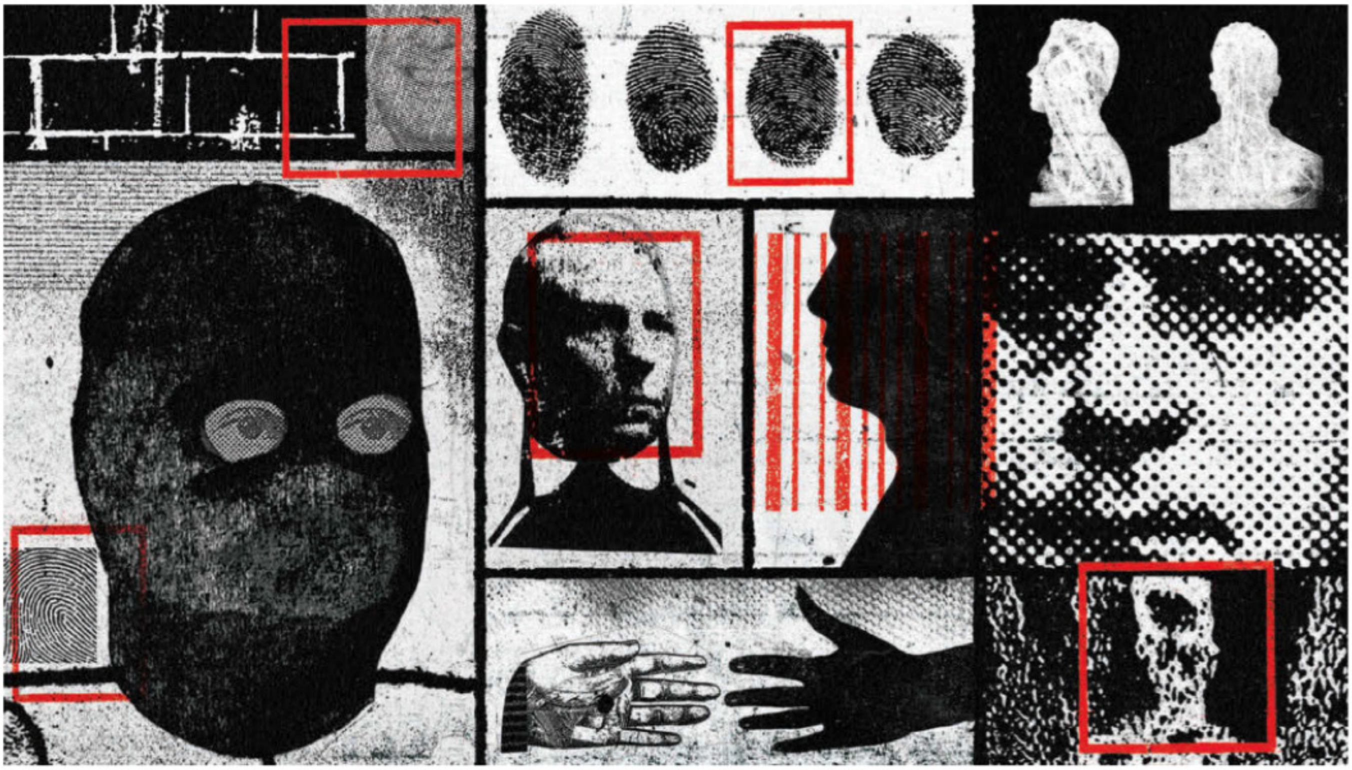
Sir Keir and his team have shaped the party for the next decade. Selections for new candidates at the next election have been dominated by those of Sir Keir's ilk. Awkward local candidates find themselves blocked by central office, while bland 30-somethings with impeccably moderate credentials fly through the vetting process. Anyone left-wing has been "purged", often for as little as liking an impolitic tweet. Of the 100 or so seats already selected, only one recognisably left-wing candidate has prevailed.

Far from secretly controlling the party, Labour's left-wing MPs are struggling to stay in it. When Russia invaded Ukraine in February last year, 11 MPs from the Labour left, including John McDonnell, Mr Corbyn's former shadow chancellor, signed a letter blaming NATO expansionism for the war. Sir Keir let it be known that any MP who did not unsign the letter would be booted out of the parliamentary party. They all duly recanted. Some have gone further. Earlier this year, Mr McDonnell and friends signed an early-day motion calling for Britain to give Ukraine 79 tanks, 60 Chinook helicopters and a handful of fighter jets.

Leftward tow

The left is broken. The shadow cabinet is far from socialist. Yet Labour may still drift left. Residual ideas from the Corbyn era, such as taxing private schools and "non-dom" residents, have been dusted off. Partly this is because they are popular: both measures enjoy the support of big majorities. They are also leftie ploys for a fiscally conservative cause. Each raises some cash for giveaways while keeping Labour within the fiscal straitjacket it has donned under Ms Reeves. The left may be sealed in a tomb. But Labour policymakers sometimes break in to rob its grave.

Circumstances, rather than a secret ideology or cunning socialist MPs, will provide the strongest pull leftward. Sir Keir's quest to improve the state without increasing its size or adding to the tax burden is worthy. But it is tricky. Just ask Rishi Sunak, a self-described low-tax Conservative, on whose watch the tax take is heading for a post-war high. British voters have an insatiable desire for public services, whether free child care or subsidised social care. Governments of any stripe have to decide how to provide and pay for them. If the Tories have drifted left, why wouldn't Labour? ■



Criminal underworlds in Russia and Ukraine

The end of a gangsters' paradise

KYIV, ODESSA AND ROME

How the war split the mafia and transformed global crime networks

ALEKSANDR OTDELNOV owns an unusual tourist attraction: a smuggling museum. Contraband has been flowing through his native Odessa since the 18th century. Until it closed because of covid-19, the museum displayed everything from pearls and pistols sneaked into imperial Russia to more contemporary loot. Then came the war in February 2022. "The port stopped working, and everything stopped," says Mr Otdelnov. It wasn't just the tourist flows that ended. Odessa had been a key node in a vast network of crime centred on Ukraine and Russia that reached from Afghanistan to the Andes. It was part of the "strongest criminal ecosystem in Europe", reckons the Global Initiative against Transnational Organised Crime (GITOC), a think-tank.

Russia's invasion has hit this underworld with the force of an earthquake (see map 1 on the next page). The vast majority of rock-hard Ukrainian mobsters have stopped collaborating with their Russian peers. "We are thieves, we are against any state, but we decided we are for Ukraine," says one. Lucrative heroin-smuggling routes are being remapped, affecting prices and profits for criminal syndicates thousands of miles away. If the disruption proves lasting it could alter the face of global crime. It will also change Ukraine.

The country has struggled with corruption ever since it left the Soviet Union in 1991. The Maidan revolution of 2013-14 overthrew a corrupt president and some of the oligarchy behind him. In 2019 Volodymyr Zelensky was elected as president on an anti-corruption platform and passed mafia-busting reforms. But at best it was a half-finished clean-up. Before the invasion GITOC ranked Ukraine 34th-worst out of 193 countries on its criminality index, and third in Europe. Ukraine also scored notably badly on perceptions of corruption.

The underworld in the government-held parts of Ukraine before 2022 was intermittently, and violently, contested between different groups. Nonetheless it had three facets that linked Ukraine to global criminal markets. First, a contraband "superhighway" linking Russia and Ukraine, passing through the parts of eastern Ukraine that were occupied by Russia in 2014. Second, global smuggling hubs in Odessa and the other Black Sea ports. And finally factories in Ukraine for the production of illicit goods for export.

This infrastructure supported different business models for different products. Ukraine was a growing "spin-off" transit route for heroin from Afghanistan, augmenting routes through the Balkans and the Caucasus (see map 2 on the next page). Before the war it had the fourth-largest heroin seizures in Europe. Cocaine from Latin America flowed via the Black Sea. In the other direction, mobsters exported weapons to Asia and Africa, notably from Mykolaiv, a port. In 2020 Ukraine overtook China to become Europe's largest source of illegal tobacco. The local manufacture of amphetamines was rising: 67 illegal laboratories were dismantled that year, the highest reported figure of any country.

The war has changed everything by creating "an environment of unacceptable risk for international illicit trafficking", says a new report from America's government. Black Sea ports have been closed or much restricted for shipping. The boundary between government-run Ukraine and the territories occupied by Russia is now a fortified series of killing fields, breaking the superhighway. Enlistment in Ukraine has deprived the underworld of manpower while martial law has stopped a wide range of criminal activity. Curfews make it harder to move around at night.

Ukrainian gangsters are also shunning their Russian counterparts. "It is one thing to be called a criminal; quite another to be ▸▸

thought of as a traitor," says Mark Galeotti, author of "The Vory: Russia's Super Mafia". Loyalty to Ukraine is about risk control as well as patriotism. "If we were annexed to Russia, many of the guys in prison might be transferred a long way away," explains one gangster. "Russian guards are merciless. None of us need that. So we'll do the dirty work for Ukraine."

The knock-on effects are being felt globally as contraband networks are reconfigured to bypass Ukraine. Turkish customs officials say more heroin and methamphetamines are flowing across the border with Iran. Lithuanian border officials saw a fourfold year-on-year rise in illicit tobacco volumes in the first quarter of 2022. Estonian officials working with Europol, the EU's police agency, nabbed 3.5 tonnes of Latin American cocaine in the port of Muuga, worth roughly half a billion euros, last year. The blocking of Ukraine's Black Sea ports and increased controls in western Europe may also explain large seizures recently in Russia. On April 10th the authorities seized almost 700 kilos of cocaine in Moscow. Russian wiseguys close to the border with Belarus, once marginal, are now profiting from the smuggling of luxury goods into Russia, especially fancy designer handbags.

The war has also meant new short-term opportunities for gangsters in Ukraine. One is people-smuggling. The UN estimates that about 5m Ukrainian refugees are in "temporary protection" in Europe, and its statistical modelling of historical trends suggests perhaps 100,000 might become victims of people-trafficking. There is also a market for smuggling conscripts out of Ukraine. Sometimes this can be as simple as sneaking them past Ukrainian passport control. At least 8,000 have been caught trying to leave the country, mostly for Moldova or Poland. Smugglers reportedly charge from €5,000 ($5,500) to €10,000. Still, so far the scale of human-

Main smuggling routes of heroin through Ukraine
Before 2022
Source: Global Initiative against Transnational Organised Crime

trafficking is not as bad as it could be. "It happens," says a senior Europol official, "but far less than we expected."

The long-term impact of the war on criminality in Russia is likely to be malign. The state has intensified links with organised criminals that were already established, though only occasionally exploited, according to Mr Galeotti. Russian mobsters operating outside the country have been required to deposit a share of their profits in so-called "black accounts" that can be accessed by Russia's spies to cover their operating costs. Criminals have been recruited to act as Kremlin intelligence agents, notably to help obtain much-needed embargoed semiconductors for the war effort. The seizure of Western-owned firms in Russia by the Kremlin or its proxies will fuel a new era of cronyism, while the requirement to mask cross-border transactions or bypass the Western financial system will reduce transparency and accountability further.

For Ukraine the long-run picture is less clear cut. A frozen conflict could certainly create big risks. Before the invasion Ukraine had somewhere between 7m and 9m legal firearms. There were perhaps as many illicit ones. The country is now even more awash with weaponry. History suggests that wars fuel arms-dealing: guns from Yugoslavia are used in violent crime across Europe. Interpol's secretary-general, Jürgen Stock, has warned there could be a surge in the trafficking of small arms. So far, however, so good. "We are not seeing arms-trafficking on a systematic or organised basis," explains the Europol official.

Sources: Global Initiative against Transnational Organised Crime; Institute for the Study of War; AEI's Critical Threats Project

Domestic drug production could crank up again. America's government recently reported the growth of more distributed networks of smaller drug laboratories in Ukraine which use the internet for sales and the postal system for delivery. The biggest risk comes from the process of reconstruction. Last month the World Bank put the cost of rebuilding Ukraine at $411bn, including $92bn on transport and $69bn on housing. Such large-scale projects could easily be preyed upon by mafias, who rig public-procurement systems and bidding systems to gain access to land, subsidies and licences.

Still, there is an opportunity to make permanent the diminution in organised crime in Ukraine. The main effort must come from within the country. A draft law from December aims to reform urban planning: related government documents say the construction industry is prone to "abuse of power", "general corruption" and "avoidance of punishment". In January Mr Zelensky fired four deputy ministers and five regional governors for graft, according to Reuters. "Any internal problems that interfere with the state are being cleaned up," he declared.

Outside pressure may help: those reconstruction funds are likely to come largely from foreigners and to have strings attached. Ukraine's eventual membership of the EU is still many years away but the process of converging with EU norms is a lever with which to combat organised crime. The country was given candidate status back in June.

It is a truism among those who study organised crime around the world that war and social dislocation generate opportunities for gangsters and their white-collar collaborators. Yet there are unusual elements of Ukraine's experience that might permit a different result. The war has severed the decades-old physical and social arteries between the country and Russia's criminal networks, possibly for years to come. It has given the Ukrainian state further public legitimacy to combat oligarchy and may increase Western participation in, and scrutiny of, the economy. No one sensible thinks smuggling in Odessa will be relegated to a museum. But there is a chance that Ukraine could finally stop being a gangsters' paradise. ■

China's startup boom

A new breed of unicorn

SHANGHAI

The government is favouring firms at the heart of a tech transformation

GREATER BAY TECHNOLOGY'S transformation into a mythical beast has been speedy. The startup, which specialises in super-fast lithium-battery charging, was launched in late 2020. Only 19 months later it had reached a valuation of $1bn, making it a unicorn (ie, an unlisted firm valued at or above that amount). Such creatures are becoming far more common in China. Greater Bay joined a field of more than 300 of them in 2022, double the number five years ago. These new unicorns offer an intriguing snapshot of the country's shifting industrial priorities.

The list, for that reason, is ever-mutating. Firms fall off because they go public or tumble in value. Some of the most promising ones get stuck as they encounter regulatory problems. The initial public offering (IPO) of Ant Group, a fintech powerhouse, for instance, was ditched at the last moment under pressure from regulators in 2020. Its valuation has reportedly tumbled from more than $300bn before the failed flotation to around $64bn. Others have gone from strength to strength. Beijing-based ByteDance, which owns TikTok, a short-video app, was most recently valued at $220bn, making it the world's most valuable unlisted firm.

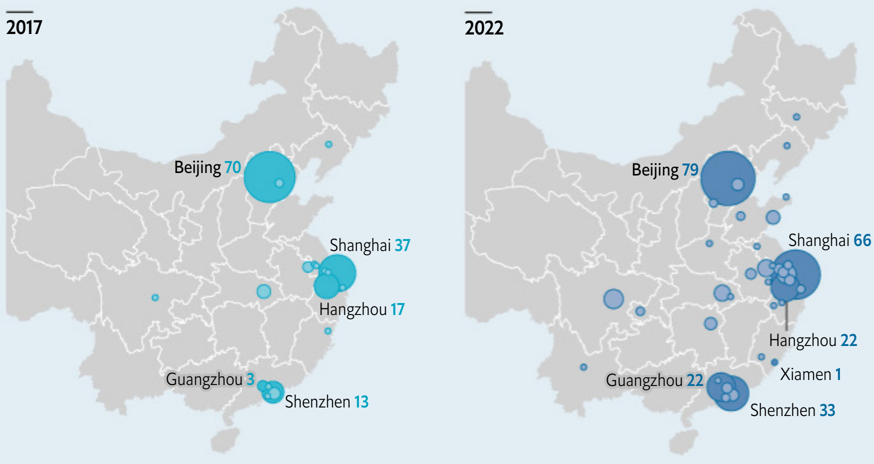
To understand which sectors are being prioritised, and which ones are being neglected or crushed, *The Economist* has analysed the changing mix of China's most highly valued startups over the past five years. The results reveal a country teeming with unicorns that are intensely focused on making wares favoured by the Chinese government. They are cropping up outside the established tech hubs of Beijing, Hangzhou and Shenzhen. And whereas privately controlled tech giants, such as Alibaba and Tencent, used to dominate the startup scene, much of the recent growth is being underwritten by state firms.

Consider first what the current crop of unicorns does. Many are in tune with the government's long-term goals for technology, which involve engineering a shift away from consumer-internet firms and towards areas that the government thinks will drive the future of the economy. These include green energy as well as semiconductors, smart manufacturing, software and artificial intelligence, and biotech.

The shift is also central to President Xi Jinping's efforts to make China less dependent on foreign tech at a time when America is attempting to starve Chinese companies of advanced semiconductors. At a meeting with senior officials on April 21st Mr Xi said the government must help companies break through technological barriers in order to achieve "self-reliance" in the most important fields.

