

The Economist

Britain's new prime minister

Heatwaves and climate change

Microsoft's lessons for other tech giants

Liberal Canada: a special report

JULY 27TH - AUGUST 2ND 2019

Brothers in arms

The new Russia-China partnership



The Economist

Thursday, July 25, 2019

The world this week	3
Leaders	5
Letters	1
Briefing	1
United States	5
The Americas	4
Asia	5
China	2
Middle East and Africa	5
Europe	7
Britain	7
International	1
Special report	8
Business	6
Finance and economics	8
Science and technology	3
Books and arts	5
Economic and financial indicators	1
Graphic detail	1
Obituary	1

	Sections	<i>Leaders</i>
--	-----------------	----------------

The world this week

[Politics this week](#) [Business this week](#) [KAL's cartoon](#)

Politics this week. Business this week. KAL's cartoon.

	Sections	<i>Leaders</i>
--	-----------------	----------------

Politics this week



Jul 25th 2019

Boris Johnson took over as Britain's prime minister from Theresa May after winning the Conservative Party's leadership contest. Mr Johnson was the favourite from the outset and won comfortably, taking 66% of the vote from the 160,000 party members on an 87% turnout. Some wonder how long he will last. Brexit has already claimed two British prime ministers. When Parliament scrutinises his Brexit proposals Mr Johnson is likely to struggle as much as Mrs May did. See [article](#).

Mr Johnson started naming his **new ministers**, aiming to move away from the pale, male and stale image of previous cabinets. Sajid Javid was appointed chancellor of the exchequer, Dominic Raab took charge at the Foreign Office and Priti Patel became home secretary. There were two other themes in his picks: the new cabinet is packed with pro-Brexiteers and those who backed Mr Johnson in the leadership race. See [article](#).

The response in **Europe** to Mr Johnson's victory was muted. Ursula von der Leyen, the president-elect of the European Commission, politely noted that he "faces challenging times". Others were more direct. Guy Verhofstadt, who leads the liberal bloc in the European Parliament, called him "irresponsible".

In one of her first big decisions as she prepares to take over the presidency of the European Commission, Mrs von der Leyen decided to move **Martin Selmayr**, the EU's most senior civil servant, to a new job running the EU's operations in Austria. The demotion comes less than 18 months after his controversial appointment amid claims of cronyism.

Ukraine's parliamentary election was won by President Volodymyr Zelensky's new Servant of the People party, which won the first overall majority in the country since the fall of communism. Mr Zelensky, a former comedian, called the snap poll after winning the presidency on an anti-corruption ticket in April. See [article](#).

Swirling intrigue

Kenya's finance minister, Henry Rotich, was arrested on corruption charges. He denies wrongdoing. The case has raised fears of political instability in Kenya as Mr Rotich is an ally of the deputy president, William Ruto, who plans to run for president in 2022. Mr Ruto's supporters claim the police and prosecutors are using corruption charges to undermine his chances of winning office.

The health minister of the **Democratic Republic of Congo**, Oly Ilunga, resigned amid a dispute over Ebola. Mr Ilunga had resisted the introduction of an experimental vaccine that experts believe could have helped contain the current outbreak, in which about 2,500 people have been infected.

Iran seized a British tanker passing through the Strait of Hormuz, an important choke- point for international shipping. The capture of the tanker came two weeks after Britain seized an Iranian tanker allegedly bound for Syria. See [article](#).

The quiet man

Robert Mueller gave eagerly awaited testimony to America's Congress at a public hearing. The man who investigated links between Donald Trump's election campaign and Russian officials did not stray far from the findings of his report, published in April, but he rejected the president's claim that it completely exonerated him. See [article](#).

The Senate confirmed Mark Esper as America's new **defence secretary**, following the derailment of Patrick Shanahan's nomination last month. Mr Esper received broad bipartisan support in the Senate, though a smattering of Democrats raised concerns about his former job as a lobbyist for a weapons company.

A resolution opposing an attempt to boycott **Israel** picked up huge Democratic support and passed the House of Representatives by 398 to 17. That marked a stinging defeat for the movement to boycott Israel, advanced by newly elected progressives.



Ricardo Rosselló became the first governor of **Puerto Rico** to resign, after two weeks of ever-larger protests triggered by the leak of sexist, homophobic and violent text messages that he exchanged with government officials. One of the offending texts mocked victims of Hurricane Maria, making reference to cadavers and

CROWS.

Warning shots

South Korea accused Russian aircraft of violating its airspace during a joint military exercise with China. The alleged incursion happened near disputed islands in the Sea of Japan, which are claimed by both Japan and South Korea. Russia denied the incursion. See [article](#).

Pakistan's prime minister, Imran Khan, visited the White House. Donald Trump boasted that he could wipe out Afghanistan, an American ally, and, to India's horror, offered to mediate in the long-standing dispute over Kashmir. See [article](#).

Japan's ruling Liberal Democrats won a majority of seats in the upper house of parliament at an election, but failed to secure the supermajority required to change the country's pacifist constitution, a long-held goal of Shinzo Abe, the prime minister.

Li Peng, a former prime minister of China, died aged 90. Mr Peng was known as the "Butcher of Beijing" for his role in the crackdown on pro-democracy protesters in Tiananmen Square in 1989. See [article](#).

Tensions were high in **Hong Kong** after protesters vandalised the Chinese government's liaison office in the territory. A mob of men armed with sticks and metal bars later attacked passengers at a railway station. China hinted that it was ready to intervene in Hong Kong if protesters threatened the central government's authority. See [article](#).

Playing with fire

A **Venezuelan** fighter jet "aggressively shadowed" an American navy reconnaissance plane over the Caribbean Sea, according to Southern Command, which runs American military operations in Latin America. Venezuela claimed the navy plane had strayed into its airspace.

The power went off again in 16 of Venezuela's 23 states. In the capital, Caracas, the **blackout** caused huge traffic jams. The government blamed an "electromagnetic attack".

Brazil's president, Jair Bolsonaro, chose Marcelo Xavier da Silva, a federal police officer, to lead the government's Indian affairs department, Funai. Indigenous groups criticised the appointment. As Funai's ombudsman in 2017 Mr da Silva had asked the police to take "persecutory measures" against activists. Separately, Mr Bolsonaro said he would review data on the deforestation of the Amazon before their release, because the figures could hurt Brazil's image.

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Business this week

Jul 25th 2019

America's Justice Department announced a broad antitrust review of the market power of **online platforms** in search, social media and retailing. That increases the pressure on Amazon, Apple, Facebook and Google to improve their behaviour as the calls from some Democrats to break up those companies grow louder during the election season. See [article](#).

Meanwhile, the Federal Trade Commission confirmed that it is slapping **Facebook** with a \$5bn fine for violating privacy. It ordered Facebook to change its attitude to privacy "from the corporate board-level down", and introduce mechanisms that make its executives accountable for decisions on privacy. The firm disclosed that the FTC has launched a separate **antitrust investigation** into its practices. See [article](#).

Boeing's quarterly net loss of \$2.9bn was its biggest ever. The aerospace company recently disclosed an after-tax charge of \$4.9bn in connection with the worldwide grounding of its 737 MAX airliner following two fatal crashes.

Clash of the titans

Carl Icahn, an activist investor, stepped up his attack on **Occidental's** offer to take over a rival oil company, **Anadarko**, calling it a "travesty". Mr Icahn holds a 4.4% stake in Occidental and has nominated a slate of directors to sit on the company's board. He has been highly critical of Warren Buffett's backing of Occidental's bid, which includes putting \$10bn towards its financing.

Soon after ditching an IPO of its Asian business, which would have been the world's most valuable stockmarket flotation this year, **Anheuser-Busch InBev** agreed to sell its Australian brewing division to **Asahi**, a Japanese beermaker, for \$11.3bn. The world's biggest brewer still intends eventually to list its Asian assets. It needs the money to pay down the huge debt pile it amassed during a takeover binge.

GDP forecasts

2019, % increase on a year earlier



Source: IMF

The Economist

The IMF lowered its forecast of **global growth** this year, to 3.2%, which would be the weakest in a decade. In its latest outlook the fund described the world economy as “subdued”; it is specifically concerned about trade and technology tensions between America and China and the prospect of Britain leaving the EU without a deal. Still, the IMF expects British GDP to grow by 1.3% this year, slightly above its previous projection in April. It sharply downgraded its growth forecasts for many emerging economies, notably Brazil, Mexico and South Africa.

South Africa’s finance minister laid out plans to provide **Eskom**, which generates most of the country’s electricity, with another rescue, this time worth 59bn rand (\$4.2bn). Moody’s, a credit-rating agency, said that because the embattled utility is ever more dependent on bail-outs it would regard Eskom’s debt as part of the government’s.

The **Federal Reserve** took the unusual step of qualifying the remarks of a senior official to reassure markets that they had not been made in relation to the central bank’s forthcoming decision on interest rates. Speculation that the Fed might cut its benchmark rate by half a percentage point, rather than a quarter, mounted after John Williams, who heads the Federal Reserve Bank of New York, said that he supports aggressive easing. Donald Trump, a critic of the Fed’s recent monetary tightening, seized on the remarks, saying they underlined its “faulty thought process”.

Costs related to the overhaul of its business pushed **Deutsche Bank** to a €3.2bn (\$3.5bn) net loss in the second quarter, its biggest quarterly loss in four years. The German bank booked about half of a restructuring charge it will take as it retreats from trading and slashes 18,000 jobs over the next three years.

Nissan confirmed it would cut 12,500 jobs worldwide, or 10% of its workforce, by 2022, as it curtails capacity. The Japanese carmaker has struggled in recent years. Profit in the latest quarter fell by 95% compared with the same three months last year, to ¥6.4bn (\$58m).

General Motors delayed the large-scale roll-out of its autonomous-car ride-hailing service, which it has developed in collaboration with Cruise, its self-driving-car unit. It had hoped to deploy a fleet of **robotaxis** on the roads of San Francisco by the end of this year, but the launch has been delayed indefinitely. GM, like its competitors, is still dealing with technical obstacles and unresolved regulatory questions.

Muscle cars

In the week when **Tesla** dismayed investors with another disappointing quarterly earnings report, **Ford** unveiled an electric-powered prototype of its F-150 pickup truck in response to a claim by Elon Musk that Tesla's rival model would have better "functionality". Ford's F-series pickups are the best-selling cars in America. In a show of strength, its prototype pulled a freight train for 1,000 feet, a direct challenge to Mr Musk's boast about the better performance of his new vehicle.

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Previous

Articles

Sections

Next

KAL's cartoon



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Leaders

[Britain's new prime minister: Here we go](#)

To stop no-deal, Tory MPs must be ready to bring down Boris Johnson.

[Russia and China: Brothers in arms](#)

[Heatwaves: Hot as hell](#)

Partnership is much better for China than it is for Russia. Heatwaves are killing people.

[Currency wars: Do not escalate](#)

America should resist the temptation to weaken the dollar.

[Microsoft: Rebooted](#)

What Microsoft's revival can teach other tech companies.

The Brexit rollercoaster**To stop no-deal, Tory MPs must be ready to bring down Boris Johnson**

Britain's new prime minister promises thrills, but is heading for a serious spill



Jul 27th 2019

“DO YOU LOOK daunted? Do you feel daunted?” asked Boris Johnson of the crowd of Conservative Party members who had just elected him party leader, and thus prime minister. The question was rhetorical, but many of them did look nervous—and so they should. Britain now has its third Tory prime minister since the vote to leave the European Union three years ago. Its deadlocked Parliament is refusing to back the exit deal struck with the EU, even as an October 31st deadline approaches. The pound is wilting at the prospect of crashing out with no deal. Steering a course out of this mess requires an extraordinarily deft political touch. Yet the Tories have gambled, choosing a populist leader who is nobody’s idea of a safe pair of hands.

Mr Johnson, who wrote a biography of Winston Churchill and longs for others to see him in that mould, resembles his hero in the sense that he has inherited Britain’s worst crisis since the second world war (see [article](#)). Brexit, and a no-deal exit in particular, promises to hurt the economy and leave the country diplomatically isolated in a world where its interests are under threat, as they are right now in the Strait of Hormuz. The risk is existential for the United Kingdom, as Brexit wrenches at the bonds with Scotland and Northern Ireland.

At a time of national gloom, the Tories hope that Mr Johnson’s ebullience will be enough to “ping off the guyropes of self-doubt”, as he put it in his jokey acceptance speech. We hope they are right. But in reality his breezy style seems not so much boldly Churchillian as unthinkingly reckless. To get to Downing Street he has made wild promises about Brexit that he cannot possibly keep. His fantastical approach means he is fast heading for no-deal—and therefore a face-off with Parliament, which seems determined to stop that outcome. Britain should get ready for one of the bumpiest governments in its modern history. It could also be the shortest.

As they waited for the decision of Tory members, ordinary Britons, who had no say in who would succeed Theresa May as prime minister, were left wondering which version of Mr Johnson they would get. Would it be socially liberal, pro-immigration Boris, or born-again Eurosceptic Boris? Chameleon that he is, Mr Johnson has mimicked the increasingly hardline politics of Tory members. In a surprisingly savage reshuffle, he has appointed right-wingers to his cabinet: Priti Patel, a past advocate of the death penalty, is home secretary, and Dominic Raab, an uncompromising Brexiteer, is foreign secretary. Mr Johnson's belief that Donald Trump could provide a "lifeboat" to Britain as it abandons the EU stopped him from criticising the president, even when Mr Trump belittled the British ambassador to Washington. Such pandering is dangerous at a time when Britain should be standing up to American policy on Iran.

Most worrying is his otherworldly Brexit plan. Mrs May was undone by making unrealistic promises about the deal Britain would get, pledges she spent two miserable years rowing back from. Mr Johnson has made the same mistake on a larger scale. He swears he will bin the "backstop" designed to avoid a hard border in Ireland, which the EU insists is non-negotiable. He says Britain need not pay the exit bill it agreed on. He has vowed to leave on October 31st, "do or die". And he says that if the EU does not roll over, it would be "vanishingly inexpensive" for Britain to leave with no deal. Mrs May found the contact with reality hard enough. For Mr Johnson it will be even more brutal.

The Brexit rollercoaster has one turning that leads away from disaster. Mr Johnson has such a capacity for flip-flopping that, once in Downing Street and faced with the consequences of his promises, it is conceivable that he may simply drop them. His charm might help guide a slightly modified deal through Parliament. Europe is ready to help. But the chance that he will compromise seems slight. Whereas Mrs May had two years to retreat from her overblown commitments, Mr Johnson has just three months to eat his words. The Conservatives' working majority is only three (and may go down to one after a by-election next week), with plenty of rebels on both the Brexit and Remain wings. So doing a deal would probably mean working with Labour, whose price is a second referendum. That would be a good outcome for the country, which deserves a chance to say whether the warts-and-all reality of Brexit matches up to the fantasy version it was sold in 2016. But the red lines in which Mr Johnson has entangled himself will probably keep such a deal out of reach.

That means the risk is growing that Mr Johnson will set a course for no-deal, billing it as courageous and Churchillian rather than the needless act of self-harm it really is. Some Brexiteers are following his lead in blustering that the warnings of damage to the economy, the union and Britain's international standing are fake news. Others argue that those are simply the costs of getting Brexit done. But a no-deal exit would not accomplish even that. Talks with the EU on unresolved aspects of the relationship would have to resume, only with Britain outside the club and negotiating on worse terms than before. As for upholding democracy, there is no mandate for no-deal, which was not in the Leave prospectus, nor advocated by any party in the last election. Indeed, it is opposed by majorities of both Parliament and the public. Some hardline Brexiteers say Parliament should be suspended so that no-deal can be forced through—in the name of democracy. The grotesqueness of this speaks for itself. Yet Mr Johnson has not ruled it out.

If he tries such a reckless gambit, Parliament must stand in his way. It may be that its only course is a vote of no confidence. That would need at least some Conservative MPs to vote to bring down their own government, something that has not happened since rebel Tories helped turf out Neville Chamberlain in 1940. It would mean yet more uncertainty. Today's polls show a four-party split, making any resulting election a lottery. But wavering Tories should be in no doubt that if Mr Johnson is allowed to suspend democracy to force through a no-deal Brexit that whacks the economy and risks the union, it will not only be a betrayal of the country, it might well spell the end of the Conservative Party. And Mr Johnson should be in no doubt that unless he ditches the fantastical promises and gets serious about doing a deal, he may end up being compared not to Churchill, but to Chamberlain. ■

	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Russia and China**Partnership is much better for China than it is for Russia**

Just how much better might not become clear for a few years yet



Jul 27th 2019

IT IS THE love triangle of global politics. Since the second world war, China, Russia and the United States have repeatedly swapped partners. The collapse of the Sino-Soviet pact after the death of Josef Stalin was followed by Richard Nixon's visit to China in 1972 and Mikhail Gorbachev's detente with China 30 years ago. Today's pairing, between Vladimir Putin and Xi Jinping, was cemented in 2014 after Russia annexed Crimea. In each case the country that was left on its own has always seemed to pay a price, by being stretched militarily and diplomatically.

This time is different. Though America is out in the cold, the price is falling chiefly on Russia. China dominates every aspect of the two countries' partnership. Its economy is six times larger (at purchasing-power parity) and its power is growing, even as Russia's fades. What seemed a brilliant way for Mr Putin to turn his back on the West and magnify Russia's influence is looking like a trap that his country will find hard to escape. Far from being an equal partner, Russia is evolving into a Chinese tributary.

That may seem a harsh judgment. Russia is still a nuclear-weapons state with a permanent seat on the UN Security Council. It has modernised its armed forces and, as in Syria, is not afraid to use them. This week Russian and Chinese warplanes conducted what appeared to be a joint air patrol for the first time, causing alarm when South Korea said a Russian plane had intruded into its airspace (see [article](#)).

But the real news is how rapidly Russia is becoming dependent on its giant neighbour (see [article](#)). China is a vital market for Russian raw materials: Rosneft, Russia's national oil company, depends on Chinese financing and is increasingly diverting its oil to China. As Russia seeks to evade the hegemony of the dollar, the yuan is becoming a bigger part of its foreign-currency reserves (the share of dollars fell by half to 23% during 2018,

while the yuan's share grew from 3% to 14%). China supplies vital components for Russia's advanced weapons systems. And China is the source of the networking and security gear that Mr Putin needs to control his people. Last month Russia struck a deal with Huawei, a Chinese telecoms firm distrusted by America, to develop 5G equipment—thus rooting Russia firmly in China's half of the splinternet.

This suits China just fine. It wants a lasting friendship with Russia, if only to secure its northern border, the scene of clashes in 1969, and a source of worry in the 1990s when Russia looked as if it might drift into the West's orbit. Russia also serves as an enthusiastic vanguard in China's campaign to puncture Western ideas of universal human rights and democracy, which both countries see as an incitement to "colour revolutions".

Mr Putin can point to several arguments for his partnership with China, in addition to their joint hostility to the liberal project. One is expediency. Western sanctions, imposed after his annexation of Crimea, the meddling in American elections in 2016 and the lethal use of a nerve agent in Britain two years later, have left Russia without many alternatives. Mr Xi has also given Russia cover for its military action in Syria and, to some extent, Crimea. And, in contrast to the end of the 17th century, when Peter the Great looked to Europe as the wellspring of progress, Mr Putin can plausibly argue that the future now belongs to China and its system of state capitalism.

However, Mr Putin is mistaken. For a start, the Russian version of state capitalism is a rent-seeking, productivity-sapping licence for the clique that surrounds him to steal freely from the national coffers—which is one reason why Chinese investment in Russia is rather limited. There is also a contradiction between Mr Putin's claim to be restoring Russian greatness and the increasingly obvious reality of its subordinate role to China. This creates tension in Central Asia. Because stability in the region is important for China's domestic security—it wants Central Asia to keep Islamic extremism at bay—the People's Liberation Army is stationing troops in Tajikistan and staging exercises there, without consulting Russia.

And, at some level, the aims of Russia and China diverge. There is a limit to how much ordinary Russians will forgo Western freedoms (see [article](#)). If the regime holds on to power by means of Chinese technology, it will feed popular anger towards China and its Russian clients.

Who can say when the strains will show? Imagine that Mr Putin chooses to step down in 2024, when the constitution says he must, and that his successor tries to mark the change by distancing Russia from China and turning towards Europe. Only then will it become clear how deep China's influence runs and how much pressure it is prepared to exert to retain its sway. Russia's next president may find that the country has lost its room for manoeuvre.

Does this mean that the rest of the world—especially the West—should seek to prise Russia from China's embrace, before it is too late? That idea will tempt those diplomats and analysts who think Russia is too important to alienate. But it seems unlikely. America does not suffer from the Xi-Putin alignment today as it would have done in the cold war. Although Russia and China do indeed undermine the West's notion of universal values, with President Donald Trump in the White House that doctrine is, alas, hardly being applied universally in any case.

What is more, China's influence over Russia has compensations. An angry declining power like Russia is dangerous; it may feel tempted to lash out to show it is still a force to be reckoned with, by bullying Belarus, say, or by stoking the old fears of Chinese expansion into Siberia. But China has no appetite for international crises, unless they are of its own devising. As Russia's partner, China can serve as a source of reassurance along their joint border, and temper Russia's excesses around the world.

Sweet patience

Rather than railing against Russia or trying to woo it back, the West should point out its subordination and wait. Sooner or later, a President Alexei Navalny or someone like him will look westwards once again. That is when Russia will most need Western help. And that is when the man or woman in the Oval Office should emulate

Nixon—and go to Moscow. ■

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Previous

Articles

Sections

Next

Hot is hell**Heatwaves are killing people**

Adapting to the effects of climate change is helping but is not enough



Jul 27th 2019

IN RECENT DAYS heatwaves have turned swathes of America and Europe into furnaces. Despite the accompanying blast of headlines, the implications of such extreme heat are often overlooked or underplayed. Spectacular images of hurricanes or floods grab attention more readily, yet heatwaves can cause more deaths. Heat is one of climate change's deadliest manifestations. Sometimes its impact is unmistakable—a heatwave in Europe in 2003 is estimated to have claimed 70,000 lives. More often, though, heatwaves are treated like the two in the Netherlands in 2018. In just over three weeks, around 300 more people died than would normally be expected at that time of year. This was dismissed as a “minor rise” by officials. But had those people died in a flood, it would have been front-page news.

The havoc caused by extreme heat does not get the attention it merits for several reasons. The deaths tend to be more widely dispersed and do not involve the devastation of property as do the ravages of wind and water. Moreover, deaths are not usually directly attributable to heatstroke. Soaring temperatures just turn pre-existing conditions such as heart problems or lung disease lethal.

Heatwaves will inevitably attract more attention as they become more frequent. As greenhouse gases continue to accumulate in the atmosphere, not only will temperatures rise overall but extremes of heat will occur more frequently (see [article](#)). Britain's Met Office calculates that by the 2040s European summers as hot as that of 2003 could be commonplace, regardless of how fast emissions are reduced. Urbanisation intensifies the risk to health: cities are hotter places than the surrounding countryside, and more people are moving into them.

The good news is that most fatalities are avoidable, if three sets of measures are put in place. First, people must be made aware that extreme heat can kill and warning systems established. Heatwaves can be predicted with

reasonable accuracy, which means warnings can be given in advance advising people to stay indoors, seek cool areas and drink plenty of water. Smart use of social media can help. In 2017 a campaign on Facebook warning of the dangers of a heatwave in Dhaka, Bangladesh's capital, reached 3.9m people, nearly half the city's population.

Second, cool shaded areas and fresh water should be made available. In poor places, air-conditioned community centres and schools can be kept open permanently (steamy nights that provide no relief from scorching days can also kill). In Cape Town, spray parks have been installed to help people cool down. Third, new buildings must be designed to be resilient to the threat of extreme heat and existing ones adapted. White walls, roofs or tarpaulins, and extra vegetation in cities, all of which help prevent heat from building up, can be provided fairly cheaply. A programme to install "cool roofs" and insulation in Philadelphia reduced maximum indoor temperatures by 1.3°C.

It is a cruel irony that, as with other effects of climate change, the places that are hardest hit by heatwaves can least afford to adapt. In poor countries, where climates are often hotter and more humid, public-health systems are weaker and preoccupied with other threats. Often, adaptation to extreme heat is done by charities if it is done at all. Particular attention should be paid to reaching both remote areas and densely populated urban ones, including slums where small dwellings with tin roofs packed together worsen the danger that uncomfortably high temperatures will become lethal.

Adaptation is not an alternative to cutting emissions; both are necessary. But even if net emissions are reduced to zero this century, the persistence of greenhouse gases in the atmosphere means that heatwaves will continue to get worse for decades to come. As the mercury rises, governments in rich and poor countries alike must do more to protect their populations from this very real and quietly deadly aspect of climate change. ■

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Previous

Articles

Sections

Next

Currency wars**America should resist the temptation to weaken the dollar**

The costs of intervention outweigh the short-term benefits



Jul 27th 2019

USUALLY THE pre-eminence of the dollar is a source of pride for whoever occupies the White House. But for weeks President Donald Trump has been grumbling about the consequences of its status and its current strength. He sees other countries' trade surpluses with America as evidence of a "big currency manipulation game" (see [article](#)). He has dropped hints that it is a game that America ought to play, too. If that hurts foreign holders of dollars, so be it.

So far this is mostly a war of words, but it could easily escalate into something worse. If America concludes that its trade partners are using unfair tricks to weaken their currencies, it may claim the right to do the same. There is even speculation that direct intervention to weaken the dollar might be countenanced. A cold-eyed assessment says this would involve lots of trouble for at best a transient benefit. It would also undermine one of America's key assets—its open capital markets.

Many of the conditions for a currency war are in place. The world economy is sluggish. The IMF this week revised down further its forecasts for GDP growth in 2019. Interest rates in the rich world are low and cannot fall much lower. There are real or imagined constraints on the use of fiscal stimulus. As a result, a cheap currency is one of the few ways left to gin up the economy.

The shock of intervention would probably take the dollar lower—for a while, at least. But interventions have a better chance of working in the longer term if the currency is way out of whack. That is not obviously the case. Currencies roughly reflect economies' relative strengths. America's has proved the most reliably resilient. Yields on Treasuries are still the highest in the rich world. Global investors look to America's capital markets as the place to find the digital firms of the future, rather than to Europe, whose bourses are heavy with banks and

carmakers.

Without a surge in GDP growth outside America, it would probably take a hefty intervention to keep the dollar down. Standard Chartered, a bank, puts the required commitment at \$200bn-400bn. Printing dollars to sell would complicate monetary policy, but that is a trivial objection. The Federal Reserve is set to cut interest rates in any event (which might itself weaken the dollar a bit). A bigger headache is which currencies to buy. It is hard to put a lot of money to work quickly in non-dollar assets. The most liquid markets are in euros and yen, where the safest bonds have negative yields. Of those, the one large market with positive yields is Italy. If America bought Italy's bonds, it would help cut its borrowing costs—an odd kind of punishment.

An advantage that America has over China, its strategic rival, is its open capital markets. A one-sided intervention to weaken the dollar would undermine that. Foreign investors would think twice about betting on dollar assets if Washington reserved the right to bet against them when it sees fit. Though Mr Trump is an unlikely history student, it may be wise for America to recall Britain's dilemma in 1967. It had dawned on Britain that having one of the world's main currencies was at best a mixed blessing. Allowing the pound to weaken would be a salve to an economy that had trailed the rest of Europe, but it would also hurt the many foreign allies who kept their reserves in sterling. When devaluation came, there were feelings of relief but also of regret. These days sterling is a shadow of its former self.

The best remedy for the dollar's strength is stronger economic growth outside America. Fiscal stimulus across the euro zone would help, of course. But one policy is in the gift of the White House. An end to the trade wars would lift the fog over the world economy. Sue for trade peace, Mr Trump—and watch the yuan and the euro rally against the dollar.■

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Previous

Articles

Sections

Next

Rebooted**What Microsoft's revival can teach other tech companies**

But it is still not perfect



Jul 27th 2019

IT MUST FEEL good to be back on top—and this time, almost liked. Twenty years ago Microsoft was considered an evil empire, scheming for domination and embroiled in a bruising antitrust battle with America's Justice Department. Five years ago, having dozed through the rise of social media and smartphones, it was derided as a dodderly has-been. Now, after several stellar quarters—this month it reported revenue of \$33.7bn, up by 12% year on year—Microsoft is once again the world's most valuable listed company, worth over \$1trn. How did Satya Nadella, the boss since 2014, pull off this comeback? And with American trustbusters starting on a new review (see [article](#)) of “search, social media, and some retail services online”—ie, Google, Facebook and Amazon—what can the other tech giants learn from Microsoft's experience?

First, be prepared to look beyond the golden goose. Microsoft missed social networks and smartphones because of its obsession with Windows, the operating system that was its main moneyspinner. One of Mr Nadella's most important acts after taking the helm was to deprioritise Windows. More important, he also bet big on the “cloud”—just as firms started getting comfortable with renting computing power. In the past quarter revenues at Azure, Microsoft's cloud division, grew by 68% year on year, and it now has nearly half the market share of Amazon Web Services, the industry leader.

Second, rapaciousness may not pay. Mr Nadella has changed Microsoft's culture as well as its technological focus. The cult of Windows ordained that customers and partners be squeezed and rivals dispatched, often by questionable means, which led to the antitrust showdown. Mr Nadella's predecessor called Linux and other open-source software a “cancer”. But today that rival operating system is more widely used on Azure than Windows. And many companies see Microsoft as a much less threatening technology partner than Amazon, which is always looking for new industries to enter and disrupt.



The Economist

Third, work with regulators rather than try to outwit or overwhelm them. From the start Microsoft designed Azure in such a way that it could accommodate local data-protection laws. Its president and chief legal officer, Brad Smith, has been the source of many policy proposals, such as a “Digital Geneva Convention” to protect people from cyber-attacks by nation-states. He is also behind Microsoft’s comparatively cautious use of artificial intelligence, and calls for oversight of facial recognition. The firm has been relatively untouched by the current backlash against tech firms, and is less vulnerable to new regulation.

True, missing the boat on social media means thorny matters such as content moderation pose greater difficulties for Facebook and Google. Still, others would do well to follow Microsoft’s lead. Apple has championed its customers’ privacy, but its treatment of competitors’ services in its app store may soon land it in antitrust trouble. Facebook and Google have started to recognise that with great power comes great responsibility, but each has yet to find its equivalent of Azure, a new business model beyond its original golden goose. Amazon, in its ambition and culture, most resembles the old Microsoft.

Even a reformed monopolist demands scrutiny. It should not be forgotten that Microsoft got where it is today in part through rapacity. Critics argue that in its battle with Slack, a corporate-messaging service which competes with a Microsoft product, it is up to some of its old tricks. A growing number of women at the firm are complaining about sexual harassment and discrimination. The new Microsoft is far from perfect. But it has learned some lessons that other tech giants should heed. ■

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[Previous](#)

[Articles](#)

[Sections](#)

[Next](#)

Leaders

Sections

Briefing

Letters

[Letters to the editor: On conservatism, taxing assets, Uzbekistan, Nazi operations, work](#)

Letters to the editor.

Leaders

Sections

Briefing

**On conservatism, taxing assets, Uzbekistan, Nazi operations, work
Letters to the editor**

A selection of correspondence

Jul 27th 2019

Letters are welcome and should be addressed to the Editor at letters@economist.com



On conservatives' conscience

If, as you say, conservatism is in crisis, it is a crisis of its own making (“[The self-preservation society](#)”, July 6th). For the past 50 years at least, conservatives in America and Britain have engaged in a deliberate policy of dog-whistling, pandering, and often actively reaching out to nativists, racists, misogynists, anti-Semites, xenophobes and homophobes, echoing their words, adopting their ideas and furthering their influence. They didn’t merely tolerate these people; they encouraged them and recruited them.

From Enoch Powell’s Rivers of Blood speech to Richard Nixon’s Southern Strategy, from Ronald Reagan’s courting of the “moral majority” to Margaret Thatcher speaking of Britain being “swamped by people with a different culture”, conservative politicians tacitly supported odious ideas, bringing those ideas ever more into the political mainstream. A philosophy once merely suspicious of change became one that resented and resisted change. Parties once known for their tolerance became identified with ethnic nationalism. This was no accident; it was the result of decades of deliberate policy. The ascent of such figures as Donald Trump and Nigel Farage is the natural consequence.

Because of a desire to retain power, conservatives pandered to the worst elements in our societies. Now they pretend to be shocked that those elements have taken over their parties. It is hard to have any sympathy for them.

DAVID HOWARD
Milwaukee, Wisconsin

The abandonment of exchange controls after Thatcher's election victory in 1979, the dramatic deindustrialisation and tidal wave of unemployment that followed and the subsequent mass privatisation of public utilities were components of an economic revolution that was neoliberal in theory, not conservative. It was Thatcher, initially a Europhile (but edging towards Euroscepticism in her later years) who helped to launch this neoliberal revolution. Its architects then set about Europe, inspiring the Single European Act, the single currency and free movement. In Britain there has since been a seamless procession of neoliberal leaders in the main parties, all high priests of the new faith.

This was all opposite to the tenets of Michael Oakeshott's conservatism, which you cited: "family, church, tradition, local association to control change and slow it down" and, most significantly, the perils of sweeping away institutions.

KELVIN HOPKINS, MP
House of Commons
London



Given Oakeshott's definition of conservatism, isn't it possible that the current populist spasm is an understandable response to extreme circumstances rather than, as you claim, a repudiation of its history?

Globalisation, though inevitable and beneficial, brings the unfamiliar and the distant rather closer than many feel comfortable with. On its own this would not be enough to cause the ructions we are experiencing, but combine it with wage stagnation, austerity and a blinkered repudiation of the progressive-liberal tools needed to improve things, then the necessary conditions for a great disruption are in place.

PHIL BADGER

Barnsley, South Yorkshire

I have never met a conservative. The people I meet have very little idea what they think or why they think it. They attach themselves to some collective identity and wish destruction on those who attach themselves somewhere else. What remains is the urge to purge something for its foreignness or impureness. Walter Benjamin wrote about “the destructive character” in 1931, which demolishes established practice without concern for what will replace it.

MARCUS BULLOC

Madison, Wisconsin

Setting a value

The article on “[Rich people’s problems](#)” in The World If supplement (July 6th) asserted that the “trickier parts of investment portfolios to value include...art and antiques, and...privately held businesses”. No, it’s easy.

For any asset that does not have a value in an arm’s length market, the owner should be free to declare any value and pay tax based on that valuation. However, such a valuation should be deemed to imply willingness to sell the asset at that price to anyone, including the state Treasury. Any asset that is concealed from the tax authorities, if and when it comes to light, should be deemed to be valued at zero and available for purchase at that value by the Treasury.

AVINASH DIXIT

Emeritus professor of economics

Princeton University

Princeton, New Jersey



Cotton puff

Many of Uzbekistan’s farmers would no doubt love to grow fruit and veg in place of cotton (“[Ready, steady, reform](#)”, July 6th). They are unable to do so because of the system of mandatory state orders, inherited from Soviet times. If you fail to deliver the mandated cotton quota to the state you lose your leasehold. Revenues from the cotton harvest are reputed to be funnelled through semi-private government-linked trading companies; abolishing the quotas would hurt these powerful entities.

Émigré groups such as the Uzbek-German Forum for Human Rights document how forced labour, sometimes consisting of doctors, teachers and other state employees, continues in the harvest, despite the government’s claim to have eradicated it. On a separate point, hundreds of families across the country have lost their homes in the past two years without compensation or effective recourse, to make way for shady developments. Real reform begins with enforceable property rights for the many, not just for the few.