As a consequence, much has changed since 2017, as illustrated by data from China's Ministry of Science and Technology and Hurun, a research group. Back then, e-commerce dominated the landscape and about 20% of unicorns operated in online sales and related industries (see chart on next page). Another 13% were engaged in fintech and 9% in culture and entertainment. These industries have since fizzled. By the end of 2022 software and enterprise services represented the largest group, or more than 40 of the country's 315 unicorns, followed by health and biotech. The number of artificial-intelligence (AI) unicorns ▸

Where the treasure lies
China, number of unicorns* by city



Sources: Hurun Report; Ministry of Science and Technology of China

*Startups valued at $1bn or more

rose from six to 35. Dozens of green-energy and robotics unicorns have sprung up where there were few or none before. In 2017 China did not have a single unlisted semiconductor company valued at more than $1bn. By some counts, it had around 30 by the end of 2022. According to state media, the number was higher still, at 50.

Entire industries have vanished from the list of unicorns. By 2017 China was home to nine education-technology firms each worth at least $1bn. But in 2021 a sweeping government campaign against companies offering online courses to students obliterated the industry. One of the nine managed to list in New York but was later forced to delist after the crackdown. The others have gone either through mass layoffs or, for a few, bankruptcies. By the end of last year, no such unicorns existed. A severe crackdown on online finance in recent years, meanwhile, has cut the number of highly valued fintech firms in half.

As unicorns' sectors have changed, so too has the geography of innovation. The boom in consumer-internet tech naturally took place in China's biggest cities, where wealthy consumers are concentrated. Just a few hubs, such as Beijing, Hangzhou and Shenzhen, became home to the most successful firms. Part of Mr Xi's grand transformation of the Chinese economy, though, has involved divvying up development more evenly across the country. This has meant bankrolling more innovation in new places. Some large cities known mainly as hubs of manufacturing, not innovation, are becoming startup havens. Greater Bay, for example, is based in Guangzhou, part of China's southern factory-belt (see map). So too are 21 other unicorns, up from three a half-decade ago.

Smaller cities, too, are part of the unicorn boom. Hithium, a lithium-battery-maker founded in 2019 and most recently valued at 25bn yuan ($3.6bn), is based in the southern city of Xiamen. Sagebot, a robot-assisted surgery company, was founded in Harbin in the rust-belt of China's north-east. It is planning an IPO after recently achieving a valuation of 8bn yuan. According to a list from *Forbes*, a business publication, unicorns have even cropped up in China's far-western regions of Qinghai and Tibet.

Sources of funding, too, have changed dramatically over the past five years. Privately owned giants are no longer the centre of gravity in China's tech world. Not long ago startup founders joked that the only business model in China which mattered was "B-to-BAT", or selling their companies to one of China's biggest tech groups—Baidu, Alibaba or Tencent (collectively known as BAT). Alibaba and Tencent emerged as two of the biggest forces in China's venture-capital industry, eventually displacing dedicated private-equity firms. In 2017 five of the country's top tech groups—Alibaba, Tencent, Xiaomi, Baidu and JD.com—were investors in about half of China's unicorns.

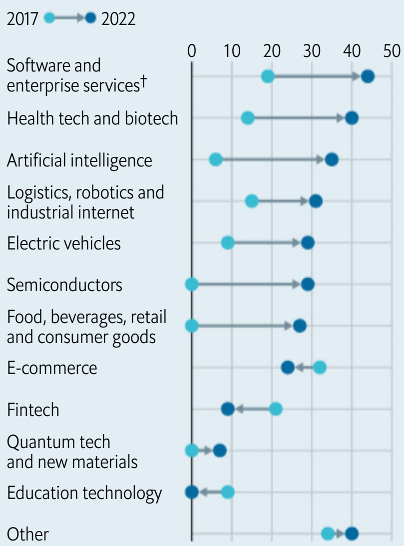
Today they are far less influential. In 2022 the same top-five tech groups had invested in only 21% of unicorns, according to our analysis of company disclosures and press reports. This in part reflects the government's crackdown on monopolistic behaviour at the tech giants, which has caused them to invest less now than they did in the past. But it also reflects the emergence of new sources of funding, often backed by the state.

Cash from government-backed funds, for instance, has rushed into "hard tech". Of the 50 semiconductor unicorns identified by state media at the end of 2022, a state entity had either invested in or controlled outright 48 of them. Many large state firms are taking on the role of startup incubators. Greater Bay, for example, is the youngest of four unicorns launched with capital from Guangzhou Automobile (GAC), a state-owned carmaker. By handing out funds to a number of startups, GAC is becoming a nexus for transportation tech. Aion, an electric-vehicle unicorn funded by GAC, uses Greater Bay's battery technology. Ruqi Mobility, a ride-hailing startup, is expanding nationally using gear from Greater Bay and Aion, and cash from GAC. The carmaker is also backing a semiconductor-maker, called CanSemi, that recently secured funding at a $1bn valuation.

Qiyuan Green Power, a Shanghai-based startup that provides battery charging and replacing services for large trucks, tells a similar tale. The group was launched by State Power Investment Corporation (SPIC), a centrally controlled firm which holds a controlling stake in Qiyuan. Launching subsidiary businesses is nothing new for state entities. But Qiyuan looks much more like a startup than a typical government-run company. It has instigated funding rounds to bring in private investment, and competed for cash and talented engineers alongside other private firms. In April last year Greater Bay, too, raised capital from a number of privately controlled investors, including Tencent.

At a recent fundraising roadshow for Qiyuan 80 investors attended with an interest in getting a stake, says Guo Peng, an executive at the company. As a "hybrid" firm with both state and private interests, Qiyuan enjoys some of the efficiencies of a private-sector startup but has the backing

At a gallop
China, number of unicorns* by sector



*Startups valued at $1bn or more †Includes big data and cloud
Sources: Hurun Report; Ministry of Science and Technology of China

of a powerful state group. The state pedigree has, without a doubt, increased investors' confidence in the company's future, says Mr Guo.

It is not only state firms that are rushing in. Huawei, a privately owned telecoms-equipment maker, only began making venture-capital-style investments in 2019. Since then it has sealed at least 91 individual investments in startups, an increase from two in the previous seven years, according to data compiled by Itjuzi, a Chinese investment-intelligence firm. One of those companies, Welion, a lithium-battery company, attained a 15bn yuan valuation last year. If just a few of the investments made over the past four years succeed, the company should become a hub of valuable startup activity.

For Mr Xi, this latest tech boom is both a source of pride and a potential problem. The state has set out to tame speculative bubbles in some areas while also releasing market forces in others. It has referred to the flood of funding that once poured into internet businesses as a "disorderly expansion of capital". But at the same time it is also trying to ease the way for some companies to go public. In February China's market regulator announced that its bourses would adopt a registration system for IPOs that does away with an onerous official screening process. The result has been a barrage of new tech-sector listings hitting the stockmarket in March and April. Stock prices have soared on the first day of trading, often more than doubling.

New bubbles are without question being created in emerging industries, says one investor who specialises in green energy. This has been deemed acceptable, for now, because it is in line with government policy. State-backed startups face few hurdles. State influence over capital markets—from seed funding to IPOs—means it has become easy for companies with the right connections to catapult through the fund-raising process. Whether those companies have the best technological chops, however, is unclear, says the investor.

Foreign investors remain sceptical. One banker who works with foreign private-equity groups says that some investors fear regulators can easily turn on an industry if speculation appears to be getting out of hand. Peer-to-peer lending once received strong support from the government before it was crushed in 2018. Another, more recent example relates to ChatGPT. The Chinese state has shown heavy support for China's domestic AI industry. But the latest global craze for AI-powered chatbots has led regulators to crack down on the area. On April 11th the country's cyber regulator said it would require security reviews for these businesses. As long as there are bubbles—even state-backed ones—there will be crackdowns. ■

Microsoft and Activision Blizzard

Fragged

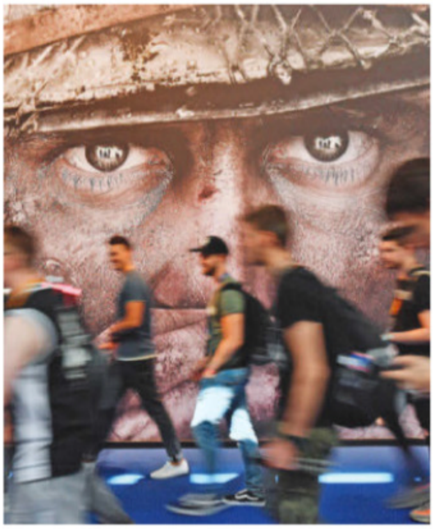
Britain shoots down a colossal tech deal, to howls from gamers worldwide

"HOW DOES a UK court block one American company from buying another American company?" asks a gamer in an online forum, where the chat is more often about high scores than competition law. "We had a war about this, and being independent, can do as we damn well please."

Sadly for gamers—and global tech firms—that is not so. On April 26th Britain's antitrust regulator, the Competition and Markets Authority (CMA), blocked Microsoft's acquisition of Activision Blizzard, a publisher of games such as "Call of Duty", arguing that the combined firm could gain too much clout and reduce choice for consumers. The surprise decision may have killed the deal worldwide.

The $69bn acquisition, which would have been Microsoft's largest and one of tech's biggest ever, had seemed on track. The European Commission was expected to give it the nod next month. America's Federal Trade Commission (FTC) had objected, but faced a difficult battle in court to stop it. Britain had long been seen as the hardest of the big three regulators to convince. But when in March the CMA dismissed concerns from Sony about Microsoft's advantage in the console market, and after Microsoft signed ten-year deals to make Activision games available on other platforms, it looked like game on.

Instead it seems to be game over. The CMA ruled that in cloud gaming, an emerging technology in which games are streamed Netflix-style, Microsoft plus Activision might become excessively dominant. Microsoft is already the biggest player in cloud gaming, with some two-thirds of the worldwide business. Control of Activision's catalogue of hits might make it unassailable, the CMA said, adding that it doubted the effectiveness of ten-year deals in a new and fast-changing market.



Attack of the regulators

The cloud-gaming market is indeed new and fast-changing, which makes it an odd place to wield the regulatory sledgehammer. Cloud-streaming subscriptions accounted for less than 1% of games spending last year, and it is far from certain that the technology will take off. Google shut down its Stadia cloud service in January and Amazon's similar Luna platform is unpopular. Even if Microsoft bucked the trend, it would be good for consumers. Cloud gaming is "a vector of competition" between Microsoft and rivals like Sony and Nintendo, "not a distinct market", wrote Clay Griffin of MoffettNathanson, a firm of analysts, who accused the CMA of applying "faulty logic". Weakening the main cloud-gaming service will entrench the console industry—and its leader, Sony.

Microsoft and Activision will appeal. Yet Britain's appeals tribunal focuses narrowly on process and tends to defer to the CMA. Microsoft's only other options are to break off a smaller chunk of Activision or carve Britain out of the global deal, both things it has previously indicated it will not do. Without a deal Microsoft's future in gaming is in question, says Ben Thompson of the Stratechery newsletter. "It's hard to see how the [gaming] division makes sense if Microsoft has the current business model dictated to them, given just how dominant Sony is with said business model."

Microsoft is not the only big tech firm to have been ambushed by the CMA, which last year forced Facebook to undo its acquisition of Giphy, an unassuming generator of internet memes. Another Silicon Valley giant says that, since Brexit, Britain has been the feistiest of the big global regulators. America's FTC is aggressive but reined in by the courts. The European Commission offers more scope for dialogue, tech lawyers report. The CMA, meanwhile, is getting stronger. On April 25th Britain published a bill giving it wide discretion to regulate the biggest tech firms, with the power to dish out fines of up to 10% of global turnover. A separate online-safety bill proposes more rules for tech companies, including restrictions on encryption.

Yet Britain's new global clout may backfire. WhatsApp and others have threatened to leave the country rather than apply its encryption rules worldwide. Activision, whose share price fell by a tenth on the ruling, says it will reassess British plans, adding: "Global innovators large and small will take note that—despite all its rhetoric—the UK is clearly closed for business." ■

German businesses in China

A continuing conundrum

TIANJIN

Rebalancing commercial ties will be tricky

ANNALENA BAERBOCK kicked off her first trip to China as Germany's foreign minister in April with a visit to a production site of Flender. The *Mittelstand* firm makes parts for wind turbines in Tianjin, a coastal city around 130km south-east of Beijing. Ms Baerbock toured the facility for about an hour, all the while bombarding her hosts with questions, such as whether its suppliers are local.

It is unusual for a foreign minister to tour a factory, but it shows the importance of business ties between Germany and China. The country is Germany's biggest trade partner and an important destination for foreign investments in several industries that are the backbone of the *Mittelstand*. Yet as the value of trade increased for the seventh consecutive year in 2022, the bilateral deficit widened. German imports from China rose by a third compared with 2021 to €192bn ($202bn), whereas exports of German wares to China increased by only 3% to around €107bn.

Ms Baerbock's ministry is spearheading efforts to write a new China strategy. Its much-awaited publication has been repeatedly postponed because of the need to strike a balance between boosting German business while at the same time encouraging some firms to diversify and make Germany less dependent on imports of critical raw materials from China.

As Germany's government recalibrates its China strategy two trends are emerging. One is that the companies already heavily invested in China are doubling down. Some of the country's largest companies greatly rely on Chinese customers and suppliers. That includes its three big carmakers (Volkswagen, Mercedes-Benz and BMW); BASF, a chemicals giant; and Bosch, a car-components supplier. BASF is charging ahead with its €10bn investment in a new production site in southern China. In October VW announced a €2.4bn investment in a joint venture with a Chinese firm for self-driving cars and will spend €1bn on a new centre for developing electric cars. The other is that German companies are increasingly producing in China for China. Flender's factory in Tianjin serves only the Chinese market.

This reinforces an uncomfortable position for policymakers. Overall Germany may be less dependent on China than generally assumed. A recent study published by the Bertelsmann foundation, the German Economic Institute in Cologne (IW), MERICS, a think-tank, and the BDI, an association of German industry, scrutinised investment in China. It showed that between 2017 and 2021 China accounted for, on average, 7% of German foreign-direct investment and 12-16% of annual corporate profits, much the same as America, but far less than the EU, which provided, on average, 56% of corporate profits in the same period. And only around 3% of German jobs either directly or indirectly depend on exports to China, says Jürgen Matthes of IW.

Yet that is not a reason to be less concerned about China, warns Max Zenglein of MERICS. In the past the assumption was that business in Germany would automatically benefit from investment in China, he says. With German companies increasingly spending on local production and research and development, the bulk of local profits is now often being reinvested there. And in the longer term the "local to local" trend could hurt both German jobs and exports to China.

Another cause for concern is the cluster of huge German firms and industries that continue to rely heavily on China. The survival of its large carmakers and chemicals firms could hinge on access to the country. And China supplies 95% of the solar cells installed in Germany as well as 80% of laptops, and 58% of the circuit boards that are integral to other electronic goods. Germany also depends on China for the rare-earth metals needed to make semiconductors and lithium-ion batteries as well as antibiotics and other important medicines.

Mr Matthes warns that companies will continue to pour billions into China unless the new policy provides incentives to do otherwise. If China's threats to Taiwan turn nastier the consequences could be devastating for firms doing an ever-bigger slice of their business there. The latest tentative date for the publication of the new strategy is just after a meeting on June 20th between Olaf Scholz, the German chancellor, and Li Qiang, China's prime minister. It is high time for a rethink. ■

Telecoms in Mexico

Drama series

MEXICO CITY

The battle to dominate Mexican telecoms intensifies

GOINGS-ON IN MEXICAN telecoms are akin to a *telenovela*. América Móvil, the empire owned by the country's richest man, Carlos Slim, stars in every season. So it is with the latest instalment of the soap opera. Televisa, a heavyweight of Mexican broadcasting, AT&T, an American telecoms group with big operations in the country, and Mexico's chamber of telecommunications have asked the Federal Telecommunications Institute (IFT), the industry regulator, to order that Telmex, the broadband and fixed-line subsidiary of América Móvil, be split into separate firms with two sets of shareholders. That, its rivals contend, would increase competition.

América Móvil has been subject to laws aiming to boost competition for almost a decade. Under anti-monopoly legislation passed in 2014 "preponderant" firms, with over a 50% share of the market, such as Telmex, have been subject to strict regulations. The legislation (which is revised every three years) has forced Telmex to run its retail and wholesale businesses separately. It was previously obliged to share its infrastructure with other operators, for a fee.

The results have been mixed. Telmex's retail arm, Telcel, remains the dominant firm in mobile phones and mobile internet. In the former it held 63% of the market last year, compared with 69% in 2013. The mobile market is hard for more than a few companies to crack, says Leonardo Olmos of UBS, a bank. Creating a network with na- ⏩

Towering ambitions for telecoms

tional coverage is expensive, giving incumbents a formidable advantage.

The regulations have been more successful at sparking competition for fixed-line and broadband services, in which regional operators can more easily make a mark. Telmex's share of broadband connections dropped from 73% to 40% between 2013 and 2022, and from 72% to 39% of fixed-line phones. Megacable and Totalplay are growing fast, in part by offering packages that include pay TV. Telmex is barred from providing this add-on.

Rivals accuse Telmex of dragging its feet over requests to allow them access to its infrastructure. But it is "hard to sustain" the argument that there isn't competition these days, says Jorge Fernando Negrete, an analyst. He would like to see the legislation enacted in 2014 done away with for good. He thinks it may now be harming consumers by reducing incentives for firms to connect new users for fear of becoming "preponderant" and by excluding customers from cheaper bundling of all their telecoms services from one provider.

The demands for a break-up of Telmex may be less about promoting competition and more a "game" in the run-up to the IFT's third revision of the reforms of 2014, due this year, says Mr Olmos. Its rivals fear that América Móvil will finally be allowed to enter the pay-TV market. The request could be used as leverage to prevent it. Previous revisions have hardly dented the behemoth's profits. And the IFT has been less active of late, partly because almost half the seats on its board remain vacant. Andrés Manuel López Obrador, Mexico's populist president, has little time for such bodies. Telecoms-watchers will be tuned in as the drama unfolds. ■

Bartleby Dominic Raab, bully or victim?

If enough people think you are a bad boss, then you are a bad boss

A FASCINATING CASE study on the exercise of power within an organisation has just reached a conclusion in Britain. Dominic Raab resigned as the country's deputy prime minister and justice secretary on April 21st, after an independent investigation into whether he is a workplace bully found that he had crossed a line. The civil servants who lodged complaints against him will feel justified. His supporters, and the man himself, contend that his departure sets an unhealthily low bar for being found guilty of bullying.

Adam Tolley, the barrister who conducted the probe, found that Mr Raab had displayed "unreasonably and persistently aggressive conduct" while he held the job of foreign secretary. Mr Tolley also concluded that Mr Raab's style at the justice ministry was sometimes "intimidating" and "insulting". Mr Raab may not have intended to upset but that is not enough to get him off the hook: the British government's own website says that bullying is "behaviour that makes someone feel intimidated or offended".

The context of the Raab affair is unusual. Media interest is high, and the relationship between civil servants and British government ministers is a very particular one. But the question of what distinguishes someone who merely sets high standards, which is Mr Raab's version of events, from someone who is a bully is of interest in workplaces everywhere. In a survey published in 2021 around 30% of American workers, for example, said they had direct experience of abusive conduct at work; in two-thirds of cases, the bully was someone above them in the food chain.

It is hard to read the report and not feel an unexpected twinge of sympathy for Mr Raab. Unfashionable though it is to admit it, fear is a part of organisational life. Hierarchies hand managers the power and remit to weed out poor performers. Driven, demanding types are often the people who make it up the ladder.

Mr Raab is definitely that. Mr Tolley describes an exacting boss: hard-working, impatient and direct. He interrupts when he is not getting a straight answer. He does not want to spend time rehearsing arguments that have already been aired. If he thinks work falls short of the required standard, he says so.

Mr Raab shares many of the attributes of a desk light: he is bright, glares a lot and is not known for empathy. But he appears to be motivated principally by achieving better outcomes. The investigation found no evidence that Mr Raab shouted or swore at people, or that he targeted individual civil servants. Mr Tolley was unpersuaded by allegations from officials that he made threatening physical gestures, whether banging the table loudly or putting his hand out towards someone's face to stop them talking. The "hand out" gesture was not as emphatic as alleged, writes the lawyer; the banging was unlikely "to cause alarm". If Mr Raab is a bully, he is not nearly as aggressive as some media reporting had implied.

Yet that twinge of sympathy passes, as twinges are wont to do. The number and consistency of complaints about Mr Raab is itself evidence that something was genuinely amiss. The civil servants who spoke out about him had worked for other ministers before; they were not greenhorns. Mr Tolley is persuaded that the complainants acted in good faith, despite protests from Mr Raab that he is the victim of "activist civil servants".

Mr Tolley's most acute observation is to recognise that working life is not a series of discrete incidents, each bearing no relation to the other. Some of the complaints people had about Mr Raab might seem innocuous in isolation. A propensity to bang the table or interrupt people is discourteous but plenty of bosses do the same. Cutting people off in meetings would have mattered less if he was not also the sort of person to describe work he received as "utterly useless" and "woeful". Bullying can be a one-off, but more often it is incremental: stresses accumulate, anxiety builds, atmospheres form.

And even if you think Mr Raab has been unfairly labelled as a bully, it is hard to overlook another problem—his effectiveness as a manager. If enough people think you are a bad boss, you are a bad boss. If employees try to avoid you, the pool of talent available to you shrinks. Mr Tolley himself, who has done a scrupulously fair job, clearly found the deputy prime minister trying. He describes Mr Raab's approach to the investigation as "somewhat absolutist". That sounds suspiciously like British-lawyer-speak for "he is a complete nightmare".

Schumpeter | Mined games

Mining's next wave of mega-mergers is nigh

The defining deal of the mining industry's last merger wave never happened. BHP Billiton's audacious $150bn bid in 2008 for a rival, Rio Tinto, which would have created a commodities super-group, captured the debt-fuelled spirit of the commodities "supercycle" of the 2000s. As China's growth slowed and the miners' capital spending peaked, things fell back to earth. The industry has atoned for its sins by cleaning up its balance-sheets and returning record sums to shareholders. Years of discipline, a surge in commodity prices and the prospect of an explosion in demand for "green" metals have mining bosses again dreaming up fantasy deals. For growth-hungry firms, the high costs and risks of developing new projects and relatively cheap valuations for companies in the sector mean that buying looks more attractive than digging. Last year, as dealmaking slumped in other sectors, mining bosses shook hands at a rate not seen in a decade.

Now matters have reached a fever pitch. On April 26th Teck Resources announced that it would scrap a shareholder vote on its restructuring hours ahead of its planned shareholder meeting. The proposal, which was announced in February, would have split the Canadian miner in two, spinning off the firm's steelmaking-coal operations and leaving behind its copper and zinc businesses. Glencore, a Swiss-based commodities giant, scuppered Teck's vision with an unsolicited proposal to merge the firms and shed their amalgamated coal business instead. After weeks of both sides courting the Canadian firm's shareholders, Teck caved, possibly because enough of them are now convinced that selling the firm is in their best interests. Teck says it is going back to the drawing board to conjure up a "simpler and more direct separation". That might not be enough. An emboldened Glencore may improve its offer in the coming days to capture shareholder disquiet over Teck management's strategic misfire. If it doesn't, there is no shortage of potential buyers waiting in the wings.

Yet any transaction would be much smaller than the biggest ones struck during the previous cycle. Ghosts of deals past might still dampen the willingness of today's bosses, who were mere upper-middle-managers last time around, to part with their cash buffers in bigger tie-ups. Valuing mining firms is as difficult as predicting the future price of the commodities they produce, and overpaying can spell disaster. In 2013 write-downs to the tune of more than $14bn cost the job of Tom Albanese, the boss of Rio Tinto, following the firm's poorly timed purchase of Alcan, a Canadian aluminium producer, for $38bn in 2007 and a botched deal for coal mines in Mozambique.

The past supercycle may be full of warnings but what bosses face today is different. Whereas China devoured heaps of coal and iron ore, this time copper and other non-ferrous metals will take centre stage. Bulls argue that a dearth of digging means that as China's economy reopens and America's remains resilient, there will soon be a shortage of the red metal. Looking further ahead, some are even more optimistic. According to analysts at Goldman Sachs, a bank, the appetite of "green" industries for copper—from rising sales of electric vehicles, for instance—will provide almost half of additional demand this decade. No wonder mining firms can't get enough. In December Rio Tinto scooped up the half of Turquoise Hill which it didn't already own for $3.1bn, which gives it a majority interest in Oyu Tolgoi, a big copper mine in Mongolia. Earlier this month shareholders of Oz Minerals, an Australian miner, approved a $6.4bn takeover by BHP. A proposed acquisition of Newcrest by Newmont for almost $20bn would boost copper production for the world's biggest gold miner.

Sometimes the problem is getting shareholders to notice the mines that a company already owns. A firm that positions itself as a green metals "pure play", which is corporate-speak for focusing on one thing, is increasingly attractive to investors. This is an important rationale behind Glencore's plan to create "GlenTeck" out of the two firms' metals businesses. Vale, a Brazilian mining giant which makes most of its money from iron ore, is also mulling a separation of its base-metals business. Shedding the dirtiest assets, such as thermal coal, becomes more compelling as institutional investors weigh the environmental impact of their portfolios. Anglo American shed its South African thermal-coal business in 2021; Thungela, the new company, has seen its share price more than quadruple since its listing in Johannesburg.

Out of the black and into the green

Mining bosses are used to haggling with governments about earnings from their mines, but should expect increasing protectionism to collide with their dealmaking ambitions. Geopolitical pressures on the largest mining transactions are nothing new. In 2008 Chinalco, a Chinese state-owned mining firm, launched a "dawn raid" on Rio Tinto's shares in an attempt to disrupt its potential tie-up with BHP (the deal would have created an uncomfortably powerful supplier of iron ore to the country). In 2010, Canadian authorities flexed their muscles by using the Investment Canada Act to block BHP's $39bn bid to acquire Potash, a miner of the eponymous fertiliser mineral. Confronting factions both inside and outside Teck's shareholder register who desire to keep the firm in Canadian hands will be a challenge to any takeover.

As the line between economic and national-security interests increasingly blurs, countries have beefed up their investment-screening regimes, with an increasing focus on minerals critical to the energy transition. A related effort to redesign supply chains through huge industrial-policy initiatives such as America's Inflation Reduction Act is also creating demand for commodities and will spark its own deals. One way to look at the coming boom in mining mergers is as the first deal wave of the green transition. Another is seeing an industry addicted to deals set free after a decade of inaction. Either way, the starting gun has been fired. ■

Buy-outs

The humbling of private equity

NEW YORK

Dealmakers are back at work. Yet they will struggle to recapture past glories

During the past decade it sometimes seemed as if anyone could make a healthy return from private equity. Rising valuations for portfolio companies, and cheap financing with which to buy them, boosted returns and reeled in cash at an astonishing clip. Improving the efficiency of a firm, by contrast, contributed less to returns. As acquisitions accelerated, more Americans came to be employed, indirectly, by the industry; today over 10m toil for its portfolio firms. But last year private equity's tailwinds went into reverse, as valuations fell and leverage became scarce. By the summer, dealmaking had collapsed. Transactions agreed at high prices in headier times began to look foolhardy.

Private equity is entering a new era. After months of inaction dealmakers are getting back to work. Economic uncertainty is still driving a wedge between the expectations of buyers and sellers, but more big deals were announced in March than any month since May last year. In one such deal Silver Lake, a tech investor, announced it would buy Qualtrics, a software firm, for more than $12bn, with $1bn in debt commitments—not much leverage, but a buy-out nonetheless. The industry that emerges from this period will be a different beast from the all-consuming giant of the 2010s. Private equity will be dogged by its folly at the top of the cycle. Growth in assets is likely to be less rapid. And the new phase will favour owners willing to roll up their sleeves and improve operations at the companies they have bought.

Since funds invested during downturns tend to be among private equity's most profitable, some investment managers, sensing expectations of a recession have created bargains, are now itching to deploy capital. They are scooping up companies with valuations that have been struck by rising interest rates. On April 17th THG announced it had received a non-binding bid from Apollo, a big private-equity firm. The beleaguered British e-commerce company had seen its share price fall by 90% since 2021. In February Francisco Partners beat away a crowded field of other potential private-equity buyers to strike a $1.7bn deal to purchase Sumo Logic, for around four times the value of its annual sales. The American software firm had traded at a multiple of more than 15 in 2021. Bain Capital, another big private-equity firm, has built a $2.4bn tech-focused fund to take advantage of turbulence in the sector.

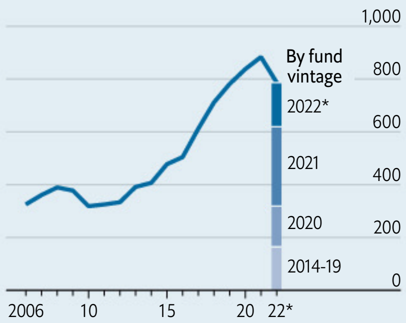
Corporate carve-outs also have gilet-wearing types excited. Such deals, where large companies shed unloved assets, have fallen as a share of private-equity transactions since the global financial crisis of 2007-09. But given tough economic conditions, companies are increasingly looking to sell "non-core" assets in order to focus operations and bolster balance-sheets. Spin-offs announced by American firms surged by around a third in 2022, according to Goldman Sachs, a bank.

The problem is that today's bargains are yesterday's rip-offs—and dealmaking was happening at a much faster pace a few years ago. Buying at the top of the market is a disaster whether that market is public or private. One steely private-equity boss says

→ Also in this section

Powder but no skis

United States, private-equity dry powder, $bn



Source: Pitchbook *At September 30th

he likes to remind his investors that a buyer of Microsoft shares in the months before the dotcom bubble burst in 2000 would have had to wait until 2015 to break even. Until an investment is sold, the score is kept by quarterly valuations. Investors in private-equity funds are not expecting to see large write-downs in their investments. But of the $1.1trn spent on buy-outs in 2021, it is the third ploughed into tech companies, often at peak valuations, that is attracting the most attention.

Older deals pose a particular threat to funds that were more trigger-happy. The cost of floating-rate borrowing has rocketed. The yield on the Morningstar LSTA index of leveraged loans, which was 4.6% a year ago, has jumped to 9.4%. Although recent buy-out deals involved less borrowing as a share of their value, lofty valuations nonetheless meant that borrowing increased relative to profits. This has left some firms walking a financial tightrope.

When mixed with a portfolio firm's underlying business problems, high interest costs can add to the danger. Consider Morrisons, a British supermarket bought by Clayton, Dubilier and Rice, an American investor. The grocer has lost market share to cheaper retailers, as inflation has stretched customer wallets. According to CreditSights, a research firm, the company's interest bill will more than quadruple this year. Things could be still more perilous in the tech industry, where many of the largest deals of the past few years were financed with floating-rate loans.

As in any subdued market, lots of funds will struggle to raise capital. A more existential question is if the opportunities now available can sustain an industry that has grown so enormous. Andrea Auerbach of Cambridge Associates, an investment firm, says she is "most concerned about returns being competed away in the upper regions of the market, where there are fewer managers with a lot more dry powder".

Since the industry has swollen in size, mega-funds that have raised more than $5bn are now much more common than they used to be. In America such funds sit on some $340bn in dry powder, a pile which could swell to twice that amount with the use of leverage. Optimists point to the size of the public markets in comparison. There are around 1,100 profitable listed American companies worth $1bn-20bn; their market values add up to around $6trn. Although this looks like a big pool of potential targets, investment committees searching for "goldilocks" operating qualities—including stable cash flows to service debt and a good deal on price in the most competitive patches of the market—may find that it is not quite big enough.

In this more restrained era, private-equity managers might have to ditch their habit of chasing the same targets. Over the past decade, around 40% of sales of portfolio firms were to another private-equity fund. But there are probably fewer operating improvements to be made to such firms, making them less alluring to buyers.

Private-equity funds unable to buy cheaply will need to raise the profitability of their assets if they wish to make money. They can be efficient custodians; concentrated ownership, a penchant for bringing in outside managers with financial incentives to boost profits, rigorous cost control and add-on deals (where a fund merges another smaller operation into its portfolio company) all contribute to stronger profits. Yet for many firms, such operating improvements have been a sideshow during the past decade. Rising valuations relative to profits accounted for more than half of private-equity returns, according to an analysis by Bain, a consultancy. Between 2017 and 2022, improving profit margins provided a measly 5% of returns.

Do not expect a pivot from financial to operational engineering to benefit all private-equity funds equally, even if dusting off old textbooks increases the industry's management prowess. Higher debt costs make add-ons more costly, and such deals are increasingly the focus of vigilant competition authorities. A downturn could also exacerbate political opposition to the industry's cost-cutting, especially in sensitive industries such as health care.

All this means pension funds and endowments, typical investors in private-equity funds, will spend the next few years debating which managers truly earn their high fees. Most corporate raiders—veterans of the explosion in leveraged finance during the 1980s—are long retired. In their place stand a professionalised cadre of moneymakers too young to recall the high interest rates of their industry's prehistory. Those able to strike bargains, and funds with deep industry expertise and lots of skilled operating professionals, could prosper. Pretenders previously lifted by rising valuations and cheap leverage during the past decade will certainly not. ■

Banking turmoil

45 days later

WASHINGTON, DC

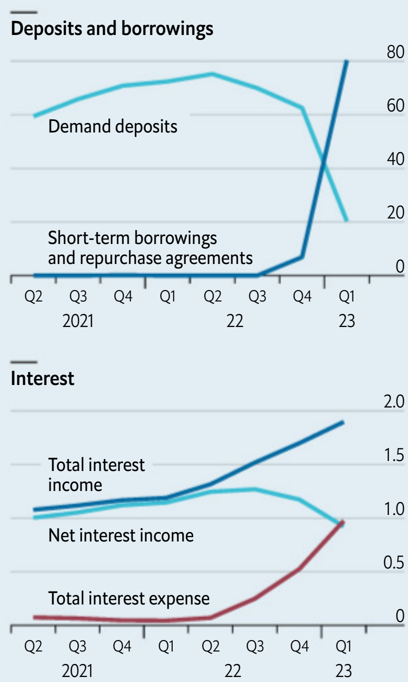
That First Republic is walking and talking does not mean it is alive

THE CENTRAL conceit of most zombie flicks, like "28 Days Later", a film set in an apocalyptic London, is that a terrible disease has spread. It has turned legions of healthy humans into dangerous monsters. These walking dead now stalk the land: from afar it can be hard to discern if they are living or not. A little more than 28 days elapsed between the failure of Silicon Valley Bank (SVB) and the publication of First Republic Bank's first-quarter earnings on April 24th—45 to be exact—but the earnings made it clear that American banking has at least one walking-dead institution.