CASSANDRA CAVANAUGH
New York

Nazi operations in America

The landing of a German U-boat on the coast of Labrador in 1943 was not “the only known Nazi military operation on North American soil” (“[Eye of the storm](#)”, July 6th). In June 1942 the Nazi’s Operation Pastorius landed eight saboteurs on a beach near Amagansett, Long Island, and at a beach in north Florida. The men were arrested some two weeks later after one of the saboteurs, George Dasch, had second thoughts and telephoned the FBI.

Six were executed in August. Dasch and another saboteur received life sentences but were later granted clemency by Harry Truman and deported. The Nazis also landed two intelligence agents on the coast of Maine in late 1944.

JASON GART
Director of litigation research
History Associates



Work is good for the soul

Regarding workaholism ([Bartleby](#), June 29th), working hard is not just about money. People in all walks of life want to feel a sense of purpose, which is derived largely from the work that we do. We work less when we dislike our jobs. When we find something truly meaningful, working hard comes naturally. John Maynard Keynes was barking up the wrong tree with his hopes for a 15-hour work week. Perhaps he would have felt differently if he had been a stonemason or an artist, rather than a practitioner of the dismal science.

RYAN NOTZ
London

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Letters

Sections

United States

Briefing

[Russia and China: The junior partner](#)

How Vladimir Putin's embrace of China weakens Russia.

Letters

Sections

United States

The junior partner**How Vladimir Putin's embrace of China weakens Russia**

He needs Xi Jinping more than Mr Xi needs him—and Central Asia is changing as a result



Jul 25th 2019 | DUSHANBE, MOSCOW AND OSH

THE PALACE OF OFFICERS in Dushanbe, the capital of the former Soviet republic of Tajikistan, acts among other things as a hotel for visiting dignitaries. It is marked out by tinted windows, purple neon and an excellent Chinese restaurant. The last is not all that surprising. The distinctly swanky edifice was built and presented to the Tajik ministry of defence by the People's Republic of China.

It is not the only such gift. The imposing new government palace and the accompanying parliament now under construction come courtesy of the Chinese Communist Party. One Western diplomat recalls that the voicemail system at the ministry of foreign affairs, another such gift, used to talk to callers in Mandarin. China has built schools, paved roads, bored tunnels and lent Tajikistan \$1.3bn—nearly half its foreign debt. It mines the country's gold and silver and heats its homes with a large coal-fired combined heat and power plant. It supplies its CCTV and traffic cameras; the logo on Dushanbe's shiny police cars says "China Aid".

Tajikistan is the poorest of the Central Asian states, lacking the natural resources of Kazakhstan, Uzbekistan and Turkmenistan, and has been further debilitated by civil war. That makes China's munificence stand out. But it can be seen in the better-off neighbours, too.

There are various reasons for this largesse. China is suppressing and interning people from Muslim ethnicities, most notably Uighurs, on a vast scale in the Xinjiang autonomous region, which borders Tajikistan and Kazakhstan. To buy influence in nearby largely Muslim countries makes sense. And Central Asia is as important to China's new silk road, the Belt and Road Initiative (BRI), as it was to the original one. So China has piled in. "China is doing what the Soviet Union used to do," a former Tajik official says.

What does that mean for the Soviet Union's successors? Russia still considers Central Asia, which the tsars colonised in the 19th century, its backyard, especially in military matters. Hence Tajikistan's membership of the Collective Security Treaty Organisation, a Russian-led alliance. As long as China's interest in the region remained mostly in the realm of investment, it was tolerable to Russia, even welcome.

But by 2016, if not before, Chinese army units had begun to appear in Tajikistan, ostensibly to watch over the Wakhan Corridor—a strip of Afghanistan that separates Tajikistan from Pakistan. Later that year China staged a war game with the Tajik army, some of whose younger officers have been trained in Shanghai.

China and Tajikistan deny China's military presence in the country. "Remember, you never saw us here," a uniformed Chinese soldier told a *Washington Post* reporter who came across a Chinese outpost near the town of Murghab. But military attachés have spotted dozens of Chinese military personnel, training camps and guard posts in the Pamir mountains, which have played a role in grand strategy since the days of Alexander the Great.

This increased military activity rattled Moscow, says Alexander Gabuev, a sinologist at the Carnegie Moscow Centre, a think-tank. But as an Indian diplomat points out, it could hardly complain: "Russia cannot confront China, because it depends on it." Instead it showed off. In 2018 Russia pointedly brought its most modern kit to Tajikistan for its own war games close to the site of the Chinese ones. Sergei Shoigu, Russia's defence minister, recently visited Dushanbe's Palace of Officers when in Tajikistan to inspect the 7,000-strong 201st Motor Rifle Division, Russia's largest foreign deployment. Perhaps he stopped for some duck and glass noodles under the watchful eye of China's president, Xi Jinping, whose picture is proudly displayed on the ministry restaurant's wall. The chef can be seen in his entourage.

Military posturing in this remote region provides a rare glimpse of the tension that underlies the official friendship between Russia and China, a friendship Vladimir Putin, Russia's president, has done much to foster since the mid 2000s. It is one in which he places much public store. "In recent years, thanks to your direct participation, the relationship between Russia and China has reached an unprecedentedly high level," Mr Putin told Mr Xi on June 5th, when the Chinese president and a thousand-strong delegation flew in for the St Petersburg Economic Forum that Mr Putin holds every year.

"Russia is the country that I have visited the most times, and President Putin is my best friend and colleague," said Mr Xi. They strolled around Moscow Zoo, inspected two pandas lent by China as a sign of great trust and were greeted in Mandarin by Russian children. No one actually sang "Russian and Chinese—Brothers for ever", written 70 years ago to celebrate the unending friendship between Joseph Stalin and Mao Zedong:

The voice of the Yangtze is heard on the Volga
The Chinese see the brightness of the Kremlin;
We are not afraid of a military storm

But it felt as if they might have.

Like those butchers of yesteryear, Mr Putin and Mr Xi are brought together by a shared adversary, America. But there are crucial differences between today's resentments and the mortal combat of the past. One is that the cold war was a struggle over which side's model represented the future for the world. Today's confrontation rejects the idea of any singular future. Russia and China justify their authoritarianism on the basis of civilisational difference. They do not claim their values are universal; they do not accept Western values as such.

More practically, in 1949 Mao was a junior partner Stalin felt he could control. Today Mr Xi holds most of the cards. As late as 1989, the Soviet Union's GDP was more than twice the size of China's. Today China's GDP is six times larger than Russia's, measured at purchasing-power parity. Russia ranks tenth among China's export markets, a little above the Philippines but well below India. China is Russia's second-largest export market after the EU. It buys more Russian oil than any other country.

Closer companions

Russia, goods trade with China, \$bn



Sources: Datastream from Refinitiv; UN Comtrade

The Economist

Such economic asymmetry plays into foreign policy. When a Western diplomat asked a Chinese official whether China's military presence in Tajikistan had been cleared with Russia, he was told "We also trade with Russia" in a tone that suggested that Russia would do well to keep that in mind. But the changed dynamic of the relationship goes beyond this. Mr Putin's approach to China is making Russia technologically and politically dependent on its neighbour. As Alexei Navalny, an opposition leader, puts it: "What Mr Putin is doing today will almost certainly make the next leader of Russia hostage to his China policy...It would be very difficult for a future leader to bring co-operation with China into a format that would be beneficial for Russia and supported by the population."

The question of support by the population shows up a second asymmetry in the two countries' dealings. For China, a relationship with Russia is a foreign relationship like others—an important one, a complex one, but a matter of statecraft. For Russia, the new closeness strikes at questions of national identity. Russia's elites have defined themselves by looking west for centuries. Becoming the first European power to fall into China's orbit is a reversal—even a rejection—of that history.

From the late-17th century on, those ruling Russia were determined that it be a European power—St Petersburg was the physical manifestation of the choice—and rejected its Asian traditions with a fervour of the convert. Catherine the Great, of German descent, swore to drive the Turks from Europe, tame China and open trade with India. In the 19th century, Russian Westernisers perceived China as an example of stagnation, bureaucracy, corruption and despotism. When Russia expanded into the east, subjugating the states of Central Asia, it saw itself doing so as a modernising, European power.



Communist ideology complicated matters. Karl Marx had identified what he called the “Asiatic mode of production”, distinguished by a lack of private property rights and a centralised despotic state. Revolutionary Russia, true believers felt, had the opportunity to sweep away that system as well as the capitalist one. It could be to Asia what Europe had long been to Russia: an exemplar of progress in the west. Stalin had no problem with centralised despotic states *per se*, but still saw Asian communism as a force to support. He helped Mao take Tibet and Xinjiang and brought him into an alliance. After Stalin’s death, relations deteriorated. In the Khrushchev thaw, China was the unreconstructed past; Mao proclaimed Russia revisionist. By the late 1960s there were clashes between Soviet and Chinese troops along the border.

After the fall of the Soviet Union, the dream of Russia as a fully Western power was revived in full force. “Our principles are clear and simple: supremacy of democracy, human rights and freedoms, legal and moral standards,” Russia’s president, Boris Yeltsin, told the UN in 1992, aligning the country with America and Europe. No such comity for the East. “Ideology differentiates us from China, but we are neighbours and must co-operate.”

During the 1990s things soured. Russia’s introduction to capitalism saw economic decline and the rise of oligarchs; NATO’s bombing of Serbia over Russia’s objections was a deep blow to its Slavic pride. But when Mr Putin—by no means a believer in the common values of which Mr Yeltsin had spoken—rose to power he still saw the West as a model for Russia’s modernisation and made appropriate efforts to get along. He did not object to the Baltic states joining NATO and said all the right things after the attacks of September 11th 2001.

In return, say Russian critics of the West like Alexander Lukin of the Higher School of Economics in Moscow, he got nothing but aggravation: encroachment on Russia’s sphere of influence through “colour revolutions” in Ukraine and other machinations and criticism of human-rights abuses. In a book on Russia-China relations, Mr Lukin writes: “It was...the West that destroyed the idea of creating a new system of global politics based on international law. It was...the West that used its temporary omnipotence to create a world in which powerful states could seize anything that was there for the taking, destroy any borders and violate any treaties for the sake of a ‘good cause’.” Russia’s pivot towards China, by this logic, followed a Western failure to accept Russia, with all its shortcomings, and assimilate it into the civilised world.

But that is hardly the full story. In 1994 Yegor Gaidar, the architect of Russia’s market reforms, argued that there were two ways for Russia to turn to the West. It could try to catch up with the West by mobilising state resources—the model followed from Peter the Great to the 1930s, at great human cost. Or it could try to become truly Western by “taming the state” and developing the sort of institutions which stimulate entrepreneurship and long-term growth.

If Russia followed neither of those paths, Mr Gaidar said, it would have to look to the east—an alternative he summed up in an aphorism of the ancient Chinese statesman Shang Yang: “When the people are weak, the state is strong”. That could serve as Mr Putin’s motto. In his “millennium manifesto” Mr Putin straightforwardly declared the supremacy of the state over individual rights and freedoms.

The Asiatic mode of politics

Mr Putin’s satraps in the security services—*siloviki*—appropriated private companies. Their assets were redistributed among Mr Putin’s associates, many of whom would also become beneficiaries of Chinese investments. “The lion’s share of Chinese money goes to Mr Putin’s friends,” says Mr Gabuev of the Carnegie centre. Gennady Timchenko, who amassed an estimated \$13.4bn by selling Russian oil to the West but has since been forced out of Europe by American sanctions, is now the chair of Mr Putin’s Russian-Chinese business council.

Russian rent-seekers and their short-term interests play a central role in the Sino-Russian relationship. “Sometimes it seems that Russia’s policy towards China is shaped by the lobbying interests of the Kremlin’s heavyweights,” says Andrei Kortunov, head of the Russian International Affairs Council, a think-tank. The same is not true in reverse. Private Chinese firms are reluctant to invest in Russia. Some fear American

sanctions; others worry about the lack of property rights and clear rules. To operate in Russia, you need what Chinese businessmen now call *bao hu san*—a protective umbrella provided by *siloviki*. For such a small market, why bother? There is an irony here. Russia’s regime has opted for the East; but Chinese people and investors are interested in Russia only to the extent that it is Western. Investors want rule of law, not cronyism. Tourists want St Petersburg, not Tuva.

But if businessmen did not make much of the fall of the Soviet Union, China’s Communist Party officials saw it as a terrible threat. The communist superpower had fallen, not to outside forces, but to discontent within; China’s party was keenly aware that protesters in Tiananmen Square had taken quite a shine to Mikhail Gorbachev in 1989. It also meant that China had to deal with a new litter of predominantly Muslim states on its borders, and brought the possibility of a Western-dominated bloc stretching from Vancouver to Vladivostok.

China’s main task thus became ensuring that a reassured Russia would act as a buffer, at best a friendly and at least a neutral one, between itself and America. It did not want a weak neighbour; but nor did it want a mighty one. It invested; it smiled; it bought oil and weapons (though it was not, then, allowed the best). It tended to vote with Russia in the UN Security Council, except when it would cause additional problems with America. Thus, for example, it did not criticise Russia’s annexation of Crimea. But it did not recognise it either.

Instead, it profited from it. The annexation of Crimea and the invasion of Ukraine eliminated, for the foreseeable future, any risk of an alliance between Russia and America. Mr Putin’s actions diverted Western attention from China; they also made Russia much more dependent on China. In May 2014, weeks after the invasion, Mr Putin and a retinue of businessmen and officials flew to Shanghai to forge a new partnership. The deals reached included a \$400bn 30-year gas contract, to be enabled by a far-eastern pipeline called “The Power of Siberia”. It is due to start operations by the end of this year. Russia and China have also increased their co-operation on finding ways to open up the north-west passage to shipping, notably that of liquefied natural gas (LNG). Informal restrictions on the sorts of investment China could make in oil companies have been lifted; the full range of Russia’s non-nuclear weaponry is now available to Beijing, including the S-400 anti-aircraft system.



The Economist

This dependence should not be mistaken for an alliance. Russian propagandists, at home and in China, have taken advantage of the current trade war to fan the flames of conflict and offer their nation as a fellow victim of America’s aggression. But China is sticking with its professed position of avoiding both alliances and enmities.

“The most important relationship for us is the one with America. We don’t want to repeat the mistakes of Stalin and Mao,” says Feng Yujun, the head of the Centre for Russian and Central Asian Studies at Fudan University. “Russia is more dependent on China than China is on Russia.”

A yuan for companionship

If China does not seek alliance, it relishes that dependency, and wants to ensure its continuation. Russia may in time try to turn again westward, either because of a change in power in the Kremlin—which tends to cause such reversals, as it did when Khrushchev succeeded Stalin—or because the people start to resent Chinese actions, as some in Siberia already do. “Russia will push back when China encroaches on the psychological definition of what it means to be a Russian society,” a Western diplomat says. To keep its interests safe from such a reversal, China is working to create a powerful pro-Chinese lobby inside Russia’s political circles and to create both structural and hardware dependencies that would survive any political change in Russia, says Mr Gabuev.

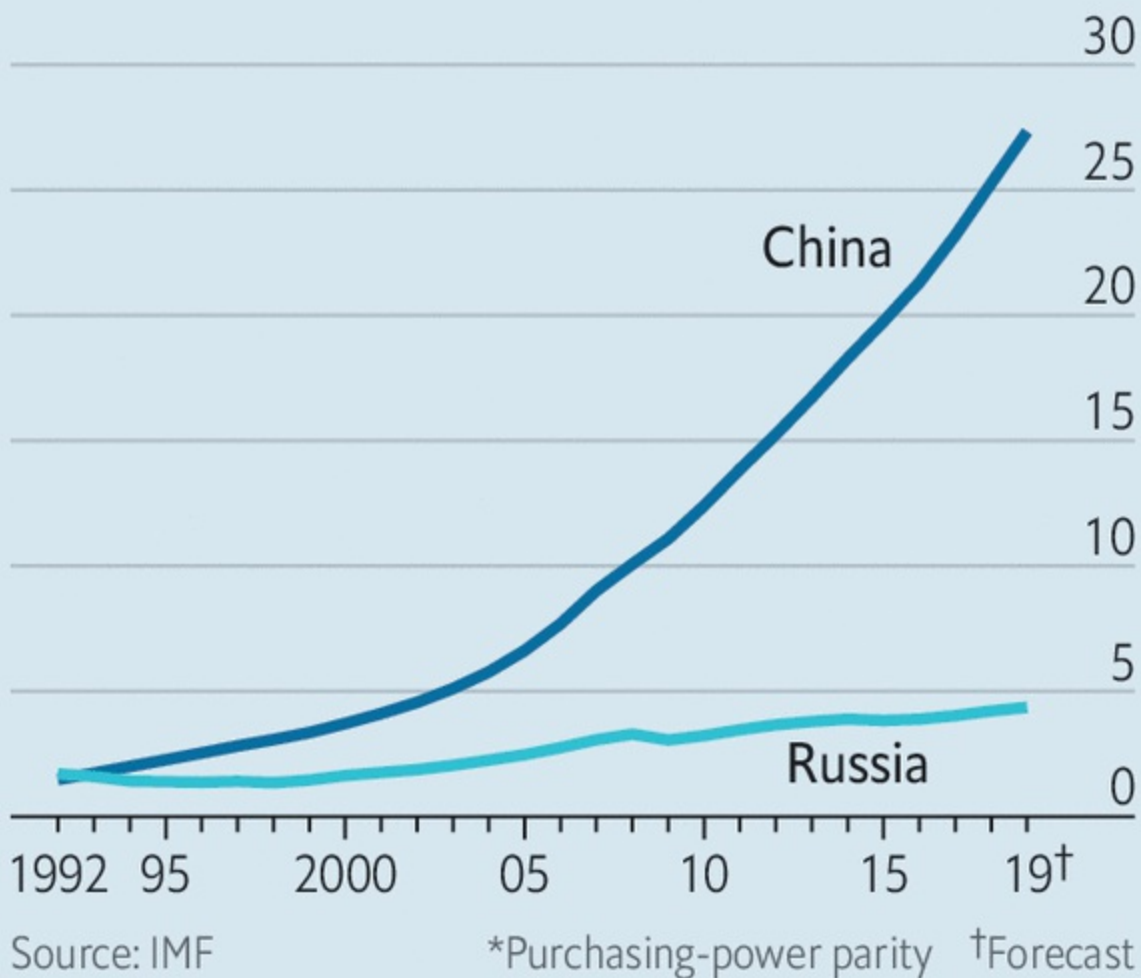
In the energy sector China has access to some of Russia’s most valuable assets. Chinese state energy firms own one-fifth of an Arctic LNG project developed by Novatek, an energy firm partly owned by Mr Timchenko. Nearly half of all drilling equipment used by Russian oil firms comes from China. China has helped Rosneft, Russia’s national oil company, to make acquisitions, and buys ever more of its oil. Mr Putin and Mr Xi have agreed to increase the amount of their trade valued in yuan and roubles, in part to avoid sanctions. Russia’s central bank’s yuan holdings now account for 14% of its total reserves, even though the yuan is not fully convertible. That is ten times more than at any other central bank, according to Mr Gabuev.

Russia is growing dependent on China in technology, too. Huawei, a company deeply distrusted by America, is rolling out its 5G telecoms equipment in Russia. Alibaba, a Chinese e-commerce giant, has entered into a joint venture with Mail.ru, the owner of Russia’s largest social-media networks. Russia’s draconian law on the “sovereignty of the internet”, currently before parliament, is copied from China, and it is hoping to use Chinese technology to implement it. Dahua Technology is helping Russia with face recognition. Hikvision cameras are watching Moscow residents. Grigory Yavlinsky, a liberal politician, argues in a recent article on these deals that turning Russia into “China’s satellite...for the sake of sticking it to the USA is an unforgivable shortsightedness.”

Leonid Kovachich, a journalist who monitors Russia’s use of Chinese tech, says Russian officials are aware of security risks associated with China’s penetration and are trying to use Russian-made software and algorithms. But they cannot get away from the Chinese hardware. Mr Putin once said that the countries and companies which dominate artificial intelligence will rule the world. Russia’s AI is highly likely to come almost entirely from China.

The great leap forward

Nominal GDP, \$trn at PPP*



The Economist

The asymmetries and contradictions in the relationship are most obvious in Central Asia. Take the Shanghai Co-operation Organisation (SCO), which was created in the late 1990s. China saw it as a way of extending its economic and political influence in Central Asia; it is at an SCO institute in Shanghai that Tajik and other Central Asian officers are trained. Russia saw it as a way of checking such expansion. That is why, two years ago, it insisted that India and Pakistan be allowed to join. Russia also tried to push back against China's attempt to create a free-trade zone within the SCO by setting up a Eurasian Union alongside the Collective Security Treaty Organisation. The purpose, one Indian diplomat says, was to protect Russia's own market from the flood of Chinese goods.

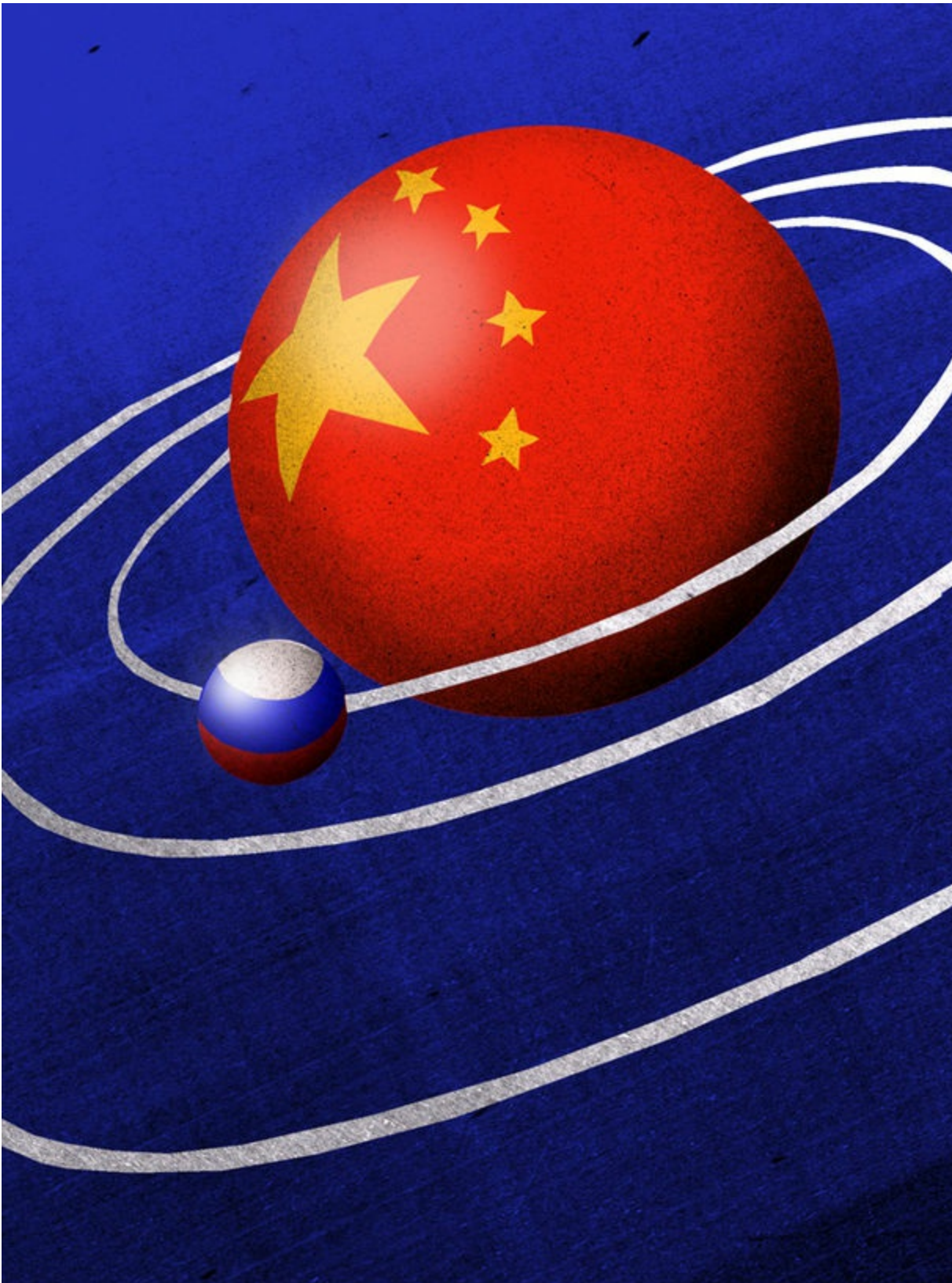
For their part, the Central Asian countries see the SCO as a security guarantee not so much against China as against Russia, particularly after the annexation of Crimea and the war in Ukraine. The fears are particularly palpable in Kazakhstan, the richest of the Central Asian countries and the one with the longest border with Russia. Like Ukraine, in 1994 Kazakhstan gave up the Soviet nuclear weapons it had inherited in return for a commitment that America, Britain and Russia would protect its territorial integrity and sovereignty.

Two decades later Russia's annexation of Crimea revealed the true value of that "Budapest memorandum". Within weeks Nursultan Nazarbayev, Kazakhstan's first president, was asking Mr Xi for assurances on his country's security. To placate Moscow, Kazakhstan also joined Russia's Eurasian Union, albeit a slimmed down version. "Russia wanted it to be a political and economic union, with a single currency and a single parliament. We managed to water it down," one of Kazakhstan's negotiators says.

Little dragons

The difference between the approaches Russia and China take to Central Asia is striking. Russia brandishes sticks, China offers carrots. It is using every tool in its sometimes rather seedy soft-power toolbox to win over the governing elites in Central Asia and offset public resentment of China that has been strengthened by China's increasing abuse of Muslims—Kazakhs as well as Uighurs—in Xinjiang on internal-security grounds. Playing the generous neighbour seems to work. When America sounded out governments in the area to see if they might criticise China's repression in Xinjiang at the UN or the Organisation of Islamic States it got no takers. Kazakhstan has locked up activists trying to talk about their experiences in Xinjiang's re-education camps.

"Russia still sees us as part of the empire and does not think it needs to earn our trust," says a senior government official in Kazakhstan. "It always talks about alliances, which implies a confrontation with a third party, whereas China talks of 'friends'." This friendship matters a lot to the countries' elites, for reasons rich in historical irony. In the 19th century Central Asia wanted to stay as it was, but Russia wanted to Westernise it by force. Today Russia wants to keep things as they were, but Central Asian elites want to Westernise. And, compass be damned, they see Chinese friendship as the way to achieve that goal.



Though most Central Asian governments recoil from Russia's Eurasian Union and its Collective Security Treaty Organisation, they embrace China's BRI—which was formally announced in Kazakhstan in 2013—as both an economic opportunity and a security guarantee. It was Mr Nazarbayev who first proposed the revival of the old silk route through the landlocked Kazakhstan. “We are in the middle of a continent,” he once observed. “We don't have access to the sea. But as one [Chinese] businessman said: ‘China is our ocean’.”

Unlike Russia, China puts its money where its mouth is. Two years ago, China Ocean Shipping Company

became a 49% owner of the “dry port” of Khorgos—a vast road-and-rail terminal on the Khazak-Chinese border seen as central to the BRI. Within a few months, a city with shopping centres, a Ferris wheel, high-rise housing and Uighur restaurants sprang up on the Chinese side of the border.

“China sees Central Asia first and foremost as a way of stabilising Xinjiang. But it is also a testing ground for China’s foreign policy and the country’s ability to push into Russia’s normative space,” says Raffaello Pantucci of the Royal United Services Institute, a think-tank in London. Over the past 20 years China has broken Russia’s monopoly over energy pipelines in Central Asia. Transneft, a Russian pipeline operator, used to control the flow of Kazakh oil. Now Kazakhstan exports its oil to China through a new pipeline built in 2009. “China is rewiring the whole region. All roads used to lead to Moscow. Now all roads lead to Beijing,” says Mr Pantucci.

Russia still has a cultural, linguistic and political hold on Central Asia. It employs millions of its migrant workers, controls the media and information space, and believes that it can make or break governments there. Perhaps it can. But that does not bother China much. “It does not matter who the tenant is if you own the building,” as another Western diplomat says.

The shift in balance is obvious on the central avenue in the city of Osh, in Kyrgyzstan. Near the vast statue of Lenin, arm outstretched, which dominates the main square is a new landmark: Shanghai City, the largest hotel in town. Azizbek Karabaev, its 31-year-old manager, worked in Russia in the early 2000s, but in 2012 started to learn Chinese and went to China to study the hotel business. Shanghai City also provides language practice for students learning Chinese. “There is a huge demand for Chinese interpreters,” Mr Karabaev says. His six-year-old son, Adilkhan, barely understands Russian, but speaks fluent Mandarin. He has a Chinese name, too: Wang Xiao Long, or “Little Dragon”. ■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

United States

[Overcrowded primaries: A Democratic dilemma](#)

Should political parties really let anyone run for president?.

[The Russia investigation: Thus spake Mueller](#)

Impeachment looks even less likely now than before Robert Mueller's testimony.

[A new threat to New Orleans: Barry scary](#) [Indian-Americans: Samosa power](#)

A new threat to New Orleans.

The rising clout of Indian-Americans.

[Lexington: Alaska Hotshots](#)

Hotshots and global warming in Alaska.

Overcrowded primaries**Should political parties really let anyone run for president?**

Less direct democracy in the nominating process might produce less polarisation, more unity and more qualified nominees



Jul 27th 2019 | WASHINGTON, DC

TWENTY-FIVE candidates are running for the Democratic Party's nomination. Twenty of them will take the stage in next week's televised primary debates. So large a slate could fill two football teams, provide five sets of starters in the NBA or be the primary cast for a Broadway musical. Though fields of this size are atypical compared with primaries in the 20th century, they are becoming the new normal (see chart). In 2016 the Republican field that included Donald Trump contained 16 other candidates. Party bosses recognise that having so many choices overwhelms voters and encourages candidates to take extreme positions. But doing something about it will require them to act in a way that to many seems undemocratic.

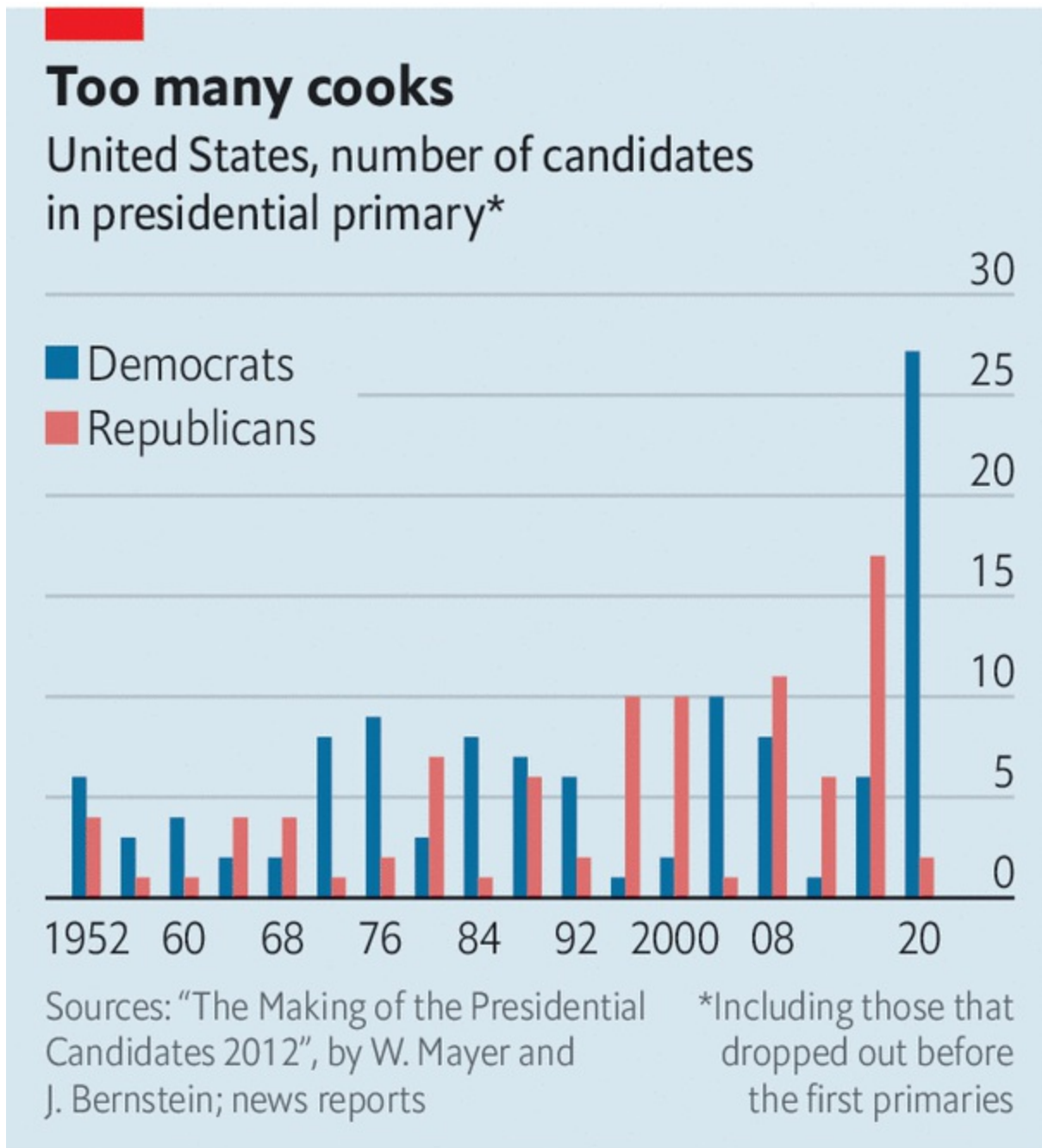
The parties' current nomination rules allow almost anyone who wishes to run for president to do so. To try to minimise the chaos this invites, the Democratic National Committee set minimum thresholds in terms of polling numbers and fundraising that had to be met in order to be included in the televised debates. These are hard to calibrate precisely in advance. In this case the system has thrown up too many candidates for voters to evaluate. It rewards name recognition and social-media prowess, and asks activists to make decisions about people about whom they know little.

Absent from the 20 candidates who were selected for the Democrats' first televised debates was Steve Bullock, the governor of Montana and the only Democratic governor of a state won by Mr Trump in the race, because he was lower in the polls and had fewer individual campaign donors than other candidates. Meanwhile Marianne Williamson, spiritual guru, whose assertion that "there's no higher art than living a beautiful life" may not be the winning message Democrats are searching for in 2020, was allowed to speak on the party's platform to millions of Americans. It does not have to be like this. Party leaders used to exercise more sway

over primaries. They could do so again.

The party subsidies

Republicans' and Democrats' lack of control over their nominating process is a uniquely American phenomenon. Nowhere else in the world do political parties engage in years-long campaign battles between candidates vying for the approval of hyper-engaged partisans. Most other countries allow some combination of legislators, party members and interest groups to select party leaders. This is the case in parliamentary democracies such as Britain (where Conservative MPs chose a slate of two candidates to put to party members), Canada and Australia, as well as in presidential systems like France and Mexico, where most parties choose their leaders from a more restricted list.