At the end of 2022 First Republic held $213bn in assets, of which about $167bn were in loans and $32bn in bonds. It was funded by $176bn in deposits, $7bn in short-term funding and $9bn in long-term funding. The bank also had $18bn in high-quality capital. By the end of the first quarter the firm had lost $102bn of its original deposits. This has been replaced by a vast amount of short-term borrowing, which climbed to $80bn by the end of the first quarter, and by $30bn of pity deposits from ▸▸

Liabilities

First Republic Bank, $bn



Source: SEC company filings

six big banks, which placed money with the institution to throw it a lifeline.

There are several problems with this picture. The first is that First Republic lent a lot of money when interest rates were low, including via cheap mortgages. Mark Zuckerberg is supposed to have taken out a 30-year mortgage for his $6m Palo Alto home at 1.05%. The value of such loans will have plunged as interest rates have risen.

The second is that the deal with many well-heeled customers was that they would agree to move their deposits to the bank as well. But these customers, who held large balances uninsured by regulators, have now fled. Without cheap deposit funding, First Republic has turned to short-term funding—much of it lent by the Federal Reserve and the Federal Home Loan Banks, another government-backed lender, at market rates. This has probably demolished its ability to earn a profit.

In the last quarter of 2022 First Republic earned a net interest margin—the difference between what it collects on loans and pays for funding—of 2.5%. That fell to 1.8% in the first quarter. Yet the reality could be worse. After all, the first quarter included two months before SVB collapsed, implying First Republic earned next to nothing in net interest in March. In other words, the bank seems to be paying as much for funding as it is receiving on its loans.

There is no obvious escape for First Republic, unless depositors agree to return. It cannot earn its way out because net interest margins have collapsed. Selling off assets would not help either. Imagine the value of its loan book fell by, say, 10-15% in 2022, a price drop which would be less than the fall in the value of most mid-to-long-term government bonds. This would mean that if First Republic sold such assets, all its equity would be wiped out. Recapitalisation would be a solution, but investors do not seem keen. The bank's share price fell by 50% on April 25th. Its market capitalisation is now below $1bn, down from $23bn in January. Regulators think First Republic is in such trouble they may limit its access to short-term funding. That may leave only an SVB-style wind-down.

How many zombies are out there? A paper in March by Erica Jiang of the University of Southern California and co-authors simulated what might happen if half of uninsured depositors—the type that felled SVB and have departed First Republic—pulled their money from banks. The bad news is that 190 (unidentified) institutions were left with negative equity capital. The better news is they are likely to have been smaller institutions, as they had combined assets of $300bn. If this figure included First Republic it suggests a bigger and more terrifying zombie is probably not lurking around the corner. Still, another jump scare hardly seems out of the question. ■

Financial shenanigans

Crossed wires

Commodity scandals are multiplying. Banks are undeterred

THE CHOPPY WATERS of commodity trading have claimed another victim. On April 23rd it emerged that ING, a Dutch lender, was suing ICBC, China's biggest bank. ING accuses ICBC of releasing export documents to Maike, a trader that once handled a quarter of China's copper imports, without first collecting payment owed to ING. Shortly after this Maike ran out of cash, sinking hope of recouping the money. Now ING is seeking $170m from ICBC for its alleged error.

Such disputes are becoming painfully common in the industry responsible for ferrying food, fuel and metals around the world. Last year traders stopped supplying a Chinese metals merchant after $500m-worth of copper went AWOL. In February Trafigura, a trading giant, booked $600m in losses after discovering that cargoes of nickel it had bought were in fact worthless stones. Last month the London Metals Exchange (LME) found bags of stone instead of nickel at one of its warehouses.

The 40-odd banks that finance the bulk of the $5.5trn-worth of raw materials which travel the globe every year are often on the losing end of such scandals. France's Natixis and Italy's UniCredit were among those fooled in 2020 when Gulf Petrochem, a now-defunct trader, misdelivered oil, before fleeing creditors. JPMorgan Chase is the unlucky owner of the 54 tonnes of fake nickel found by the LME.

Commodity trading has long been vulnerable to foul play. Unlike manufactured goods, such as cars or smartphones, common raw materials are priced according to public benchmarks. These can move far and fast, wrong-footing traders; the widespread use of financial instruments to hedge against, or speculate on, price movements can magnify losses. Commodity trading is full of obscure middlemen, sheltered in countries with lax policing, that have little reputation to lose.

Lately there have been wild swings aplenty. In April 2020, as lockdowns sapped demand for energy, the collapse of Hin Leong, a Singapore-based oil trader accused of fraud, left 23 banks on the hook for $3.9bn. Last year Maike used its pricey copper to raise funds to bet on Chinese property—shortly before zero-covid policies and debt rationing strangled the sector. Rising prices for fuels and metals seem to have made trickery all the more appealing.

More frequent scandals, and stricter rules on risky lending in rich countries, have prompted a few banks to backtrack. ABN Amro, a Dutch lender, quit commodity-trade finance in 2020. BNP Paribas and Rabobank have trimmed their portfolios.

Yet instead of retreating, most big banks have refocused on the larger traders. Trafigura, which borrows from some 140 banks, increased its credit lines by $7bn to $73bn last year. Meanwhile, smaller firms in countries for which commodities trading is bread-and-butter, such as Switzerland, where the industry employs 10,000 people, can still find enough working capital to go on, notes Jean-François Lambert, an industry consultant. Singapore's three main banks remain active lenders, too.

Commodity-trade finance will only get more alluring. The industry is growing fast and ever hungrier for capital. Its aggregate gross margin has doubled since 2009, when markets boomed, to a record $115bn. McKinsey, a consultancy, estimates that volatile commodity prices, rising interest rates and longer shipping times will push traders to look for an extra $300bn-500bn in working capital between 2021 and 2024.

For many governments, worried about the supply of raw materials, commodity trading has become strategic. Earlier this year Germany and Italy said they would guarantee loans to Trafigura, lowering risk for its creditors. Local midsized banks are pondering an entry, says an industry veteran. Existing players are upping their game as well. In January Standard Chartered named its first commodity-trade chief. Last year Mitsubishi bought BNP's American commodity-finance arm. Years of volatility bode well for the big traders—and few banks are willing to miss the boat. ■

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War finance

Money to burn

KYIV

Even Ukrainians behind enemy lines are rushing to fill government coffers

After Russia invaded in February last year, Ukraine's finance minister, Serhiy Marchenko, braced, logically enough, for government revenues to "plummet". He says he expected them to fall by roughly as much as economic activity. That did not happen. Although Ukraine's GDP plunged by 29% in 2022, the state pulled in just 14% less than the year before.

The war has led to big drops in tax revenues from imports and tourism. Blackouts caused by Russian attacks on power plants and the grid, which began in earnest in October, disrupt automated reporting of taxable transactions. What, then, is behind the state's "unique results", as an official puts it, in wartime revenue collection?

One explanation is that firms and taxpayers, eager to support their country's defence, are paying more tax than required. According to Ukraine's finance ministry, in March last year such donations came to 26bn hryvnias ($880m), rising to 28bn in May. These are considerable sums. Estimates vary, but last year Ukraine's total revenues, excluding donations, perhaps amounted to some $37bn, reckons Maksym Dudnyk, a tax partner at PwC, who shuttles between the consultancy's offices in Warsaw and Kyiv. Widespread thinking, he says, goes like this: if Ukraine wins, you've got your country; if Russia wins, thuggish authorities will take your money anyway, so why not help out now?

Many Ukrainians are also paying their taxes early. Constantin Solyar of Asters, a law firm in Kyiv, recounts a meeting with a client shortly after Russia's onslaught began. When the client asked how his company could go about prepaying taxes, Mr Solyar was so moved he could "barely hold my tears". This sort of early payment has since become normal. A year or so on, Mr Dudnyk says that nearly all the 100-odd clients he serves have begun to prepay.

As Illya Sverdlov of Kinstellar, another law firm, points out, doing so is not entirely altruistic: it also generates good PR, with some companies trumpeting the gesture in the media. But plenty are chipping in quietly, too. The conflict has even led some Ukrainians who have lived abroad for years and who are not public figures to begin paying taxes back home, says Mr Solyar. Efforts to seek loopholes to lower tax bills appear to have decreased.

Perhaps most astonishingly, the State Tax Service of Ukraine continues to receive payments, through its online portal, from occupied territories (albeit not from Crimea, where Russia's grip is strongest). For people in such areas, the pressure to pay Russian taxes is enormous, says Mr Marchenko, Ukraine's finance minister. Lots of local businesses must also grease the palms of Russian commanders and militias to get permission to keep operating. Even so, last year 2.3m individuals and organisations in occupied areas paid $9.5bn in taxes to Ukraine. They are braving the risk of retribution from Russian "punishers", who have a fondness for brutality.

Yet patriotism is not the only reason for higher-than-expected tax revenues. Levies on gas production rose early last year. Danil Getmantsev, chair of the Ukrainian parliament's Committee on Finance, Taxation and Customs Policy, also points to a crackdown on corruption that has included the dismissal of many tax officials. That effort may have something to do with the increased scrutiny of Ukraine's governance from Western donors. Even in a time of war, the taxman must still do his job. ■

Post-covid economics

Priceless recovery

HONG KONG

If China's growth really is so strong, why is inflation so weak?

When America unshackled its economy from pandemic-era restrictions two years ago, it also unlocked inflation. By mid-2021, consumer prices were rising by more than 5% compared with the previous year. China's later, faster reopening is now more than three months old. But inflation remains locked down. Consumer prices rose by only 0.7% year-on-year in March, slower than anywhere else in the world.

This newspaper described China's reopening as the biggest economic event of the year. So why has it had such a small effect on prices? Some suspect the recovery is weaker than the official statistics portray. Analysts at China Beige Book, which relies on independent surveys to track the country's economy, told clients they were "snickering" at official figures showing that retail sales surged by 10.6% in March compared with the previous year.

Far from capacity

China, retail sales, yuan trn

Source: China National Bureau of Statistics

But growth looked laughably strong only when set against 2022, which was lamentably weak. Judged against earlier years, growth in retail sales was more modest and thus more credible. Compared with March 2021, for example, sales grew at the more modest annual pace of 3.3%.

What is true of retail sales is true of the broader economy. The recovery from last year's nadir is real and robust. But the recovery to pre-pandemic trends is partial and uneven. China spent much longer under lockdowns than America. It may therefore have further to go before it returns to anything like full capacity. Take property. Although sales this year are stronger than they were late last year, especially in the big cities, they remain far weaker than in 2021 (a boom year) or even 2020. Rents are still falling, contributing to low inflation.

The drop in the price of fuel for vehicles has also made a difference. China's great reopening was supposed to lift global energy prices, prolonging the rest of the world's battle against inflation. Yet as America and Europe have courted recession, oil prices have dropped. The rest of the world's battle against inflation has curtailed energy prices, prolonging weak inflation in China.

China's reopening has departed from the script in other ways, too. In America, workers armed with "stimmy" cheques from the government felt able to cut their hours, quit their jobs or badger their bosses for better pay. There was much talk of a "Great Resignation". China's households have had no such luck. They received little direct help from the government under its zero-covid regime. Their labour supply was not therefore "distorted by excessive transfers", as economists at Morgan Stanley, a bank, point out.

Indeed, even as China's reopening has strengthened demand for goods and services, it has improved China's capacity to supply them. The lifting of restrictions removed bottlenecks and unsnarled supply chains. Despite a weak global economy, China's exports rose by almost 15% year-on-year in dollar terms in March, as firms finally cleared a long backlog of orders.

Psychology may also help explain China's inflationless recovery. Companies do not raise prices lightly. If they are not sure stronger demand will persist, they will remain reluctant to charge customers more. China's economy is growing despite lingering doubts. But inflation may be weak because of them. ■

Asian commerce

Forget Mumbai

ABU DHABI, DUBAI AND MUMBAI

Why Indian business is flocking to the United Arab Emirates

STAND IN THE middle of the teeming Meena Bazaar in Dubai and it is not hard to imagine you are 1,200 miles across the Arabian Sea in Mumbai. Lanes are filled with names like Biryaniwalla & Co, Mini Punjab Restaurant and Tanishq jewellery. Arabic works as a means of communication; so, too, do Hindi and Malayalam. The financial institution with perhaps the greatest prominence, looming over the Dubai Creek, is Bank of Baroda, which is controlled by the Indian state.

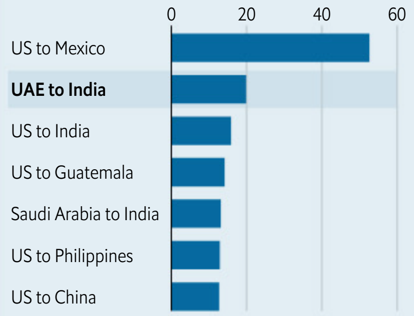
Rather than serving merely as an ethnic enclave, the Meena Bazaar is the visible tip of a vast, growing network of Indian businesses—one that includes many of the most important companies in the United Arab Emirates (UAE). To live in Dubai is to play a part in Indian commerce. The local business chamber reports that some 11,000 Indian-owned companies were added to its records in 2022, bringing the total number to 83,000. Trade links between the two countries are getting ever tighter.

Behind these companies stands a vast diaspora: 3.5m Indians live in the UAE, compared with 1.2m Emiratis. These expats collectively sent home $20bn in 2021, a transfer exceeded only by remittances from America to Mexico (see chart). Many in Mumbai joke that Abu Dhabi and Dubai are now the cleanest Indian cities. For the UAE, India is a source of food, gems, jewellery, leather, people, pharmaceuticals and investment opportunities. For India, the UAE is a crucial source of capital and, increasingly, a place where Indian business can efficiently connect with global markets away from its homeland's debilitating red tape, crippling traffic, stalled airport immigration lines and punitive taxes.

This relationship would have been unimaginable in 1973, when a store selling Indian saris gave the Meena Bazaar its name. Abu Dhabi was desperately poor. Insufficient desalinisation meant water was often brackish. Until 1966 a version of the Indian rupee, called the "external rupee", served as the area's currency. The UAE had only emerged from what was known as the Trucial States, tribal lands linked by old treaties, in 1971. Almost all international trade, which (pre-oil) mostly consisted of diamonds, pearls and gems, passed through Bombay. Half a century later, conditions have turned on their head. Crowded Emirati malls glitter with the world's most sophisticated products. Indian gem traders

Delicious dirhams

Largest remittance flows, 2021, $bn



Sources: KNOMAD; World Bank

fill Dubai's 68-storey Almas Tower, fed by ground-level restaurants such as Delhi Darbar Express and Mumbai Masala.

Travel between the two regions is frenetic and growing. Emirates, Dubai's flagship airline, is capped by Indian authorities at 66,000 seats a week; it wants another 50,000 and argues higher limits would benefit other carriers, too. Mumbai businessmen frequently make day trips to the UAE. Many choose to stay longer, often with "golden" ten-year visas. A survey by the Indian Embassy in the UAE finds that 60% of chief financial officers of major firms are Indian. Pankaj Gupta, a fund manager who moved to Dubai from Delhi 25 years ago, says Indians can be found in top jobs across industries in the Emirates. Nominal trade between the two countries has grown by 16% in the past year, boosted by a trade deal that went into effect in May.

Bright lights, bigger city

This has had an impact on the geography of Indian success. "Affluent India has a new residential address," as the *Times of India* has put it. Mukesh Ambani, India's richest citizen, broke Dubai's house-price record in August with the purchase of a property for $80m (replete with ten bedrooms, indoor and outdoor swimming pools, a beach and a private spa, it sits at the tip of a palm-fringed archipelago). He then broke that record with a $163m purchase in October (about which details are more scarce). All told, Indians last year spent $4.3bn on housing in Dubai, twice as much as in 2021. Figures on commercial purchases of property are harder to unearth, but one banker reports that interest has been just as intense. These are spurred by odd provisions in India's tax code that push people who want to get cash out of the country into property investments.

The UAE's tax system exerts its own pull: there are no personal taxes. By contrast, Indian income taxes approach 40% and come on top of swingeing consumption levies. Corporate-income taxes are not only higher in India, they are also bewildering in their complexity.

There are other important legal differences. The UAE technically operates under strict Islamic law. In practice, it now has commercial courts that operate under international standards and a tolerant view of vice. It also encourages religious pluralism. Abu Dhabi recently built an enormous Hindu temple and combined Muslim-Christian-Jewish centre. India is technically secular with established common law. But in practice it offers clogged courts, strictly enforced anti-alcohol and vice laws, and increasing religious strife.