The Economist

The current system can trace its roots back to the 1972 Democratic Convention in Miami Beach. This was the

first contest in which the rules of the McGovern-Fraser commission were adopted. That commission was tasked with creating more open rules after Hubert Humphrey was nominated in a contentious convention, despite not competing in any of 13 primary races. (In the five decades since the adoption of more democratic rules, the Democratic Party has won fewer presidential elections than in the five decades before, when candidates were chosen in smoke-filled rooms.) Republicans were persuaded by similar pro-democracy arguments and enacted plebiscitary reforms in the 1970s and 1980s, increasing the number of primaries at the expense of caucuses and binding delegates to the voters' decisions.

Fans of the current system consider it a plus that the two parties are open to outsiders like Mr Trump or Bernie Sanders. They also point out that the 25 candidates on the Democratic side will be winnowed down to a more manageable number. Yet although candidates have already started dropping out, their reasons for doing so do not suggest a process that is working well.

Eric Swalwell, a congressman, suspended his campaign because he was spending so much money on fundraising to pull in enough individual donors to qualify for the debates. In one month, "we spent \$110,000-ish to get \$100,000. So it's like you're like spending money to get less money just to meet a threshold," Mr Swalwell said after dropping out of the race. He may be no great loss. But if Democrats lose Mr Bullock or Michael Bennet, an impressive centrist senator from Colorado, in the next round of winnowing, they may find they lose candidates with a good chance of beating Mr Trump months before the first actual primary takes place, in February 2020.

Elaine Kamarck of the Brookings Institution, a think-tank, and author of "Primary Politics: Everything You Need to Know about How America Nominates Its Presidential Candidates", believes this system makes it far too easy for parties to be hijacked by outsiders. "No other political process in the modern world", Ms Kamarck writes, "has so abandoned this critical vetting function of the political party in the nominating process." A system of peer review by elected officeholders before candidates were put before primary voters would, she argues, work better.

What would this look like in practice? Ms Kamarck presents three possible solutions. First, both parties could increase the role that superdelegates—convention delegates who can vote whichever way they please—play in the process. Currently Republicans do not use superdelegates in their selection process, and Democrats have recently cut their power. Second, parties might consider a national convention to endorse a limited number of candidates before the choice between them is presented to the voters. The third option would be to let a party's members of Congress present a slate of endorsed candidates to primary voters. Julia Azari, an associate professor of political science at Marquette University, says that the ideal system probably lies somewhere between the brokered conventions of the 1960s and the nearly fully democratised system of today.

It is too late for reformers to affect the system that will be used in 2020, but it is not unimaginable that they may do so later on. Both parties already enact restrictions on who may run, and even the constitution includes some anti-democratic requirements, such as the need to be 35 years or older to run for president. Nor is it abnormal for the parties to exercise a heavy hand in their nomination processes. In the 2008 primary, for example, the Democratic National Committee voted to strip Michigan and Florida of all their pledged delegates after they scheduled their primary elections earlier in the year than originally agreed. The rules committees of the two parties still have the power and flexibility to reform a system that is failing to work. They should use it. ■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Thus spake Robert Mueller

Impeachment looks even less likely now than before Robert Mueller's testimony

Six hours of “I refer you to what is written in the report” will not change the politics of firing Donald Trump



Jul 25th 2019 | WASHINGTON, DC

FOR TWO YEARS, Robert Mueller has loomed over American politics, nearly unseen and largely silent. Mr Mueller, who was appointed to investigate Russian interference in the 2016 presidential election, after President Donald Trump sacked James Comey, the then-FBI director, stayed silent throughout the 22-month inquiry. In March, after indicting 34 people, executing 500 searches and issuing 2,800 subpoenas, his office submitted a 448-page report summarising its findings and then closed. Mr Mueller gave brief public remarks after the report's release, stating that it would be inappropriate for him to testify before Congress because “the report is my testimony”. Despite that admonishment, on July 24th, Mr Mueller was hauled before two committees of the House of Representatives, which is controlled by the Democrats, and made to testify for six hours. He did not deviate much from his pledge.

Democrats were hoping Mr Mueller would recount the president's misdeeds in clear, shareable sound bites that would interest the voting public again after the muted reception of the report. Although close associates of the president were charged with crimes over the course of the investigation, the report did not turn up proof of a conspiracy with Russia. The second half of the report detailed repeated efforts by the president to derail the investigation, including by trying to sack Jeff Sessions, the attorney-general at the time, so that Mr Mueller could be reined in. Because of an existing legal opinion stating that a sitting president cannot be indicted, the report did not reach a judgment on whether Mr Trump should be prosecuted for obstruction of justice. The final sentence of the report notes that “while this report does not conclude that the president committed a crime, it also does not exonerate him.”

A hefty minority of the party hankering after impeachment, against the wishes of the Democratic leadership, had hoped to bolster their stalled case. They repeated the most damning excerpts of the report—especially one

in which the president slumped in chair and said “Oh my God. This is terrible. This is the end of my presidency”—hoping that the former special counsel would chime in and help them along. But Mr Mueller, who stammered, asked for questions to be repeated and answered questions with either clipped one-word replies or legalistic language did not help their case. He refused to read portions of the report aloud, for fear of becoming a political prop in their campaign adverts (some of which were uploaded online before he had left his chair)—leaving the various questioning congressmen to stage their own dramatic readings. Throughout much of the day it appeared that the congressmen were testifying to Mr Mueller, rather than the other way around.

For House Democrats this was deflating. An impeachment effort last week, called by Representative Al Green over the president’s racist remarks, died after being turned back by a majority of Democrats. It also comes after months of oversight authority—and the subpoena authority that comes with leadership of the House—have failed to turn up as much scandal as was expected at the start of the year. Jerrold Nadler, the chairman of one of the committees, already has a primary challenger who charges that he has been too tame in his oversight of the administration.

The Republicans were almost uniformly in Trump-defence mode. Though they took nearly every speaking opportunity to assail Mr Mueller’s credibility and impartiality they did gleefully accept the conclusion that “the investigation did not establish that members of the Trump campaign conspired or coordinated with the Russian government in its election interference activities” without question. Several, including Devin Nunes, the senior Republican on the intelligence committee, advanced the conspiracy theory that the entire affair had been a hoax concocted by Democrats and Russia. If an aim of congressional Democrats had been to present the public with a clear and convincing view of presidential misconduct, this seesawing from one sympathetic Democrat to the next Republican inquisitor will not have helped.

Stuck at the epicentre of a political storm, Mr Mueller sought to extricate himself as painlessly as possible. It was an understandable strategy. Political showmanship reigned in this congressional hearing, as it does in many. His few flashes of emotion came when discussing the prospect of recurring electoral interference. “Over the course of my career, I’ve seen a number of challenges to our democracy. The Russian government’s efforts to interfere in our election is among the most serious,” he said in his opening remarks. Later on, he remarked that “It wasn’t a single attempt. They’re doing it as we sit here. And they expect to do it during the next campaign”. Nor did he sound hopeful that Congress would heed the warning. Asked whether the meddling of foreign governments in elections was a permanent feature of American politics, he answered: “I hope this is not the new normal, but I fear it is.” ■

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Previous

Articles

Sections

Next

Barry scary**A new threat to New Orleans**

More snowmelt to the north plus storms in the Gulf equals trouble



Jul 27th 2019 | NEW ORLEANS

AS HURRICANES GO, Barry hardly qualified for the title. Poorly organised and slow-moving, it achieved the requisite wind speed for just a couple of hours on July 13th before being demoted to a tropical storm. But for New Orleans, mild Barry was a wake-up call, exposing a new vulnerability for a low-lying city: the possibility that the vast Mississippi—still swollen in July, months after it typically crests—could be pushed over its banks by the surge a tropical storm often brings.

In flood-prone New Orleans floods can come from the sea, from the river or from the sky. Much of the city is below sea level, and its topography is bowl-like, with levees forming the edges. When torrential rain falls, as it often does, there is nowhere for it to go, so it must be pumped out over the walls. The potential for disaster is greater when a levee is overtopped—or worse, breached—by tidal Lake Pontchartrain or the river, which bookend the city.

Hurricane Katrina, now 14 years ago, was the modern standard-setter for local catastrophe. Katrina's formidable surge overwhelmed a system of levees and floodwalls designed to keep the sea at bay in hurricanes, a system later revealed as badly flawed. Eighty percent of the city went under water, much of it for weeks. Since then, most New Orleanians—and the Army Corps of Engineers, which oversees the system of levees—have understandably focused their attention on improving the defences facing the sea. The Mississippi river, the very reason for the city's precarious siting, has lately been an afterthought.



The Economist

Barry helped change that. Though hurricane season runs from June 1st until November 30th, the first two months are usually quiet in the Gulf. Barry came early for a Louisiana cyclone, arriving when the Mississippi, which rises every spring with snowmelt and rainfall in the northern states and Canada, was still swollen. The river's height as it passes the city is measured against sea level. When Katrina hit in August 2005, it was around three feet above sea level. When Barry was approaching it was at 16 feet above.

Just as they do to the seas in their path, hurricanes can change river levels. When Katrina churned through Louisiana the river level shot up from less than four feet to nearly 16 in the city, not enough to threaten the river levees, but close. Early forecasts had said that Barry might raise the Mississippi by four feet. That would have been enough to reach the tops of some of the city's levees. Scientists are still trying to understand how the extra force a high river has might counteract the opposing surge a powerful hurricane carries. But had Barry been a monster like Katrina, or even a less-catastrophic storm like Gustav in 2008 or Isaac in 2012, it is likely that the

flood defences along the river would have failed.

New Orleanians are used to thinking about stacked threats, for instance the possibility that a slow-moving hurricane could dump tons of rain, flooding the city from within even as a storm surge menaces from without. Barry introduced a new one: a high river in the summer, pushed over its banks by a hurricane. This new menace showed itself even though the Corps of Engineers has taken steps this year to lower the height of the river. The Bonnet Carre Spillway, a man-made sluice about 30 miles upriver from New Orleans that diverts water to Lake Pontchartrain, is not put into service in most years. This year, it has been open for 120 days, a new record. And yet the river remains high.

For New Orleanians, the brush with Hurricane Barry was a reminder that their city has been made more vulnerable by global warming, which brings rising seas and an increased likelihood of powerful hurricanes. Oil and gas exploration has hastened the erosion of the wetlands that once protected the region. And the river's levees, while keeping the Mississippi in its banks, have starved the delta of sediment and led it to sink more quickly. Engineers and academics are starting to talk about ways to diminish the river's flow safely in the future —by creating new reservoirs upstream, or perhaps restoring wetlands. While those questions are debated, New Orleanians will be keeping an eye on their mighty river, which is expected to remain well above its usual height as the peak of hurricane season approaches. ■

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Previous

Articles

Sections

Next

To Washington, via Chennai

The rising clout of Indian-Americans

There may well be an Indian-American president before there is an American Indian one



Jul 25th 2019 | CHICAGO

PRAMILA JAYAPAL, a congresswoman from Washington state, sees rapid change in American politics. Five years ago she was the first South Asian elected to her state legislature. In 2016 she made it to Congress, where she is now one of four Indian-Americans, known collectively as the Samosa Caucus, in the House. Last month she became the first woman of South-Asian descent to preside over the chamber. Across America, she says, “more and more South-Asian faces are running and winning.”

Her successes cheered her great-aunt in Chennai, in southern India, who had much to gossip about over tea with a close friend in the city, the aunt of another American politician, Kamala Harris. The senator, whose mother migrated to California from Chennai, rarely mentions the Indian side of her family while campaigning. But as a front-runner in the race for the Democratic nomination, she is undoubtedly spurring others of Indian descent to turn to politics. (The prominence of Nikki Haley—a Republican former governor of Punjabi descent, who served until last year as America’s ambassador to the UN—also fuels interest.)

Ram Villivalam, a state senator in Illinois, says having a half-Indian senator running to be president gives a jolt of confidence to Indian-Americans. Ms Jayapal concurs. Indian-Americans number 4m, about 1% of the total population, counting both migrants and their children. Most have arrived in America over the past two decades. Many are highly educated, wealthy and in professions such as engineering or medicine. But whereas older Indian-Americans focused on becoming model citizens and making money, Ms Jayapal says that those below 40 are “much more engaged” and “take democracy and voting to be critical”.

Raja Krishnamoorthi, an Illinois congressman of Tamil descent, says older migrants shunned politics, worried that names crammed with many letters would seem too strange to voters. The young are more assured and

politically sophisticated. He, too, is thrilled by Ms Harris's campaign, saying "she puts a little curry into the narrative" of the presidential race. A decade ago few South Asians ran for office of any sort in immigrant-heavy suburbs around Chicago, he says. But since his election to Congress in 2016 he estimates that 40 or so candidates have sought elected office of some sort in the area.

Could Indian-Americans really grow into a significant political force? Their numbers look too puny to matter as a national voting bloc. Devesh Kapur, at Johns Hopkins University, estimates that only 1m voters of Indian descent are politically active. That number could double within two decades through immigration, more naturalisations and as children age. But even then few will be swing-voters in close-fought states, unlike, say, Cuban-Americans in Florida. Most are reliably Democrats—77% of Indian-Americans backed Hillary Clinton in 2016, for example—who cluster in partisan strongholds such as California, New York and Illinois.

Yet there are other ways to amass political clout. Mr Krishnamoorthi and Mr Villivalam both suggest "Indian-Americans look to Jewish Americans" as a model, since they are seen as active in charitable and civic life, and as educated, organised and influential in politics. Mr Kapur, who wrote a book about the Indian diaspora in America, also calls them "a weak equivalent of the Jewish-American community."

He notes that Capitol Hill, for example, is crammed with staff and interns of Indian-American heritage. They also appear to be "over-represented" in academia, the media and other influential posts. He talks of the growing significance of informal networks, as well-connected Indian-Americans find jobs for each other's offspring. Ms Jayapal also points to the prevalence of skilled Indian-Americans (perhaps subsidised in their first jobs by well-off parents) who work as assistants to senators and representatives in Washington.

Karthick Ramakrishnan, who runs a survey of Asian-American attitudes from the University of California, argues that Indian-Americans are exceptional when compared with other Asian groups. They are far likelier to get involved in politics as donors, voters or candidates. High levels of education, English-language proficiency and roots in a country with its own long democratic tradition all help them to take part in America's political culture.

Money is also a factor. Average incomes are among the highest of any minority group. Although Ms Jayapal gently grumbles that older Indian-Americans—the wealthiest of all—want a photo with a politician but find "parting with cash difficult", younger ones grasp that they can be influential as donors. Niraj Antani, a young (Republican) member of Ohio's state legislature, who is of Gujarati descent, says Indian-Americans are responsible for a portion of his fundraising, and sees them as increasingly skilled in bundling donations. "They are now hosting [fundraising] events, not just attending them", he says.

They are also getting better organised. Mr Antani points to lobbies such as AAHOA, a hotel association, and a political action committee (PAC) belonging to the Hindu-American Foundation, as being influential among Indian-Americans. More significant still is the Indian American Impact Fund, a Democratic-leaning PAC, which describes its mission as, to "wield political power to fight back" against xenophobia and anti-immigrant policies under President Donald Trump.

"Indian-Americans have a drive for success," says Mr Antani, "and political success is very measurable: how many cabinet secretaries, congressmen, school-board members and state legislators do we have?" He, and his colleagues, are gung-ho about their prospects. America will see an Indian-American president before too long, he predicts. It might even be the next one. ■

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Previous

Articles

Sections

Next

Lexington

Hotshots and global warming in Alaska

A few thousand wildfire fighters stand between America and a terrible reckoning



Jul 25th 2019

THE WILDFIRE is half a mile away, with nothing between it and Tim Hatfield's fireline except flammable spruce trees. High in the Alaskan Arctic, smoke fills the southern horizon—stirred by a light southwesterly breeze that is a source of irritation to the 35-year-old chief firefighter. He is anxious to complete the five-mile defensive buffer he and his 66 firefighters are carving into the boreal forest to stop fire, which has consumed 11,000 acres since it was started by a lightning strike three weeks ago.

That would entail widening the fireline by burning a strip of forest on its southern edge. Yet in these winds, and Alaska's record high temperatures, a controlled burn could get out of hand. It could burn the patches of forest owned by the local Neetsaii' Gwich'in Indians that Mr Hatfield and his team have been dispatched, by helicopter and boat, to protect under the terms of the government's settlement with the tribe. "You have to be patient with fire," he says. "Sometimes that's the hardest thing."

While American politicians engage in a hot and unproductive debate about global warming, the country's 14,000 federal wildfire fighters—and more employed by state and local agencies—are fighting it every day. Hotter, drier conditions have sent the natural fire cycle on which the forests and grasslands of Alaska and the western states depend into a tailspin. The wildfire season is 78 days longer than it was five decades ago. In California, which last year saw its deadliest and two biggest wildfires, it is year-round.

Nowhere is the fiery new normal more obvious than in Alaska, which is largely forested and warming at twice the global rate. Of the 10m acres of American forest incinerated in 2015, a new annual record, over half were in the northernmost state. And while the fire season in the Lower 48 has got off to a relatively slow start this year, Alaska is again ablaze. It has lost over 2m acres of forest so far. This puts Mr Hatfield and his team on the front

line of a struggle in which more than America's forests—the fourth most extensive of any country's—are at stake. The firefighters represent a prominent test of America's effort to adapt to global warming—and in the process, some hope, bring sanity to the political debate.

As climate-change pioneers, they might not seem all that impressive. Bearded and intensely grimy, after 17 days of work and sleep in smoke and dirt, Mr Hatfield inspects the arrow-straight ride the firefighters have cut with chainsaws and Pulaskis, a cross between an axe and an adze used in American wildfire fighting for almost a century. Given the fire's remoteness and low priority—it threatens no city or significant installation—there is no less arduous way. Slouching through the forest in his filthy uniform of yellow shirt and green combat trousers, while recalculating wind, humidity and temperature, Mr Hatfield recalls one of the original pioneers, an impression reinforced by the all-American miscellany he meets along the fireline. First a 20-man crew of Gwich'in irregulars, struggling with a water-pump; next some elite "Hotshot" firefighters from Oregon, leaning on their Pulaskis ("They call me "First-gear", one says, "cause I don't go fast but I never stop"). A nearby spruce whooshes into flame, sparked by embers from an earlier, aborted, effort to widen the line. Mr Hatfield ignores it.

The diversity of his team in fact reflects the efficiency of America's emergency response system. Within hours of the National Interagency Fire Centre in Boise, Idaho, receiving a call for help, it can dispatch one or more of the 110 Hotshot crews employed by federal agencies and state and county governments. It is also a tribute to the spirit of the firefighters—of which there were further illustrations around the campfire where Mr Hatfield and his deputies, including another Alaskan, a Californian, Washingtonian and more Oregonians, gathered to grill hot dogs and steaks on sharpened sticks. Wildfire fighters are an unusual lot, at once dedicated and free-spirited. Many are drawn to working long hours for six months, in order to spend the rest of the year hunting or skiing. "And for most of us just being in the woods is huge," said Brita West, an Alaskan and rare female firefighter. Yet the stresses of the new normal are taking a toll.

Wildfire fighters are racking up twice as much overtime as they were a few years ago, in part because there are fewer of them. The number of federal firefighters has fallen by over 2,000. That is a result of cost-cutting and also increased competition for free spirits from fracking and other extractive industries in the western states. More hazardous infernos are another disincentive. Almost 200 wildlife firefighters have perished in the past decade. America is therefore starting to run short of some of its most heroic public servants even as its need for them soars.

Areas formerly prioritised for protection—including native American forest—are being abandoned in times of high activity. And there will be more of these. Climate models augur a huge increase in wildfires' frequency and range. Yet with many politicians on the right denying the reality of global warming, no government or agency has made a serious effort to model what firefighting resources will be needed, to defend what areas and at what cost.

More heat than light

There are two big cautionary lessons here. One is that, beyond the dysfunction in Washington, the excellence of America's institutions is creating a false sense of security about the long-term threats its politicians are neglecting. That is starkly true of America's early efforts to adapt to global warming. But much the same could be said for its armed forces, diplomatic service, judiciary and other institutional crutches against manifold threats. This is not sustainable. Without better leadership, there will be a reckoning.

The second lesson, given how little public attention has been paid to the wildfires, is that there is little reason to think increased natural disasters alone will produce the necessary leadership. Many Americans, and by extension their politicians, are already becoming inured to global warming's devastating effects. ■

Previous

Articles

Sections

Next

The Americas

[Brazil: Caving on corruption](#)

Jair Bolsonaro has given up on his anti-graft crusade. Can tourism boost one of Mexico's poorest states?.

[Oaxaca: Pobre, pero sexy](#)

[Guatemala's judiciary: Buy any deans necessary](#)

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[Bello: The benefits of equidistance](#)

Latin America and Europe have much to gain from closer ties.

Caving on corruption**Jair Bolsonaro has given up on his anti-graft crusade**

The president is breaking his main campaign promise



Jul 27th 2019 | SÃO PAULO

IF THERE IS one thing voters wanted from Jair Bolsonaro when they elected him Brazil's president last October it was to end corruption. When he was a right-wing congressional backbencher, his fulminations against “*os corruptos*” helped make him famous. In his inauguration speech on January 1st he promised to “free the country from the yoke of corruption”.

Now, his plans to keep his most important campaign promise are failing. That is because his administration looks nearly as scandal-prone as the one it replaced. One of his sons, Flávio, a senator from Rio de Janeiro (pictured left), is being investigated for money-laundering. Messages leaked to the *Intercept*, an investigative news website, have damaged the reputation of Sérgio Moro, the justice minister, who is in charge of fighting corruption and crime. They show that Mr Moro collaborated improperly with prosecutors when he was the judge in charge of the vast Lava Jato anti-corruption investigation. The operation led to the jailing of more than 100 businessmen and several politicians, including Luiz Inácio Lula da Silva, a former president.

The tourism minister is being investigated for putting up female paper candidates in congressional and state elections to get campaign funds meant for them. Mr Bolsonaro nominated another son, Eduardo, to be Brazil's ambassador to the United States, adding nepotism to his administration's list of sins.

The president can claim some successes, including progress on economic reform. He broke with past presidents' practice of giving cabinet jobs in exchange for support in congress. So far, that is his only contribution to cleaner politics.

A low point came on July 16th, when Dias Toffoli, a justice on the supreme court, suspended the investigation

of Flávio Bolsonaro. Police had identified an “exceptional increase” in his net worth tied to property deals between 2014 and 2017, when he was a state congressman. Seven million reais (\$2m) passed without explanation through the bank account of his driver, a friend of the president.

Mr Toffoli ruled that prosecutors need permission from a judge to use financial data collected by COAF, the government financial-intelligence unit, and other agencies. The supreme court has been considering since 2017 whether to issue such a ruling. It is due to decide in November this year. Mr Toffoli acted on his own after Flávio’s lawyers joined the suit. The ruling throws anti-corruption investigations into a “state of instability and confusion”, says Silvana Batini, a Lava Jato prosecutor from Rio de Janeiro. It could also hinder probes of money-laundering by drug gangs.

The president welcomed the decision to suspend the case against his son. Otherwise he has gone quiet on corruption. In the second half of 2018 he tweeted 68 times about corruption, according to the Electronic Government Laboratory at the University of Brasília. The number of tweets dropped to 20 in the first half of this year. In July there has so far been none.

Mr Moro, weakened by the leaks, has said nothing about Mr Toffoli’s decision. An anti-crime and corruption measure he proposed is making little progress. The committee responsible for it in the lower house of congress has voted down one idea to punish wrongdoing: writing into law the requirement that people convicted of corruption begin their sentences if they lose their first appeals, which does not always happen now.

So far, Brazilians have not noticed that the anti-corruption dream team are failing them. True, Mr Bolsonaro’s approval rating of 33% in early July was the lowest since 1990 for any president after six months in office, according to Datafolha, a pollster. But scandals are not the reason. More often, respondents point to the impact of a weak economy, cuts to university budgets and unpresidential behaviour (Mr Bolsonaro recently called governors of poor north-eastern states *paraíbas*, or “hicks”).

Embarrassing headlines have not stopped parts of his programme from moving ahead, which was not the case during the presidency of his predecessor, Michel Temer. Mercosur, a group to which Brazil belongs, has reached a trade agreement in principle with the European Union (see [article](#)). A reform of pensions is advancing.

If the corruption fight is to resume, prosecutors say, both the supreme court and the president will have to change course. Prosecutors hope that the court will reverse Mr Toffoli’s decision, unblocking investigations into Flávio and other alleged wrongdoers. Progress will depend partly on whom Mr Bolsonaro chooses to succeed Raquel Dodge as Brazil’s attorney-general in September. Mr Bolsonaro has waffled about whether he will pick one of the three candidates proposed by the National Association of Prosecutors. That practice began in 2003 as a way of ensuring the attorney-general’s independence from politics. Mr Bolsonaro’s choice will be “a big test of the government’s commitment” to fight corruption, says Bruno Brandão of Transparency International, an NGO.

Despite its flaws, Lava Jato offered the hope that Brazil might end the culture of impunity that allowed corruption to flourish. The question now is whether that quest can overcome the damage inflicted on it by its biggest champions.■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Pobre, pero sexy

Can tourism boost one of Mexico's poorest states?

Oaxaca is defying a slowdown in the growth of visitor numbers



Jul 27th 2019 | OAXACA

It is a tricky time to be in the tourism business in Mexico. A record murder rate, and travel warnings, have put some foreigners off. The number of visitors to Quintana Roo, the jewel of the tourism industry, is expected to drop by 30% this year, due to pile-ups of seaweed on beaches so big that the navy is helping to clean them up. Last year the number of visitors to Mexico rose by 2.2m, its lowest increase since 2013. Just as the bad news mounts, Andrés Manuel López Obrador, the president, has disbanded the tourism-promotion body.

Oaxaca, Mexico's second-poorest state, is a bright exception. The number of foreigners flying into the capital, a colonial gem also called Oaxaca, soared by 49% in the year to March, a bigger rise than anywhere else. The fame of Yalitza Aparicio, the indigenous star of "Roma", a film released last year, is likely to make the state still more popular. She is the face of this year's Guelagueta, a festival of indigenous culture, which ends on July 29th.

The southern state is not for everyone. D.H. Lawrence, who spent three months there in the 1920s, thought it "queer and forlorn". It is still queer. Teachers spend more time on strike than in classrooms. Roads are unpaved and the poverty rate is 70%. But many tourists are undaunted. Oaxaca's Pacific coast is ideal for surfers (and seaweed-free). Mezcal, a globally popular spirit, can be quaffed in the villages where it is made. Mexico's most indigenous state, Oaxaca prides itself on its creativity, which takes the form of vivid hand-spun textiles and carved wooden beasts, called *alebrijes*.

In the town of San José del Pacifico, located in the chilly southern mountains, coffee shops with European breakfast menus cater to hippie hordes which arrive in June, when psychedelic mushrooms sprout on the hills nearby. A three-storey hotel, the first in this one-street village of 500 people, is under construction. Folk from

nearby villages bring crafts to sell.

The state government wants to lure richer travellers. A convention centre opened in the capital in 2017. People who attend business conferences there spend twice as many nights as do typical tourists and five times as much money per day, says Juan Carlos Rivera, the state's tourism secretary. Unlike leisure travel, which spikes in winter, conferences are not seasonal. Mr Rivera expects more five-star chains to open alongside boutique hotels.

Tourism is unlikely to enrich the poorest citizens. They live in villages far away from resorts and cities. San José del Pacifico is an exception. Nor do tourists help the state budget much. Value-added tax flows to the federal government. A tax on hotels will bring in only 50m pesos (\$2.6m) this year, says Alejandro Murat, the governor.

Still, Oaxaca is planning for more visitors. The airport is adding more gates and a second floor, enabling more flights. A motorway from the capital to Puerto Escondido, planned since 2006, will open by 2022. That will cut the journey between the state's two tourist hotspots from seven hours to 90 minutes, says Mr Murat. Tourists will no longer need to take the winding, forested road on which San José del Pacifico sits. For some, the magic mushrooms will still make the trip worthwhile. ■

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Previous

Articles

Sections

Next

Buy any deans necessary

Letting academics pick magistrates has not worked in Guatemala

The idea has succumbed to the corruption it was meant to stamp out



Jul 27th 2019 | GUATEMALA CITY

JUDGES WIELD more power than almost anyone else in Guatemala. This year the supreme court disqualified one of the front-runners for the presidency. It allowed the candidacy of another, Sandra Torres, after prosecutors declined to open a corruption case against her until the day after her immunity, to which she is entitled as a candidate, took effect. The current president, Jimmy Morales, is at odds with the constitutional court because it blocked a proposed agreement under which migrants bound for the United States would have to apply for asylum in Guatemala. The selection this summer of a new bench for the supreme court, plus scores of judges for appellate courts, matters as much as whether Ms Torres wins the election on August 11th.

The selection process is an unusual one. Deans of university law faculties are entitled to a third of the seats on “postulation commissions”, which draw up shortlists of potential judges. The rest of the membership is composed of serving judges, representatives of bar associations and the rector of a university. Congress makes the final choice. The constitutional court is chosen differently. The president, congress, the supreme court, the bar association and the University of San Carlos, Guatemala’s only public one, each pick a judge.

The system became part of the constitution in 1985 and was extended in 1993. It was a way to lessen corruption by reducing the influence over the judiciary of politicians and their friends. It has not worked as intended.

In 2001 the dean of San Carlos’s law school persuaded the university to name him to the constitutional court. One of his successors realised that he could expand his influence by conferring lots of degrees. The grateful graduates would man the bar associations, giving them a say over who sits on the commissions.

These incentives have led to a proliferation of law schools. In the past 25 years their number has risen from four

to 12. Wheeler-dealers bankroll the campaigns of professors competing to become deans, for example by throwing parties for students, who in some cases have a role in choosing them. Some law schools are almost phantoms. Da Vinci University, whose former dean, Fredy Cabrera, was a presidential candidate, has a skeleton staff but graduates hundreds of students. The judges who emerge from this complicated selection process are expected to issue rulings favourable to the people who manipulate it, for example on tax cases.

Until a few years ago the most powerful judge-picker was Roberto López Villatoro, an importer of knock-off shoes known as “the sneaker king”. In 2009 he allegedly bought the votes of bar-association representatives by sending them to Spain to study for master’s degrees. In 2014 he bought a flat for a magistrate. Mr López is in jail pending trial, but the professorial patronage continues.

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Previous

Articles

Sections

Next

Bello**Latin America and Europe have much to gain from closer ties**

At last, some substance to talk of partnership



Jul 27th 2019

TO THE OUTSIDER Latin America has long appeared to form an unquestionable part of the zone of influence of the United States. In fact, that has applied mainly to the Caribbean basin, not to the vast area south of the greatest geographical barrier in the Americas, the Amazon rainforest. As long ago as the 1940s Nicholas Spykman of Yale University identified Brazil and Argentina, the main countries in what is now the Mercosur trade bloc, as “the equidistant zone”: as far from New York as from Lisbon and as open to European as to *yanqui* influence. Even today, although the United States is the main trading partner of Latin America as a whole, Mercosur (which includes Paraguay and Uruguay) does nearly half as much trade again with the European Union.

In recent decades European interest in Latin America, and vice versa, has been fitful. In 1999 the first EU-Latin America summit, held in Rio de Janeiro, proclaimed a “strategic partnership” but attached no strategies to make that more than a slogan. Latin America was a priority for Europe, but beneath many others, so it wasn’t. Left-wing governments in South America preferred “south-south co-operation” to ties with Europe. The lack of serious intent was summed up by 20-year on-off talks for a trade agreement between the EU and Mercosur.

That this was successfully concluded last month has significance that goes well beyond the agreement itself. Provided it is ratified, it will offer benefits especially to European manufacturers and to Mercosur farmers. It will be phased in over 15 years, at the end of which it will have eliminated tariffs on over 90% of goods traded between the blocs, with tariff-free quotas for the remainder. It also opens up services and public procurement in Mercosur and, in effect, commits Brazil’s environmentally unfriendly president, Jair Bolsonaro, both to the Paris agreement to combat climate change (which he had wanted to leave) and to curbing deforestation of the Amazon.

Just as important is the potential stimulus to reforming Mercosur's economies and to regional integration within Latin America. Brazil and Argentina are among the world's most closed economies. That is now likely to change. To take advantage of the EU agreement, they will have to lighten burdensome taxes and regulations and boost internal transport infrastructure. After rule by protectionist left-wingers, both now have governments that want to open up economically. Mercosur's presidents this month said they want swiftly to reach trade agreements with Canada and the EFTA bloc, which includes Switzerland and Norway. The EU agreement "is not a point of arrival but of departure," declared Mauricio Macri, Argentina's president. A more open, business-friendly Mercosur would in turn ease regulatory convergence with Latin America's other big trading group, the Pacific Alliance.

The long-awaited breakthrough reflects bigger changes. Both sides worry about the trade war and the geopolitical conflict between China and Donald Trump's United States. China is now Mercosur's largest single trade partner (and the second-biggest for Latin America as a whole). Although the EU remains the largest investor in Latin America, Chinese investments and loans to the region have grown fast. China's growing influence there is of concern not just to Mr Trump, but to Europe and Japan, too. The prospect of being squeezed between Mr Trump and China scares many Latin American leaders.

The Mercosur agreement is part of a broader European reassessment of Latin America. Both regions share a commitment to democracy and multilateralism, values that are on the defensive. In that sense, "though far apart geographically, we are closer than any other continents," Federica Mogherini, the EU's outgoing foreign-policy chief, stated in April. She unveiled a new policy statement aimed at achieving greater political co-operation between the two regions. This contains a healthy dose of realism. Having previously sought to work with Latin America mainly through CELAC, a comatose and divided 33-country outfit, the European Commission will now give priority to co-operating with smaller and more coherent groups.

Much can still go wrong. Ratification of the Mercosur accord by Europe's national parliaments will take up to two years and will not be easy. If Mr Macri loses a presidential election in October, Argentina could pull out. Above all, distance and the press of other priorities may cause each side to lose interest once again. That would be a strategic error. ■

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Previous

Articles

Sections

Next

The Americas

Sections

China

Asia

Taiwan's president: Shine on

Tsai Ing-wen's prospects for re-election have improved. South Korea and Russia face off in the skies.

North-east Asia's contested skies: Scrambling

Indian politics: The contest continues

India's ruling party keeps on winning seats, even after the elections.

Pakistan and America: Mr Khan goes to Washington

America swaps its stick for a carrot in its dealings with Pakistan.

Banyan: Who do they think they are?

Ahead of the Tokyo Olympics, Japan ponders what it means to be Japanese.

The Americas

Sections

China

Taiwan's president**Tsai Ing-wen's prospects for re-election have improved**

Taiwan's president is having a good summer



Jul 27th 2019 | TAIPEI

FOLLOWING A DISMAL winter you can't count on a good summer, yet Tsai Ing-wen is making hay. Early in the year, Taiwan's president had appeared mired in gloom. Ordinary Taiwanese were disillusioned with her stewardship of the economy. Her Democratic Progressive Party (DPP) had fared so badly in municipal elections that she felt compelled to step down as party leader. To compound it all, Xi Jinping, China's ruler, had made it clear that China, which claims Taiwan as its own and which has ostracised Ms Tsai and her independence-leaning party, was in no mind to make life easier for her or for Taiwan.

What a difference a few months make. First, Ms Tsai emerged surprisingly strongly from a primary contest in which she beat off William Lai Ching-te, the former mayor of Tainan, who challenged her to be the DPP candidate to contest the next presidential election. The primary, curiously, is decided by taking opinion polls of voters. Some experts suspect Ms Tsai's camp of massaging the outcome. But there is no doubt that Ms Tsai's firm support for pro-democracy protests currently roiling Hong Kong (see [article](#)) boosted her standing at home. She has since welcomed several dozen Hong Kong protesters who reportedly intend to seek political asylum in Taiwan. By contrast, the protests have thrown the opposition Kuomintang (KMT), which is conciliatory towards China, off balance.

With a fair wind at her back, Ms Tsai breezed off to America on July 11th. Her two-day stay in New York, complete with a ferry ride near the Statue of Liberty, was intended to ooze normality, but visits by presidents of Taiwan are unusual and heavily circumscribed. The country has no formal diplomatic relations with America, along with the many other nations that acknowledge the "one-China principle" insisted upon in Beijing. Officially, Ms Tsai was en route to a handful of diplomatic allies in the Caribbean. But her stay was one of the longest that America has granted to a leader of the robustly democratic island.

China thundered in vain that America should cancel her visit, during which she met members of Congress and delivered a speech at Columbia University in defence of liberal, democratic values. “Taiwan is not, and will not be, intimidated,” she said at a reception in New York with representatives of Taiwan’s 17 remaining diplomatic allies. Her Caribbean visit was book-ended by a further two days in Colorado.

It all signals an unusual degree of approval by champions of democracy in Congress and by China hawks in Donald Trump’s administration. They have seen tensions with China rise over trade and cyber-security. Taiwan, too, faces increasing military and diplomatic pressure over Ms Tsai’s refusal to accept that her island is part of the Chinese motherland. A Chinese defence white paper this week repeated China’s threat of the use of force to prevent Taiwan’s independence. Yet Ms Tsai has been at pains not wantonly to rile China, unhinge relations across the Taiwan Strait and so risk dragging America into a dangerous conflict.

Marks of strengthening relations with Taiwan have mostly been small yet symbolic. On a previous transit in Houston, Ms Tsai visited NASA, becoming the first Taiwanese leader to set foot in an American federal agency since 1979, when America broke off diplomatic relations in favour of China. In May Mr Trump’s national security adviser, John Bolton, met his Taiwanese counterpart, David Lee, another first.

Senior members of Ms Tsai’s government joke that having no formal relations with America is an advantage, since Mr Trump, who sometimes seems to prefer autocracies to democracies and who seeks an elusive trade deal with China, is less likely to notice the thickening of ties. The president has signed off on a more tangible measure of assistance for Taiwan: approval for a long-planned sale of arms, worth \$2.2bn, that includes tanks and Stinger anti-aircraft missiles. The sale of more than 60 F-16 fighter jets looks likely soon, too.

China claims to be outraged by the recent sales and has threatened to impose sanctions on the American companies involved. Yet they are all of a piece with long-standing bipartisan support for Taiwan’s defence. On July 24th a US warship made what America called a routine transit of the Taiwan Strait. In truth, much American-supplied equipment is old and vulnerable to China’s new precision-guided weapons. But the sales remain a powerful signal of America’s backing.

They also do no harm to Ms Tsai’s standing at home—the F-16s had been requested as far back as 2006. Campaigning for Taiwan’s presidential and legislative elections next January is heating up. On July 15th, in a similar primary process to the DPP’s, the KMT named Han Kuo-yu, mayor of the city of Kaohsiung, as its presidential candidate. Voters thus face a stark choice. Mr Han, whose family hails from the mainland, is a voluble proponent of appeasing China. He says binding Taiwan more closely to China’s vast markets will bring prosperity. But it may also imperil Taiwan’s autonomy.

In contrast to the mousy Ms Tsai, Mr Han is a natural orator with a common touch. He drives crowds of older, working-class and rural followers wild. With 45% support in the primary, he blew past the runner-up, Terry Gou, a billionaire maker of iPhones, with 28%.

Mr Han calls Taiwanese independence “more scary” than syphilis. He refers to Taiwan as a region (that is, of China) rather than the country it is. Yet the Hong Kong protests have forced Mr Han to tack away from China. The Communist Party wants its formula of supposed autonomy for Hong Kong—“one country, two systems”—to apply one day to Taiwan. “Over my dead body”, Mr Han had to declare.

While Ms Tsai may be seen as the better defender of Taiwanese sovereignty, her chances of re-election may be further boosted if Ko Wen-je, the pro-China mayor of Taipei, runs as an independent presidential candidate. Mr Gou has not ruled out doing the same. This would split the opposition vote. In a poll published on June 22nd, TVBS, a KMT-leaning network, found Ms Tsai ahead with support of 37%, compared with 29% for Mr Han and 20% for Mr Ko. For now Ms Tsai’s sun is shining. ■

	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Warning shots**South Korea and Russia face off in the skies**

An aerial confrontation brings home the risks of north-east Asia's simmering disputes



Jul 25th 2019

ONE HOPE behind the visit by John Bolton, President Donald Trump's national security adviser, to Seoul this week was that it might help patch up a row between South Korea and another close American ally, Japan. The rift, with its roots in colonial history and wartime animosity, has brought trade sanctions from Japan. It is also jeopardising military co-operation and the renewal next month of an intelligence-sharing agreement—especially important in face of the threat from North Korea, which on July 25th was reported to have made its latest missile test. As Mr Bolton arrived two days earlier, his arguments for the importance of the agreement had already been bolstered by a vivid demonstration of the fragility of regional peace. South Korea's fighter jets had fired 360 warning shots at a Russian military aircraft that it said had intruded into its airspace.

The details are disputed. South Korea said that Russian and Chinese planes had penetrated its self-declared Korean Air Defence Identification Zone (KADIZ), an area around its borders where it requires foreign planes to notify it of entry. A Russian spy plane then twice intruded into South Korean airspace, prompting the air force to scramble jets. Russia denied the incursion, and that shots had been fired. But it accused South Korea of "hooliganism in the air" for harassing its aircraft. The next day South Korea reported that Russia had changed tack, expressing "deep regret" and blaming the incident on a technical glitch.

Russia soon denied having issued any apology. But whatever the origin of the confrontation, it highlights three reasons for America to worry about north-east Asia. The first is growing military co-operation between China and Russia, which appear to have been conducting a joint patrol around South Korea. A second is the patchwork of unsettled territorial disputes. The alleged incursion took place over the waters around islands known as Dokdo by South Korea, which controls them, and Takeshima by Japan, which also claims them. Japan also scrambled jets and has protested to both Russia (for violating its airspace) and South Korea (for firing in it). To

the south, Japan and China contest the Senkaku or Diaoyu islands. The disputes were further complicated when China in 2013 announced its own ADIZ, over these islands. South Korea then expanded the KADIZ. The three countries' zones overlap.



The Economist

The third worry is of an accident or misunderstanding. For two countries that have long been at peace, Japan and South Korea keep their fighter pilots busy. In the 12 months that ended this March Japan scrambled its jets 999 times in response to aerial incursions—two-thirds of them by China over the Senkakus, the rest by Russia over yet more disputed islands to the north of Japan. South Korean pilots, too, frequently respond to Chinese forays into the KADIZ. With so much muscle-flexing in the skies, it is easy to imagine a disastrous miscalculation

—especially if, as this week, shots are fired.

America must hope the incident will remind South Korea and Japan that the security threat to each comes not from the other but from North Korea and an assertive China, further encouraged by its ever closer ties with Russia; and that in response South Korea and Japan should be shoulder to shoulder, not eyeball to eyeball. ■

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Previous

Articles

Sections

Next

Indian politics**India's ruling party keeps on winning seats, even after the elections**

The BJP is unrelenting in its quest for power



Jul 27th 2019 | DELHI

IN THE END, the vote of no-confidence on July 23rd that brought down the government of Karnataka state came as an act of mercy. Despite three postponements and countless impassioned speeches, only 99 of the assembly's 225 members supported the chief minister, H.D. Kumaraswamy. This month 16 members of his coalition government jumped ship, soon after Narendra Modi's crushing victory in national elections. They "defected", in Indian political argot, by resigning—ditching their comrades in the Congress party and Mr Kumaraswamy's provincial party, in favour of Mr Modi's Bharatiya Janata Party (BJP). The party's national dominance has not lessened its determination to seize further power at the state level.

The defecting lawmakers of Karnataka were spirited to a heavily guarded hotel in Maharashtra, a neighbouring state governed by the BJP. When D.K. Shivakumar, a member of the Congress party who supported Mr Kumaraswamy's government, went there to try to stare down his former comrades he was blocked—by state police—and left to sulk outside in the monsoon drizzle. Back in Bangalore, the capital of Karnataka, the government's death was protracted and dramatic. Its people were buying time to lure back the defectors before a floor vote. Politicians donned pyjamas for an all-night slumber party in the legislature. They traded accusations of black magic and eventually imposed a citywide ban on liquor sales, as if that might calm things down. As the government crumbled, Mr Shivakumar mused: "My friends who backstabbed me will backstab the BJP too. What is the point of all this? We are all going to die anyway."

Traditionally Indian voters punish incumbents. But the BJP's vote share in this year's general election was 37%, up from 31% in 2014. Success nationally begets success at state level. Karnataka, among a handful of states that have escaped the party's grip, is one example. Similar shows are playing around the country, with elected politicians switching sides to stand beside Mr Modi.

In the bellwether state of Uttar Pradesh, ostensible socialists have joined their BJP foes. In Mr Modi's home state of Gujarat, an important caste leader abandoned Congress for the BJP fold. In Goa, a small state with a large Christian minority, Congress won the most seats in state-assembly elections in 2017 and one of Goa's two seats in the general election this April. But on July 10th two-thirds of state legislators decided nonetheless to join the BJP. Upper-house parliamentarians in Andhra Pradesh filed lawsuits to leave their regional party in order to side with the BJP.

These suits were necessary because India has an anti-defection law which bars legislators from simply swapping parties. It is intended to prevent rich parties from buying the support of poorer ones but it is dismally ineffective. Most Indians assume that powerful parties will use bribery and extortion to lure defectors. With its unfathomably deep pockets and control of national enforcement agencies, Mr Modi's BJP is an attractive destination for ambitious lawmakers of many parties. When the prime minister boasted on the campaign trail in West Bengal that 40 of the opposition's assemblymen were in touch with him, his opponents were outraged. He seemed to be flaunting his party's illicit pulling power.

The anti-defection legislation took a beating last week when the Supreme Court ruled that the renegades from Karnataka could not be compelled to stick to voting with their party. But even if the law worked as it is supposed to, barring defections would only force politicians to obey their party presidents. That would hardly be a magic fix for India's democracy. ■

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Previous

Articles

Sections

Next

Pakistan and America

America swaps its stick for a carrot in its dealings with Pakistan

America seems willing to forgive Pakistan's past sins in return for help in Afghanistan



Jul 27th 2019 | ISLAMABAD

IF A WEEK is a long time in politics, eight months is a lifetime. Last November Donald Trump blasted Pakistan, accusing it of duplicity and dishonesty. America's faithless ally in the war on terror received billions in aid while not doing "a damn thing" in return, he snapped, in justification of his decision to cut military aid. Imran Khan, Pakistan's own hot-tempered populist prime minister, then newly elected, shot back that his country was tired of being the scapegoat for American failures in Afghanistan. Pakistan would no longer fight someone else's war, said Mr Khan.

Fast forward to this week: Mr Trump welcomed Mr Khan to the White House for their first talks face to face. American anger was replaced with soft soap. The president flattered the former cricketer, lauding him as an athlete and leader. Their future was bright, trade deals were on the cards and the flow of aid could be switched back on.

During a joint press conference, Mr Trump boasted crudely that he could wipe Afghanistan, an American ally, off the face of the Earth. But as his host blustered, Mr Khan seemed to have little cause for concern. Mr Trump's cavalier offer to mediate in the dispute between Pakistan and India over Kashmir was a boost for Mr Khan, even if, as seems certain, it leads to nothing. Pakistan has long wanted to internationalise the argument with its neighbour. India believes the two countries should sort out their 70-year row over the territory between themselves. Mr Trump's offer provoked paroxysms in Delhi. But Pakistan's former sins seemed to have been forgiven.

Threats of Armageddon aside, Afghanistan explains the American president's change of heart towards Pakistan. "I think Pakistan is going to help us out, to extricate ourselves," he said, referring to America's 18-year

entanglement. Pakistan “is going to make a big difference,” he repeated. The administration hopes that Pakistan will use its influence over the Taliban to coax the militants into a face-saving political settlement that will allow American troops to come home. Talks led by Zalmay Khalilzad, Mr Trump’s point man on Afghanistan, have been moving slowly. The Taliban want to talk with the Americans about troop withdrawal, but are refusing to engage in formal negotiations with Afghan officials to determine how the country will then be governed. They met members of the Afghan government informally this month, but the impasse persists.

Mr Khan said the right things in Washington to assure America of his country’s intentions. Pakistan had abandoned its policy of meddling in Afghanistan to give it “strategic depth” against India, he insisted. The army would not go behind the civilian government’s back to conduct its own policy. He would sit down with the Taliban and persuade them to talk to the Afghans.

America and its allies have heard such promises before and been disappointed. Militants still operate from havens in Pakistan. Officials familiar with how talks are progressing say that Pakistan has yet to throw its full support behind them. Pakistan’s generals are hedging their bets; some think the Taliban may still triumph and so are reluctant to push them too hard.

But the determination in Washington for success in the negotiations is intense. Mike Pompeo, the secretary of state, has said he wants a deal by September 1st. To make that happen, America seems willing to overcome its former disappointment with Pakistan and try a new approach.■

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Previous

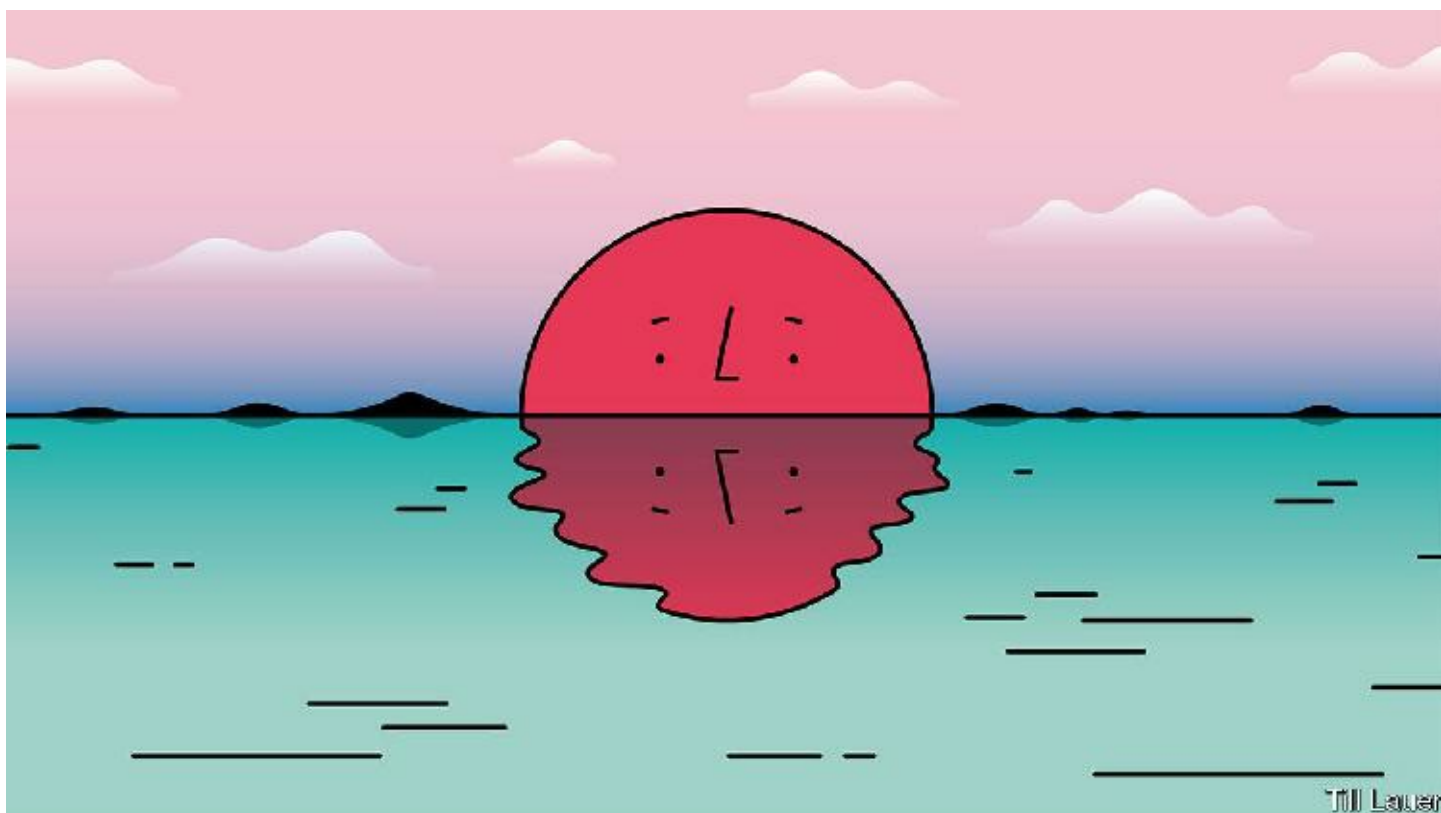
Articles

Sections

Next

Banyan**Ahead of the Tokyo Olympics, Japan ponders what it means to be Japanese**

Japan is still not comfortable with its own sense of identity



Jul 27th 2019

THE EYES of the world will be upon Japan next summer when Tokyo hosts the Olympics. Of that, the country is acutely aware. Barely a week goes by without mention of the attention that the games will bring. This has been used to argue for everything from curbs on single-use plastic to changes in the way Japanese names are written in English. The country is not accustomed to being centre stage. Its response betrays its insecurities, not least because Japan is no longer the leader in technology it was when it last hosted the summer Olympics, in 1964.

All countries ponder their identity but Japan does so more than many. An entire genre of literature, *Nihonjinron* —“theories about the Japanese”—is dedicated to the question of what defines the country and what it means to be Japanese. Both locals and foreigners have gamely tried to come up with answers.

Historically, Japan’s identity is particularly fraught thanks to a poisonous strain of thought about the uniqueness and superiority of the Japanese race. Traditionalists once saw the Japanese as a chosen people (some still do). By their account, the emperor is descended directly from the sun goddess (even if the post-war order stripped him of his divinity). This idea fed Japan’s colonisation of parts of Asia and inspired its troops in the second world war.

Its defeat in that war, and America’s subsequent occupation and castration of Japan militarily, destroyed the power of that identity—and the country’s self-esteem. In its place Japan sought, and found, a new narrative: since 1945, goes the tale, the collective effort of its people has transformed the country into a developed nation with a powerful economy that is—crucially—pacifist.

That idea was shaken in the early 1990s when its economic bubble burst and it lost two decades to sluggish

growth. Japan sought comfort in a new version of the post-war narrative: its ability to overcome adversity and rebound, epitomised by its resilience after the Fukushima disaster of 2011. Today Japan sees its ability to bounce back after crises as central to what it means to be Japanese, argues David Leheny of Waseda University in Tokyo.

But the contradictions within Japan's sense of identity compound its insecurity. It wants both to stand out and to fit in. It strives to be a nation that is advanced and respected globally, but not feared. It is influenced by Asia and America in equal measure. Japan commands respect from other rich nations, but is an uneasy member of their clubs. Unlike Germany, it has never fully reckoned with its wartime past.

That Japan is rapidly becoming less socially homogenous threatens its understanding of itself, too. The model of the salaryman who enjoys a job for life has broken down. Families, the building block of society, come in many more forms. Foreigners now live and work in Japan in record numbers. Such changes are exposing how overblown the claims of the homogeneity and togetherness of the Japanese were in the first place, reckons Akiko Hashimoto, a sociologist at the University of Pittsburgh.

This strikes fear into some. The response of diehard revisionists, including a few close to the prime minister, Shinzo Abe, is to look backwards. They talk of making Japan great again, inspired by a glorious, if often fictionalised, past. Some are pushing to change the constitution, written by the United States in 1947, in particular to make Japan a normal military power. Others focus on putting a divine emperor and the Shinto religion back at the heart of Japan's identity, even if that was largely devised in the Meiji restoration of 1868, reinventing tradition for the purposes of the creation of a modern constitutional state.

Since that moment Japan has in fact been remarkably adept at changing. It took on Western forms of economic, military and governmental organisation in order to fight off Western imperialism. After Japan's defeat in the second world war, its transformation from a country in ruins to the world's third-largest economy, from warmaker to peaceable nation—it has not fired a single bullet in anger since the end of the second world war—is extraordinary.

The dichotomies of its identity today make it intriguing, as evidenced by the ever-rising numbers of foreign visitors. Other countries dream of having Japan's problems. Its worries about demographic change, an economy that no longer fizzles and a relatively less visible role in the world are nothing compared with its earlier challenges. Japan remains impressive in its own right.

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Previous

Articles

Sections

Next

Asia

Sections

Middle East and ...

China

[Unrest in Hong Kong: Against the symbols of Beijing](#)

Hong Kong's violent protests against Chinese rule.

[Xinjiang and international reactions: With friends like these](#)

Chinese actions in Xinjiang become a matter of international dispute.

Asia

Sections

Middle East and ...

Hong Kong's battle lines**Hong Kong's violent protests against Chinese rule**

Hong Kong is experiencing its most violent and dangerous moment since Mao's Cultural Revolution



Jul 27th 2019 | HONG KONG

NOT SINCE the 1960s, when Mao's Cultural Revolution spilled over into Hong Kong, triggering riots and bombings, have political tensions in the city run so high. After weeks of protests, antagonism between critics and supporters of the Communist Party in Beijing has risen sharply. The local government seems paralysed. Relations with the police have deteriorated. And worries abound that turmoil will grow.

July 21st brought a crucial change. During the day hundreds of thousands of demonstrators, many in black, the chosen colour of those who support democracy, marched through the city. They were calling for the formal withdrawal of an extradition bill (now shelved) allowing criminal suspects to be extradited to the mainland. The demonstration was orderly, but two incidents that came after it were not.

One was an outbreak of thuggery in a suburb called Yuen Long, in which 100 men in white shirts, armed with canes and rods, attacked passengers at a railway station, many of them returning from the march downtown. Dozens were injured, one critically. The other was an unauthorised protest outside the central government's headquarters in Hong Kong. This was the most direct challenge so far to the rulers in Beijing. The demonstrators splattered the country's emblem with paint (see picture) and covered the walls with slogans. One said "Down with the Chinese Communist Party". Another called for the "glorious restoration" of Hong Kong—a term used by supporters of the territory's independence.

Both sides reacted with horror. The bloodshed in Yuen Long was widely blamed on members of Hong Kong's criminal underworld, known as triads. But anger has focused on the police and the party's supporters. Despite numerous emergency calls by witnesses, it took riot police more than half an hour to respond. In a widely shared video Junius Ho, a legislator and Communist-party supporter, was seen walking through Yuen Long,

where he lives, thanking men in white for their “hard work”. Allegations of collusion between communists and Hong Kong’s triad gangs have a long history in the territory.

The response of Chinese officials was just as disturbing. They said the vandalism of their office building had “seriously challenged the central government’s authority” and tested the “bottom line” of the “one country, two systems” arrangement under which China has ruled the territory since 1997. This suggests the officials may regard the unrest as a challenge to the party itself, as well as to Hong Kong’s government.

Some Hong Kongers even wonder whether the central authorities might deploy the Chinese army to restore order. That would be unprecedented, and create huge fear in the territory given the army’s crushing of the Tiananmen Square protests in 1989 (see [article](#)). The idea seems unlikely, because it would cause an international outcry. Still, at a press conference in Beijing on July 24th about a new white paper on China’s defence, a military spokesman was asked whether troops might be called in. He referred ominously to a clause in Hong Kong’s garrison law that allows the army to help the local government if asked.

Few observers think the government will make big enough concessions to placate the demonstrators. They used to demand that the territory’s unpopular chief executive, Carrie Lam, step down. Now they are calling for wider democratic reform. Neither demand is likely to be heeded. The central government has expressed strong support for Mrs Lam and none whatever for real political change. Her administration cannot negotiate with the protesters. It seems paralysed in the face of them.

Meanwhile, the demonstrators themselves are moving beyond the reach of outside influences. Older reformers such as Martin Lee, who once held considerable sway over the territory’s democratic movements, say they can do little. Even the younger activists who led the “Umbrella Movement” of 2014 say they have become peripheral. A group of local NGOs, called the Civil Human Rights Front, has been behind recent marches that have obtained police permission. But these are often followed by smaller protests by young radicals, such as those who gathered outside the central government’s office.

The Water Margin

These unauthorised protests appear leaderless. Participants keep their faces covered, hide behind umbrellas when making plans and use encrypted messaging-services. They come with changes of clothes to avoid detection after they disperse, and gas masks against tear gas (which the police used, along with rubber bullets, on July 21st). Such anonymity makes them hard to control—or to negotiate with. They quote Bruce Lee, a kung-fu actor: “Be formless, shapeless, like water.”

Despite the occasional violence, the radicals appear to enjoy considerable sympathy among moderate protesters. Within the crowds, groups of Christian pastors lead hymn-singing and offer spiritual guidance. Social workers and legislators often insert themselves between protesters and police in an attempt to mediate.

There is less unity on the other side. On July 20th the party’s sympathisers organised their own rally. But one prominent participant, Arthur Shek, a director of a group that controls a pro-party newspaper, resigned from the board of the group on July 23rd after calling for violent anti-government protesters to be caned. Members of his own staff said his remarks had incited the attackers in Yuen Long.

The Hong Kong General Chamber of Commerce, which normally backs the authorities, condemned the violence both at the central government’s office and in Yuen Long. But it went further, in effect calling on the government to make concessions. Echoing one of the protesters’ demands, it said there should be an independent inquiry into the unrest. So far the government has been deaf to such ideas. It seems to want to wait, hoping the protesters will tire of their action. If anything, the opposite is happening. They have called a march in Yuen Long on July 27th to protest against the beatings there. The police banned the march but the organisers said it would go ahead anyway, raising fears of a further confrontation.■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

International reactions to China in Xinjiang**Chinese actions in Xinjiang become a matter of international dispute**

European countries defend the Uighurs of Xinjiang, Muslim countries don't

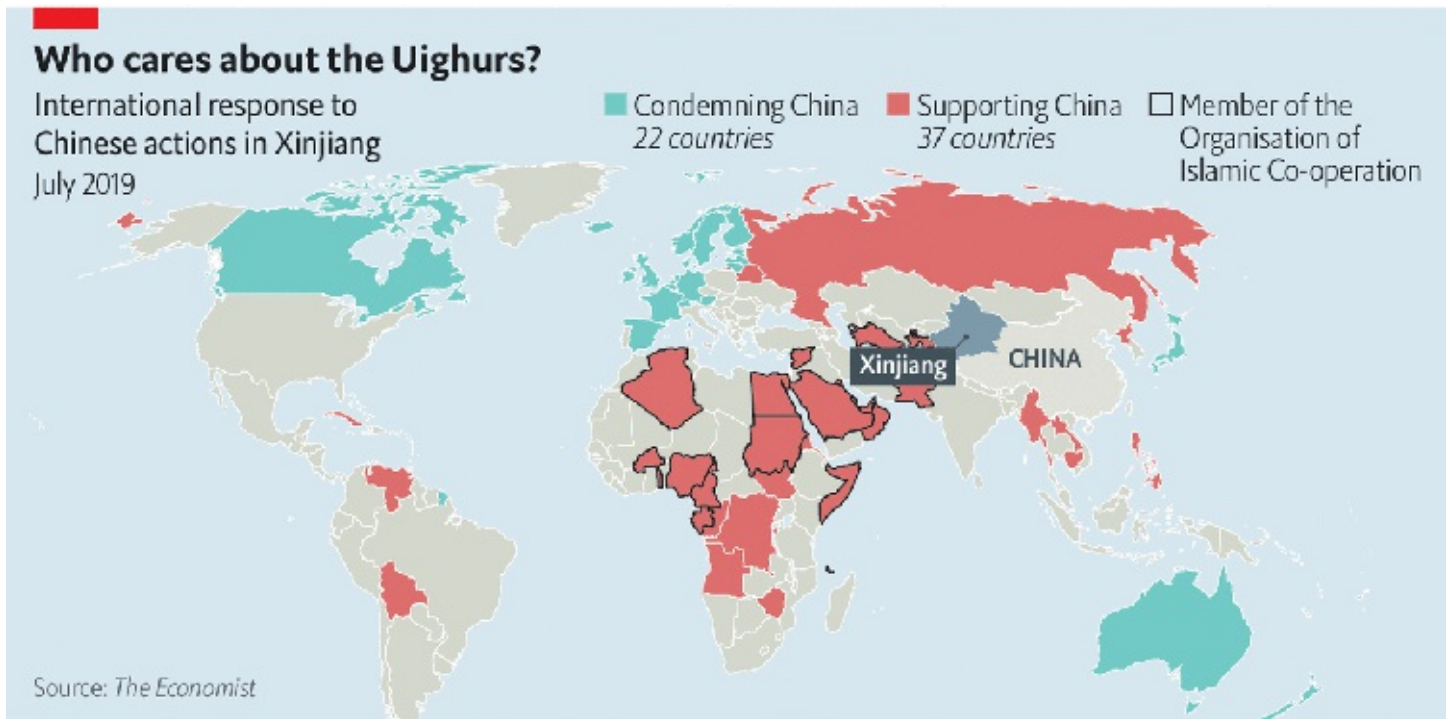


Jul 27th 2019

FOR THE PAST three years China's government, citing national-security concerns, has run relentless campaigns against the culture and religion of the Uighur people, 11m Muslims who speak a Turkic language and live in Xinjiang, China's north-westernmost corner. Mosques have been shut. Men are forbidden to grow beards, women may not wear head coverings and children are barred from prayers. Most troubling are the growing details emerging about a network of detention facilities, which Chinese officials call vocational-training centres but which look for all the world like internment camps. Credible reports say these are holding at least 1m people—mostly Uighurs but also Chinese people of Kazakh and Kyrgyz ethnicity—in extra-judicial detention.

Until the middle of 2018, Chinese diplomats managed to keep international criticism of the camps in check. At that point America's vice-president, Mike Pence, raised concerns about "round-the-clock political indoctrination". Since then, the Chinese have lost their battle to persuade foreign countries that Xinjiang is purely an internal matter, of no concern to anyone else. But they have turned it into an issue that polarises diplomatic opinion. That polarisation has now burst into the open.

On July 8th, 22 countries signed a letter to the UN Human Rights Council, calling on China to end the "mass arbitrary detention" of Uighurs and other Muslims, and to allow international observers access to detention camps. This was the first concerted international condemnation of Chinese actions in Xinjiang. Signatories included most European countries, Canada, Japan and Australia but not the United States (see map), which withdrew from the council in 2018. However, Mike Pompeo, the secretary of state, later called China's treatment of the Uighurs "the stain of the century".



The Economist

Days later, 37 countries, among them Russia and Saudi Arabia, responded with a letter of their own, defending China's policies on the grounds of fighting terrorism. Some signatories were anti-Western autocracies which can be relied upon to rally round anyone that the West criticises. They include Russia and Venezuela. Other signatories are Western allies, such as Egypt and Saudi Arabia, which oppose what might be called the global human-rights regime. They lock up plenty of their own opponents on security grounds. Still others are beneficiaries of Chinese investment, such as Pakistan and Laos, which cannot easily afford to bite the hand that feeds them.

Most intriguing, however are Gulf states which back China for a combination of defence, economic and even religious reasons. The United Arab Emirates, for example, cannot get the drones it wants from America, so is buying China's Wing Loong 2 drones. (Its de facto ruler was in Beijing this week.) It signed the letter, along with 19 other members of the Organisation of Islamic Co-operation, an international group of mostly Muslim-majority states. In 2018 China signed construction and investment contracts worth \$28bn in the Middle East, a region that is struggling to attract foreign investment elsewhere. And some Gulf states, such as the UAE and Saudi Arabia, are trying to fight jihadist extremism at home by encouraging more modern forms of Islam. They seem receptive to China's claim that it is merely attempting to modernise Uighur beliefs (though in reality Chinese actions go far beyond that).

China's attempt to divide international opinion about Xinjiang has worked so far. But, as more details leak out about the region's camps, Muslim leaders are beginning to come under domestic pressure to defend their co-religionists. One day, they may find it harder to kowtow. ■

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Previous

Articles

Sections

Next

China

Sections

Europe

Middle East and Africa

[The Gulf crisis: Spiralling](#)

Tensions between Iran and the West have the Gulf states on edge. How Egypt conquered croquet.

[Sport in Egypt: Masters of the mallet](#)

[Ethiopia: The southern problem](#)

Ethnic separatists are challenging Ethiopia's unity. Another bad week for Cyril Ramaphosa.

[South African politics: Ramaphosa under siege](#)

[Coal in Africa: Dirty and dumb](#)

African countries plan to build dozens of coal-fired power stations.

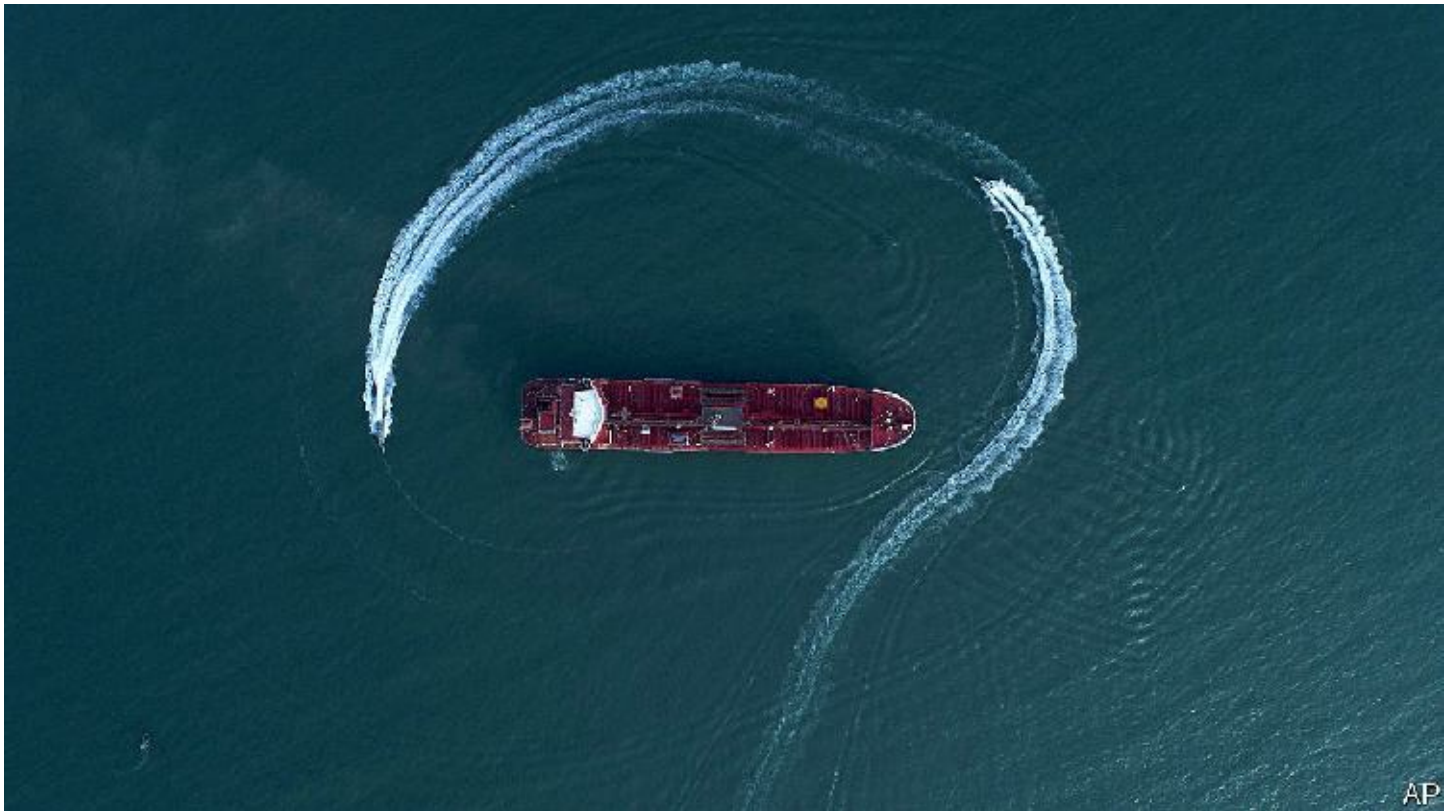
China

Sections

Europe

Spiralling**Tensions between Iran and the West have the Gulf states on edge**

The conflict threatens their infrastructure and their income



Jul 27th 2019 | FUJAIRAH

COMPARED WITH Jebel Ali in Dubai, it feels like a sleepy Mediterranean harbour. The port at Fujairah, on the eastern coast of the United Arab Emirates (UAE), serves mostly as a refuelling depot for ships plying the Strait of Hormuz. It lacks the cargo capacity and the high-tech wizardry of Jebel Ali, the largest port in the Gulf and the ninth-busiest in the world. But Fujairah is the UAE's only link to the high seas that bypasses the troubled strait, and so it has become a focal point amid worsening tension between Iran and the West.