Closer links with the UAE are to the advantage of those doing in business in India, too. Beginning in 2020, when Mr Ambani raised billions of dollars from the UAE's many sovereign-wealth funds, the country has increasingly been seen as an important source of capital. Bain, a consultancy, reckons that between 2018 and 2022, Emirati sovereign-wealth funds and other private-equity firms invested $34bn in India, in steadily rising amounts.

The range of investments is impressive. There are direct stakes in some of India's leading banks, manufacturers and start-ups. It is widely assumed that if Gautam Adani, India's second-richest tycoon, recapitalises his businesses, a crucial source of finance will be Abu Dhabi, which has already invested billions of dollars in several of his companies. All of this suggests that the Emirates is evolving into a financial capital for India. ►►

Yet this evolution is not free of obstacles. In March last year the UAE was put on the "grey list" by the Financial Action Task Force, an international body that battles money-laundering and terrorist finance. Locals say that, since the designation, routine cash transfers have drawn intense scrutiny. Some rich Indians who would like to open family offices in the Emirates instead decide to route foreign investments through Singapore and London, respectively three and four times as far away.

Another obstacle is that most Indians' visas will ultimately need to be renewed. The current Emirati openness and progress has come because the monarchy supports the direction of travel. This has allowed for decisiveness and lavish investment but is also, for many, a reason for caution. What if local leaders change their minds? That said, Indian businessmen also worry about their own rulers, who often seem to operate in monarchical fashion in terms of their whims and favourites.

Nevertheless, present optimism is now so heady that many see these obstacles as mere wrinkles. They believe that the relationship of Abu Dhabi and Dubai to India will increasingly come to resemble that of Singapore to South-East Asia: small, orderly city-states serving as financial and business conduits to enormous, unruly neighbours where economic dynamism and potential is undercut by chaotic administration and corrosive rules. The strongest statements of this type invariably come from Indians who arrived in Abu Dhabi or Dubai before the turn of the millennium, and have witnessed the cities' extraordinary rise. They point to large buildings and remember when the properties were just lines sketched in the sand. ■

Buttonwood Grin and bear it

How a strong economy could be the next pain trade

IT TAKES TWO to make a market, which inevitably sets the scene for contradictory opinions. Yet rarely do the signals sent by different markets seem quite as much in conflict as they do today. Here is an incomplete list:

- Traders of futures linked to interest rates expect the Federal Reserve to raise rates on May 3rd, and then to cut them later this year. For six months expectations of rate cuts have caused the yield on ten-year government bonds to be lower than that of three-month ones—an "inverted" yield curve that, historically, has been a harbinger of recession.
- The stockmarket has shrugged off recession fears. America's S&P 500 index has risen by 14% from its trough last October; the shares of some firms—such as big tech—have done much better.
- In March Silicon Valley Bank was brought down, as tighter monetary policy reduced the value of its bond portfolio. Since then falling rate expectations have caused bonds to rise in price. But bank stocks have barely recovered, suggesting investors remain gloomy.

It is difficult to see how all these signals could be correct. Equally, it is difficult to see how they could all be wrong. Normally, the riskiest moments in finance arrive not when different sets of investors hold wildly contradictory views, but when large numbers of them are thinking along similar lines. Recall the near-universal fawning over tech stocks as the dotcom bubble inflated. Or the widespread delusion, in the run-up to the global financial crisis of 2007-09, that securitisation had transformed risky mortgages into safe but high-yielding bonds. In each case, the degree of consensus set the stage for a "pain trade": a market convulsion that hurt virtually everybody at once.

Yet even among today's mutually exclusive opinions there is a scenario that would undo investors' positions in every market at once. The pain trade of 2023 would be caused by a robust economy and sustained high interest rates.

To see why, start with how professional investors are positioned. Every month Bank of America carries out a survey of global fund managers. April's found them to be almost record-breakingly bearish, which on its own suggests a brightening outlook would wrongfoot many. This tallies with the contradictory signals from markets. In aggregate, fund managers have loaded up on bonds more than at any time since March 2009, pushing yields down. Nearly two-thirds think the Fed will cut rates in the final quarter of this year or the first quarter of next year. They are shunning the stocks of financial firms more than at any time since the first covid-19 lockdowns. Their top candidates for the most crowded trade are "long big tech stocks" and "short US banks".

Every one of these positions would be harmed by a strengthening economy and

sustained high interest rates. Rising long-term yields would force bond prices down and wreck bets on the Fed cutting. Though banks' bond portfolios would suffer, steady growth and an upward-sloping rather than inverted yield curve would boost their lending margins and help their shares recover. Without rate cuts, big tech firms would lose access to cheap borrowing, and the higher yields available on bonds would make the uncertain promise of future revenues less attractive by comparison. Their immediate earnings prospects might improve. But with valuations already sky-high, their scope to benefit from this would be limited.

Admittedly, this scenario is far from the most likely outcome. The Fed itself thinks that rates will eventually settle at around 2.5%. Investors and pundits predicting ongoing hawkishness are vanishingly rare. Monetary tightening has already caused global markets to plunge, Britain to flirt with a sovereign-debt crisis and America to experience banking turmoil. The idea that the economy hums along even as rates stay high or rise further seems far-fetched.

Yet monetary policy could also stay tight amid a slowing economy, and that alone would give investors a bloody nose. Inflation, though falling, remains unslain. Jerome Powell, the Fed's chairman, is determined not to repeat the mistakes of the 1970s by giving up the fight against rising prices too early. And it is not only central banks that influence interest rates. As politicians squabble over America's debt ceiling, the risk is growing that they miscalculate, trigger a sovereign default and send borrowing costs spiralling by accident. This might seem like a remote risk. But almost by definition, pain trades always do.

Free exchange | Trolley problems

Economists and investors should pay less attention to what consumers think

It is an idea so seemingly obvious as to need little elaboration: people's feelings influence their behaviour. In the economic realm this truism helps explain why surveys of consumer sentiment garner attention. They are seen as predictive of spending trends and, by extension, the state of the economy. But pause for a moment to examine how exactly sentiment affects the economy, and the causal chain starts to look sketchier. At the current juncture, when many think America is on the brink of recession, this oft-cited but fallible leading indicator merits closer inspection.

Understanding consumer spending is a holy grail for forecasters, since it accounts for about two-thirds of American GDP. Get it right, and the rest of the economy becomes much clearer. But the past couple of years have not been kind to those who focus on sentiment as a guide to future spending. The most closely watched index of consumer sentiment, published monthly by the University of Michigan, plunged to its lowest reading in more than four decades in 2022, and yet consumer spending remained resilient, even after accounting for inflation. This year, by contrast, the Michigan gauge has gained ground, and yet other indicators, including bond yields and lending flows, are flashing warning signs.

The main explanation for why sentiment has been more of a misleading than a leading economic indicator is that inflation has outweighed much else in consumers' minds. To generate their measures, interviewers ask people questions such as whether they think the economy is heading in a good direction and whether they are planning to make big purchases. Consumers tend to be gloomy when prices soar, as happened last year. They give short shrift to slightly more complex factors, such as the big stash of savings many accumulated during the covid-19 pandemic.

But the gap between subjective pessimism and objective reasons for greater optimism highlights a quandary. The claim is that people's feelings, whether justified or not, matter. When gloomy, they ought to spend less. If they contradict their own feelings and keep spending, then what exactly is the value of sentiment data?

It is a question that has bugged economists since consumer surveys got going after the second world war. In 1955 the Federal Reserve examined re-interviews of respondents, conducted a year after initial surveys, to see whether expectations predicted subsequent expenditures. Officials concluded that they did not. Rather than that being the final word, however, the sentiment industry only expanded over the years. In 1967 the Conference Board introduced its own consumer survey. In the 1980s ABC, a television network, started sponsoring a weekly version, which was later taken over by Bloomberg, a data and media firm. Morning Consult, a pollster, launched a daily survey in 2018. Evidently, there is a big market appetite for sentiment indices, whatever their flaws.

To understand why, it is useful to consider a weaker case for such indices: not that they foretell the future but that they can reveal the present. An article in 1994 in the *American Economic Review* found that data on consumer confidence significantly improved forecasts of consumption growth when it was the sole explanatory factor. The problem is that when other variables such as incomes or employment were known, confidence data contributed little to the forecasts. On an intellectual level that is a damning assessment of the role of sentiment, showing that feelings by themselves have little bearing on the economy. But it indicates that surveys may have some use: sentiment reflects what people personally know about their incomes and their jobs, and it is these variables that ultimately influence their spending.

Sentiment gauges are especially prized given the time lag in economic data. The University of Michigan, for instance, published its preliminary consumer-sentiment index for April on the 14th. The Bureau of Economic Analysis will not publish data on personal incomes for April until May 26th. But even in such instances, their usefulness can easily be overstated. Monthly variations in sentiment surveys tend to be minor and volatile, much like the variations in spending patterns that they foreshadow.

A paper by the European Central Bank in 2011 found that sentiment indices were most useful in periods of upheaval. The bottom fell out of consumer surveys, for example, towards the start of the global financial crisis of 2007-09. Likewise, John Leer of Morning Consult notes that his company's consumer index turned sharply negative in late February 2020, a month before the covid-induced downturn. Yet in truth, sentiment was far from the only sign that the economy was in trouble: a sharp sell-off in the stockmarket occurred at the same time, reflecting the barrage of bad news about the pandemic. Consumer surveys added to the picture of economic malaise. They hardly conjured it out of thin air.

Head in the clouds

Arguably the biggest virtue of sentiment surveys is simply that so many in the market monitor them. And it is not just investors. When the Fed raised interest rates by a whopping three-quarters of a percentage point last June—its first of four increases of that size—Jerome Powell, the central bank's chairman, said that one factor was a jump in inflation expectations in the University of Michigan consumer survey. Duly informed, investors paid extra heed to the Michigan inflation reading for the next few months.

Could the downbeat sentiment indices of the past year eventually look prescient? There is, beyond consumer surveys, plenty of reason to think that an American recession may be in the offing at last: fallout from banking-sector turmoil and the ongoing debt-ceiling debacle come just as the labour market is starting to cool. But as Zachary Karabell wrote in a book about leading indicators in 2014, the conclusion is a more frustrating one: "Sentiment gauges are right just often enough to make them compelling and wrong far too frequently to make them reliable." You do not want to look at them too closely, even if you cannot make yourself look away. ■

Overprescribing drugs

An ill for every pill

Getting patients off the wrong drugs can be as helpful as putting them on the right ones

As a pharmacist in a big hospital in Adelaide, Emily Reeve would often see patients overwhelmed by the number of drugs they took each day. "They'd say 'I take so many medicines that I rattle when I walk'," she recalls. And she worried that some of the medications these patients were on seemed useless, or even harmful.

Dr Reeve's patients are not unusual, at least in the rich world. About 15% of people in England take five or more prescription drugs every day. So do 20% of Americans and Canadians aged 40-79. Since the old tend to be sicker, the number of pills a person pops tends to rise over time. Of Americans who are 65 or older, two-thirds take at least five medications each day. In Canada, a quarter of over-65s take ten or more.

Not all those prescriptions are beneficial. Half of older Canadians take at least one that is, in some way, inappropriate. A review of overprescribing in England in 2021 concluded that at least 10% of prescriptions handed out by family doctors, pharmacists and the like should probably not have been issued. And even properly prescribed drugs have side effects. The more medicines someone takes, the more they will experience.

"Polypharmacy", as doctors call it, imposes a big drag on health. A recent study at a hospital in Liverpool found that nearly one in five hospital admissions was caused by adverse reactions to drugs. The Lown Institute, an American think-tank, reckons that, between 2020 and 2030, medication overload in America could cause more than 150,000 premature deaths and 4.5m hospital admissions.

Getting people off drugs is unfamiliar terrain for modern health systems, which are mostly set up to put patients on them. But that is beginning to change. Doctors, pharmacists and nurses are setting up "deprescribing networks" to try to spread the word. (Dr Reeve, now at Monash University, in Melbourne, runs one in Australia.) England's National Health Service published a plan to reduce overprescribing in 2021. The first international conference on it took place last year, in Denmark.

Excessive pill-popping burdens patients in several ways. One is the sheer logistics of it all. "People feel like their entire lives revolve around their medications," says Michael Steinman, a professor of medicine at the University of California, San Francisco. The more drugs someone takes, the greater the chances are that some of them will be taken wrongly.

Other problems are more straightforwardly medical. Some patients end up taking several drugs that affect the same biological pathway. One example is anticholinergics, which suppress the activity of acetylcholine, a neurotransmitter. Several drugs, including some anti-allergy pills, anti-incontinence drugs and tricyclic antidepressants, work this way. But doctors are not always aware of that, says Dr Reeve.

The pills won't help you now

That can cause overdosing. Loading up on anticholinergics can suppress acetylcholine so strongly that it can leave patients stupefied or confused. Often such effects are wrongly ascribed to old age, or to disease. By cutting away problematic drugs, "we've had incidents where we have been able to reverse the [incorrect] diagnosis of dementia," says Barbara Farrell, an academic and pharmacist at the Bruyere Research Institute in Canada.

Overprescribing can become self-reinforcing, says Dr Steinman. Several com- ▸▸

mon drugs block reabsorption of serotonin, another neurotransmitter. Taking too many can cause tremors, insomnia and jerky movements of the arms and legs. Those symptoms are often mistaken for Parkinson's disease. So drugs for Parkinson's are added, in what is known as a "prescribing cascade". These, in turn, can cause low blood pressure and delirium–which are, of course, treated with yet more drugs.

The problems compound in other way, too. The more pills someone takes, the more likely it becomes that some of them will interact in harmful ways. Pharmacists have reference databases which they check for nasty drug interactions. But knowledge is limited because clinical trials tend to test only one drug at a time. Pharmacists cannot catch problematic combinations when different prescriptions are dispensed at different pharmacies. And anything bought over the counter is "completely invisible", says Dr Steinman.

All these effects are compounded yet again in the elderly, whose bodies are less efficient at metabolising drugs. Sleeping pills, for example, might make a youngster a bit drowsy the next morning. In an elderly individual they can cause "brain fog" that makes everyday tasks impossible. Getting the dose right is difficult, says Dr Farrell, "because [old people] are usually excluded from clinical trials for new drugs".

Medication overload persists for several reasons. One, particularly in America, is advertising, which oversells the benefits of medicines, says Dr Farrell. Lack of unified personal health records is another. A cardiologist may prescribe drugs for a patient without knowing what the doctor treating his lungs may have put him on.

Perhaps the most common reason is that patients are not told when to stop taking a drug, or forget. In America one in five patients who are given gabapentin, a potent painkiller, after surgery are still taking it 90 days later (the recommended maximum is four weeks). Often prescriptions are renewed automatically by other doctors, who see them on a patient's notes and assume they have to be continued.

Many doctors presume that, in any case, patients are not particularly interested in stopping their medicines. That is probably wrong: studies from a number of countries show that eight out of ten patients are willing to give up a drug if their doctor advises them to do so. But those doctors face problems of their own. Money for de-prescribing studies is scant. Drug firms, the main sponsors of clinical trials, are not interested, for obvious reasons.

Evidence about how to proceed is nevertheless starting to build up. Brochures have been developed in Canada to help patients wean themselves off a number of common drugs. They explain, among other things, what alternatives are available—such as cognitive behavioural therapy rather than sleeping pills for insomnia. Trials suggest they work.

Automated de-prescribing tools and guidelines for some medicines have also been developed in recent years. Medsafer, one such electronic tool, increased the share of hospital patients for whom drugs were de-prescribed from 30% to 55%, according to a study published earlier this year in *JAMA Internal Medicine*. The Drug Burden Index, another tool, tallies the cumulative doses of drugs with anticholinergic or sedative effects.

A medical movement, in other words, is beginning. Its potential impact could be considerable. Keith Ridge, England's chief pharmaceutical officer, drew an ironic but telling comparison in 2021: "With well over a billion items dispensed each year", he wrote, "there is a huge prize to be gained in improving the health of millions of people—comparable to a new 'blockbuster' medicine—if we can only get this right." ■

Private spaceflight

If at first you don't succeed...

Despite this week's failure, private firms are increasingly interested in the Moon

"THE MOON is a Harsh Mistress", by Robert Heinlein, was both the most influential 20th-century novel about the Moon, and the one with the raciest title. In the body of the book, though, the Moon's role is less dominatrix, more docent. In the speech from which the title stems the Moon is "a stern schoolmistress" who teaches "harsh lessons". And this, it seems, is true.

The latest pupils to walk out of one of her tests with only a new crater to show for their hard work are the team at ispace, a Japanese firm, who failed to land their *HAKUTO-R Mission 1* on April 25th. The spacecraft, launched last December, had performed nicely as it took a slow, energy-efficient route to the Moon, put itself into orbit, and made various fine adjustments exactly as its designers had intended. On the final journey from orbit to surface, though, its engine cut out early and it fell to the surface.

Quite why it ran out of fuel is not clear. But it is not all bad news. Managing to get to within a few kilometres of the Moon's surface may sound like a pyrrhic victory, but it shows that most of the company's engineering works. The mission was insured. And though the company's share price dropped by 20% after the crash, it was still comfortably above the level at which it listed on the Tokyo Stock Exchange Growth Market just a couple of weeks ago. The firm is at work on a second spacecraft for launch next year, and it is providing a Moon lander of a different design as part of a team working on a mission for 2025.

Lesson learned

The biggest difference between ispace and those that have landed on the Moon before is that it is a private company. All previous landings have been by national space agencies. Firms did not attempt them because there was no commercial opportunity. Now there is. America's space agency, NASA, is buying delivery-to-the-Moon services from private entities. The first two such landers, built by Astrobotic and Intuitive Machines, are set to launch this summer. A third will will use ispace's 2025 lander.

America is not the only customer. *Rashid*, a rover developed by the UAE's space programme, was a paying passenger on *HAKUTO-R Mission 1*. The first Astrobotic mission will carry five rovers developed by Mexico's space agency.

The loss of ispace's lander can only add to the next missions' jitters. But it is not unusual. The Soviet Union failed on its first try in the 1960s; the Indian space agency and a private Israeli mission did so in 2019. Five entities are set to try to land on the Moon before the end of the year: the two American firms, and the space agencies of Japan, Russia and India (which is making its second attempt). The chances of them all succeeding seem slim. The Moon will boast new craters. And an ever more diverse student body back on Earth will learn new lessons.

Reducing cement emissions

Back in the mix

Cement produces huge quantities of carbon dioxide. A green alternative could change that

THE WORLD gets a little greyer every year. According to a paper published in 2014 concrete—an aggregate material made by mixing cement, sand and gravel—is the second-most consumed substance in the world after water. Around three tonnes of the stuff are poured each year for every person on the planet.

All that building affects not just the surface of the Earth but its atmosphere as well. The annual production of around 5bn tonnes of cement, the essential ingredient in concrete, is responsible for around 8% of the world's man-made emissions of carbon dioxide, the main greenhouse gas. Were the cement industry a country, it would be the third-biggest carbon-dioxide polluter after China and America.

Researchers are trying to find ways to cut those emissions, but it is not easy. Alternative materials, such as engineered timber, can replace concrete in some buildings. Additives can reduce the amount of cement needed to make concrete, but do not solve the problem completely. Cement-makers are also looking at capturing the carbon their factories emit and sequestering it underground. But despite a few small-scale trials with power stations and oil rigs, capturing carbon remains a mostly untried technology.

Fortunately, another idea is taking shape. In early May six tonnes of what is claimed to be the world's first zero-emissions cement will be made at the Materials Processing Institute, an industry-backed research centre in Middlesbrough, north-east England. This might seem a paltry amount, but it should be enough to demonstrate how well the cement works. If all goes to plan, Cambridge Electric Cement, the firm behind the idea, plans to scale up production and use the stuff in a real construction project.

Reuse and recycle

The reason cement is so hard to decarbonise lies in the chemistry of how it is made. The key ingredient is limestone, which is mainly calcium carbonate. It contains both oxygen and carbon. The limestone is mixed with silica-bearing clay and other materials then heated in a rotating kiln to more than 1,400°C. A chemical reaction called calcination drives the carbon from the limestone, producing lime. The carbon then combines with oxygen to form the unwanted carbon dioxide.

What is left behind are lime-based lumps of a material called clinker. This is cooled and then milled into cement powder. Around half the carbon-dioxide emissions from cement making come from the calcination reaction alone (the rest coming mainly from quarrying the limestone and heating the kiln). All told, around one tonne of carbon dioxide is produced for every tonne of cement.

Cyrille Dunant and his colleagues at the University of Cambridge, who founded Cambridge Electric Cement, hope to sidestep that troublesome chemistry by recycling old cement from demolished buildings. Liberating cement from scrap concrete is not, in itself, a new idea. But attempts to recycle it through a cement kiln have tended to produce a poorer-quality product than using fresh ingredients.

Dr Dunant and his team think they have solved that problem with help from another heavy industry: steel recycling. They noticed that the chemical composition of old cement powder is virtually identical to that of the lime flux used in electric-arc furnaces to recycle scrap steel. As the steel melts, the flux forms a slag that floats on the surface, where it prevents the liquid steel reacting with air and creating impurities.

The Cambridge team found that a paste made from old cement can perform the same job just as well—and that the heat from the furnaces can turn it back into good-quality clinker at the same time. "The cement paste that was put in came out as new cement," says Dr Dunant. And unlike cement kilns, which are heated by flames, electric-arc furnaces zap their contents with high-powered electrical currents to heat them. That means they can be powered by zero-carbon electricity.

So far, the team has made tens of kilograms of their recycled, zero-carbon cement. The results are promising, says Philippa Horton, another of the company's founders. The biggest potential snag is that the quantity of cement that can be produced will depend on how much can be recovered from the demolition of old buildings, bridges, roads and the like, as well as on the availability of electric-arc furnaces. But Dr Horton reckons that, in Britain alone, it might one day be plausible to produce enough cement to meet a quarter to a half of total demand.

In the meantime, a number of construction firms are working with the researchers to get the project off the ground. They include the Day Group, a British supplier of construction materials, which is developing a crusher that can recover old cement from rubble in the form of a paste. Celsa, a Spanish steel company, is converting an electric-arc furnace at its plant in Cardiff to produce the first lot of Cambridge Electric Cement on a commercial scale.

Once all that infrastructure is ready, perhaps next year, Atkins and Balfour Beatty, two building and civil-engineering firms, will oversee the construction of the first building to use the recycled cement, which will be the ultimate test of its worth. One idea is to use cement recovered from a demolished building to construct its replacement on the same site. That would be a neat demonstration of the green benefits of a circular economy. ■

Film-making on the front line

Moving pictures

KYIV

Ukrainian film-makers are striving to capture the realities of war

When Russia invaded Ukraine on February 24th last year, Alisa Kovalenko was on an overnight train from Kyiv, heading east. She was on her way to film footage of teenagers in a village in Donbas, on the front line of the conflict that had rumbled there since 2014. She soon realised that her mission was impossible.

"What can you do with your camera," Ms Kovalenko asks, "when there are bombs falling on your head?" She helped several of the figures in the documentary she was making, "We Will Not Fade Away" (see picture), reach safety; it had its premiere at the Berlin International Film Festival this February. Then she said goodbye to her French husband and young son and joined a volunteer unit, fighting first near the capital, then, last April and May, near Kharkiv, when Ukrainian troops pushed Russian forces back towards the border.

Ms Kovalenko is part of a new generation of Ukrainian film-makers who came of age during the Maidan revolution of 2013-14 and have increasingly won audiences and prizes abroad. Documentarians developed a personal and domestic style. For instance, "The Earth Is Blue as an Orange", which won many awards in 2020-21, depicted a family in a war zone filming a documentary about themselves. Feature films blossomed, too. Set in a boarding school for deaf teenagers, "The Tribe" won several prizes at Cannes in 2014. "Falling" (2017) was a sparse, dislocated love story exploring themes of violence, corruption and identity. "Atlantis" (2019) was a dystopian fantasy set in a post-war Donbas.

As Daria Badior, a critic and co-curator of a film festival in Kyiv, puts it, the first response of Ukrainian film-makers to political upheaval was "to make something that reflected their lives". Beneath these intimate stories, the conflict in Donbas shuddered through Ukrainian films of the past decade. Yet for many film-makers, as for Ms Kovalenko, last year's all-out Russian onslaught seemed to render their craft almost irrelevant.

"I had a very strong feeling that cinema didn't matter any more," says Marina Stepanska, director of "Falling". "I considered quitting." In the weeks after the invasion, film-making ceased. Government funding dried up. "Many film-makers went into the army," says Ms Badior, "along with actors, screenwriters, cinematographers and sound engineers." Some were wounded; others, such as Viktor Onysko, a friend of hers and a talented editor, have perished.

After the initial shock, directors turned to documentaries to capture the reality of war. Ms Stepanska is making one that follows several people in the film community who have joined the war effort, observers turned participants. She hopes to avoid clichéd images of conflict and instead "to build a story of daily experiences": the boredom and solitude of a foxhole; soldiers' recurring conversations about fear and death. "These ordinary things interest me more than ruins and action."

For her part, Ms Kovalenko found herself filming a kind of video diary at the front: "I wanted to save some memories for my son, in case I died." She filmed simple things, "trees and grass and the trenches, routine life." War, she says, is "not only about action and bombing; it is also about waiting and looking at the same lines of horizons for hours and hours." Ms Stepanska persuaded her to turn this footage into another film. Having left her unit, Ms Kovalenko plans to overlay a narration drawing on letters she wrote to her son to read when he was older. The text is "experimental and poetic", she says. "On the front line you're in an extreme situation, and you have lots of reflections about your life."

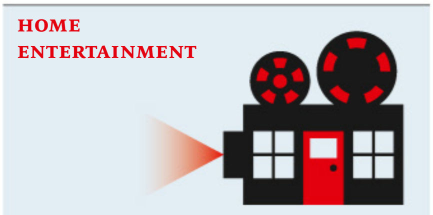
As for feature films, the obstacles are now ethical rather than creative or practical. Foreign cultural institutions and production firms have set up funds to support Ukrainian film-makers. Directors are already scouting for re-enactments of the atrocities committed by Russian troops in Bucha last year. For many others, though, it is too soon to turn the ghastly facts of the war into fiction. "I think we need more time," says Ms Kovalenko.

Camera, action

"For me personally, it's a dilemma," says Denis Ivanov, a prominent producer. "You can't be silent about what has happened," he says, "but I don't think it seems right to make these films now." They risk coming across as "war porn". He is developing a script for a feature film about the siege of the Azovstal steel plant in Mariupol, in collaboration with Oleh Sentsov—a well-known director from Crimea who spent more than five years in prison in Russia and is now serving on the front line. But they have decided not to discuss it publicly, and won't release it before the war ends.

"Rhino", Ms Sentsov's movie about the rise of a Ukrainian gangster in the 1990s, was released in February 2022. "We joke that the Russian invasion killed our second box-office weekend," says Mr Ivanov, who produced it. Now, despite the ongoing bombardment, Ukrainian cinemas are open. "Avatar 2" has been popular, as have Ukrainian films made shortly before the war, among them "Klondike", a family drama set against the shooting down of flight MH17 over Ukraine in 2014, and "Mavka. The Forest Song", an animated fairy-tale. Almost all Ukraine's regular film festivals are persevering, notes Ms Badior, if with some relocations and delays. An impresario even put on a festival of old Ukrainian war films in a bomb shelter in Mykolaiv.

Kyiv Critics' Week, the festival that Ms Badior runs, opened in October, just as Russia launched strikes against Ukraine's electrical infrastructure. Her team bought extra generators; screenings were packed. "It was very reassuring," she says, "that after all the tragedy and the heartbreak, the deaths and the funerals, you can still come to the cinema and watch a film, like it or dislike it, discuss it afterwards...It was a beautiful thing." ■



Devotional music

Sister act

A psychedelic pop album by an Australian nun is an uncanny pleasure

IT STARTS WITH an incantatory, haunting voice: "Fire, fire, burning, warming cold hearts..." The words are distant and echoing, as if they are coming from inside a dark cave or a cathedral. The vocalist is soon joined by a gently pulsing rhythm. The song, called "Fire", is an enchanting piece of music. It sounds vaguely like some electronic pop that was made in the 1980s, yet it is actually the work of Sister Irene O'Connor, an Australian nun.

You may have heard "Fire", or at least a fragment of it, before. Last year it featured in "Killing Eve", a hit television series, providing the soundtrack to a scene in which the show's psychopathic anti-hero, Villanelle, is baptised. James Blake, a British pop star, sampled the song on "Where's The Catch?", a track of 2019. "Fire" has been remixed in a reggaeton style by an artist in Brazil; a Swedish metal band used to play it at the start of their concerts. In February the album on which it originally appeared, "Fire of God's Love", was released digitally for the first time, half a century after it came out on vinyl.

Sister Irene's involvement in the recording industry dates back to the 1960s. She was teaching in Singapore at a kindergarten for children with learning difficulties when, one day, she picked up a guitar and sang to the youngsters. They loved her performance, and word got around about the musical nun. She recorded several albums.

It was in Singapore that Sister Irene befriended Sister Marimil Lobregat, a fellow teacher and music enthusiast. Years later the two nuns both moved to Sydney and entered the same Franciscan convent. Sister Marimil became a collaborator on "Fire of God's Love", handling the production and lending the music its eerie, psychedelic-folk mood. Sister Irene wrote the songs, sang the vocals and played all the instruments.

The album was first released by Philips Records, a Dutch conglomerate, in 1973. Though it didn't sell in big quantities at the time, in the decades since it has earned a cult following. In 2008 Darren Seltmann of the Avalanches, an electronic-music group, named "Fire of God's Love" one of the best Australian albums of all time. The LP has long been a holy grail for discerning crate-diggers, who pay high prices for original vinyl copies.

Sister Irene recently celebrated her 90th birthday. She now lives in an old-people's home in Sydney; some proceeds from the reissue will go towards paying for her care. For now it is only available digitally, through Sister Irene's website—vinyl collectors will have to wait a little longer for the 21st-century edition. Listen to the music closely, and it becomes clear that, for all its impressive sonic ingenuity, at the heart of the album is a sincere religious devotion. As "Fire" comes to a close, Sister Irene sings: "We'll pass from death to life one day to share/God's endless life of love beyond compare."

Speaking to *The Economist* from a sunlit park bench, Sister Irene was surprised and happy that her distinctive music was being appreciated anew. The flame of her startling creativity burns on. ■

Japanese literature

A world of their own

TOKYO

Readers in the West are embracing Japan's bold women authors

MURATA SAYAKA has long kept company with imaginary friends. She first conjured them up as a child, while enduring bullying at school and hectoring at home. Her parents forced her to practise cooking and encouraged "girlie" behaviour, thinking that would one day help attract a rich husband. "I didn't feel like my body, my life, belonged to me," Ms Murata (pictured) says. She dreamed of flying away, on a spaceship with her fantastical companions, to a planet where she would belong.

Throughout her fiction, Ms Murata questions what it means to be "normal" and writes sceptically about family life. Her work has struck a chord in Japan, her conservative home country. Her semi-autobiographical novel, "Convenience Store Woman", won the prestigious Akutagawa literary prize in 2016. It has since been translated into more than 30 languages and sold over 1.5m copies.

Ms Murata's work has helped usher in a new era of Japanese literature in translation. "Convenience Store Woman" came out in English in 2018 and its feminist undertones may have resonated amid the #MeToo movement, thinks Ginny Tapley Takemori, its translator. In 2020 "Breasts and Eggs", a novel about pregnancy and beauty standards by Kawakami Mieko, another female Japanese author, also became an international bestseller. "Publishers used to ask for the next Haruki Murakami," says David Boyd, a translator who has worked on Ms Kawakami's books. "Now they ask: What's going to be the next 'Convenience Store Woman'?"

Though the settings may be unfamiliar to Western readers, these books examine universal themes, such as the challenges of family life. In "Weasels in the Attic" (2022), a novella made up of interlinking stories, Oyamada Hiroko portrays an unhappily married couple who seek fulfilment by having a baby. "In Japan, it seems as if women are seen as incomplete unless they have a child," says Ms Oyamada. Her short story "Spider Lilies" explores the related obsession with breastfeeding. "When I had a baby, I felt like my breasts were a public asset," the author says. "Strangers kept asking me: 'Is the milk coming?'"

Ms Murata's view of motherhood is even more caustic. The women in her fiction are often "monstrous". In "Nothingness", a short story, the female protagonist is incapable of maternal affection. Ms Murata once hoped her own mother would shower her with unconditional love. She now says the mother-daughter relationship usually involves "beautified abuse".

Murata's shop of horrors

Today's literary stars belong to a long lineage of feminist writing in Japan. In the 1970s, amid anti-war and anti-capitalist feminist movements, the child-killing mother became a popular trope in fiction by Japanese women, says Iida Yuko of Nagoya University. Novelists including Oba Minako and Kono Taeko used disturbing imagery to rebel against a view of women as baby-making machines. Bookish types hope the new overseas interest in Japanese writers will extend to this period, too.

Yet the likes of Ms Murata are breaking new ground in their bold depictions of sexuality. "Growing up and dating men, I never thought women could be sexual agents," she says, noting that Japanese popular culture idealises subservient women. Her characters are aroused by things such as stuffed toys and curtains: whereas heterosexual love often turns into a "manual", intimacy with objects is more "creative", she writes in "Vanishing World", a sci-fi tale of a world where people breed through artificial insemination. "There's always a hierarchy between man and woman," echoes Ms Oyamada. In "Lost in the Zoo", a short story, she likens unhappy families to caged animals, trapped by convention. A lesbian couple, by contrast, exude an air of liberty.