That tension rose on July 19th when Iran's navy seized the *Stena Impero*, a British tanker (pictured), as it sailed west through the strait. The 30,000-tonne ship is now anchored near Bandar Abbas, hostage to a dispute that began on July 4th, when Britain impounded an Iranian tanker (allegedly bound for Syria) as it passed Gibraltar. In one of his final acts as foreign secretary, Jeremy Hunt proposed setting up a European task force to protect commercial vessels in the Gulf.

Britain and its allies worry about the threat to business and energy supplies. For the Gulf Co-operation Council (GCC), though, tensions with Iran border on an existential issue. Despite some hawkish rhetoric, Gulf states are nervous about President Donald Trump's policy of imposing "maximum pressure" on Iran. Conflict threatens their infrastructure and could hamper the oil and gas shipments that fill their treasuries. "Who's going to pay the price? It's us," says a Qatari diplomat.

For all its threats, Iran cannot close the Strait of Hormuz, the conduit for one-fifth of the world's traded oil and a quarter of its liquefied natural gas. But it has already raised the cost of commercial shipping. Fujairah became a target in May, when four oil tankers anchored offshore had holes blown in their hulls. Iran is the prime suspect, though investigators have not formally assigned blame. The bunkering business in Fujairah has suffered as a

result.

Insurance premiums for the strait have climbed by an average of 10%. For the largest oil tankers, they have doubled, with a transit now costing as much as \$500,000 to insure. Some shippers may decide not to take the risk (and bear the cost) of sailing through the strait. That is a concern for the Gulf states, which rely on the waterway to import everything from wheat to cars. Three of them—Bahrain, Kuwait and Qatar—have no other outlet to the sea.

Infrastructure on land is vulnerable too. The Houthis, a Yemeni Shia militia backed by Iran (and which sometimes acts as its proxy), are fighting a Saudi-led coalition at home. But they have also hit soft targets in the region. In May the Houthis took credit for striking an oil pipeline in Saudi Arabia (American officials blamed Shia militias in Iraq). The Houthis claim to have used long-range drones, which could also hit oilfields in the UAE. At least three times since May the group has fired missiles at the international airport in Abha, in southern Saudi Arabia. One person has been killed.

Iran's regional relations

- Allies
- Full diplomatic relations
- Strained or no diplomatic relations



Sources: IHS Conflict Monitor; Iran Foreign Ministry; US Central Command

In June the militia lobbed a rocket at a major Saudi desalination plant in Al-Shuqaiq. It caused little damage but highlighted another vulnerability: the kingdom gets about one-third of its drinking water, more than 1bn cubic meters a year, from such facilities, which are expensive to build and easy to target. The Qataris even worry about their national air carrier, which has been forced, since its Arab neighbours imposed an embargo in 2017, to route hundreds of daily flights over Iran. At least two drones (one American, one Iranian) have recently been shot down in the area.

Gulf states struggle to counter these threats. Though they have spent tens of billions of dollars on military kit from America and Europe, it is not always the right kit. Tanks and fighter jets have limited value in an asymmetric conflict. Their navies are small and lack combat experience; they train with the Americans and are investing in new ships, but play only a supporting role in regional security. Years of talk about an integrated GCC missile-defence command has led nowhere, and individual defences are spotty. If drones hit Saudi Arabia's oil pipeline they would have spent hours flying undetected over the kingdom.

Saudi Arabia has long viewed Iran as its chief enemy. It still broadly supports American policy. Officials in the smaller Gulf emirates are unhappy, though, and those in the UAE feel particularly stuck. In public they cannot break with Mr Trump or their Saudi allies. But they are subtly distancing themselves. They are withdrawing troops from Yemen partly to lower tensions with the Houthis—and thus avoid being attacked. They have also taken a cautious line on Iran, even suggesting it may not have been responsible for the sabotage in Fujairah. “They could shut this place down with a few missiles,” says an official in Dubai. “We need to protect our own interests.” ■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Masters of the mallet**How Egypt conquered croquet**

The British introduced the game to the Egyptians. Now they can't beat them



Jul 27th 2019 | CAIRO

AS EGYPT WAS buffeted by revolution and political unrest early this decade, members of the sporting club in Heliopolis, a neighbourhood in Cairo, faced a mild form of hardship. The club is located across the street from a presidential palace that was occasionally besieged by protesters. Members wanting to play croquet first had to pick tear-gas canisters off the grass.

Yet neither upheaval nor Egypt's hot desert climate deters local croquet players. When the game's world championship is held on July 27th in Sussex, a county in south-east England, it will have more Egyptian than English competitors. The former dominate the version of the game called golf croquet. Egyptian men have won nine of the past 12 world championships; Egyptian women have won three of the past six.

Croquet was introduced to Egypt by its British occupiers in the early 20th century. (So was squash, at which Egyptians also excel.) After the British left in 1956 many assumed the game had withered. But in 1985 a British Airways pilot called Geoff Roy, who was also a tournament croquet player, discovered the packed courts of the Gezira club in central Cairo. "He spent the rest of the day being thrashed by the locals," says Stephen Mulliner, the secretary-general of the World Croquet Federation. Mr Roy returned to England with his story, bringing Egypt to the attention of the wider croquet-playing world.

Golf croquet is simpler than the more traditional form, called association croquet. Old-timers scoff that it is like comparing checkers with chess. But the Egyptians made their version faster and more exciting to watch. Boundary barriers are needed to keep all of the action on the court. (The airborne Egyptian jump shot is particularly audacious.) Egyptian rules have been adopted by croquet's bigwigs. Today golf croquet is the most popular form of the game.

Mostafa Eissa, winner of the Egyptian Open in 2015, attributes Egypt's success at golf croquet to an aggressive style, weather that allows for year-round play and exuberant fans. But the competition has caught up. Reg Bamford, a South African, has won two of the past three world championships. This month Mr Eissa will try to bring the trophy back to Egypt. For inspiration he can look to Soha Mostafa, an Egyptian who won the women's world championship in New Zealand earlier this year. ■

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Previous

Articles

Sections

Next

The southern problem**Ethnic separatists are challenging Ethiopia's unity**

Can Abiy Ahmed, the prime minister, stop the country from falling apart?



Jul 27th 2019 | HAWASSA

JULY 18TH was supposed to be a day of celebration for the Sidama. Ethiopia's fifth-biggest ethnic group was to vote on statehood in a referendum. Some members anticipated the moment by hoisting Sidama flags over local-government buildings in the territory that would make up their semi-autonomous state. In Hawassa they began erecting billboards welcoming visitors to their new capital. "Our officials told us, you can celebrate," says Gosaye, a Sidama activist.

In the end there were no festivities. Rather than hold the promised referendum, the central government said it would take place within five months. Sidama officials agreed to the delay and told their supporters to be patient. But protesters burned vehicles, looted businesses and attacked government buildings. Angry mobs set upon members of other ethnic groups. The army was deployed and the internet switched off. At least 25 people were killed in clashes, most by the security forces (activists claim the true figure is higher). More than 150 people were arrested.

The roots of the crisis lie in Ethiopia's constitution, which created nine ethnically based, semi-autonomous states, but gave each of Ethiopia's more than 80 ethnic groups the right to form its own state or secede. For decades the ruling Ethiopian Peoples' Revolutionary Democratic Front prevented any group from actually exercising that right. But Abiy Ahmed, the prime minister, came to power last year promising greater freedoms. Under the new dispensation ethnic elites have revived their demands for more autonomy.



The Economist

First came the Sidama, who number around 5m and are the biggest group in the state called the Southern Nations, Nationalities and Peoples' Region (SNNPR). They have longed chafed at their inclusion in the SNNPR, a messy hotch-potch of more than 45 different ethnic groups. Others are also unhappy with the set-up. Groups that live far from Hawassa, the state capital, have less say than those, such as the Sidama, that dominate the centre. The state government is weak and fractious; parliament failed to pass a budget this year. Since the Sidama requested a referendum last July at least ten other groups have demanded their own states.

Balkanisation along ethnic lines is dangerous. Last year intercommunal fighting forced almost 3m people from their homes. Much of the violence occurred in the country's densely populated south. A proliferation of new states equipped with their own security forces may be a recipe for further bloodshed if, as seems likely, there are territorial disputes. Minority groups fear being persecuted. States, which can write their own constitutions, have often failed to protect them. Some Sidama leaders say their constitution will be more inclusive than most and they promise quotas for minorities in government. But other leaders are less keen on such measures.

Abiy has done little to calm nerves. For months his government dithered instead of organising the referendum for the Sidama. Then he threatened to use force if the group declared independence unilaterally. Activists say they do not trust the government to keep its new promise of a referendum. "It's playing tricks," says Gosaye.

Meanwhile the Welayta, the second-largest ethnic group in the SNNPR, have taken to the streets demanding their own vote on statehood. Ethiopia's southern problem may get worse before it gets better. ■

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Previous

Articles

Sections

Next

South African politics**Another bad week for Cyril Ramaphosa**

The president's enemies are undermining his administration



Jul 27th 2019 | JOHANNESBURG

CYRIL RAMAPHOSA is an avid cattle breeder. He once bought a herd of Ankole longhorns from Uganda's leader, Yoweri Museveni. But South Africa's president must feel that he has rarely dealt with so much bull as he has in recent weeks.

On July 19th the public protector, an ombudsman, accused Mr Ramaphosa of violating the constitution by deliberately misleading parliament. This is a grave allegation. If true it would obliterate the president's claim to have ushered in a "new dawn" following the kleptocratic rule of his predecessor, Jacob Zuma, in 2009-18.

There is both less and more to the case than first appears. Less in that the public protector's arguments are flimsy. More in that they can be seen as part of a broad assault by Mr Ramaphosa's enemies.

The case dates back to November. In parliament Mmusi Maimane, the leader of the opposition Democratic Alliance, brandished what he said was proof of a payment of 500,000 rand (\$36,000) from the boss of Africa Global Operations (AGO, previously known as Bosasa), a company accused of graft, to Andile Ramaphosa, the president's eldest son. Mr Maimane asked the president to "set the record straight".

The president could have gone away and checked the facts. But he did not. Mr Ramaphosa said that he knew about the matter: he had spoken to his son, who runs a consultancy, and who had insisted that the money was for legitimate work. If it proved otherwise, the president went on, he would take Andile to the police himself.

Both Mr Maimane's question and Mr Ramaphosa's answer were based on a flawed premise. Andile had done work for AGO but this payment was to CR17, the president's campaign to replace Mr Zuma as head of the ruling

African National Congress (ANC). According to a sworn affidavit Mr Ramaphosa did not learn of the donation until an aide told him after he had left the chamber; the president had asked to be kept in the dark about donors, so as to avoid potential conflicts of interest. Mr Ramaphosa then wrote to parliament correcting what he sees as an honest mistake.

South African campaign-finance laws are opaque. It reflects badly on the president that his team took money from AGO. And it would be naive to think that Andile's surname did not help him get jobs.

But the report from Busisiwe Mkhwebane, the public protector (pictured), contains no concrete evidence that the president "deliberately" misled parliament, as she claims. Indeed, Ms Mkhwebane paradoxically states that the president acted in "good faith". Pierre de Vos, a law professor, calls the report "a legal and factual mess". Mr Ramaphosa is seeking a judicial review.

It is not the first display of the public protector's incompetence. Courts have taken issue with Ms Mkhwebane since she assumed office in 2016. Most recently, on July 22nd, South Africa's highest court found that she had lied under oath and acted in bad faith in a case involving the central bank. Ms Mkhwebane also has a record of (ineptly) going after Mr Ramaphosa's allies while being soft on his enemies.

The public protector is not the only source of woe for Mr Ramaphosa. Mr Zuma and his henchman, Ace Magashule, the ANC's secretary-general, who is also accused of corruption, want to see the back of a president who is trying to clean up the government. Mr Zuma, in particular, may be hoping that having an ally as president might shield him from prosecution on charges relating to 783 counts of fraud, money-laundering and racketeering.

South Africa's GDP contracted by 3.2% in the first quarter of the year. The more the president is distracted by internal opponents, the less time he has to try to fix the country's pressing problems. His record continues to be one of overpromising and underdelivering—which is, of course, exactly what his enemies want. ■

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Previous

Articles

Sections

Next

Dirty and dumb**African countries plan to build dozens of coal-fired power stations**

They would be a costly mistake



Jul 27th 2019 | NAIROBI

FORGET ZANZIBAR, seasoned Africa hands will tell you. Lamu is the loveliest island on the Swahili coast. Donkeys ply alleyways between ancient buildings clad in coral. Wooden dhows lie at anchor in its fishing ports. Private cars are banned.

So plans to build a 1GW coal-fired power station, Kenya's first coal plant, 20km (12 miles) away on the mainland caused dismay when they were unveiled in 2013. Islanders worried that pollution would damage architecture, despoil the marine environment and deter tourists. Environmentalists griped that the plant would greatly increase Kenya's greenhouse-gas emissions. They were relieved in June when an environmental tribunal suspended the project's licence pending a more comprehensive impact assessment.

The government, though, appears not to have given up. Kenya wants to industrialise. Officials maintain that coal power is cheap and more reliable than renewables. Some grumble when environmental objections are raised, given that two-thirds of Kenya's electricity already comes from renewable energy. "Europe industrialised on the back of coal," says a civil servant. "Isn't it a bit rich to be talking to us about our carbon footprint?"

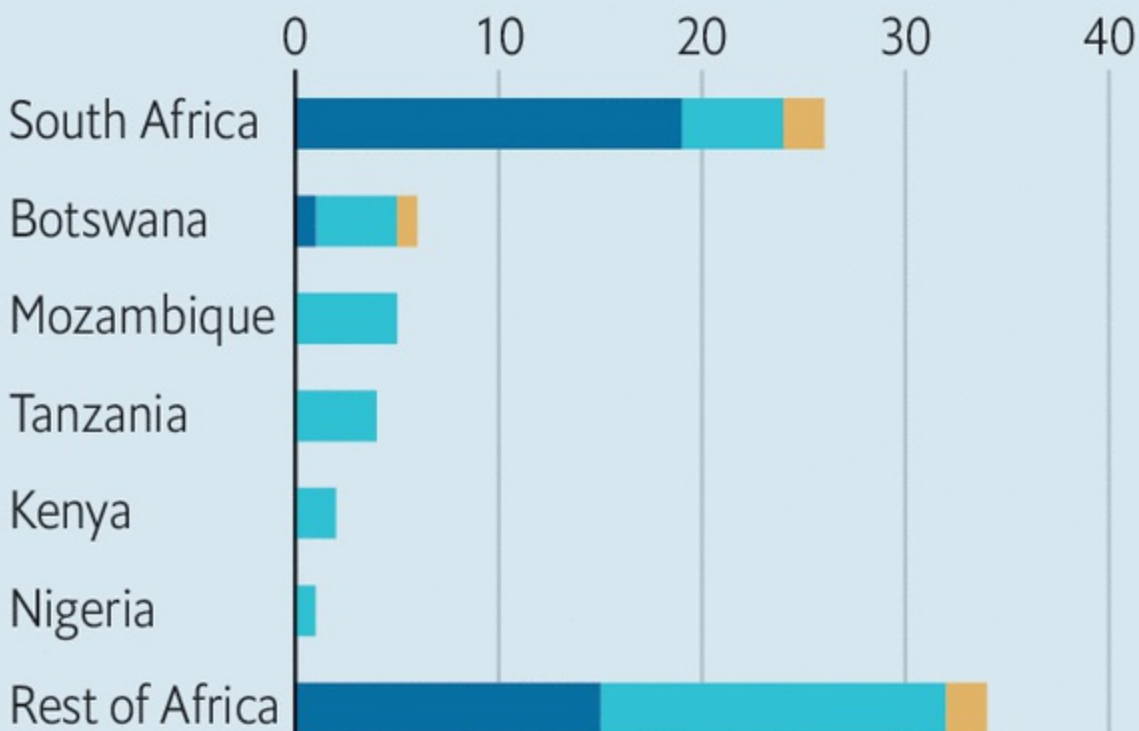
As things stand, sub-Saharan Africa gets little of its power from coal. Outside South Africa (which generates 93% of its electricity from coal) the region boasts just 12 functioning coal-fired power stations. Most are small. Things are changing, though. Sub-Saharan governments plan to build dozens of new coal-fired power stations, according to Global Energy Monitor, a watchdog (see chart). Many are underpinned by Chinese investment.

Climbing plants

Number of coal-fired power stations*

Selected countries, July 2019

■ In operation ■ Under construction ■ Under pre-construction



Source: Global Energy Monitor

*Units 30MW and above

The Economist

Crooked officials like the big contracts, but there are powerful arguments for Africa to shun coal. One is global. Africa may not be to blame for climate change, but it has agreed to help mitigate it. In order to limit global warming to 1.5°C above pre-industrial levels, analysts reckon that rich countries should stop operating coal plants by 2030, with the rest of the world following by 2050. A splurge on coal will make it harder for African countries to uphold their end of the bargain.

The prices of wind and solar power in Africa are competitive with (and in some places less than) that of coal. Moreover, claims by countries such as Kenya that coal is needed for baseload power are unconvincing. No coal plant stays up all the time (just ask South Africa). Having so much power coming from the plant in Lamu would raise concerns about dependability in Kenya. With over half of its installed capacity coming from hydropower and geothermal energy, it is already in a good position to deal with intermittency problems.

Assuming that electricity demand will grow by 15% a year, Kenya wants to boost its peak capacity to 22Gw by

2030. That would be a costly mistake, says Hindpal Jabbal, the former chairman of Kenya's Energy Regulatory Commission. Supply of 2.7GW already runs well ahead of demand, which at its daily peak stands at just 1.9GW. Overcapacity is a growing problem in Africa. "In the next four years Ethiopia, Kenya, Tanzania, Uganda and Rwanda could find themselves in the severe financial predicament of having too much electricity," warns Power Africa, an American government initiative. Adding coal-fired plants, as both Tanzania and Kenya are doing, would increase costs for consumers while generating useless electricity.

Botswana is building coal-fired plants with the intention of selling electricity to South Africa. But critics note that Eskom, South Africa's state-owned power utility, is in effect insolvent. Other countries are banking on importing coal to fire their new plants. "If you do not have indigenous coal resources, that has huge implications for your balance of payments," says Eric Wanless of the Rocky Mountain Institute, a clean-energy research outfit in America.

African states should instead be improving transmission and distribution, says Mr Wanless. Power cuts are often due to inadequate maintenance of infrastructure rather than insufficient supply. Some countries propose hooking poor rural customers up to the grid, but this is expensive. Given how little power they consume, it might be more sensible to come up with off-grid solutions. Solar panels, for example, help the poor meet most of their needs. Rather than bring power from faraway power plants, distributed generation systems would provide remote villages with cheap, flexible and renewable power.

Some African states are reconsidering coal. Fifty of the 82 planned coal-fired power stations outside South Africa have been shelved, says Global Energy Monitor. The reasons vary. Kenya is facing calls to make more use of its geothermal resources, only a fraction of which have been tapped. Geothermal energy is cheaper than coal and as dependable. Coal allowed the West to industrialise, but Africa would be better off embracing 21st-century technology. ■

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Previous

Articles

Sections

Next

Europe

[Ukraine's parliamentary elections: Total victory](#)

Volodymyr Zelensky clears the old elite out of parliament.

[Russia's protests: Moscow nights](#)

Moscow's protests are inspired by the thuggery of the Kremlin.

[Kosovo's prime minister: Lazarus redux](#)

[Jews and Germany: Fight at the museum](#)

Kosovo's prime minister faces war-crimes allegations. How the Jewish Museum Berlin fell out with Jews.

[Malta and abortion: The last taboo](#)

[Tour de France: Cycling's coming home](#)

Malta is the last EU country to have a full ban on abortion. A French cyclist may win the Tour de France.

[Charlemagne: The muscles from Brussels](#)

The EU's relationship with Turkey is failing.

Total victory**Volodymyr Zelensky clears the old elite out of parliament**

But will Ukraine's comedian president be able to complete his revolution?



Jul 27th 2019 | KIEV

IN THE HIT Ukrainian television show “Servant of the People”, the schoolteacher-turned-president, Vasyl Holoborodko, responds to resistance against his reform efforts by shooting up parliament. After being sworn in as the real-life president of Ukraine in May, Volodymyr Zelensky, the comedian behind Holoborodko’s character, carried out a verbal massacre in the Rada, declaring his intention to dissolve it. “Our citizens are tired of the experienced, pompous, systemic politicians,” he roared.

Voters rewarded his assault. In snap elections on July 21st, Mr Zelensky’s personal new party, Servant of the People (SP), won the first single-party majority in modern Ukrainian history. SP took 43% of the party-list vote; its candidates also won 130 of 199 first-past-the-post single-mandate districts, giving the party 254 of the 424 MPs overall. Opposition Platform—For Life, a pro-Russian force strong in the east, took second with 13%. Parties led by a former president, Petro Poroshenko, and a former prime minister, Yulia Tymoshenko, picked up just 8% each. Golos, a new reform-oriented party founded by a rock-star, Svyatoslav Vakarchuk, squeezed in with 6%. Some 80% of MPs are new.

Like Mr Zelensky’s victory with 73% of the vote in the presidential contest in April, the sweep of the Rada reflects Ukrainians’ disgust with their ruling elite. The oligarchs who have exercised outside influence on Ukraine’s politics for decades feel unsettled. “Their glory days are over,” says Balazs Jarabik of the Carnegie Endowment, a think-tank. This became especially apparent in the single-mandate districts, where money used to provide an easy path to victory. In one emblematic case, the millionaire owner of a large factory in the Zaporizhia region, who had previously been elected to parliament four times, lost to a 29-year-old wedding photographer.

Together, the two elections this year amount to a new Ukrainian revolution, this one at the ballot box. Mr Zelensky promised oodles: to end the war with Russia in the east, revive the economy and uproot Ukraine's rampant corruption. Over 40% of the population believes the country is heading in the right direction, up from just 15% at the start of the year. With the Rada now on board, he will have to begin honouring those promises. Mr Zelensky's first big post-election task will be the selection of a prime minister.

There are reasons to be bullish. The former actor "wants to go down in history as the one who changed everything completely," says one senior official. Mr Zelensky does not himself appear motivated by money, unlike many of his predecessors. He says he wants a technocrat as prime minister; he has floated a respected reformer, Ruslan Ryaboshapka, as a possible prosecutor-general, a key figure in the fight against corruption. "We're cautious optimists," says Vitaliy Shabunin, a prominent anti-corruption activist.

Cautious is the operative word. Mr Zelensky's tenure has been as contradictory as it is unconventional. Calls to bar Poroshenko-era officials from serving in government have set off alarm bells among Ukraine's Western backers and civil-society activists, who fear that could exclude some competent reformers. So too have some of Mr Zelensky's associated. His chief of staff, Andrei Bogdan, is a lawyer who most recently represented Ihor Kolomoisky, a controversial oligarch, in his efforts to retake control of PrivatBank, which was nationalised in the wake of fraud allegations.

The battle for PrivatBank will be a litmus test. Mr Kolomoisky, whose TV channel airs Mr Zelensky's shows, raised a glass of vodka to celebrate Mr Zelensky's win; he returned to Ukraine following almost two years of self-imposed exile shortly thereafter. Ukraine's courts, widely seen as crooked, may help him take back the bank: one Kiev judge recently ruled the nationalisation illegal. That would jeopardise the country's IMF loans. Mr Zelensky has said that he will defend the interests of the state. Both men have played down their ties. Yet Mr Kolomoisky now tells *The Economist* that he has discussed PrivatBank by telephone with Mr Zelensky; the president's team declined to comment.

How much Mr Zelensky can challenge the old system, entrenched in the bureaucracy, the courts and the security services, depends on the team he can assemble. The president has yet to choose a defence minister, a big gap given the war with Russia simmering in the east. Although some appointees boast impressive reform backgrounds, others came over from Mr Zelensky's production studio, Kvartal 95. Little binds the incoming SP MPs beyond the banner they ran under; Mr Zelensky may struggle to control his party. Oligarchs, including Mr Kolomoisky, are said to have their own factions inside it. As Mikhail Minakov, a political philosopher, cautions, "This elite won't necessarily be better than the previous one." ■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Moscow nights**Moscow's protests are inspired by the thuggery of the Kremlin**

The crass rigging of municipal elections sparked the revolt



Jul 25th 2019

WEEKENDS IN THE middle of summer are usually a quiet time in Moscow. Those who are not already on holiday flock to their dachas in the countryside. So it was not surprising that Russian authorities chose this time to disqualify opposition politicians from the Moscow city council elections to be held in September. What was surprising was that on July 20th some 20,000 Muscovites came out in the city centre to protest against this blatant manipulation, demand the registration of their candidates and threaten an even bigger protest on July 27th if their demands are ignored. The spectre of large street protests that shook Moscow and other cities in 2011-12 filled the air. Just as happened seven years ago, Alexei Navalny, the leading opposition politician, electrified the crowd, who chanted: "This is our city."

The scale of protest might have taken the Kremlin by surprise. After all it had disqualified candidates on spurious grounds before. It had barred Mr Navalny from running in the presidential election in 2018 and refused to register his party for the parliamentary one. (Mr Navalny was not even running in this election.) Moreover, the Moscow City Duma is a largely decorative organ. It does not control Moscow's vast budget nor have any say in the appointment of its key officials. Until recently most Muscovites were barely aware of it.

The protest was entirely of the government's own making and its significance goes far beyond the Moscow parliament. It is a bellwether for rising social discontent (often masked by the Kremlin's seemingly monolithic grip on power) and the radicalisation of Russian politics.

In the aftermath of the protests of 2011-12, the Kremlin tried to placate Moscow's urban middle class by pouring money into building a model modern city, complete with bicycle lanes and food halls. At the same it engineered obstacles to their political representation, including a requirement for any independent candidate to

collect the signatures of 3% of voters even to get registered for the Moscow City Duma elections. This means collecting between 4,200 and 5,500 signatures per district. In 2014, the barrier worked in keeping opposition out.

But two things have changed in the five years since the threshold was put in place. The ruling United Russia party has become so toxic that none of the pro-government candidates dared to run on its ticket, opting instead to run as “independents”. And the opposition has not only survived but built an extensive network of activists.

The results became evident in Moscow over the past month. Whereas the pre-approved candidates barely bothered to campaign, certain to be ushered through by a subservient electoral commission, the opposition ones managed to collect the necessary signatures despite the authorities’ best efforts to thwart them (such as sending in thugs who intimidated volunteers and threw excrement at candidates).

But then, just as the opposition candidates reached the required number of backers, the electoral commission simply disqualified them. When verifying the signatures, it deliberately misspelled the names of voters and declared the lists void. As Kirill Rogov, a political analyst, wrote, “We are dealing with one of the biggest shams in Russia’s electoral history.”

The sham backfired. Instead of dampening interest, the Kremlin in effect mobilised those 3% of the electorate who signed their names in support of opposition candidates. “I used to be unique—they would not even acknowledge my existence,” Mr Navalny boomed from the stage. “And now they tell us that 150,000 people, who gave their signature for independent candidates, don’t exist. At last we are together.” On July 24th the authorities acknowledged his existence by detaining him (again), for 30 days, and raiding the homes of independent candidates. Faced with the problem of his own succession in 2024, Vladimir Putin has decided to nip any protest in the bud. But this escalated aggression suggests that room for a peaceful transition of power in Russia is shrinking fast. ■

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Previous

Articles

Sections

Next

Lazarus redux

Kosovo's prime minister faces war-crimes allegations

But do not write off Ramush Haradinaj's career just yet



Jul 27th 2019

WOUNDED AND under fire in 1998, Ramush Haradinaj grabbed the only thing that came to hand with which to staunch the bleeding. It was a piece of cheese. The previous year his brother was killed by Serbian soldiers a couple of hundred meters away from him as they smuggled arms together over the mountains from Albania. Since that war Mr Haradinaj has translated his consummate skill at staying alive physically to staying alive politically. His latest such manoeuvre came on July 19th, when Mr Haradinaj resigned as prime minister of Kosovo, saying he is now a suspect in a war-crimes case.

Bouncer, carpenter, guerrilla and politician, Mr Haradinaj has had a more colourful career than most. In a memoir he talked of his experiences as a Kosovo Albanian guerrilla fighting Serbia with relish. In one incident, when trapped Serbian policemen were calling for help, he said he “took care of them in a precise way, from a close distance.” Mr Haradinaj has been dogged by accusations that he and his men committed war crimes, murdering Serbs and Albanians regarded as collaborators or rivals. He has always denied any wrongdoing.

Mr Haradinaj's resignation brings a sense of déjà-vu. In 2005 he resigned 100 days into his first term as prime minister after being indicted by the United Nations war-crimes tribunal in The Hague, where he was incarcerated during his trial. He was acquitted but the prosecution alleged witness intimidation, which he denied. The prosecutors appealed and he stood trial again, only to be acquitted once more. In 2017 he was arrested in France on a Serbian warrant and held there for almost four months. The French then released him; his arrest boosted his popularity at home.

On July 24th Mr Haradinaj was questioned in a special Kosovo court, which was set up with international staff in The Hague after a report for the Council of Europe in 2010 accused several former Kosovar guerrillas of

having committed war crimes. In the report Mr Haradinaj is mentioned only in a footnote but Hashim Thaci, Kosovo's president, is prominent.

The two have long been rivals. Over the past year Mr Thaci has discussed a potential deal with Aleksandar Vucic, Serbia's president, which could involve giving up the Serb-inhabited northern part of Kosovo in exchange for an Albanian-inhabited part of south Serbia. Mr Haradinaj argues this would destabilise the whole region. Last November Serbia successfully prevented Kosovo, which it does not recognise, from joining Interpol for a third time. Mr Haradinaj took revenge by imposing a 100% tariff on Serbian imports, and Serbia suspended talks. With Serbian elections due next year they are unlikely to restart until after.

Just because he has been called to answer questions in The Hague does not necessarily mean Mr Haradinaj will be indicted, says Jeta Xharra, a leading Kosovar journalist. Many speculate that the prosecutors are calling up lots of former senior guerrillas, hoping to break one. But, says Ms Xharra, given the UN tribunal tried Mr Haradinaj twice and failed to convict him, it is unlikely that this court will succeed.

For now Mr Haradinaj stays as acting prime minister. It is doubtful a new government can be cobbled together, so elections will probably take place in the autumn. Mr Haradinaj is a past master at snatching victory from the jaws of defeat. Despite his promises Kosovars still cannot travel to the Schengen zone without visas (although Kosovo has fulfilled European demands). He has doubled his salary even as the country remains isolated and poor. But with his decision to go to The Hague he has turned the electoral spotlight back to the war. Ardian Gjini, a close ally, says that, not for the first time, a challenge has given him "political wings". ■

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Previous

Articles

Sections

Next

The role of Jewish museums

How the Jewish Museum Berlin fell out with Jews

Its director, Peter Schäfer, resigned last month



Jul 27th 2019 | BERLIN

RUNNING EUROPE'S largest Jewish museum in Germany, where the shadows of the past require a special sensitivity, is one of the most demanding jobs in the museum world. It requires outstanding scholarship, tact, managerial talent, fundraising savvy and the ability to deal with a wide range of interested parties, from the federal government (which provides most of the money), scholars of Judaism and the public at large to the German Jewish community and the Israeli government. Each group has its own strongly held idea about the role of the Jewish Museum Berlin (JMB).

Peter Schäfer, an internationally renowned expert on ancient Jewish history, did remarkably on most of these fronts after taking over in 2014 as director of the JMB, but his leadership repeatedly came under fire from Binyamin Netanyahu's government. At the end of June Mr Schäfer offered his resignation to Monika Grütters, Germany's culture minister, "to prevent further damage" to the JMB.

At the end of last year the Israeli prime minister asked Angela Merkel, the German chancellor, to cut the museum's funding. He claimed its exhibition "Welcome to Jerusalem" (which was so popular that it was extended by a year) reflected "mainly the Muslim-Palestinian perspective" of the city. Mr Schäfer subsequently ruffled feathers when he met a cultural attaché from Iran at the museum.

The final straw was a tweet promoted as a "must read" in early June from the museum's Twitter account sharing an article from TAZ, a left-wing daily. The tweet appeared to criticise a resolution of the Bundestag, Germany's lower house of parliament, which condemned the campaign for boycotts, divestments and sanctions (BDS) against Israel as anti-Semitic. In response, Charles Kaufman, president of B'nai B'rith International, a Jewish advocacy organisation, claimed the JMB ought to be "renamed the Insult to Injury Museum". Josef Schuster,

leader of the Central Council of Jews in Germany, wondered if the JMB could still call itself “Jewish”.

Mr Schäfer was due to retire next May, just after opening the new permanent exhibition and the new children’s museum, which were conceived under his stewardship. By all accounts he took the museum’s mission statement literally and made it “a vibrant centre of reflection on Jewish history and culture as well as about migration and diversity in Germany”. Last year the museum had almost 700,000 visitors, who sometimes queued for hours to get in. The exhibition “Golem”, about the myth of artificial life, was his idea. Another of his original exhibitions was “Snip It!”, which explored circumcision and its controversy.

Many of Mr Schäfer’s supporters believe that he should have weathered the storm. Fifty scholars of the Talmud signed a letter in his support. Another 322 international academics put their names to a statement demanding “a public apology to him from those who have spread lies about him”. (Mr Schäfer was falsely portrayed as a sympathiser of BDS). And 58 museum professionals from 14 countries penned a letter to express concerns about his treatment.

Nearly everyone agrees that it would help for the next director to be a Jew. (Mr Schäfer is Catholic.) Candidates can apply until September 1st, explains Martin Michaelis, who is managing the museum until the new director is appointed. The appointment should happen by the spring. Whoever gets it will need all the talent Mr Schäfer had, with a little more diplomatic skill—and a much thicker skin. ■

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Previous

Articles

Sections

Next

The last taboo**Malta is the last EU country to have a full ban on abortion**

Pro-choice activists will struggle to overturn it



Jul 27th 2019

POPE PIUS XI, who died in 1939, described Malta as “Malta Cattolicissima”. Today, that is not quite as true as it once was. The first schism with Catholic doctrine came in 2011, when divorce was legalised after a bitterly fought referendum. For the past four years, Malta has retained its top spot in ILGA-Europe’s Rainbow Index, a ranking of policy towards LGBT people in 49 European countries. Same-sex couples now have equal marriage and adoption rights.

Yet Malta remains the only European Union member state which bans abortion in all circumstances. Under a law dating to 1724, women who procure an abortion in Malta risk being imprisoned for up to three years. The second-most-stringent EU country, Poland, allows abortion in very limited circumstances (as does Northern Ireland, which is even stricter, though a law passed in Westminster earlier this month could change that).

A fledgling grassroots movement is now positioning itself to break the taboo. “We want to normalise saying the word ‘abortion’,” says Lara Dimitrijevic, the founder of the Women’s Rights Foundation, an NGO. In 2016 the foundation filed a judicial protest, signed by 100 Maltese women, claiming that the nationwide ban of the morning-after pill (which is not abortifacient) was a violation of their human rights. The pill was legalised soon after. In March last year her group began campaigning for the public provision of abortion to Maltese women, at least when a woman’s health is at risk, and in cases of rape, incest or fatal fetal impairment.

Dr Andrea Dibben of the University of Malta says that such is the stigma around abortion that she knows of no Maltese woman to have spoken publicly about getting one. The activists estimate that 370 women, in a country with a population of 460,000, travel to terminate a pregnancy each year. According to the British government, 58 Maltese women sought an abortion in Britain in 2016. Many more travel to nearby Sicily, but even there they

encounter long hospital waiting lists. That sometimes pushes women to seek out backstreet clinicians, with all of the risk that brings. Increasingly, Maltese women are also illegally importing abortion pills bought online. A 30-year-old woman was given a two-year suspended prison sentence for using a pill in 2014.

Even trying to organise is difficult. When the Republic of Ireland overwhelmingly voted to repeal its abortion ban in May last year, Maltese activists began copying tactics from their Irish counterparts, replicating their strategy of setting up an association of pro-choice medical doctors. But in Malta most of its 51 members chose to remain anonymous.

Those who have revealed their identity were reported to the national Medical Council, which regulates doctors, by an anti-abortion doctor who—unsuccessfully—requested that they be struck off the medical register. When an openly pro-choice doctor stood in the election to the board of the council this month, a recently formed counter-organisation, Doctors for Life, emailed eligible voters urging them to vote for a list of five anti-abortion candidates, four of whom were indeed elected; the pro-choice doctor was not.

Last year Malta’s prime minister, Joseph Muscat, told the Council of Europe that his government “neither has the political mandate to open a debate on access to abortion, nor the support of public opinion”. Polls suggest around nine-tenths of the population continue to oppose abortion in the first 12 weeks of pregnancy. Although Malta’s pro-choice activists have sparked a conversation, victory seems a long way off. ■

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Previous

Articles

Sections

Next

Cycling's coming home**A French cyclist may win the Tour de France**

France weighs the meaning of its national race



Jul 27th 2019

AS FAR AS live spectator sports go, the Tour de France has to be one of the strangest. For hours, thousands of enthusiasts line the route under a baking sun. Aficionados bring parasols, folding chairs and picnics. At last, there is action on the road. But it is the long caravan of advertising vehicles which precedes the racers. And then suddenly, in a flash of lime green and yellow, the breakaway cyclists, followed by the *peloton*, or cycling pack, pass. It all lasts a matter of seconds. But then again the world's most famous cycling race is as much about the geography and national identity of France as it is about the sport.

The tour is thrilling the French this year. For the first time in 34 years, a Frenchman—either Thibaut Pinot or Julian Alaphilippe—has a chance of winning when the race finishes on the Champs-Élysées on July 28th. For decades, the French have watched with dismay as the Spanish, Americans and British have successively monopolised the trophy (see chart). French suspicions of cheating used to seem like sour grapes. But in 2012 Lance Armstrong, a seven-time American winner, was stripped of his titles after a doping scandal.

Today, the tour has recovered its credibility as an extreme test of muscular endurance, and with it the country's enthusiasm. The French airwaves have been filled with breathless live coverage of the race, with its 21 separate stages covering 3,480km (2,162 miles). This year is also the centenary of the *maillot jaune*, or yellow jersey, awarded daily to the race leader. To celebrate, on July 20th President Emmanuel Macron was at the Col du Tourmalet in the Pyrenees to congratulate *maillot jaune*-wearing Mr Alaphilippe as well as the day's winner, who happened to be Mr Pinot.

34 years of hurt

Tour de France wins by country



Source: Tour de France

*Lance Armstrong stripped of seven wins from 1999 to 2005. No winner declared for these years

The Economist

In 1903 Henri Desgrange, an early cycling enthusiast, devised the tour to help publicise his sports newspaper. Yet these days the tour also serves to promote France. On July 24th cyclists sped past the medieval village of Faucon, having started at the Roman aqueduct of the Pont du Gard, before ending in the foothills of the Alps.

More of the French think of the race as an opportunity to admire the scenery than see it as a great sporting event, says a poll. This being France, existential musings are also in order. The tour, said Christian Prudhomme, its director, is “life, condensed... all the wonderful, exceptional, disconcerting, unfortunate things that can happen: it is life.”

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Previous

Articles

Sections

Next

Charlemagne

The EU's relationship with Turkey is failing

What Europe does now will be a test of its foreign-policy seriousness



Jul 27th 2019

MUSTAFA KEMAL ATATURK anchored Turkey in Europe and the wider West after the collapse of the Ottoman empire. About a century on Recep Tayyip Erdogan is reversing that process. The Turkish president's successive power grabs have edged the country closer to its eastern neighbours and rendered its application for EU membership a joke. Two recent incidents have made matters worse. On July 12th the Turkish air force acquired a Russian S-400 surface-to-air missile system, prompting its exclusion from NATO's F-35 stealth-fighter-jet programme. Then on July 15th the EU imposed sanctions over Turkey's drilling for gas in waters around Cyprus, a member of the union whose northern third remains controlled by Turkey.

That the EU has been unable to halt its close neighbour's drift is a sorry embarrassment. At times the union has been conciliatory, particularly during the migration crisis when Turkey agreed to act as its border guard in return for money and visas. EU leaders have often bitten their tongues rather than criticise the country's slide into autocracy. But at other moments the EU has frozen Turkey out—sneering about “Asia Minor”, dismissing its accession prospects and now imposing penalties for Mr Erdogan's transgressions. The result has been the worst of all worlds: not enough carrot to lure Turkey back into the fold but not enough stick to force it to comply.

The drilling dispute is a case in point. Turkey's government claims that the gas recently discovered under the seabed belongs partly to Cyprus's north. The EU does not recognise Turkish Cyprus so deems the three Turkish ships that have drilled in nearby waters since June illegal. Its sanctions are, however, puny: cuts to financial assistance, the suspension of an aviation agreement and a pause to high-level talks. Turkey has brushed them off as of “no importance” and has vowed to send a fourth ship to the area. Once again the EU looks contradictory and ineffective.

European officials offer two main excuses. The first is that Europe needs Turkey's co-operation on migration and terrorism, so must handle the country delicately. Mr Erdogan might be a difficult partner but he is better than chaos; a Turkish meltdown would send economic shockwaves or new surges of migrants onto the European mainland. Mr Erdogan has encouraged such fears, on July 22nd threatening the suspension of the migration deal over the EU's sanctions. The second, more frank excuse is that the EU lacks the culture and tools required to pull Turkey back. Europe, it is said, is too divided, complacent and weak to wield power decisively. America and the UN, not the EU, have led the now-stalled efforts to end Cyprus's partition: "we still do not have a real and credible European plan on the table," despairs Asli Aydintasbas of the European Council on Foreign Relations.

Neither of the excuses is convincing. Keeping Turkey at arm's length while looking forward to the end of the Erdogan era does not serve Europe's interests. The country's economy is once more on the verge of a currency crisis (not helped by government meddling in interest rates); the Cypriot government, fearing hostilities, is pushing for new talks; and the Russian missile deal undermines Western security. "Erdogan has been used by Putin against NATO," says Marc Pierini, a former EU ambassador to Ankara. A chaotic, alienated Turkey will hardly make a reliable partner for Europe—on migration, terrorism or any other matter.

Moreover, the old observation that the EU is incapable of concerted international action no longer holds. The EU has grown up in the past decade as economic, migration and security crises have forced it to contend with major world events. It imposed sanctions on Russia over its incursions into Ukraine, has taken on the anti-competitive practices of American technology giants, has maintained a disciplined front in the Brexit negotiations and is even creeping towards military integration. The best example of Europe's new taste for realpolitik was the deal on migration with Mr Erdogan. He agreed to take back migrants who cross into the EU not out of goodwill but because the union had leverage over him—in the form of hard currency and visas benefiting his voters.

Mr Erdogan is weaker than he looks. His approval ratings are dropping and in regional elections in the spring his Justice and Development Party (AKP) lost control of the country's three largest cities, including Istanbul. Ali Babacan, his former deputy prime minister, has quit the AKP to form a new party and Ahmet Davutoglu, his former prime minister, could follow suit. Soon Turkey may also require outside economic assistance. At a time of such political and economic vulnerability the EU's economic weight alone—its GDP is 24 times larger than Turkey's—gives it huge leverage. It has not just the motive to do more to reel the country back, but the means too.

Flex them

That might mean threatening greatly increased sanctions, perhaps modelled on those levied against Russia and targeting Mr Erdogan's allies, as proof of European seriousness. Sanctions relief could then be added to a raft of goodies to bring Mr Erdogan to the table. Economic support, an upgraded customs union, new visa freedoms for Turks and a power-sharing settlement between the Greek and Turkish parts of Cyprus, including sharing the gas, could all be touted. In return the EU might demand an end to the illegal drilling and the Turkish military presence on the island (the main block on a deal between the two sides) as well as, in Turkey, central-bank independence, economic reforms and perhaps even steps to reverse the concentration of power in the presidency.

Europe aspires to a greater role in the world. But if despite all the carrots and sticks it has at its disposal it lastingly loses a direct neighbour and would-be accession state that is controlling territory claimed by an existing member of the EU, it might as well give up. Turkey is a natural priority for the EU. It is also a test. ■

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Britain

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The loneliness of Boris Johnson.

Britain finds its BoJo

Ditching the gags (and his enemies) Boris Johnson claims his prize

Britain's new prime minister will lead a fragile—and potentially short-lived—government



Jul 25th 2019

THE NEW prime minister's first statement to the House of Commons on July 25th summoned the ghost of his hero. The rhetoric was Churchillian; in the absence of Nazis, "sceptics and doubters", "negativity" and the Labour Party would have to do as enemies. His mission, he thundered, was to deliver Brexit on October 31st with or without a deal; the country would make preparations for the latter with "the kind of national effort that the British people have made before and will make again." Never mind that the spirit of the Blitz resonates with none but the oldest of his countrymen; once victory has been achieved, Britain will be "clean, green, prosperous, united, confident and ambitious"—indeed, he promised to make it "the greatest place on earth".

But Boris Johnson's ability to steer his country towards the "golden age" he promises is constrained. He will lead a fragile government, with a working majority that will fall to just one if the Conservatives lose a by-election in Wales next week, as seems likely. His promise to leave the EU by October 31st, along with a further commitment to the "abolition" of the backstop, a default position designed to avert a hard border in Ireland by keeping Britain in a customs union with the EU, make it hard to see how he can get a new deal with the EU; and yet reconciling a majority of MPs to leaving without a deal seems close to impossible.

This conundrum makes an election this autumn likely, suggest Mr Johnson's friends and foes alike. Win it, and Mr Johnson will be remembered as a political Houdini. Lose, and he could become the answer to a future trivia question: who was Britain's shortest-serving prime minister?

To support him in his difficult task, Mr Johnson has scooped up advisers from the two most successful phases of his political career. First came allies from his two terms as mayor of London, such as Sir Edward Lister, a local-government grandee. Next came veterans from Vote Leave, the Brexit campaign that turned Mr Johnson

into a political bulldozer, crashing through Britain's four-decades-old political settlement. Dominic Cummings, the cantankerous head of the campaign and a staunch critic of how the government has handled negotiations, is an adviser.

The prime minister has also stuffed his cabinet with Leavers. Priti Patel, who was prominent in the campaign, is the new home secretary. Dominic Raab, who quit in protest over Theresa May's EU deal, heads to the foreign office. Jacob Rees-Mogg, a leading Brexiteer, has become Leader of the House of Commons, charged with seeing off legislative tricks that could thwart Brexit. Converts to the cause also have a role: Sajid Javid, who has become a vocal supporter of leaving, was appointed chancellor of the exchequer. He will have the tough job of making sure his boss's limitless pledges add up.

All prime ministers rely on their teams, but Mr Johnson—a self-professed chairman rather than chief executive—is happy to let others do the work, provided he can take the credit. Although many prime ministers have promised a return to cabinet government over the years, Mr Johnson may actually deliver it. That could lead to discord. One adviser predicts a Tudor court in Downing Street, where rivals stab each other for the ear of the king, who sits serenely above it all.

Former cabinet ministers who left government in varying degrees of disgrace are back. Gavin Williamson, who took a key role in Mr Johnson's campaign and has been appointed education secretary, was sacked for leaking details of a national-security meeting (a charge he denies). Sir Michael Fallon, another campaign stalwart, resigned for inappropriate behaviour with female journalists. Ms Patel, the incoming home secretary, stepped down in 2017 after she was caught running diplomatic back-channels with the Israeli government.

A government dominated by Brexiteers will have to force Britain's departure from the EU through a much less gung-ho Parliament. Mr Johnson must woo two very different caucuses within his party. On one side sit the self-styled "Spartans"—the two dozen MPs who voted against Theresa May's exit deal every time. By its third outing, other hard-core Brexiteers such as Mr Raab, Mr Rees-Mogg and even Mr Johnson had folded and voted for the deal. The holdouts are a tougher bunch—and, having crushed one pragmatic deal, they are unlikely to vote for a dolled-up version of the same document. On the other side sit increasingly recalcitrant Remainers. Former cabinet ministers such as David Gauke and Philip Hammond have made it clear that they will fight any attempt by Mr Johnson to leave without a deal.

It only takes one

Mr Johnson's government hangs by a thread that is easily snapped. If his majority falls to one, a single hitherto unknown Conservative MP, hardly recognised beyond close relatives, could decide the fate of Britain by backing a no-confidence vote.

Mr Johnson's supporters insist that tough talk about Conservative MPs being willing to bring down their own government, or cross the floor to the Liberal Democrats or Plaid Cymru, is just bluster. They point out that Labour MPs were expected to pile in and support Mrs May's deal earlier this year; in the event, few defied the party line. But there is a difference of scale. Whereas it would have taken a squadron of rogue Labour MPs to force through Mrs May's deal, Mr Johnson could be brought down by just a few. "You blow your career up," admits one former cabinet minister, before adding: "Some won't care."

An election without Brexit being sorted would be hazardous for the prime minister, as some Tory voters switch to a surging Brexit Party. A ballot after a no-deal Brexit, with chaos at ports, livestock slaughtered en masse and medicine shortages, could be a massacre. By comparison, a vote following a successful Brexit deal could become a victory lap. Supporters predict an election this autumn regardless. If Brexit is sorted, it would make no sense for a government to limp on without a majority, explains an aide. If Brexit rumbles on, then fed-up hardliners may bring down the man who once led them. Either way a vote is coming, which Mr Johnson will probably relish. His rhetoric is better suited to the campaign trail than to governing. ■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Long way down

Why predicting the impact of a no-deal Brexit is so hard

Estimates of the economic effects of no-deal on GDP are varied



Jul 25th 2019

APART FROM Economists for Free Trade (EFT), a pro-Brexit group, almost no wonks believe that leaving the EU without a deal would be good for the economy. The majority flinch when Boris Johnson, the new prime minister, promises that Britain will push off by October 31st “come what may”. Yet the question of just how bad a no-deal Brexit would be has many answers.

On July 18th the Office for Budget Responsibility (OBR), the fiscal watchdog, warned that a no-deal exit would “push the economy into recession”. The next day Oxford Economics argued that “no-deal Brexit might be bad, but not OBR bad.” Capital Economics, another consultancy, wrote last year that in its central no-deal scenario “we don’t expect...a full-blown recession.” Estimates of the long-term effect on GDP are even more varied (see chart).

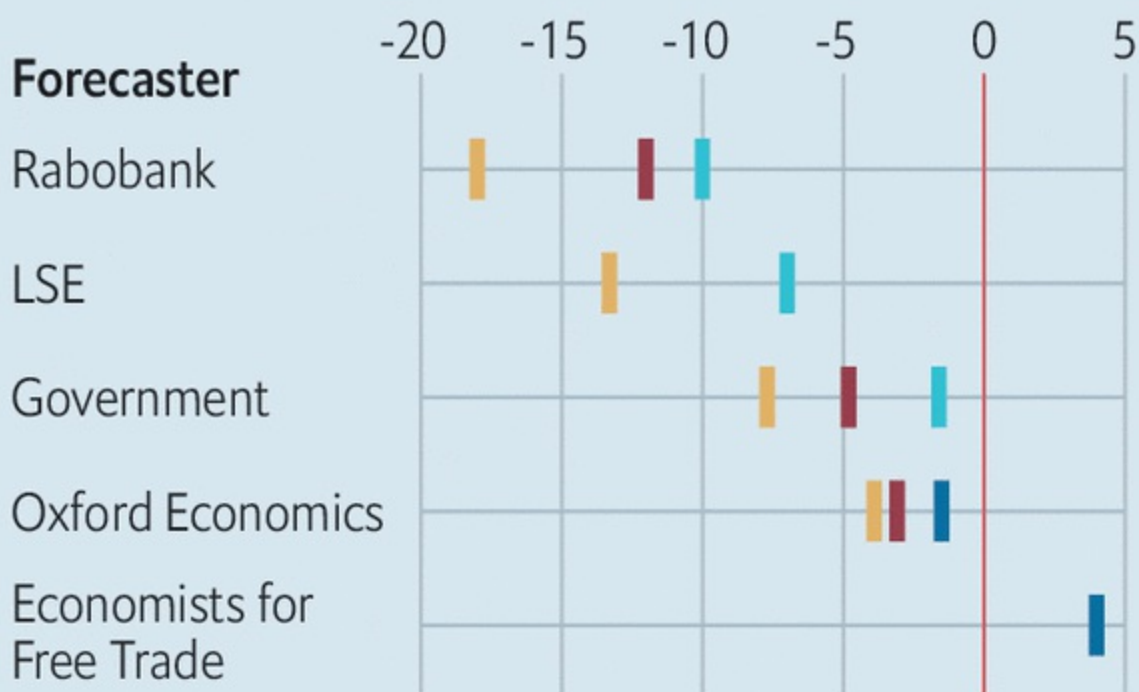
If Britain leaves without a deal it will become a member of the World Trade Organisation on its own, not as part of the EU. Britain would generally have to charge the same tariffs on EU imports as on non-EU ones. Regulations governing everything from medicines to electricity connections to financial services could lapse.

Shades of gloom

Britain, long-term* impact of Brexit scenarios

% change to GDP

■ World Trade Organisation ■ European Economic Area
■ Free Trade Agreement ■ Unilateral Free Trade



Source: Institute for Government

*To around 2030

The Economist

Three big judgments shape economists' views of the eventual impact of this. The first is precisely what happens to tariffs. The EFT assumes that Britain unilaterally cuts all of them to zero, boosting trade and thus economic growth. Most economists think that too optimistic.

The second issue is what happens to non-tariff barriers, such as regulations, between Britain and its trading partners. Plenty of academic work looks at the economic impact of entering a big trading bloc, but there is much less on countries leaving, since this rarely happens. Will the non-tariff barriers that were lowered during Britain's membership of the EU rise again when it pushes off? The government estimate shown in the chart assumes that the majority will be. Others, including from Rabobank, use estimates of non-tariff barriers between the EU and America as a guide to what Britain could face.

The third judgment concerns so-called "dynamic effects". Economists often assume that a reduction in openness to trade will crimp long-term productivity growth, in part because specialisation is more difficult and in part

because inward investment from abroad would be lower. One paper from the London School of Economics, which looks at the impact of Britain moving to WTO rules, finds that including these dynamic effects triples the estimate of lost GDP per person.

Brexiters argue that most economists are too negative—just as they were about the impact of the vote to leave the EU in 2016. Following a chaotic exit, the Bank of England could radically loosen monetary policy, and the government could ramp up spending or slash taxes. Perhaps. But even the gloomiest economic forecasts only paint a partial picture of what could happen following a chaotic exit. Shortages of medicines, violence at the Irish border, shuttered farms and panicky immigrants might not affect the economy much. But there is more to life than GDP. ■

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Previous

Articles

Sections

Next

Brexit boom to Brexit bust?**Jo Swinson takes over the Liberal Democrats**

The party's position is more precarious than it first appears

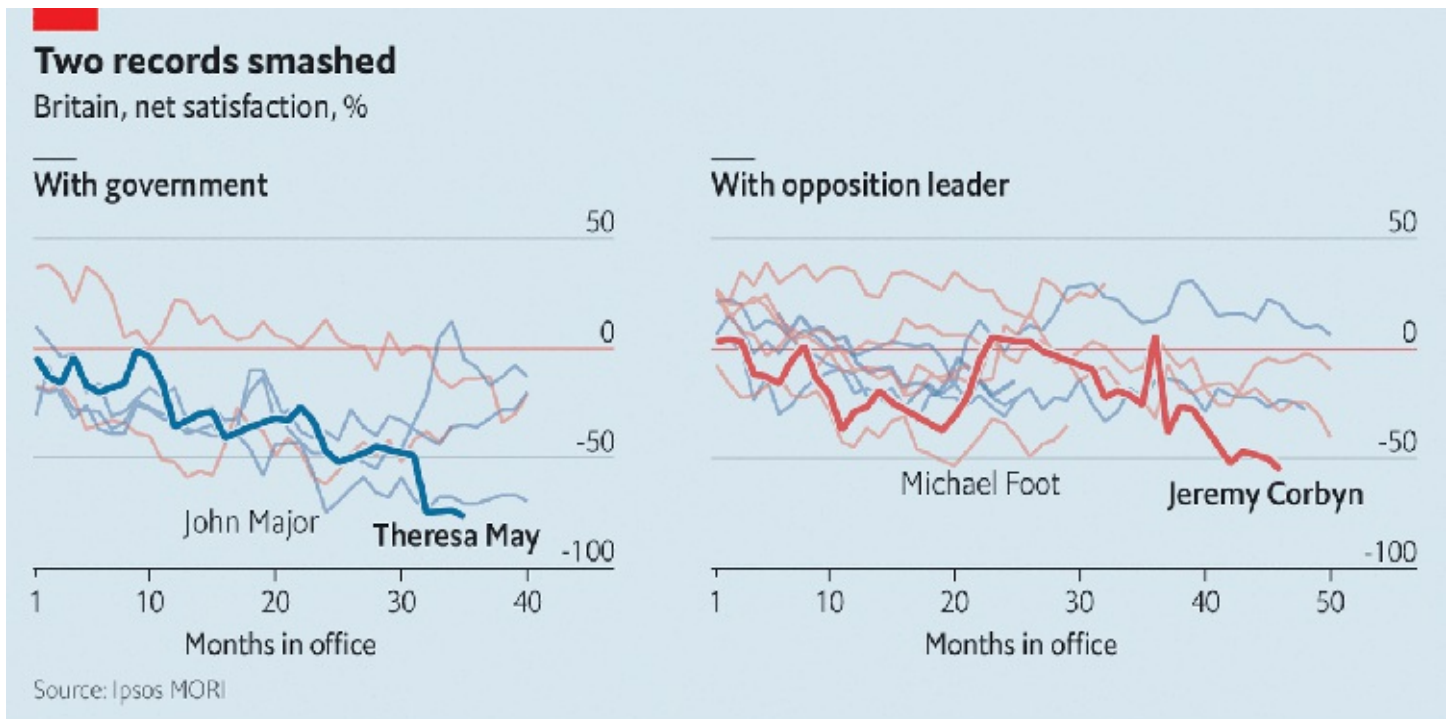


Jul 25th 2019

IT WAS, as usual, an upbeat atmosphere at Proud Embankment. But the typical cabaret acts—including Chastity Belt, Vicious Delicious and Dave the Bear—were nowhere to be seen. Instead, the nightclub was adorned with bright yellow “stop Brexit” banners as it played host to the announcement of a new Liberal Democrat leader on July 22nd. Raucous cheers greeted the declaration of Jo Swinson’s comfortable victory, with 63% of the vote, over Sir Edward Davey.

The joyful mood reflects a remarkable turnaround for the Lib Dems. The party was almost wiped out in the 2015 general election, falling to just eight MPs, as voters expressed their displeasure with its record as a junior coalition partner to the Conservatives. Since then two leaders, Tim Farron and Sir Vince Cable, have begun the slow job of rebuilding the party. Both have focused on opposing Brexit.

Only recently has that strategy started to pay dividends. The Lib Dems finished third in this year’s local elections and second in the European elections, suggesting voters are beginning once again to see them as an acceptable protest option. Polls by YouGov indicate that the party is on about a fifth of the vote, with a quarter of people who voted Labour at the last general election backing it. Theresa May’s government was deeply unpopular by the end; Jeremy Corbyn is viewed as a hopeless leader of the opposition (see chart). Although the Lib Dems have always struggled under the first-past-the-post system used for elections to Parliament, the new four-way split—between them, the Tories, Labour and the Brexit Party—should make it easier for them to pick up seats.



The Economist

Ms Swinson, a sober, state-educated, 39-year-old former business minister who worked as a diversity consultant for two years when she lost her seat in Parliament and enjoys playing board games in her spare time, appears well-suited to the role of Boris Johnson's opposite. In her victory speech, she was quick to brand the new Tory leader "unfit to be prime minister" and to link him to Donald Trump and Nigel Farage. She has repeatedly labelled Mr Corbyn a Brexiteer.

The Liberal Democrats have their principles—but they also have a useful ability to say different things to different voters, which parties facing more scrutiny struggle to match. As memories of the coalition government fade, the party can return to its own form of "cakeism", says Robert Ford of the University of Manchester (as in having your cake and eating it). Candidates can campaign as anti-Brexit warriors in urban, Labour-held constituencies and as sensible moderates in suburban Tory ones.

Yet the party's future depends on factors beyond Ms Swinson's control. Alliances with other remain-supporting parties offer the Lib Dems a route to gains in Parliament, and they are expected to win a forthcoming by-election in Brecon, Wales, where the Greens and Plaid Cymru have stepped aside to help their candidate. But any alliance, formal or otherwise, between the Conservatives and the Brexit Party would go some way to balancing out the Lib Dems' advantage. As would Labour's embrace of a more anti-Brexit position, which many of its activists want.

Liberal profanity

The Liberal Democrats' recent improvement owes a good deal to their vehement opposition to leaving the European Union (their slogan for the European elections was "Bollocks to Brexit"). Scarred by the punishment that voters meted out in 2015, Ms Swinson has said there is no chance of the party entering a coalition with a Labour government led by Mr Corbyn or a Conservative one led by Mr Johnson. But a confidence-and-supply arrangement, in which the party backs the government on key issues, remains possible.

These potential routes to greater influence are all based on one assumption: that Mr Johnson does not manage to leave the European Union before the next election. If he does, the Lib Dems would be in a much trickier position. Tom Brake, the party's Brexit spokesperson, admits that they would have to work out whether to seek immediate re-entry to the EU. The party's clarity of purpose, on which its recent electoral improvement has been based, would be gone. In which case, leaving the EU would be a double disaster for the Liberal Democrats. ■

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Previous

Articles

Sections

Next

The end of an era**Britain's Tories used to relish fiscal discipline. No longer**

Boris Johnson's premiership has important economic implications



Jul 27th 2019

BORIS JOHNSON'S appointment as prime minister does not just mean a new approach to Europe. On July 24th he appointed Sajid Javid, formerly the home secretary, to replace Philip Hammond as chancellor. An emergency budget is said to be in the works. It seems likely that Mr Johnson's tenure will confirm a crucial shift in Tory economic policy. A party that was obsessed with fiscal discipline is turning lax.

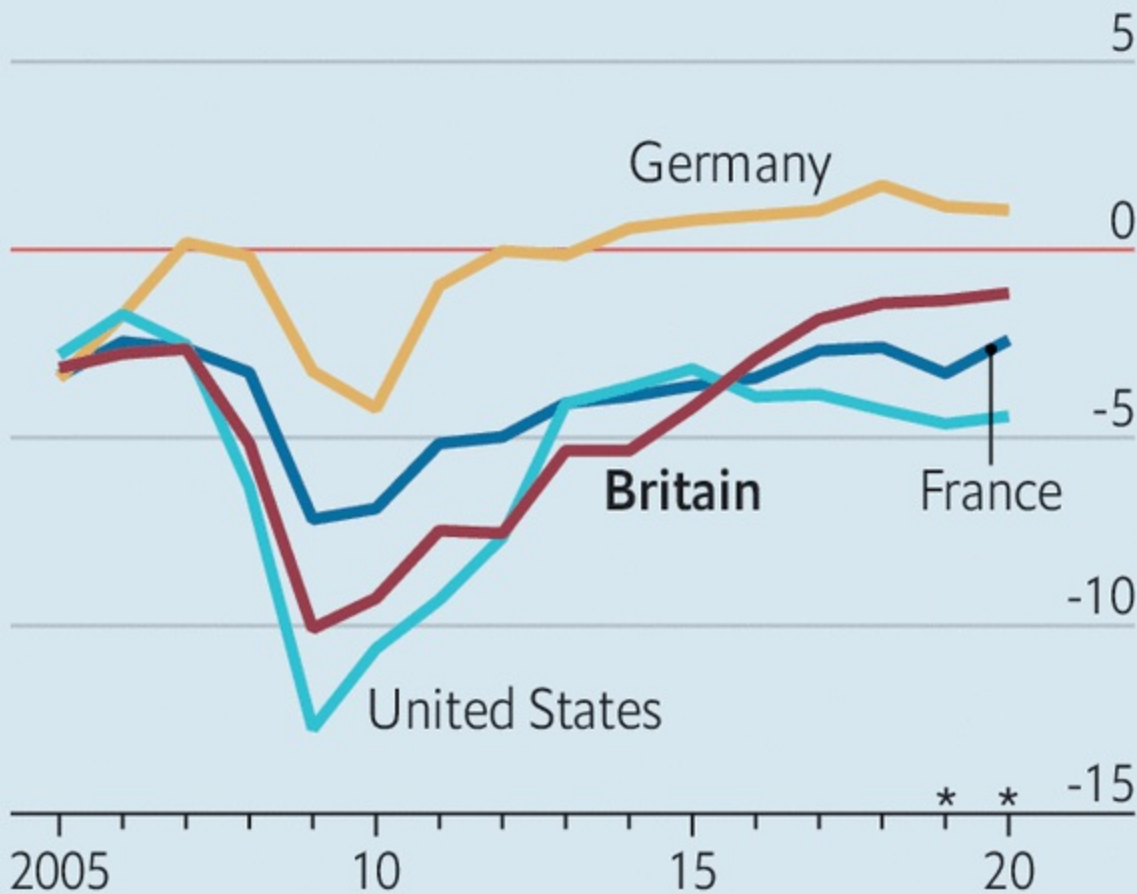
When the Conservatives came to power in 2010 Britain was in a tight economic spot. Following the financial crisis it was running a budget deficit of 10% of GDP, one of the largest in the rich world (see chart 1). George Osborne, then the chancellor, implemented big spending cuts and tax rises. After promising more fiscal austerity in the run-up to the general election in 2015, the Tories won a majority.

The shift away from this ascetic stance started shortly after the election. Evidence emerged that public services had begun to deteriorate. The number of "delayed transfers of care"—people stuck in hospital because they had no care home to go to—rose sharply from 2014-15, as did the number of violent incidents in prisons. More people came to believe that higher taxes and more government spending were necessary (see chart 2). A surprisingly strong economy in 2016-18 meant that the deficit fell.

Almost a paragon

Government budget balance as % of GDP

1



Source: IMF

*Forecast

The Economist

Mr Hammond, who succeeded Mr Osborne in 2016, loosened fiscal policy a little. Yet with Brexit hanging over the economy, he eschewed costly crowd-pleasers in favour of amassing what became known as his “Brexit war-chest”. This is the difference between the forecast structural deficit in 2020-21 and Mr Hammond’s self-imposed target for that year. At present there is some £27bn (\$34bn, or 1.2% of GDP) of fiscal headroom, which would have allowed Mr Hammond to give the economy a one-off boost in the event of a slowdown.

Many Tories, however, believe the war-chest is a pot of money squirrelled away in the Treasury. In her final days as prime minister, Theresa May tried to get all sorts of costly projects past Mr Hammond. On the campaign trail, Mr Johnson referred to the war-chest as the source of funds for tax cuts and extra spending. This is nonsense. Mr Johnson’s promises—including a rise in the points at which people pay national insurance and the higher rate of income tax, and lots more cash for schools and the police—would instead lead to a permanent rise in public borrowing.

Socialism in our time

2

Britain, support for different approaches to taxation, %



Source: NatCen

The Economist

Drawing on the theories of Art Laffer, President Donald Trump's favourite economist, both Mr Johnson and Mr Javid have claimed that by geeing up the economy, looser fiscal policy can pay for itself. "There are plenty of taxes that you can cut which will actually increase your revenues," says the new prime minister. Almost no economist would agree that this argument applies to what Mr Johnson has proposed, in part because most of the benefits of the tax cuts would accrue to richer folk, who are more likely to save their windfalls.

The upshot is that under Mr Johnson's plans, the deficit might rise by £30bn. And that is before any fiscal hit from a no-deal Brexit. On July 18th the Office for Budget Responsibility, the fiscal watchdog, said that even assuming a relatively benign version of no-deal, public borrowing would rise by £30bn. All in all, the budget deficit would probably end up 3% of GDP higher.

This is all the more worrying given the long-term pressures on the public finances. Britain will become a much older country in the 2020s, straining the National Health Service and social care, both of which are already underfunded. In the long run, spending cannot go up as taxes are cut. At some point politicians will have to be honest about that. ■

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Previous

Articles

Sections

Next

Easy pickings**From fly-tipping to sheep rustling, Britain's cops crack down on rural crime**

About one in five Britons lives in the countryside. Now they have their own police squads



Jul 25th 2019 | CARMARTHEN AND RHUDDLAN

“IF YOU POP down and say I’m going to steal some sheep, good luck to you. It’ll be entertaining to watch,” says Robyn Mason. “It’s not like ‘Shaun the Sheep’. You have to have certain expertise in rural issues before you rock up and steal a sheep.”