These books may be by and about women, but a man's perspective can be useful, Ms Oyamada suggests. "When I depict men's behaviour through the eyes of a woman, many people see it as an attack," she says. "I can avoid that by speaking as a man." She stages chauvinistic discussions between male characters in "Weasels in the Attic", demonstrating their obliviousness to the demands of child-rearing. "Most men aren't even aware of the pain they inflict on women," she says. "It's good that such pain is becoming more visible." ■

European history

Continental rift

Revolutionary Spring. By Christopher Clark. *Allen Lane; 896 pages; £35. To be published in America by Crown in June; $40*

AT THE OUTSET of this magnificent chronicle of the events leading up to and beyond 1848—the year revolutions spread to almost every country in Europe—Christopher Clark confesses that when he first learnt about them at school, he was not enthused. Thanks to squabbling within the loose-knit coalitions of revolutionaries, and the delayed but brutally effective response of the reactionary establishment, the story of the upheavals lacked "a moment of redemptive closure". Picturing what happened clearly is hard, both because of the continental scale of the turmoil and because the discontents that triggered the revolutions varied. "Complexity and failure are an unattractive combination," Professor Clark, a historian at Cambridge, wryly admits.

He tackles the complexity by giving sufficient space to the often thrilling stories of every uprising, and by basing his tale on a compelling cast of idealists, thinkers, propagandists, cynics, adventurers, opportunists and (often doomed) heroes. As for failure, Professor Clark is adamant that in many countries the revolutions were the precursor of "swift and lasting constitutional change". The tumult, he writes, was "the particle-collision chamber at the centre of the European 19th century. People, groups and ideas flew into it, crashed together, fused or fragmented."

The movements and ideas tested in this chamber included liberalism, democratic radicalism, socialism, nationalism, conservative monarchism and even corporatism. After 1848 Europe rapidly became a very different place. Even conservative regimes (such as Prussia's) or authoritarian ones (such as Napoleon III's in France) embraced technological and administrative methods to improve living standards for workers and the bourgeoisie.

One of the challenges of 1848 is identifying what caused the conflagration that leapt from city to city in February and March. Professor Clark opens with a harrowing chapter on the immiseration of the poor over the previous decade or so. Rising populations and a devastating potato blight drove hungry peasants into towns, where itinerant labourers and their families lived in squalor. Children were put to work in dangerous factories. Artisans who ▸▸

had been relatively comfortable, such as weavers, found their wages driven down by trade and industrialisation.

Writers and analysts documented and publicised this "social question", among them Ange Guépin and Eugène Bonamy, two French doctors; Bettina von Arnim, a German author and activist; and Friedrich Engels. Penury was not, in the end, the spark that ignited the revolution. But it provided the fuel, in the form of a desperate urban working class.

The first revolt, in Palermo, Sicily, was inspired by the island's history of "romantic nationalism". But it was Paris which, as ever, inspired revolutionary fervour across Europe. And in Paris it was the banning on February 14th by the prime minister, François Guizot, of a large banquet on the 22nd—organised by republicans and liberal reformers—that brought the previously moderate opposition out onto the streets. A ruse to get around a prohibition on public assemblies, the banquets were a forum for demands to extend the franchise.

As the riots spread, the inevitable happened. A shot was fired; soldiers defending the Ministry of Foreign Affairs from a surging crowd panicked and killed 52 people. Events then moved with astonishing speed. It was, writes Professor Clark, "a Tahrir Square moment". Hundreds of barricades went up. Soldiers of the National Guard refused to shoot, embracing their fellow citizens instead. On February 23rd Guizot and his ministry resigned. Louis-Philippe, the king, abdicated. On the 25th the poet-politician Alphonse de Lamartine announced the forming of a provisional government and the founding of the Second Republic.

In nearly all Europe's capitals, the author observes, authorities had prepared for the wrong sort of revolution—a tightly organised uprising of the kind that had broken out before. "What happened was something more inchoate," he says; "something anchored not in seditious conspiracy, but in the waning of respect and trust and in the emergence, unexpectedly, of a cause—the right to assemble—capable of bringing together heterogeneous disaffected elements, at least temporarily." Within weeks the arch-conservative chancellor of Austria, Prince Klemens von Metternich, had fled from Vienna. King Frederick William of Prussia had pulled his army off the streets of Berlin after hundreds of demonstrators were killed. The kings of Piedmont-Sardinia, Denmark and Naples had all issued constitutions.

But "temporarily" was the key word. The alliances of radicals, liberals, workers and students were fractious. The liberals feared excessive upheaval but wanted to extend the franchise, freedom of assembly, the end of press censorship, equality under the law and a modest amelioration of the plight of the poor. Radical democrats and workers, on the other hand, were ready to tear down the pillars of an irredeemably unjust society.

As the revolutionaries divided, the forces of conservatism recovered their self-confidence—and with it a willingness to use both unrestrained military might and executions on a draconian scale. Following further upheavals and the spilling of much blood, the revolutions were essentially over by late 1849. The short-lived Roman Republic was crushed by French troops. The Hungarian Revolutionary Army was destroyed by forces loyal to the Habsburg Empire and a 300,000-strong Russian army of occupation.

"Towers prevailed over squares," Professor Clark concludes. "Hierarchies beat networks. Power prevailed over ideas and arguments." The lament of the poet Robert Browning of a few years earlier—"Never glad confident morning again!"—seemed to apply to the revolutionaries. Yet as this scintillating book shows, their sacrifices were not wholly in vain. ■

From Paris to the world

Finance and society

Pantomime villains

Our Lives in Their Portfolios. By Brett Christophers. *Verso; 320 pages; $29.95 and £20*

Which bits of a country should the state control, and which can be privatised? In the last decades of the 20th century, the answer to one of the thorniest questions in political economy shifted decisively. Starting in Britain and America, in the 1980s governments sold off some $185bn-worth of assets (roughly equivalent to Australia's GDP in 1985). The Soviet Union's fall, and the transformation of eastern Europe from a communist bloc into a series of market economies, supercharged the trend. In big swathes of the world not only state-owned companies but housing, railways, sewage pipes, power grids and much else became private property.

Now, argues Brett Christophers of Uppsala University in Sweden, the building blocks of everyday life are changing hands again. Assets such as housing and infrastructure are being bought not just by private operators, but by asset managers—financiers who invest the money of pension schemes, insurance firms, university endowments, sovereign-wealth funds and the rich. As a result, growing numbers of people live in what Professor Christophers terms an "asset-manager society", in which "asset managers increasingly own and control our most essential physical systems and frameworks."

As the title of his new book, "Our Lives in Their Portfolios", suggests, Professor Christophers finds this deeply troubling. Professional money managers, he says, are "relentless in squeezing maximum profits" from their assets. They cut costs, skimp on investment and raise rents wherever they can get away with it—and are now doing so for services like housing and water that people cannot do without. They promise long-term stewardship when buying vital infrastructure, then sell with "unseemly haste" to reap quick profits.

And their influence is largely invisible, Professor Christophers writes, due to lax disclosure requirements, which makes analysis too much like "detective work". Ultimately, despite the "terrific and tenacious" front men who convince governments to trust them with society's essentials, asset managers' "product is snake-oil, and their utopia a pure moonshine".

The book's argument is lively and studded with anecdotes. But it is undone by its flaws and inconsistencies. Investment firms' increasing fondness for such assets is indeed striking. So far, though, they own a minuscule proportion of them. Professor Christophers estimates that, globally, around $1trn-worth of housing and $3trn-worth of infrastructure are in asset managers' hands. These numbers sound big. But Savills, an estate agent, reckons that in 2020 the total value of global residential property stood at some $260trn. To talk of an "asset-manager society" is a stretch.

Given the author's aversion to asset managers owning social infrastructure, his account of the costs of the phenomenon is surprisingly limp. Accusing such investors of "profit-maximising" is a "vanilla critique", he concedes, as the pursuit of profit is hardly unique to them. But elsewhere in the book, their "relentless" cost-cutting and rent-hiking are key planks of his case. Concessions extracted from governments to "de-risk" investment in needed infrastructure, at huge expense to the taxpayer, are presented as a decisive argument against such private investors. In reality these are examples of poor negotiation by governments, a weakness that can also nobble their use of public money.

The irony is that asset managers such as Blackstone, Brookfield and Macquarie—the three villains of the author's story—have indeed reshaped the world of investment. Over the past decade their stellar returns from private assets, as opposed to stocks and bonds, have led big institutional investors to entrust them with ever more cash. Pension schemes and university endowments depend on them sustaining a winning streak that probably won't last. That is a serious risk. A takeover of society by shadowy money men is not. ■

Johnson The language instinct

ChatGPT's way with words raises questions about how humans acquire language

When Deep Blue, a chess computer, defeated Garry Kasparov, a world champion, in 1997 many gasped in fear of machines triumphing over mankind. In the intervening years, artificial intelligence has done some astonishing things, but none has managed to capture the public imagination in quite the same way. Now, though, the astonishment of the Deep Blue moment is back, because computers are employing something that humans consider their defining ability: language.

Or are they? Certainly, large language models (LLMs), of which the most famous is ChatGPT, produce what looks like impeccable human writing. But a debate has ensued about what the machines are actually doing internally, what it is that humans, in turn, do when they speak—and, inside the academy, about the theories of the world's most famous linguist, Noam Chomsky.

Although Professor Chomsky's ideas have changed considerably since he rose to prominence in the 1950s, several elements have remained fairly constant. He and his followers argue that human language is different in kind (not just degree of expressiveness) from all other kinds of communication. All human languages are more similar to each other than they are to, say, whale song or computer code. Professor Chomsky has frequently said a Martian visitor would conclude that all humans speak the same language, with surface variation.

Perhaps most notably, Chomskyan theories hold that children learn their native languages with astonishing speed and ease despite "the poverty of the stimulus": the sloppy and occasional language they hear in childhood. The only explanation for this can be that some kind of predisposition for language is built into the human brain.

Chomskyan ideas have dominated the linguistic field of syntax since their birth. But many linguists are strident anti-Chomskyans. And some are now seizing on the capacities of LLMs to attack Chomskyan theories anew.

Grammar has a hierarchical, nested structure involving units within other units. Words form phrases, which form clauses, which form sentences and so on. Chomskyan theory posits a mental operation, "Merge", which glues smaller units together to form larger ones that can then be operated on further (and so on). In a recent *New York Times* op-ed, the man himself (now 94) and two co-authors said "we know" that computers do not think or use language as humans do, referring implicitly to this kind of cognition. LLMs, in effect, merely predict the next word in a string of words.

Yet it is hard, for several reasons, to fathom what LLMs "think". Details of the programming and training data of commercial ones like ChatGPT are proprietary. And not even the programmers know exactly what is going on inside.

Linguists have, however, found clever ways to test LLMs' underlying knowledge, in effect tricking them with probing tests. And indeed, LLMs seem to learn nested, hierarchical grammatical structures, even though they are exposed to only linear input, ie, strings of text. They can handle novel words and grasp parts of speech. Tell ChatGPT that "dax" is a verb meaning to eat a slice of pizza by folding it, and the system deploys it easily: "After a long day at work, I like to relax and dax on a slice of pizza while watching my favourite TV show." (The imitative element can be seen in "dax *on*", which ChatGPT probably patterned on the likes of "chew on" or "munch on".)

What about the "poverty of the stimulus"? After all, GPT-3 (the LLM underlying ChatGPT until the recent release of GPT-4) is estimated to be trained on about 1,000 times the data a human ten-year-old is exposed to. That leaves open the possibility that children have an inborn tendency to grammar, making them far more proficient than any LLM. In a forthcoming paper in *Linguistic Inquiry*, researchers claim to have trained an LLM on no more text than a human child is exposed to, finding that it can use even rare bits of grammar. But other researchers have tried to train an LLM on a database of only child-directed language (that is, of transcripts of carers speaking to children). Here LLMs fare far worse. Perhaps the brain really is built for language, as Professor Chomsky says.

It is difficult to judge. Both sides of the argument are marshalling LLMs to make their case. The eponymous founder of his school of linguistics has offered only a brusque riposte. For his theories to survive this challenge, his camp will have to put up a stronger defence.

Economic & financial indicators

Economic data

	Gross domestic product % change on year ago latest		quarter*	2023†	Consumer prices % change on year ago latest		2023†	Unemployment rate %		Current-account balance % of GDP, 2023†	Budget balance % of GDP, 2023†	Interest rates 10-yr gov't bonds latest,%		change on year ago, bp	Currency units per $ Apr 26th	% change on year ago
United States	0.9	Q4	2.6	0.7	5.0	Mar	4.2	3.5	Mar	-3.1	-5.2	3.4		66.0	-	
China	4.5	Q1	9.1	5.7	0.7	Mar	1.7	5.3	Mar‡§	1.7	-2.9	2.6	§§	6.0	6.92	-5.3
Japan	0.4	Q4	0.1	1.0	3.3	Mar	1.9	2.6	Feb	3.0	-5.9	nil		-8.0	133	-4.6
Britain	0.6	Q4	0.5	-0.2	10.1	Mar	6.0	3.8	Jan††	-2.9	-5.4	3.8		179	0.80	-1.2
Canada	2.1	Q4	nil	0.7	4.3	Mar	3.3	5.0	Mar	-1.0	-1.5	2.9		17.0	1.36	-5.9
Euro area	1.8	Q4	-0.2	0.7	6.9	Mar	5.9	6.6	Feb	1.1	-3.6	2.4		159	0.91	3.3
Austria	2.6	Q4	-0.1‡	0.8	9.2	Mar	6.6	5.0	Feb	1.1	-3.5	3.1		177	0.91	3.3
Belgium	1.5	Q4	0.2	0.5	6.7	Mar	5.4	5.8	Feb	-1.8	-4.9	3.0		170	0.91	3.3
France	0.5	Q4	0.3	0.5	5.7	Mar	5.5	7.0	Feb	-1.9	-5.3	3.1		164	0.91	3.3
Germany	0.9	Q4	-1.7	-0.1	7.4	Mar	6.2	2.9	Feb	3.5	-2.1	2.4		159	0.91	3.3
Greece	4.5	Q4	5.6	1.0	4.6	Mar	4.1	11.4	Feb	-7.0	-3.6	4.2		123	0.91	3.3
Italy	1.4	Q4	-0.5	0.8	7.6	Mar	6.8	8.0	Feb	-0.6	-5.0	4.3		172	0.91	3.3
Netherlands	3.2	Q4	2.6	1.2	4.4	Mar	4.8	3.5	Mar	6.9	-2.7	2.8		168	0.91	3.3
Spain	2.6	Q4	0.8	1.4	3.3	Mar	4.3	12.8	Feb	0.3	-4.7	3.5		164	0.91	3.3
Czech Republic	0.1	Q4	-1.4	-0.2	15.0	Mar	11.4	2.5	Feb‡	-1.7	-4.8	4.7		31.0	21.3	8.0
Denmark	1.9	Q4	2.3	0.8	6.7	Mar	5.0	2.8	Feb	9.0	0.5	2.7		158	6.75	3.6
Norway	1.3	Q4	0.8	1.4	6.5	Mar	4.6	3.7	Feb‡‡	20.0	11.4	1.4		76.0	10.6	-13.1
Poland	0.8	Q4	-9.3	0.7	16.1	Mar	13.7	5.4	Mar§	-2.4	-2.9	6.0		-16.0	4.15	6.0
Russia	-2.7	Q4	na	-2.1	3.5	Mar	7.5	3.5	Feb§	6.8	-4.4	11.0		118	82.8	-9.8
Sweden	-0.1	Q4	-2.0	-0.6	10.6	Mar	6.1	7.7	Mar§	3.9	-0.3	2.4		88.0	10.3	-5.0
Switzerland	0.8	Q4	0.1	0.9	2.9	Mar	2.6	1.9	Mar	7.6	-0.7	1.1		21.0	0.89	7.9
Turkey	3.5	Q4	3.8	2.8	50.5	Mar	42.2	10.7	Feb§	-4.5	-4.2	11.9		-855	19.4	-23.8
Australia	2.7	Q4	1.9	1.6	7.0	Q1	4.6	3.5	Mar	1.7	-2.3	3.3		19.0	1.51	-7.3
Hong Kong	-4.2	Q4	nil	3.4	1.6	Mar	2.4	3.1	Mar‡‡	3.5	-1.4	3.0		30.0	7.85	nil
India	4.4	Q4	-3.4	6.1	5.7	Mar	5.6	7.8	Mar	-1.4	-5.7	7.1		7.0	81.8	-6.3
Indonesia	5.0	Q4	na	4.7	5.0	Mar	3.9	5.9	Q3§	0.8	-2.9	6.5		-48.0	14,835	-2.9
Malaysia	7.0	Q4	na	3.5	3.4	Mar	2.3	3.5	Feb§	2.7	-5.2	3.9		-45.0	4.46	-2.2
Pakistan	6.2	2022**	na	1.5	35.4	Mar	30.3	6.3	2021	-2.9	-5.6	15.1	†††	297	283	-34.5
Philippines	7.1	Q4	10.0	4.8	7.6	Mar	5.7	4.8	Q1§	-3.3	-6.4	6.2		9.0	55.6	-6.1
Singapore	0.1	Q1	-2.7	1.7	5.5	Mar	5.2	2.0	Q4	18.3	-0.1	2.8		20.0	1.33	3.8
South Korea	0.9	Q1	1.1	1.5	4.2	Mar	2.8	2.9	Mar§	2.6	-2.1	3.3		11.0	1,336	-6.4
Taiwan	-0.4	Q4	-1.5	1.6	2.4	Mar	1.9	3.6	Mar	11.9	-2.2	1.2		15.0	30.7	-4.7
Thailand	1.4	Q4	-5.9	3.8	2.8	Mar	2.5	0.9	Feb§	2.1	-2.7	2.6		-15.0	34.2	0.1
Argentina	1.9	Q4	-6.0	-3.6	104	Mar	92.2	6.3	Q4§	-2.2	-4.2	na		na	222	-48.2
Brazil	1.9	Q4	-0.9	1.0	4.7	Mar	5.2	8.6	Feb§‡‡	-2.9	-7.9	12.4		8.0	5.05	-1.2
Chile	-2.3	Q4	0.2	-0.2	11.1	Mar	7.8	8.4	Feb§‡‡	-5.6	-2.5	5.5		-131	807	5.0
Colombia	2.9	Q4	2.7	1.6	13.3	Mar	11.9	11.4	Feb§	-4.7	-4.4	11.4		132	4,549	-13.2
Mexico	3.6	Q4	1.8	1.4	6.8	Mar	5.9	2.8	Feb	-1.0	-3.7	8.9		-10.0	18.1	12.4
Peru	1.7	Q4	-6.0	1.8	8.4	Mar	6.5	6.7	Mar§	-3.6	-1.6	7.6		28.0	3.75	1.6
Egypt	3.9	Q4	na	3.0	32.6	Mar	25.0	7.2	Q4§	-3.0	-6.9	na		na	30.9	-40.2
Israel	2.7	Q4	5.3	2.9	5.0	Mar	3.8	3.9	Feb	3.9	-2.0	3.9		147	3.63	-9.4
Saudi Arabia	8.7	2022	na	2.8	2.7	Mar	2.2	4.8	Q4	6.6	1.4	na		na	3.75	nil
South Africa	0.9	Q4	-4.9	0.5	7.3	Mar	5.2	32.7	Q4§	-2.1	-4.7	10.2		32.0	18.4	-13.9

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. **Year ending June. ††Latest 3 months. ‡‡3-month moving average. §§5-year yield. †††Dollar-denominated bonds.