Mr Mason has plenty of expertise in rural issues. He is the son of a farmer. His son is a farmer too. And he is the Dyfed-Powys police superintendent in charge of rural crime. Mr Mason was appointed last year when the force—which covers the largest land area in England and Wales—started its rural crime team, with 11 officers, specialist vehicles and a focus on building trust with country folk. The very first such team was set up next door, in North Wales, in 2013. The latest force to establish a rural squad, in January, was just to the south, in Gwent. In the interim at least 30 of the 43 police forces in England and Wales, as well as the Scottish and Northern Irish services, have started their own dedicated teams.

The surprising thing about this focus on rural crime is not that it is happening but that it took so long. About one in five Britons lives in the countryside. More than half the nation is farmland. And, although rural crime is less common than the urban kind, it is surprisingly hard to tackle—sometimes for the same reasons that inner-city offending is so intractable.

Consider sheep. Welsh farmers typically graze their flocks on a hillside for a season, so they may not know when a dozen—or a hundred—go missing. By the time the police are alerted, little evidence remains. Things are worse in lambing season when criminals can double or triple their takings. Nor is it always obvious when a crime is being committed. A passer-by who sees someone herding a flock into a trailer would assume it was a legitimate farmer. Sheep are also attacked by dogs, says Rob Taylor, who runs the North Wales team from a

decommissioned police air base near Rhuddlan. The laws to prevent that are lax and gathering evidence is hard. The victims, as Mr Taylor points out, cannot provide testimony.

For farmers, this is equivalent to somebody else having a factory or office burgled or vandalised. “If somebody steals £60,000 (\$75,000) of jewels all hell would break loose,” says Julia Mulligan, chair of the National Rural Crime Network (NRCN), an association of police commissioners and other interested parties. “But if somebody steals £60,000 worth of sheep that have been bred over generations, people somehow think it is funny.”

An investigation in 2017 by *Farmers Weekly*, a trade publication, found that 0.75% of sheep-rustling incidents ended in a conviction. According to NFU Mutual, Britain’s biggest farming insurer, the cost of livestock theft was £2.4m in 2017. It estimates the cost of all rural crime at £44.5m, up 13.4% from the previous year. (Overall theft in England and Wales declined for several years to the end of 2017, though it rose again in 2018.)

Not all thefts are of livestock. Tractors and other expensive machines are common targets; police officers say they are often shipped and sold abroad or stripped for parts. Quad bikes, which farmers use to get around their estates, are easy to nick. Fuel theft from farms is another problem. Rural crime teams also tackle fly-tipping, unlicensed raves, illegal off-roading, poaching and other types of animal abuse.

One reason police forces have been setting up dedicated teams is that rural crime requires special training and equipment. You cannot just go from one farm to another in the same boots, says Mr Mason, because of the danger that you might spread disease. High-visibility uniforms can spook animals. Officers need thermal-imaging cameras for night-time patrols, and vehicles that can go off-road. Thinly populated rural areas are hard to patrol. North Wales Police has just acquired three drones to add to the two it operates. Gwent Police is training all its rural crime officers as drone pilots.

The other reason is that the police recognised they were losing the trust of rural people. Along with banks and shops, police stations have vanished from more remote areas over the past decade. People were unwilling to report crimes even when they knew who had committed them, says Mr Mason, likening the situation to inner-city estates where nobody wants to be a grass. The artificially low tally of crimes in turn meant that fewer resources were dedicated to rural areas, says Ms Mulligan. A rural crime survey by the NRCN found that last year a third of country folk who suffered a crime did not bother to report it.

Dedicated teams have helped rebuild some of that trust, as have smaller things like publishing officers’ mobile phone numbers on the web. But cracking down on crime will always be difficult. What American cops call “the thin blue line” is, in rural Britain, often very thin indeed. ■

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Previous

Articles

Sections

Next

Pastures old**Farming is tougher than ever. Young Britons can't wait to get started.**

The number of agriculture students is rising, despite the threat Brexit poses to Britain's farmers



Jul 25th 2019 | BUILTH WELLS

THE ROYAL WELSH SHOW tempts its 250,000 visitors with competition, spectacle and wackiness. There are lumberjack contests, plastic cows to “milk” and lots of farm machines to ogle. Roaming the fields are the Prince of Wales, a bunch of Zulu warriors and the regimental goat of the Royal Welsh Guards.

It is the show's centenary, but there is little else to celebrate. Agricultural productivity growth in Britain has lagged behind that of America, France and Germany since the 1960s. Veganism is fashionable. Now Brexit threatens to up-end subsidies; if Britain leaves the European Union without a deal, exporters could be hit by steep tariffs on products like lamb. “We're in a bit of a pickle,” says Dennis Ashton, a farmer in tweed jacket and flat cap. “If I was young again, I wouldn't start.”

Yet plenty are. The show has a separate “young people's village”, with DJs and 4,000 campers. One caravan is christened a “passion wagon”. “There was some passion there earlier,” smirks a neighbour. Four in ten English farmers have a nominated successor within the family, a slight increase on recent years. Since 2013 the number of agriculture students in Britain has risen in line with overall higher-education trends.

Many are the children of farmers. About four in five students at Coleg Cambria Llysfasi, an agricultural college, have farming backgrounds. “It's in the blood,” says Llyr Jones, 18, who began helping on the family farm when he was seven. “I've always been tractor mad.” But some lack that excuse. Molly Hodge, an 18-year-old, got her first job on a farm last month. Her mother manages a casino; her father works in construction. Her motivation is the same as that of farmers for generations: to work outdoors.

Oddly, Brexit has enhanced the appeal for some. Even those who voted for it (as most farmers did) think it will

unleash at least a decade of agricultural upheaval. “You’ve got to be ballsy about it,” says Andrew Fisher, 23, on his annual holiday from the farm. Dafydd Jones, the 29-year-old chairman of the Welsh young farmers’ association, casts it as nothing less than a battle for the Welsh soul. “Everyone loves a challenge,” he says. “We can farm like we’ve never farmed before.” More prosaically, the domestic farm lobby could become far more powerful after Brexit.

As farming begins to make better use of data and drones, it is becoming a little more appealing to those who are reluctant to get up at five in the morning to milk the cows. Automation will allow farmers to work more sociable hours, says Dewi Jones of Coleg Cambria. “Traditionally it was a lot of menial work,” he says. “It’s up to us to make it attractive, otherwise it sounds a little bit like you’re the kid who’s been sent up a chimney.”■

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Previous

Articles

Sections

Next

Bagehot**The loneliness of Boris Johnson**

The trouble with Britain's new prime minister? He hates to be hated



Jul 25th 2019

IN BORIS JOHNSON'S biography of Winston Churchill, the author deals with a number of accusations against his subject, including the charge "that he didn't really have real friends—only people he 'used' for his own advancement." This line, like many in the book, could have been written as easily about the author as about his subject; and the charge would be hard to rebut.

Mr Johnson has become prime minister largely because he is an entertaining fellow who, on television and in print, makes people laugh. In the past lots of voters liked him: during a London mayoral race the Tories' election guru, Lynton Crosby, found that pictures of Mr Johnson triggered feelings of affection even among those who disagreed with his policies. These days only Brexit enthusiasts quiver when his blond mop heaves into view. But even those who loathe the man concede that he has bags of personality. At a time of national gloom and division, that is a great asset.

Yet although he is capable of immense charm, Mr Johnson is a solitary figure. He has never been one for the aimless socialising that builds friendships, and few former colleagues trust him. Max Hastings, who as editor of the *Daily Telegraph* hired Mr Johnson after he was fired by the *Times* for lying, recently wrote that "there is room for debate about whether he is a scoundrel or mere rogue, but not much about his moral bankruptcy". It is telling that for a profile of Mr Johnson, broadcast the evening he was appointed prime minister, the only person the BBC could find to speak favourably about him was his publicist.

Nor does Mr Johnson benefit from the domestic support which Churchill enjoyed through his long and devoted marriage to Clemmie. Mr Johnson was ejected by his second wife, Marina Wheeler, a barrister with whom he has four children, after a series of affairs culminating in one with a Conservative Party public-relations officer

which has proved so volatile that worried neighbours called the police when the couple were having a row. It is unclear whether she will be moving into 10 Downing Street with him.

Mr Johnson will not necessarily be able to lean on his birth family, either. He comes from a clever, pushy clan of journalists and politicians. “We’re like rats, basically,” wrote his sister Rachel, a newspaper columnist. “In London, you’re never more than a few feet from at least two Johnsons.” The siblings are fiercely loyal to each other, but also, Boris aside, fiercely pro-European. Rachel was a candidate for a Remain splinter group in the recent European elections, brother Jo was a Remainer Tory minister and father Stanley was a member of the European Parliament—so Boris’s recent political trajectory has strained relations.

Mr Johnson does not have a gang of parliamentary chums and supporters. He has spent only a decade as an MP, and when in Parliament was so busy making money by writing or speechifying elsewhere that he never had much time for dull Westminster work, such as sitting on committees. His fellow MPs didn’t like that. And although he is in great demand as an after-dinner speaker, his parliamentary performances have underwhelmed. Jolly along a bunch of drunk bankers is a very different business to commanding the floor of the house.

But although Mr Johnson puts less work than most people do into winning affection and approbation, he craves these things more than most people—even most politicians—do. He is intensely sensitive to criticism. This weakness leads to the gravest charge his former boss, Mr Hastings, levels against him—“cowardice, reflected in his willingness to tell any audience whatever he thinks most likely to please, heedless of the inevitability of its contradiction an hour later”—and which has already tripped him up.

During his campaign for the leadership, Mr Johnson promised to leave the EU by October 31st, “do or die”. He has rejected any version of the Irish “backstop”, the default position which would keep Britain, in effect, in the customs union. The EU insists on the backstop; the hard Brexiteers abhor it. If he sticks to these commitments, the only way forward is to leave the EU without a deal. Given that everybody knew he was going to win the leadership contest easily, Mr Johnson did not need to limit his room for manoeuvre thus. But his yearning to be loved by the Eurosceptic extremists who dominate his party’s membership led him into a trap the hardliners had set for him.

For however passionately Mr Johnson wants to leave the European Union—which, given his historical willingness to adjust his beliefs to circumstance, is probably not very—his interests are different to the hardliners’. Their priority is to leave the EU, and damn the consequences; his is to stay in power. And the contingency plans for leaving without a deal that the mandarins will show him over the next few weeks—which, according to leaks, include imposing direct rule on Northern Ireland, averting widespread bankruptcies and managing civil disorder—will make it painfully clear how much could go wrong. He will be responsible for whatever happens, and many voters will be very angry with him.

Damned if you don’t

The alternative is for Mr Johnson to renege on those Eurosceptic commitments, get some wriggle-room from the EU on the backstop—putting lipstick on the pig, as a putative attempt to improve on the deal his predecessor did with the EU is widely described—and use his undoubted charm to sell to Parliament the porker that it refused three times to buy from his predecessor. Given his record, nobody, and especially not the Eurosceptics with whom he has surrounded himself, would be greatly astonished by such a betrayal, but they would be very angry with him.

For a man who hates to be hated, neither is an attractive prospect. The only way of avoiding both would be to hold an election before October 31st. Very likely he would gain unwelcome fame as the shortest-lived prime minister ever, but—who knows?—maybe he could persuade the voters to love him. ■

Previous

Articles

Sections

Next

Britain

Sections

Special report

International

[Parliamentary chambers: Better politics by design](#)

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Britain

Sections

Special report

Where you sit and where you stand**Parliaments get facelifts; but it is politics that really needs one**

Renovations give parliamentarians an opportunity to shore up democracy. Will they take it?



Jul 27th 2019 | BANGKOK AND OTTAWA

BRITAIN'S MPs were debating tax reform in April when water from a broken pipe started pouring into the House of Commons. This was unsurprising. The Palace of Westminster, a mostly neo-Gothic building that was completed in 1870, had for years endured rusty plumbing, crumbling stonework and sparking electrics. MPs gamely continued the debate. But Justin Madders, a Labour MP, saw in the deluge a symbol, suggesting how “many people view Parliament as broken”.

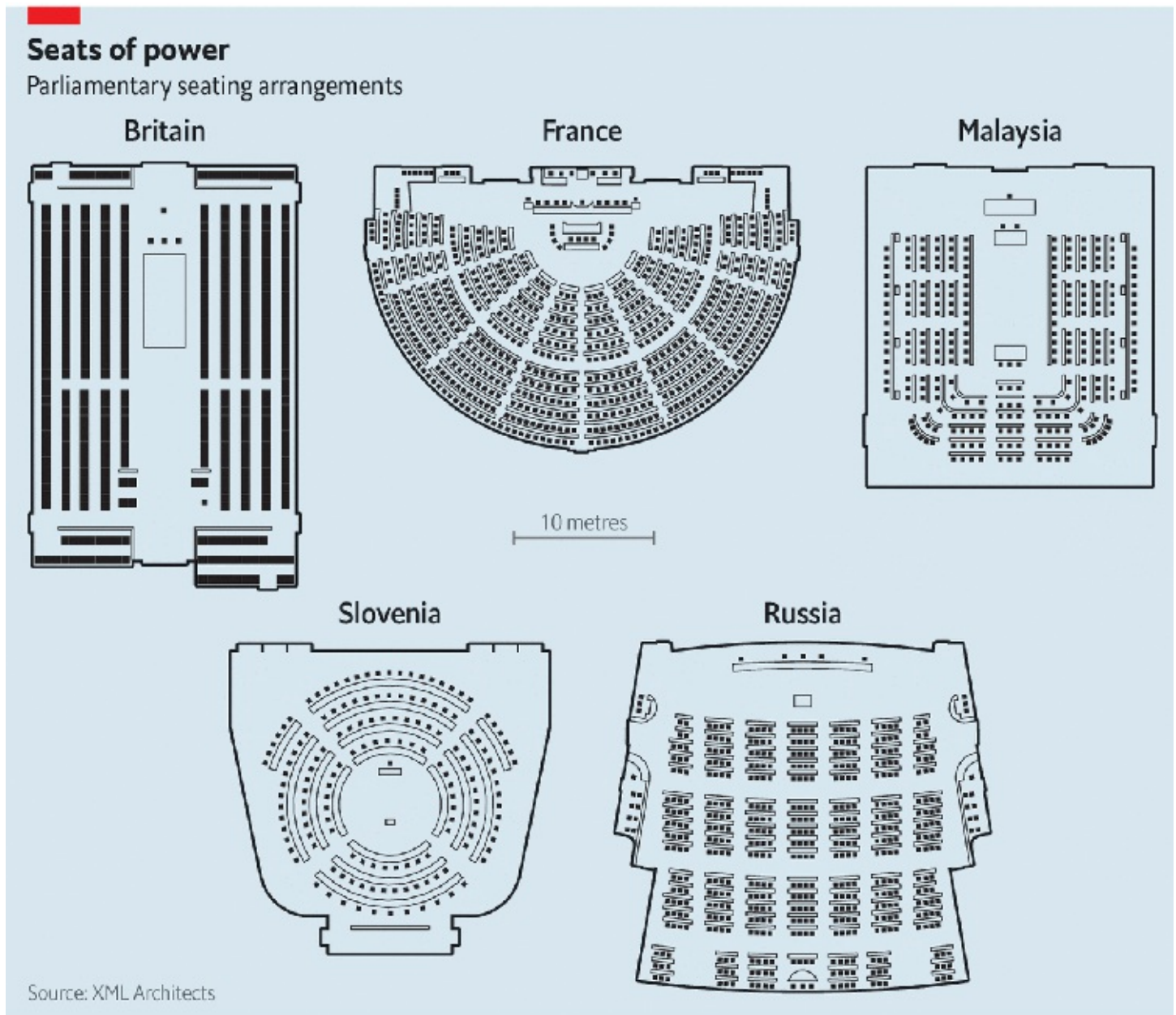
In a few years' time MPs will have to relocate as the building is patched up, joining a long list of politicians in temporary digs. Earlier this year Canadian legislators moved out of the central parliamentary block for about ten years. Austrian MPs are meeting in the Hofburg Palace in Vienna while their building is renovated. Dutch politicians are preparing to vacate the 13th-century Binnenhof complex in the Hague. Parliamentarians in Egypt, Jamaica, Thailand and Uganda are all getting new homes.

That should take care of the plumbing. And the new parliaments will be superior in other ways. Austria's will have much more space available for public use. Jamaica's new circular complex evokes an athletics stadium—a note of prestige in a sport-mad country. Members of Thailand's House of Representatives will sit in a vaulted chamber named after the Buddhist Sun god. The “celestial ambience” will aid “vision, imagination and relaxation”, explains the government, hopefully.

But the changes are much less striking than the similarities. With the possible exception of Jamaica, the new debating chambers will be arranged almost exactly like the old ones. Even the temporary homes are reassuringly familiar. Canada's MPs are still sitting on their old benches; Britain's temporary chamber will be in a different building, but as similar to the old one as possible. Andy Williamson of the Inter-Parliamentary Union, an

organisation of parliaments, believes British politicians would create exactly the same chamber if they had to start again from scratch—“down to the colour of the panelling”.

These countries are missing an opportunity to change how politics is done. Comparing parliamentary buildings around the world suggests that, though form does not determine function, it does influence it. Build a particular sort of debating chamber, seat people in a certain way, and you will encourage a political style.



The Economist

Two architects, Max Cohen de Lara and David Mulder van der Vegt, have divided the world’s parliamentary chambers into five types (see illustration). The House of Commons has opposing benches, as do former British colonies such as Jamaica and Uganda. American and most European politicians sit in a fan shape, known as a hemicycle. A third shape, which the architects call a horseshoe but which often looks more like the letter U, blends the first two shapes; Ireland and Kenya use it. A fourth type, the circle, is rarer, but used in the German state of North Rhine-Westphalia and the Welsh Senedd. China and Russia use a fifth layout, which looks like a theatre or a giant old-fashioned classroom (and can feel like both).

Preaching to the choir

Neither of the first two shapes was originally created for politics. The House of Commons is, in essence, a chapel. In the mid-16th century MPs started sitting in St Stephen's Chapel. The nave became the parliamentary lobby and the choir stalls the benches; the Speaker sat where the altar had been. They kept the layout when they got a proper building in the 19th century. The most influential hemicycle is the French National Assembly, which began sitting in the Palais Bourbon in 1798. It was inspired by the School of Surgery in Paris. To stand at the lectern in a hemicycle is to take the place of a dissected cadaver.

In 1941 the House of Commons was destroyed by bombs. Two years later the prime minister, Winston Churchill, argued for it to be rebuilt precisely as it had been. Political theorists like hemicycles, he explained. But they encourage politicians to slide sideways, from one political grouping to another. To keep parties strong and distinct, you need opposing benches. And the Commons must be small, Churchill argued—too small to fit all the MPs in. This heightens the drama and encourages quick exchanges. “Scenes and rows”, he said, “are better conducted at close quarters.”

Britons carried this conviction overseas. William Ivor Shipley, the architect invited to design a parliament for newly independent Malaysia in 1963, objected to the horseshoe shape in which members of the Dewan Rakyat (the lower house) were then sitting. In a two-party system you need opposing benches, he maintained.

Churchill overstated his case. Political parties are weak in some countries where politicians sit in hemicycles, such as Italy, but strong in others, such as Germany. As for disputes and rows, fan-shaped seating has not prevented Taiwan from developing a famously pugilistic parliament. And architecture alone cannot transform politics. Despite Shipley's efforts, Malaysia did not develop two-party politics. Until an election last year, it was a single-coalition system. A decade ago the Dewan Rakyat quietly turned back into a horseshoe.

The Scottish Parliament, which moved to its purpose-built home in Holyrood in 2004, was supposed to be a consensual sort of place. One way its architects tried to achieve that was by putting the politicians in a hemicycle. It has not worked. Holyrood has become just as tribal as Westminster, though the dividing line is different (the Scottish nationalists versus everyone else).

But there is one big contrast, says Lord Foulkes, who has been both an MP and a member of the Scottish Parliament. In Holyrood, politicians tend to prepare and read speeches and even questions during First Minister's Questions—a far cry from the knockout of Prime Minister's Questions in Westminster. Debates are stilted affairs. “There isn't as much cut-and-thrust as in the House of Commons,” he says.

Seating politicians in a hemicycle seems to encourage them to talk in a careful, ponderous way. Speeches are often delivered from a central lectern, which encourages people to drone on—so strict time limits are needed. The German Bundestag introduced a thrice-yearly Chancellor's Questions in 2018. It wanted Prime Minister's Questions but got something like a polite press conference, with questions and answers limited to 60 seconds. The Bundestag is enormous, which probably keeps things cool. When Australian MPs moved to a larger chamber in Canberra in 1988, one complained that members could no longer see the whites of their opponents' eyes.

Say cheese

With politics televised, seating also affects how parties are seen by the public. In hemicycles it is natural to think of politics in terms of wings and blocs. Arguments over seating are usually about who sits next to whom, and who is pushed to the edges. This year the Swedish People's Party occupied the middle of Finland's fan-shaped parliament, stranding the Finns Party on the far right, to its fury. In the German Bundestag, nobody wants to sit next to Alternative for Germany, a far-right party. In the House of Commons the battle is over prominence. In 2015 it saw a “seat war”, with Labour and the Scottish National Party fighting over sitting rights in a stretch of the opposition front bench.

When political parties can decide who sits where, seating becomes a tool for enforcing discipline. In Malaysia's now-U-shaped Dewan Rakyat, MPs sit in party blocs. Some seats are seen as worse than others. New MPs start

far from the Speaker and are promoted to better seats if they behave themselves.

The best proof that seating arrangements matter comes from a country that has tried to make it not matter at all. In Iceland's small parliament, all seats not occupied by ministers are allocated through the drawing of lots. A member could end up sitting with allies or enemies, or both. So it is possible to test whether having neighbours from other parties makes a politician less beholden to his or her own tribe.

Alessandro Saia, an economist at the University of Lausanne, finds that it does. Between 1991 and 2017 a politician who sat among others who did not hew to the party line was 30 percentage points more likely to rebel. Over time, Mr Saia finds, parliamentary neighbours even began to use similar words in speeches. Who sits next to you seems to matter more than who is in front or behind, perhaps because gossip is easier if you do not have to turn round.

Hints of the same effect can be seen elsewhere. A paper by Nikolaj Harmon of the University of Copenhagen and others finds that members of party blocks in the European Parliament tend to vote like their neighbours, especially if both are women. That is not because like-minded people choose to sit together: most are seated alphabetically. It is probably not a coincidence that two Republicans who sit next to each other in the us Senate, Susan Collins and Lisa Murkowski, often vote together—and against the party line.

So seating arrangements matter. What is less clear is whether any arrangement at all could endear politicians to voters. Even before the Brexit vote in 2016 paralysed Westminster, Britons believed there was a lot of room for improvement. They particularly dislike Prime Minister's Questions, where the Commons is most shouty and adversarial. But nowhere is politics working splendidly. The Pew Research Centre's latest survey of 27 democracies—some more perfect than others—finds that 51% of people think democracy is not working well; in 19 of those countries, pessimism grew between 2017 and 2018. Americans' opinions of Washington have been on the slide since 2001. Arrange people differently, and you might merely give people something different to complain about.■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Special report

[Canada: The liberal north](#)

Canadians must decide if they want to remain a liberal beacon.

[Economy: Handouts and high tech](#)

Redistribution and innovation drive Canada's changing economy.

[Social liberalism: Culture wars, Canadian-style](#) [The environment: Keeping it green](#)

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Canada is feeling lonely, but its place internationally is still strong.

[Looking ahead: Last liberal standing?](#)

The election in October will be a test of Canada's liberal values.

[Sources and acknowledgments](#)

Sources and acknowledgments.

Special report: Canada

Canada

Canadians must decide if they want to remain a liberal beacon

As much of the West has turned to populism, Canada has charted a different course, says Brooke Unger



Jul 27th 2019

THE PEACE ARCH at the border between the Canadian province of British Columbia and America's Washington state bears two inscriptions. Drivers heading south read that Canadians and Americans are "brethren dwelling together in unity". On the way back the message is that they are "children of a common mother". Built in 1921, the reinforced-concrete monument is said to be among the first earthquake-resistant structures in North America. It commemorates a century-old peace treaty between the United States and Britain, one of Canada's former colonial powers. But those feelings of brotherhood have long been evident between America and Canada itself—as neighbours, friends and allies who share the world's longest undefended border.

The current question facing Canadians is whether they can withstand the political earthquakes originating south of the border. Donald Trump, America's president since 2017, imposed tariffs on Canadian steel and aluminium, supposedly to protect national security. He called the North American Free Trade Agreement (NAFTA) "perhaps the worst trade deal ever made" and forced Canada and Mexico to renegotiate it. After a G7 summit in Quebec last year Mr Trump blasted Justin Trudeau, Canada's prime minister, as "very dishonest and weak". In May America's secretary of state, Mike Pompeo, called Canada's claim to the Northwest Passage, which links the Arctic and Pacific oceans, "illegitimate", questioning the two governments' agreement to disagree on it.

Mr Trump has lashed out at many countries, but none is more stunned to be on the receiving end than Canada. The neighbours are, indeed, fraternal twins. Ninety per cent of Canadians live within 100 miles of the border. America buys 74% of Canada's exports of goods and provides 64% of its imports. It holds nearly half the stock of foreign investment in Canada. Canadians winter in Florida. The country's sports teams compete in American

leagues. This year the Toronto Raptors became the first Canadian team to win the National Basketball Association finals. In English-speaking Canada most of the top 30 television shows are American.

Yet, despite their shared roots and culture, the two countries have always been distinctive, and never more so than today. Just as the first rumbles of the Trump earthquake were being felt in America, in 2015 Canada, after ten years of rule by the Conservative Party, elected the Liberal Party, led by Mr Trudeau, a telegenic former snowboard instructor, who has set about implementing one of the most liberal social, economic and environmental agendas in the Western world. He promised to restore Canadian values that he said his Conservative predecessor, Stephen Harper, had abandoned. To Canadians who had feared that the country had “lost its compassionate and constructive voice in the world”, the victorious Mr Trudeau proclaimed, “We’re back.”

Who wants more?

As Canada turned leftwards, much of the rest of the rich world was turning the other way. America elected Mr Trump. Britons voted for Brexit. European countries such as Poland and Hungary have moved to the populist right. Centrists have been punished: Angela Merkel for inviting in too many refugees, Emmanuel Macron for his climate-friendly policies. Vladimir Putin boasts that the liberal idea has “outlived its purpose”. In December 2016, after Mr Trump’s victory, Joe Biden, the outgoing American vice-president, told Mr Trudeau that the “world is going to spend a lot of time looking to you, Mr Prime Minister”.

Keeping up with the neighbours

2019 or latest

	Canada	United States
Population	37m	329m
GDP	\$2trn	\$21trn
Life expectancy	82 years	79 years
Share of foreign-born population, % of total	22%	14%
Gun homicides per 100,000 people	0.7	12
Happiness ranking (out of 156 countries)	9	19
Competitiveness ranking (out of 140 countries)	12	1
Trust in government, % of informed public	61%	33%
Maple syrup production, gallons	13m	4m

Sources: National statistics; United Nations; World Economic Forum; Edelman

The Economist

Mr Trudeau has tried to live up to that prophecy. His parliament legalised assisted suicide, and cannabis for recreational use. His government has let people identify themselves as neither male nor female on their passports. It has moved efforts to fight global warming from the periphery of policy to the centre, compelling provinces to put a price on carbon emissions or submit to a federal scheme. It has continued Mr Harper's policy of liberalising trade, but tilted leftwards by redistributing income and tolerating budget deficits. In a general election in October, Canadians will decide whether they want four more years of Mr Trudeau's liberal policies.

The prime minister has been a prominent figure internationally, too. Like his father, Pierre, who held the job in the 1960s, 1970s and 1980s, befriending Fidel Castro and recognising communist China before America did, he has been willing to stand apart from American foreign policy. While Mr Trump seeks to undermine international institutions and alliances, Canadian diplomats are striving to shore them up. As its neighbour to the south retreats into a more insular mindset, less willing to take on responsibilities in the world, Canada continues to push its liberal international agenda. It has taken a lead in defending the World Trade Organisation and co-chaired the Equal Rights Coalition that defends gay rights.

While Mr Trump has repelled refugees, Mr Trudeau has welcomed them, notably Syrians and gay people from Chechnya. The world has seen him defy political fashion for four years. With the election approaching, it will be watching “in order to determine whether doing the right thing ends up with the right results”, says Bill Morneau, the finance minister.

At home, Mr Trudeau is not getting an easy ride. A conservative backlash has gathered. On the environment, the recently elected premiers of Ontario and Alberta reject his carbon tax. In June Quebec, the French-speaking province which often goes its own way, passed a law banning some public servants, including teachers and police, from wearing religious symbols. This Francophone challenge to Mr Trudeau’s cuddly multiculturalism may be echoed in the national election campaign.



The Economist

Many liberal Canadians are concerned that the angry politics which put Mr Trump in office could come to

Canada. Michael Adams, a pollster, published a book in 2017 called “Could It Happen Here?”. The title appears on a red “Make America Great Again” baseball cap. Last year Ontario elected as its premier Doug Ford, an elite-bashing, tax-slashing conservative who is the closest Canada has to Mr Trump. The country is not exempt from “the backlash among white men about cultural and economic changes that are diminishing their power”, says David Herle, who managed the losing campaign of Mr Ford’s Liberal Party opponent, Kathleen Wynne. Mr Trump’s trade tantrums have also added to a sense of economic insecurity, even though unemployment in Canada is near its lowest level since the 1970s.

Some Canadians object to Mr Trudeau’s relentless political correctness, and worry that his liberalism has an illiberal side (see [article](#)). The prime minister has not been helped by a couple of scandals, notably one in which his office has been accused of trying to press the attorney-general to drop a corruption investigation against a large engineering firm.

All of this has helped the federal Conservative Party, led by Andrew Scheer, to match the Liberals in opinion polls. Mr Scheer is not Mr Trump. Yet the views of his political base on issues such as climate change, immigration, gun control and foreign policy can seem closer to those of the American president than to those of Mr Trudeau. Under Mr Scheer, Canada would certainly present a different face to the world.

Mr Trump has given Canada a wake-up call, which reverberates beyond trade. Different parts of the country are responding differently. Among business people it has stirred ambitions to match America beyond the basketball court. Policymakers have scrambled to counter America-first economic policies. Many Canadians have renewed appreciation for what makes their country distinctive. The challenge facing Canada is “how do we preserve what’s essential about our country in the face of an unpredictable and hostile environment?”, says Robert Bothwell, a historian.

Faced with a Trumpian reality to the south, Canada is asking questions about its own identity. Has Mr Trudeau succeeded in selling his liberal vision of the nation? And can it continue to be a liberal beacon to the world? The answer will partly depend on whether, economically, the model works for its people. ■

[→ Economy: Redistribution and innovation drive Canada’s changing economy](#)

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Special report: Canada

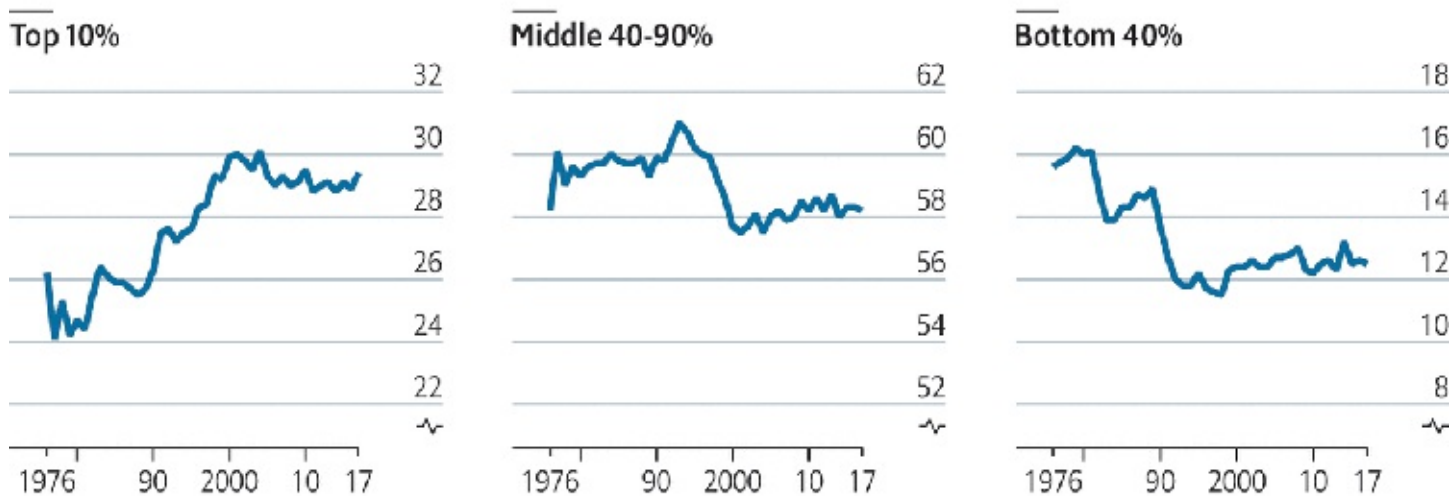
Economy**Redistribution and innovation drive Canada's changing economy**

The country is trying to move beyond natural resources

How the other 10% live

Canada, share of income, %

By income decile



Sources: Statistics Canada; Miles Corak, City University of New York

The Economist

Jul 27th 2019

EVEN BEFORE Donald Trump and before Brexit, Justin Trudeau was aware that voter disenchantment and populism were on the rise. He saw one of the important answers to this as economic, and his remedy has been to give the middle class a pay rise. “Western democracies around the world had a struggling middle class...that felt that it wasn’t part of the growth that was going on around them,” he told *The Economist*. “And we said, ‘Well, how do we put people back at [the heart of] the success of our economy instead of hoping that trickle-down will work for them?’ ”

Middle-class alienation north of the 49th parallel seems surprising. The global recession that began in 2007, kindling populist fires elsewhere, was shorter and less severe in Canada than in other rich countries. Taxpayers did not bail out fat-cat bankers, health care is universal, the quality of public education is high and it does not vary wildly by postcode. The intergenerational rate of social mobility for people born in the 1960s in Canada is double that of America, says Miles Corak, an economist at the City University of New York. Income inequality, as measured by the Gini coefficient, has been stable since 1995, and median household income has risen sharply over the past 25 years.

On closer inspection, however, the numbers are more troubling. The recent rise in income was preceded by a sharp decline from the mid-1970s to about 1995. People responded by delaying marriage, reducing the number of children they had and working longer hours. This boosted incomes, which are now well above what they were 40 years ago. But this is a sign of stress, caused by technological change and the volatility of an economy largely linked to commodity prices, argues Mr Corak. Incomes soared in commodity-rich Alberta and Saskatchewan from 1992 to 2014 but barely grew in people-rich Ontario. From 2007 to 2011 some 10,000 manufacturing firms stopped exporting. A third of workers have insecure jobs in the “gig economy”, according

to a report by the Bank of Canada.

Although inequality has been steady recently, it has risen since the 1970s. The 40% of the population with the lowest incomes now have a much smaller share of the total, while that of the top 10% has risen sharply (see chart above). “The Astonishing Rise of Canada’s 1%” was the subtitle of a book by Lars Osberg published last year.

To sustain growth Canada’s business culture will have to become more American

Mr Trudeau has also had to worry about whether there will be growth to distribute. The recession in the oil industry began the year before he took office. Mr Trump challenged the economy not just by threatening NAFTA but by cutting taxes and regulation for business, which yanked investment south. Even outside natural-resource industries, the capital stock is “hardly growing at all”, says Pedro Antunes, chief economist of the Conference Board, a think-tank. Canada has avoided recession thanks to spending by consumers, who have accumulated a lot of debt, and by government. Mr Trump wants Congress to ratify USMCA, NAFTA’s successor, but his trade war on China threatens global growth. “Anything that puts the global trade system at risk is a significant risk to us,” says Stephen Poloz, the central bank’s governor.