Markets

In local currency	Index Apr 26th	% change on: one week	Dec 30th 2022
United States S&P 500	4,056.0	-2.4	5.6
United States NAScomp	11,854.4	-2.5	13.3
China Shanghai Comp	3,264.1	-3.1	5.7
China Shenzhen Comp	2,025.1	-4.8	2.5
Japan Nikkei 225	28,416.5	-0.7	8.9
Japan Topix	2,023.9	-0.8	7.0
Britain FTSE 100	7,852.6	-0.6	5.4
Canada S&P TSX	20,366.7	-1.5	5.1
Euro area EURO STOXX 50	4,347.7	-1.0	14.6
France CAC 40	7,466.7	-1.1	15.3
Germany DAX*	15,795.7	-0.6	13.4
Italy FTSE/MIB	27,107.5	-3.0	14.3
Netherlands AEX	749.6	-1.4	8.8
Spain IBEX 35	9,293.7	-2.1	12.9
Poland WIG	61,980.1	-0.7	7.9
Russia RTS, $ terms	1,011.1	0.6	4.2
Switzerland SMI	11,364.9	nil	5.9
Turkey BIST	4,783.5	-5.5	-13.2
Australia All Ord.	7,502.8	-0.8	3.9
Hong Kong Hang Seng	19,757.3	-3.0	-0.1
India BSE	60,300.6	1.2	-0.9
Indonesia IDX	6,910.1	1.3	0.9
Malaysia KLSE	1,414.3	-0.8	-5.4

	index Apr 26th	% change on: one week	Dec 30th 2022
Pakistan KSE	41,099.6	1.5	1.7
Singapore STI	3,293.9	-0.9	1.3
South Korea KOSPI	2,484.8	-3.5	11.1
Taiwan TWI	15,374.6	-2.5	8.7
Thailand SET	1,544.0	-2.3	-7.5
Argentina MERV	304,796.9	10.7	50.8
Brazil BVSP*	102,312.1	-1.5	-6.8
Mexico IPC	54,023.3	-0.5	11.5
Egypt EGX 30	17,452.2	-0.4	19.5
Israel TA-125	1,727.6	0.8	-4.1
Saudi Arabia Tadawul	11,307.2	1.3	7.2
South Africa JSE AS	78,122.1	-0.9	6.9
World, dev'd MSCI	2,779.7	-1.9	6.8
Emerging markets MSCI	967.9	-2.3	1.2

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 30th 2022
Investment grade	154	154
High-yield	506	502

Sources: Refinitiv Datastream; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

***The Economist* commodity-price index**

2015=100	Apr 18th	Apr 25th*	% change on month	year
Dollar Index				
All Items	156.5	148.2	-3.6	-20.5
Food	144.1	139.4	1.6	-15.0
Industrials				
All	168.1	156.4	-7.5	-24.6
Non-food agriculturals	118.6	113.7	-7.0	-38.6
Metals	182.8	169.1	-7.6	-21.0
Sterling Index				
All items	192.2	182.4	-4.2	-19.1
Euro Index				
All items	158.4	149.7	-4.9	-22.9
Gold				
$ per oz	2,008.3	1,987.5	0.9	4.3
Brent				
$ per barrel	84.8	80.8	2.6	-23.1

Sources: Bloomberg; CME Group; Cotlook; Refinitiv Datastream; Fastmarkets; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Urner Barry; WSJ. *Provisional.

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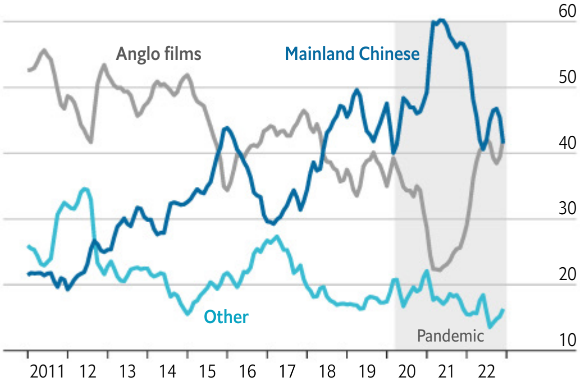
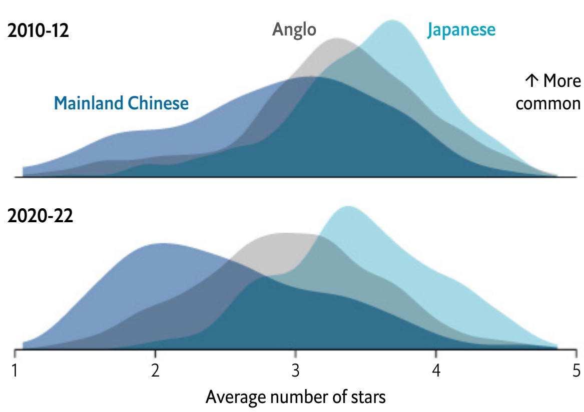
→ **Online reviewers in China are watching more local films, but liking fewer of them**

Share of total views on Douban*†, %



Distribution of ratings, films on Douban*‡



Top films on Douban* ■ Mainland Chinese ■ Anglo ■ Other

Propagandist

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Rank by views ↓
Inception	You Are the Apple of...	Life of Pi	The Croods	Interstellar	Goodbye Mr Loser	Zootopia	Coco	Dying to Survive	The Wandering...	The Eight Hundred	Hi, Mom	Moon Man	1
Flipped	Untouchable	The Avengers	Iron Man 3	Big Hero 6	Detective Chinatown	Dangal	Wolf Warrior 2	Hello Mr Billionaire	Ne Zha	Soul	Detective Chinatown 3	Too Cool to Kill	2
Let the Bullets Fly	Silenced	Lost in Thailand	Frozen	Guardians of the Galaxy	Avengers 2	Your Name	Youth	Green Book	Better Days	My People, My Homeland	The Battle at Lake Changjin	Lighting up the Stars	3
Despicable Me	Harry Potter 8	The Dark Knight Rises	American Dreams in...	Captain America 2	Mr Six	Train to Busan	Never Say Die	Avengers 3	Avengers 4	A Little Red Flower	Cliff Walkers	Return to Dust	4
A Little Thing Called Love	Captain America 1	Wreck-It Ralph	Thor 2	The Grand Budapest...	Ant-Man	The Invisible Guest	Legend of the Demon Cat	Ready Player One	Pegasus	Lost in Russia	A Writer's Odyssey	Avatar 2	5
Shutter Island	Thor	Django Unchained	Hope	Gone Girl	Monkey King: Hero Is Back	The Mermaid	Spider-Man: Homecoming	Operation Red Sea	Parasite	Legend of Deification	Be Somebody	Everything Everywhere...	6
Iron Man 2	Source Code	The Hobbit 1	Finding Mr Right	The Continent	Our Times	Mr Donkey	Bad Genius	The Island	My People, My Country	Tenet	Free Guy	Home Coming	7
How to Train Your Dragon	Love is Not Blind	The Amazing Spider-Man	Journey to the West	Kingsman: The Secret...	Monster Hunt	Doctor Strange	Guardians of the Galaxy 2	Detective Chinatown 2	Crazy Alien	Shock Wave 2	Myth of Love	The Batman	8

*At February 2023, by year of release †Seasonally adjusted ‡Excluding films with fewer than 100 ratings Sources: Douban; *The Economist*

Film with Chinese characteristics

In the battle for Chinese audiences, Western films are losing ground

In 1986 Régis Debray, a French philosopher, wrote that "there is more power in rock music, videos, blue jeans...than in the entire Red Army." Western soft power, conveyed via cultural exports like music and cinema, is widely credited with helping to end the Soviet Union. Now that relations between China and America are eliciting cold-war comparisons, Chinese leaders are eager to displace Western influence. "Of all the nations in the world," Xi Jinping, China's president, has said, China "has the most reasons to be culturally confident."

Soft power is hard to measure, but data on viewing preferences can reveal which way it is trending. And film reviews on Douban, a social network, suggest that in China's domestic market, the scales are tipping in Mr Xi's favour. During the past decade, Western cinema's share of viewership in China appears to have declined.

Douban is a Chinese site where users can review films. Although China lets cinemas show just 34 foreign titles per year, users have rated thousands of foreign films, presumably using pirated versions.

We downloaded scores and view counts for all 26,000 films listed on Douban produced in 2010-22. Over this period, "Anglo" films—in English, from English-speaking countries—made up 43% of recorded views. China ranked second, at 36%, followed by Japan (6%) and South Korea (5%).

However, these figures have changed sharply over time. From 2010 to 2021, China's share rose from 21% to 55%, while that of Anglo films fell from 53% to 28%. This shift was mainly due to a surge in the number of views each Chinese film receives, rather than to an increase in the number of Chinese titles listed. (In 2022 China's shares dipped because its zero-covid policy limited film production, but its numbers are likely to return to prior levels.)

Much of the rise in viewership came from blockbusters: the most-viewed 2% of Chinese films accounted for 22% of total views in 2021, compared with 10% in 2010. Some are overtly nationalistic and border on propaganda. "Wolf Warrior 2", China's second-highest-grossing film ever, chronicles a former special-operations soldier doing battle in Africa with a ruthless American mercenary leader. Its tagline was "anyone who offends China, no matter how remote, must be exterminated."

Not all Chinese scripts are so heavy-handed. But Douban users are not impressed by the growing number of domestic films they watch. Local titles' average rating has fallen over time, and is half a star lower on a five-star scale than that of Anglo films. Many other factors, such as marketing, casts or changes in Douban users' behaviour, could affect ratings and view counts. But such poor scores suggest that although China may be fending off Western soft power at home, its cultural exports are not ready to gain traction abroad. ■

Two lives entwined

Barry Humphries, manager of megastar Dame Edna Everage, died on April 22nd, aged 89. So, a little older, did she

THE GARDEN Barry Humphries walked through was not in the best part of Melbourne. Moonee Ponds was low-lying, swampy and the wrong side of the tracks. The lawn, with no effort at gentility, was of scratchy buffalo grass. There were few flowers, and they were ones he particularly disliked: gladioli, with their disagreeably optimistic thrusting spears and scentless flesh-pink florets. Little did he know that in years to come he would be ordering thousands of them every month, and that his distrust would have grown into burning hate.

He was there because of a postcard, written in green ink in a studied but childish hand, from a woman called Edna, inviting him to a Passion play in the local hall. She was playing Mary Magdalen, shrilling "Christ, your feet look awful! Let me give them a bit of TLC", before anointing them with Vicks VapoRub and drying them with her wisteria-coloured hair. She had written to "Mr Humphrey", then touring in "Twelfth Night" with the Melbourne Theatre Company, hoping to get noticed. He had noticed, they had lunched on creamed corn, and now he was approaching her front door. Almost at once, he found himself advising her.

So occurred, in 1955, the entwining of two lives. He took charge of this young mother, watching her transform from a mousy figure in a blue frock and flatties into a towering vision in glittering silver lamé, butterfly-wing glasses and a perfect bouffant. By the 1990s she was the toast of Britain and America as well as Australia, a groundbreaking reinventor of stage and TV talk shows, a swami, a chanteuse, taste-maker to the legions of women who slavishly copied her outfits or, like her, splashed on Boots haemorrhoid cream to banish wrinkles, and a confidante to world leaders. She had homes in Sydney, London, Gstaad and Beverly Hills. It was a rise unprecedented in the history of housewifery.

As her manager, he shared in that fame. But it was hardly the sort he craved. He might have been honoured for his vast library, his rescue from oblivion of the music of the Weimar Republic, his collection of Charles Conder paintings on silk, and especially for a career as a serious actor. That faltered, once Edna was on the scene, though he did play Fagin in the London revival of "Oliver!" in 1967. With enough encomiums, he might have been Lord Humphries of Melbourne. Instead he found himself hitched to a vulture disguised as a bird of paradise who, thanks to an Australian prime minister, was actually a Dame.

Some made the pretty insulting assertion that they were the same person. There were, he admitted, slight resemblances. They were roughly the same height and had the same inside-leg measurement. If she failed to turn up for a show he could just about wear her snug dress and force his voice into her fluty falsetto. Thanks to his mother, and their Sunday afternoon outings to view the new Lovely Homes springing up around Melbourne, he shared some of her suburban sensibilities: an appreciation of Frigidaires and Sunbeam Mastermixers, burgundy carpets and cut-moquette sofas, aqua bathrooms and glass screens etched with reindeer. He too tended to view the world through dusty venetians. Despite their ceaseless mocking of Australia they were both, at heart, patriots, nostalgic when abroad for asparagus rolls and lamingtons, terylene golfing hats and vanilla slices, though Edna took unkindly to recent immigrants. Both of them found Les Patterson, the drink-and-food-spattered Australian cultural attaché with Restless Penis Syndrome who was also, sometimes, within Mr Humphries's control, completely disgusting, and neither of them would appear in public with him.

Yet there similarities ended. Mr Humphries was an intellectual who, since boyhood, had combed the secondhand bookshops of Melbourne for rare editions of Samuel Beckett or Oscar Wilde. His university studies were in fine arts, philosophy and law, with the legal part swiftly eclipsed by musical soirées where he immersed himself in Menotti, Prokofiev and Satie. He championed the almost unknown music of Jean-Michel Damase, commissioning him to write for the horn-player Barry Tuckwell, who was a friend. (Edna favoured Mantovani.) He was friends too with Patrick White, John Betjeman and Francis Bacon, and painted a bit himself. Edna's background contained not one scintilla of intellectual stimulation. There was, though, an echo in her of Barry's fondness for Dadaist shock-theatre, such as dressing as a tramp and rummaging horribly through a public bin to draw out a secreted bottle of champagne. In fact, Edna's whole show was an example of the Dadaist slogan, "Thought is born in the mouth". In this case a mouth well caked with her very own lipstick in Kanga Rouge.

Barry's cultivation she found frankly irritating. He was always droning on, and had put her on stage only to belittle her. He wrote novels; she produced a seminal autobiography, "My Glorious Life", a Bedside Companion, a Coffee Table Book and an "Ednapedia" about all things Australian. From the moment she cried "Hallo Possums!", her audience ate from her hand. He was a poor would-be comedian and a sick man, often the worse for drink, a habit he didn't conquer until, in the mid-1970s, he spent a night unconscious in the gutter. His first three marriages were failures, too; her sole marriage to dear Norm, with his wretched prostate and testicular murmur, had been a model of caring. As mega-stardom grew she would gladly have got rid of Barry, except that he handled her bookings and wrote her scripts. Relations were strained even before The Great Betrayal, when in "Handling Edna", in 2009, he claimed that she was difficult. He also exposed to the world the fact that Kenny, her favourite son, designer of all her costumes and a practising homeopath (as she thought he said), was the result of a date-rape by Frank Sinatra. The book began, "I wish I had never met Edna Everage." So hurtful, so unfeeling.

In later years, therefore, they did not communicate. In 2012 he announced a farewell tour, but she kept going. Once she actually fired him, but he would not accept dismissal. It was a blessing, in the end, that Fate took them on the same day. ■

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