Mr Trudeau has dealt with these discontents with a dose of old-fashioned redistributive liberalism. To stimulate growth he let a near-balanced budget move into deficit (of about 0.9% of GDP this year). He also promised to spend C\$180bn (\$138bn)—about 8% of this year’s GDP—on infrastructure over 12 years. Most important, he has put money into the pockets of people on middle and low incomes. A means-tested child-benefit programme gives families on the lowest incomes C\$5,600-6,600 a year per child.

More moolah came from cutting the tax rate on the bottom income bracket and raising it for the richest 1%. The government expanded a tax credit for workers on low incomes. Its critics claim that middle-class families are worse off because it took away some tax credits. In fact, says Mr Morneau, the finance minister, a family of four at the median-income level is C\$2,000 better off than it was in 2015. From 2015 to 2017 the number of people living below the official poverty line dropped by 825,000, the government says. Polling by EKOS, a firm in Ottawa, shows that the number of Canadians who say they are middle class has risen since 2017.

Give ‘em that old razzle-dazzle

Over the long run, however, to sustain growth (and therefore higher social spending) Canada’s economy and business culture will have to become more American. Its enterprises rarely dazzle the world. A survey of 900 executives in 2011 found that Canadians are more risk-averse than their cousins south of the border. At a time of strain in Canada’s partnership with America, it no longer seems acceptable that six of the ten biggest companies by revenue on *Fortune*’s list of the world’s largest are American or Chinese, while the top Canadian firm, Manulife, an insurer, is 241st. Canadians have had it with the old gibe that they are content to “go for bronze”.

Until now, Canada has been keener to develop local champions than global ones. The country’s six biggest banks hold nearly three-quarters of loans. Lending to small businesses as a share of GDP is lower than in other rich countries. Canada restricts foreign ownership of airlines and telecoms firms. In 2017 the average cost of flying per kilometre in Canada was more than double what it was in America. Dairy, poultry and egg farmers are protected by a system of quotas and price floors called “supply management”. Provinces erect their own barriers to trade within Canada. For example, to satisfy their varying rules, businesses may need to buy ten different kinds of first-aid kits.

Canada’s economic quirks are in part a reaction to American influence. Competition law, written to protect Canadian firms from hulking American rivals, allows anti-competitive mergers if they are expected to lead to gains in efficiency that outweigh the cost to competition. American corporations set up operations in Canada initially to circumvent tariffs, but headquarters and intellectual property stayed south. Today, just 11% of enterprises in Canada that use sophisticated technology (not counting telecoms firms) are Canadian, according

to a study by the Brookings Institution. Buzzy startups fall into the hands of foreign acquirers, often American ones. That is partly because small companies which float shares on the stockmarket lose tax benefits. Even in mining, domestic firms are being gobbled up by foreign giants such as Rio Tinto and Newmont. “We’re not the dominant country we were 15 years ago,” laments Pierre Gratton of the Mining Association of Canada.

All of this has made the economy less productive and innovative than America’s. Labour productivity is about 75-80% of American levels, says Andrew Sharpe of the Centre for the Study of Living Standards in Ottawa. It was growing more slowly than in America until 2010 but then sped up. Canadians are also poorer on average. Income per person in 2018, adjusted for purchasing-power parity, was \$49,900, nearly \$13,000 lower than in America.

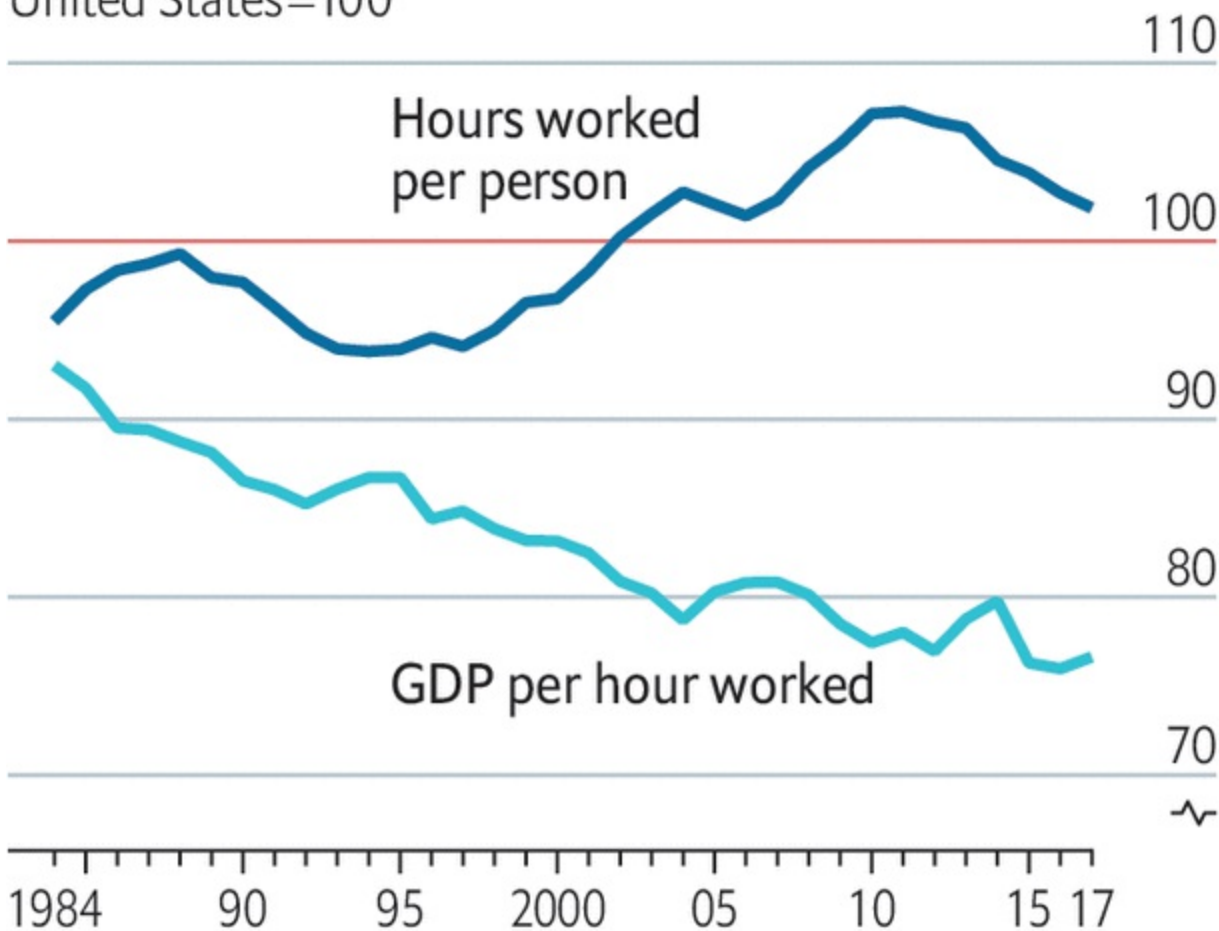
This gap has not so far been a big problem. Mr Sharpe points out that Canadians at the bottom half of the income scale are better off than Americans in their position, thanks to lower levels of inequality. Growth in income per person has kept pace with America’s for 150 years despite all the upheavals of that period.

But Canada will find it harder to keep up from now on. Since 1995 it has avoided falling further behind America because its employment as a share of the population has grown faster, writes Peter Nicholson in a paper for the Institute for Research on Public Policy in Montreal (see chart). Canada’s labour force is now ageing and its employment ratio is unlikely to continue rising. That leaves productivity growth, which comes mainly from innovation, as the only source of economic growth.

Needs work

Canada relative to the United States

United States=100



Source: Institute for Research on Public Policy

The Economist

Canada seems to be getting better at this. Outfits like the MARS Discovery District, an “innovation hub” in Toronto, are helping it shed its technological inferiority complex. The hub promotes collaboration among 1,300 firms and other institutions, such as regulators and banks. It was founded in 2000 to commercialise medical technologies but has branched into other fields.

One long-standing problem has been that Canadian enterprises are slow to use the inventions of such companies. Vern Brownell, the boss of D-Wave, which calls itself the world’s leading quantum-computing firm, says that just 0.25% of its revenue comes from Canadian customers. Vancouver’s digital-technology “supercluster”, one of five set up by the Trudeau government, tries to confront that problem. “Large organisations don’t know where the innovators are,” says Sue Paish, the supercluster’s boss. Rather than just make matches, it helps firms design projects in which it invests. The government has given the supercluster C\$153m to invest over five years and it must raise at least that much privately.

Something seems to be working. In 2017 Toronto created nearly 29,000 technology jobs, more than Silicon Valley, Seattle, New York and Washington, DC, combined, according to CBRE, a property-services and

investment firm. Canada's lower costs and relatively liberal immigration regime help. A "global talent stream" programme allows firms to bring in a foreign worker and family within two weeks. Yung Wu, the MARS's director, calls it a "game-changer". American tech giants such as Uber and Microsoft have boosted their research and development activities in Canada.

While the country's economy has been growing at around 2%, information-technology services have been expanding at triple that rate since 2016. Growth is occurring "in areas where we are almost certain to see much more productivity", says Mr Poloz.

Canada remains less keen to use competition as a way of boosting that productivity. Unlike authorities in other rich countries, its Competition Bureau cannot compel firms to provide information, says its chief, Matthew Boswell. Its budget per citizen is less than a quarter that of its counterpart in Australia. Mr Boswell thinks the principle of allowing anti-competitive mergers should, "at the very least", be restricted to exporting companies. "Canada could see a 4-5% boost in productivity through pro-competitive regulatory reform and reduced barriers to entry," he says.

Many may balk at that. Canada came through the global financial crisis better than America did, in part because its banks are prudent, well-regulated and untroubled by excessive competition. It hopes to match American smarts and scale while remaining Canadian in character. Its technology culture is more patient than Silicon Valley's. "The vibe in the Valley might have been defined by 'Move fast and break things'," says Mr Wu. "It's different here." ■

[→ Social liberalism: Culture wars, Canadian-style](#)

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Previous

Articles

Sections

Next

Special report: Canada

Social liberalism

Culture wars, Canadian-style

The government's liberalism can sometimes stray into illiberalism



Jul 27th 2019

THIS YEAR British Columbia's human-rights tribunal ordered Bill Whatcott, a conservative agitator, to pay Morgane Oger C\$55,000 for inflicting on her and other trans people "detestation and vilification based on their gender identity". In 2017 Mr Whatcott had distributed a flyer calling Ms Oger, who was then running for the provincial legislature as a member of the left-leaning New Democratic Party, a "biological male who has renamed himself". That and other assertions, the tribunal ruled, constituted "hate speech" and "discrimination".

Mr Whatcott is not the only Canadian to have been punished recently for an act of conscience. Last year the federal government denied subsidies for summer jobs to groups that did not tick a box endorsing a woman's right to have an abortion. In March, Vancouver said it would cut funding to the city's Rape Relief and Women's Shelter because the group said it would offer some services only to "women who are born female".

These decisions are an outgrowth of Canada's precocity in recognising rights and protecting minorities. It was the fourth country in the world to legalise same-sex marriage, in 2005. Under Mr Trudeau the pace of liberal legislation has picked up. His government legalised doctor-assisted suicide in 2016. The following year Bill C-16 outlawed discrimination on grounds of gender identity and made it a crime to promote hatred against transgender people. Last year Canada became the first big country to legalise cannabis for recreational use.

The adoption of Canada's charter of rights and freedoms in 1982 was the "most important galvanising force" behind its pioneering role in recognising rights, says Beverley McLachlin, a former chief justice of the Supreme Court. Often, the process starts in the courts. But charter rights are not absolute. Tribunals can limit some rights, such as freedom of speech and religion, to enforce others, like protecting transgender people from

discrimination.

Some Canadians have revelled in the new freedoms. In 2017 a baby born in British Columbia became the first in the world to be issued a health card that records its sex as neither male nor female. The non-binary transgender parent wants the child to work out later which sex it is. Since last year, Canadians have been able to record their sex as “x” on their passports.

But when new rights collide with old ones, the consequences can be contentious. Ontario’s highest court has said that doctors who object to abortion and euthanasia must, against their conscience, refer patients to doctors willing to perform them. This will force many such doctors out of the profession, warned Ryan Wilson, president of Canadian Physicians for Life. British Columbia’s human rights tribunal is considering several complaints by someone who identifies as a woman against female beauticians who refused to wax her scrotum. She claims they are discriminating on the basis of gender identity.

In 2016, as parliament was debating Bill C-16, Jordan Peterson (pictured), then a little-known psychology professor at the University of Toronto, warned that it could make criminals of people who use a pronoun that a transgender person does not like. Authoritarianism, he said, is “started by people’s attempts to control the ideological and linguistic territory”. The fining of Mr Whatcott, who went beyond using an unwanted pronoun but was not deemed a criminal, does not vindicate Mr Peterson, but it suggests he has a point.

Meghan Murphy, who founded Feminist Current, a website, argues that Bill C-16 was “rushed through with no discussion...about how it would affect women and girls”. It probably encouraged Vancouver to cut off funding for the rape centre. “Canada likes to consider itself very liberal and accepting,” she says. But “we can’t just accept and include when it’s harming other groups”. Having discovered lots of new rights, Canada is grappling with how to honour them all. ■

[→ The environment: The environment is Canada’s biggest wedge issue](#)

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[Previous](#)

Articles

Sections

[Next](#)

Special report: Canada

The environment

The environment is Canada's biggest wedge issue

Justin Trudeau is struggling to balance economic growth and environmental protection



Jul 27th 2019

BURNABY MOUNTAIN in a suburb of Vancouver, British Columbia's biggest city, is a tranquil spot which affords a spectacular view of the North Shore mountains. Yet the area around it is the site of Canada's fiercest political battle, which pits environmentalists against the oil industry. The Liberal prime minister has been caught in the middle. At the foot of the mountain is one terminus of the Trans Mountain pipeline, which carries 300,000 barrels of oil a day from Alberta, the province to the east of British Columbia. Tankers deliver the oil to America's west coast and to Asia.

The conflict comes because the pipeline is at capacity, forcing Alberta's producers to ship oil by rail to the United States. The bottleneck cost them C\$20bn in revenue in 2013-17. So the province wants to treble capacity by adding another pipe alongside the existing one. But the project has provoked opposition from British Columbia, environmentalists and some of the indigenous groups along the pipeline's 1,147km (713-mile) route. They have fought it with protests and court challenges. If the planet is to avoid catastrophic climate change, "why are we expanding oil production [by building a pipeline] with a lifetime of 50 years?" asks Sophie Harrison, formerly an activist with Dogwood, a Vancouver NGO.

Justin Trudeau has overruled the objectors. When Trans Mountain's Texan owner decided last year to give up fighting to expand it, the federal government bought the pipeline for C\$4.5bn. On June 18th it gave the go-ahead for expansion to begin.

Balancing act

The pipeline row is part of a larger battle over energy and climate change that is one of Mr Trudeau's biggest headaches. A large part of his pitch to voters is that he can reconcile protection of the environment with the need for economic growth. Partisans from both sides are making it hard for him. One of the main issues in October's election will be whether he has got the balance right.

Canada's oil reserves are the world's third-largest. Oil and gas extraction, and industries related to it, account for about 7% of GDP and a fifth of exports. Mr Trudeau cannot disregard that industry, but he also wants, by 2030, to meet Canada's commitment, made by Stephen Harper and reaffirmed under the Paris climate agreement, to cut emissions of greenhouse gases by 30% from the levels of 2005. Canadians are currently among the world's biggest emitters per person, each of them belching out nearly three times more greenhouse gases than the average person in G20 countries. To square green goals with economic ones, Mr Trudeau has set a national standard for pricing carbon emissions, which seeks to cut pollution by raising its price.

Dogwood called the pipeline approval "flawed and unlawful". Alberta's new Conservative premier, Jason Kenney, said it was "just another step in a process that has...taken too long". Meanwhile, he has scrapped Alberta's consumer carbon tax (though he has kept a carbon-pricing scheme for large emitters). Alberta has joined Ontario, New Brunswick, Saskatchewan and Manitoba in challenging the national carbon price in court. Andrew Scheer, the opposition leader, says if he becomes prime minister he will scrap the tax and replace it with his own climate plan.

Mr Trudeau's "typical, liberal, centrist compromise approach...hasn't pleased anybody", observes Duane Bratt, a political scientist at Mount Royal University in Calgary. In a country largely free of the polarisation that blights America's politics, the rights and wrongs of oil extraction are the main wedge issue.

Nowhere is wedgier than Alberta, which, thanks to oil, is Canada's richest province. Ralph Klein, its premier from 1992 to 2006, handed out C\$400 cheques, known as "Ralph bucks", to every Albertan, a dividend from the oil sands. It is the only province without a sales tax. It has also been an economic shock-absorber. Fishermen beached by the collapse of Newfoundland's cod industry in the 1990s and workers displaced by Ontario's manufacturing slump in the 2000s found well-paid jobs in Alberta's oil patch. In the 2017-18 fiscal year, its taxpayers made a net contribution of C\$20.5bn to federal coffers, about 6.5% of revenue. But Alberta got none of the C\$18.2bn earmarked for poorer provinces.

Despite its wealth, it is not feeling rich. The plunge in global oil prices that began in 2014 turned boom to bust. By 2016 Alberta's oil industry had shed 100,000 jobs. The province is still hurting even though prices have risen. Unemployment has dropped from a peak of 9.1% in 2016 to 6.6% in June this year, but it is still a percentage point above the national rate. Office vacancies in downtown Calgary, Alberta's business capital, have jumped from zero in 2007 to over 25%. International oil companies such as Exxon, Total and Royal Dutch Shell have either delayed projects or are pulling out.

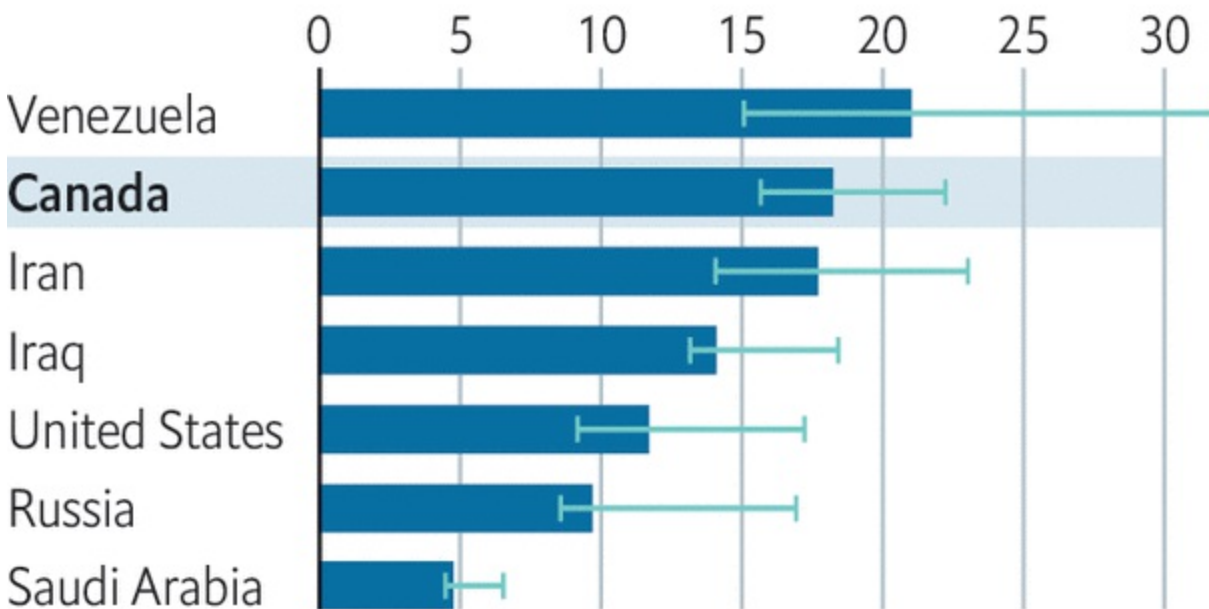
The battle against the pipeline, waged in the name of wildlife, indigenous peoples and the planet, feels to Albertans like character assassination. Oil from the province's oil sands requires more energy to extract than does crude from more conventional sources. Producers therefore emit more greenhouse gas per barrel (see chart). Barack Obama called it "extraordinarily dirty".

Put that in your pipeline

Greenhouse-gas intensity of crude-oil production, transportation and refining*, selected countries

2015, grams of CO₂ equivalent per megajoule

Confidence interval 5th percentile 95th



Source: “Global carbon intensity of crude oil production”, by Masnadi et al., Policy Forum, 2018

*Volume-weighted average

The Economist

“We’ve been generous and loyal Canadians and now everywhere we turn we’ve been blocked in and turned down,” says Mr Kenney. He says many feel the “prairie alienation” that has long been a feature of locals’ attitudes to elites back east. According to a poll in February, half of Albertans see separation from Canada as a possibility.

Mr Trudeau’s backing of the Trans Mountain expansion is unlikely to change their minds. He “killed” two other pipeline projects, Northern Gateway (across British Columbia) and Energy East (which would have gone through Quebec), Mr Kenney notes, and “surrendered” to Mr Obama’s veto of a third, Keystone XL.

Just as irksome are two environmental bills backed by the federal government—one overhauling the process for approving big infrastructure projects, the other a ban on coastal tanker traffic—which look to many Albertans like part of the broader conspiracy to keep the province’s oil sands poorly connected.

Locals insist that the stigma borne by their oil is unwarranted. The view that it is more damaging to the atmosphere to extract is becoming outdated, says Peter Tertzakian, director of ARC Energy Research Institute in

Calgary. The price slump, transport bottlenecks and pressure from activists have forced oil firms to cut costs and emissions. “When you have the lowest commodity prices in the world you get clever very fast,” he says.

Where you been so long?

Cenovus, a Calgary-based oil producer, has reduced the greenhouse-gas intensity of its production by a third, says its chief executive, Alex Pourbaix. It now matches the American refined average, and at some sites it is lower. Besides, extraction accounts for only a small fraction of emissions associated with each barrel of oil; 70-80% occur when the customer burns it. Albertans wonder why oil from countries with less regard than Canada for human rights and environmental good conduct attracts less opprobrium. “The effort is focused on Canada because we have the reputation as the world’s boy scouts,” says Mr Pourbaix ruefully.

By scrapping the carbon tax brought in by his predecessor, Mr Kenney has made it harder to claim that Albertans are environmental boy scouts. He has hitched Alberta to a national campaign against Mr Trudeau’s climate policy, waged in the name of “affordability”. Ontario’s government has told petrol stations to put stickers on their pumps reading, “The federal carbon tax will cost you.”

The government’s scheme was designed to resist such attacks. Provinces with their own carbon-pricing schemes can keep them. British Columbia, which began taxing emissions in 2008, and Quebec, which has a cap-and-trade system, have done so. The national scheme is only imposed on provinces that reject carbon pricing or whose schemes fall short of federal standards. It sets a price floor of C\$20 a tonne this year, rising to C\$50 by 2022. All the money goes back to the province where it is raised; 90% of that goes to taxpayers. In Ontario, a family of four will get back C\$307 this year. “It’s a small-C conservative approach,” says Catherine McKenna, the environment minister.

The carbon-pricing scheme plus other measures, such as “the toughest methane regulations for oil and gas in the world”, will ensure that Canada meets its emission-reduction targets, Ms McKenna insists. Others say that will require more action. To achieve the target mainly through the carbon tax, the price would need to be C\$125-175 by 2030, believes Chris Ragan of the Ecofiscal Commission, a think-tank. “When people say, ‘We can’t have a carbon price that high,’ I say, ‘Why can’t we have income taxes that low?’ ”

The decision to expand Trans Mountain could provoke more protests at Burnaby. Alone it will not solve Alberta’s problem. Another pipeline is needed to free producers from factoring the cost of rail transport into prices, says Trevor Tombe of the University of Calgary. The likeliest option is one called Line 3 to Minnesota, which exists but needs replacement. Opposition to that comes mainly from America. Alberta will seethe, but it is unlikely to secede. “Canada exists to try to address some of these challenges,” says Mr Tombe.

Although Mr Trudeau has lost recent battles, he could yet win the war. Canada is warming twice as fast as the rest of the world. Voters are starting to notice. The country is already getting rainier, and thus more vulnerable to flooding. Mr Kenney cancelled an event at a petrol station on May 30th to tout the repeal of the carbon tax because wildfires were raging near Edmonton, Alberta’s capital.

Nearly 80% of Canadians think pollution pricing should be among the tools their government employs to fight climate change, according to a recent poll by Abacus Data. In the election, it may be that climate alarm will count for more than affordability anxiety. ■

[→ Indigenous peoples: Canada’s indigenous peoples are claiming new rights and resources](#)

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[Previous](#)

[Articles](#)

[Sections](#)

[Next](#)

Special report: Canada

Indigenous peoples

Canada's indigenous peoples are claiming new rights and resources

But native populations are still poorer and less well-educated



Jul 27th 2019

“EDUCATION IS THE New Buffalo”, a sculpture formed from words in indigenous languages, is a focal point of Calgary’s new public library. Its message is that, just as bison once sustained indigenous people in North America, so education will secure their cultural survival. Such messages of support for Canada’s “First Nations” are everywhere. Public events often begin with an acknowledgment of the people on whose “traditional territory” it is taking place. Under a revision of the citizenship oath proposed by the government in May, new Canadians would recognise “the aboriginal and treaty rights of First Nations, Inuit and Métis peoples”.

Indigenous groups have become more assertive, courts more sympathetic and the government more responsive. This has benefited many. Used to thinking of the country as based on English-and French-speaking nations, Canadians are starting to say it has a “triangular foundation”, says John Ralston Saul, an author. But progress is patchy.

In the census of 2016, 1.7m Canadians, or nearly 5%, described themselves as indigenous. Their number is growing faster than that of Canada’s population as a whole. Their living conditions are, on average, worse. Nearly 30% of First Nations people are poor, meaning their after-tax income is less than 50% of the median income, adjusted for family size. In 2016, 31% of First Nations people and 46% of Inuit did not have secondary-school qualifications, compared with 8% of the non-indigenous. The 52% of native people who now live in cities are mostly better off than those on reserves.

The gaps come from centuries-long discrimination. A pass system, in force from 1885 to the 1930s, required members of First Nations to get a permit to leave their reserves. Residential schools removed children from

parents and discouraged them from speaking their language. Perhaps 150,000 children went through the schools, and many were mistreated. The last one closed only in 1996.

As a candidate, Mr Trudeau said it would be a “sacred responsibility” to improve relations with indigenous groups. Their position was already improving. In 1973 the Supreme Court acknowledged that they had valid land claims that pre-dated European settlement. This led to the first “modern treaties”, which give them ownership of an area nearly the size of Manitoba, and a say over land use in 40% of Canada’s territory. Much of the rest is covered by earlier treaties, still in force. These may not override property rights but do give indigenous people influence. This has led to what Ken Coates of the University of Saskatchewan calls “a full culture of consultation” across the country.

Many have used it to improve their fortunes. In Vancouver three groups joined forces with a developer to purchase 14m square feet (1.3m square metres) of public land at a discount to the market price. They plan to put up housing and commercial buildings.

Although indigenous groups make headlines when they oppose projects like the Trans Mountain pipeline, many are keen on the revenue and jobs such projects can bring. One group wants to buy a majority stake in that pipeline and put the profits into a sovereign-wealth fund.

Plenty miss out. At the Rapid Lake reserve, a settlement of Algonquins in Quebec 270km north of Ottawa, almost the only source of income for the 300-400 people who live there is social assistance.

Mr Harper apologised for the horrors of the residential-school system. A truth and reconciliation commission heard testimony from thousands of witnesses. The Trudeau government is striving to raise living standards. The number of indigenous reserves where drinking water was deemed unsafe dropped from 105 in November 2015 to 58 by July of this year.

Indigenous leaders think progress has been too slow. “You can’t talk about reconciliation where basic human rights and equity are not achieved,” says Tanya Talaga, an indigenous journalist. The first Canadians are still too often the last.

[→ Foreign policy: Canada is feeling lonely, but its place internationally is still strong](#)

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Previous

Articles

Sections

Next

Special report: Canada

Foreign policy

Canada is feeling lonely, but its place internationally is still strong

Falling out with America and China have not helped



Jul 27th 2019

ON DECEMBER 1ST last year the Royal Canadian Mounted Police arrested Meng Wanzhou, the chief financial officer of Huawei, a Chinese telecoms firm, as she prepared to change planes at Vancouver's international airport. Ms Meng is wanted in America on charges stemming from allegations that Huawei had tried to evade sanctions on Iran. She is under house arrest in Vancouver while Canada works out whether to honour America's extradition request. China is furious. It has detained two Canadians, a former diplomat and a businessman, in retaliation; Chinese courts have sentenced two others to death on drugs charges. China, which buys C\$2.7bn-worth of canola seed from Canada, blocked imports from two of Canada's biggest producers and has stopped buying Canadian pork and beef.

This clash with the world's second-biggest economy, on top of tensions with the biggest, has made Canada feel even more isolated. For decades its umbilical attachment to America has given it security and economic sustenance while allowing it to express its distinct diplomatic personality. The embodiment of that idea was Lester Pearson, a prime minister who won the Nobel peace prize for organising a UN force to help end the Suez crisis in 1956, the first such peacekeeping operation. Where the stars and stripes were feared or hated, the maple leaf was often welcome.

Now Canada's touchy relations with the two superpowers are echoed in a strained relationship with India, where a visit by Justin Trudeau last year was marred by diplomatic gaffes. Chrystia Freeland, a vocal critic of Vladimir Putin before she became Canadian foreign-affairs minister, is banned from Russia. "For the first time we don't have good relations with four major world powers," laments Jocelyn Coulon, a former adviser to Mr Trudeau. In addition, Saudi Arabia expelled Canada's ambassador last August after Ms Freeland criticised it for

jailing human-rights activists.

Even more dismaying for Canada is the weakening of America's commitment to the institutions that have sustained global peace and commerce, such as the UN and the World Trade Organisation (WTO). Some of the "foundational principles of the post-war order are being questioned and threatened more seriously than at any other time", says Ms Freeland. Canada's mission, she says, is to defend liberal democracy and the rules-based international order.

Global reach

Canada feels embattled, but it is not alone. Although politics is making the country's relations with the world more difficult, geography and economic logic work in its favour. Trade deals, including new agreements with the EU and with ten Pacific countries, give it preferential access to economies that account for nearly half of world GDP. Relations with America and China are more resilient than the headlines imply. Conflict is brewing in the melting Arctic, but so is opportunity. In its defence of the international order, Canada still has friends in Europe, Australasia and beyond.

Its trade in goods with China increased from C\$78bn in 2014 to C\$103bn in 2018. The potential seems vast. China will remain hungry for Canadian minerals, grains and fuels and eager to sell its manufactures. PetroChina owns a 15% stake in a huge new project to ship liquefied natural gas from British Columbia to China and other Asian countries, starting in 2023. Some 74,000 Chinese students attended Canadian universities in 2017.

Mr Trudeau had hoped to start talks on a free-trade agreement with China. That was before the detention of Ms Meng, after which there can be no such prospect. But commerce is still in better shape than diplomacy. A survey earlier this year of 250 Canadian and Chinese companies by the Canada China Business Council found that, although 20% had been hurt by the dispute, 65% had not. The government thinks a trade deal will eventually be done. "I can't imagine a world in the medium term that does not have enhanced trade in Canada and China," says Jim Carr, the trade minister.

The Arctic may soon figure in Canada's trading relationships. Because of climate change, Canada's third coast could become a viable outlet for exporting resources. Rail service to Churchill, the country's only deepwater port in the Arctic, recently reopened after an 18-month interruption caused by flooding. "The northern passage will become a reality one day," says Murad Al-Katib, the boss of AGT, a food-processing company involved in a venture that bought the railway and is upgrading the port.

But Canada is being directly menaced in the region for the first time since the cold war. Russia threatens to become "a local hegemon", says Rob Huebert of the Arctic Institute of North America at the University of Calgary. It is conducting bomber and submarine patrols in the region and has reopened at least ten military bases, which were closed after the cold war.

China has declared itself a "near-Arctic state" and aims to create a "polar silk road" to Europe through the Arctic Ocean. It is a question of time before Chinese submarines appear in the region, Mr Huebert believes. An unexpected challenge comes from Mike Pompeo's swipe at Canada's claim on the Northwest Passage. If that is followed by a "freedom-of-navigation operation", that is, a navy or coastguard trip that Canada does not authorise, a new crisis in relations with America could erupt.

Canada reckons that the best way to deal with novel threats is to do better what it has done well in the past: defend international norms, cultivate alliances and work with like-minded "middle powers" to encourage good behaviour by big ones. The new challenge "doesn't require Canada doing something entirely different, but doing more and better," says Roland Paris of the University of Ottawa, a former adviser to Mr Trudeau.

In Pearson's multilateral spirit, Canada leads the "Ottawa group" of 12 countries and the European Union, which is trying to solve a crisis caused by America's refusal to allow judges to be appointed to the WTO's appeals panel. It is an active member of the "Lima group" of mainly Latin American countries, which is trying

to restore democracy to Venezuela. To meet the Arctic threat, Mr Trudeau announced in May that the coastguard would get two new ships to join the navy in patrolling the region.

Relations with America and China are more resilient than the headlines imply

But Mr Trudeau's critics say he is a poor man's Pearson. Canada waited two years to heed a plea by the UN to send transport helicopters to help keep peace in Mali, says Richard Fadden, a former head of the Canadian Security Intelligence Service. The legalisation of cannabis falls foul of international drug conventions, also part of the rules-based order. A test will be whether Canada wins one of five seats on the UN Security Council due to become vacant in 2021. "It's not a trophy," says Mr Trudeau. "It's a way of having an impact and affecting global debate in a positive and meaningful way."

If Mr Scheer defeats him, the tone, if not the substance, of foreign policy is likely to change. He claims to be harder-nosed about China than Mr Trudeau is. And he would move Canada's embassy in Israel to Jerusalem, one way that world leaders show they want to be friends with President Trump.

To the relief of most Canadians, Mr Trudeau has improved the relationship with America. Mr Trump's threat to scrap NAFTA, which governs most trade between America, Canada and Mexico, caused Canada to mobilise as if for a national emergency. The prime minister's office set up a dedicated war room. Ms Freeland became, in effect, minister for relations with America. Canadians from across the political spectrum lobbied mayors, governors and Mr Trump's inner circle, brandishing reports on how many of the 9m American jobs that depend on Canadian trade each state would lose.

Eventually, with similar effort from Mexico, the three sides hammered out the USMCA, which resembles NAFTA and will replace it, assuming Congress ratifies the new agreement. In May Mr Trump lifted tariffs on Canadian and Mexican steel and aluminium. Mr Trudeau says that relations are now "normal". Even so, Canada cannot relax. "The new normal for us is we have to have this elevated level of outreach" to America, says Mr Paris.

Had Mr Trump paid a visit to Windsor, Ontario, where the skyscrapers of Detroit loom almost within touching distance across the Detroit River, he could have seen for himself how intertwined the two economies are, how determined those on both sides are to intensify their relationships and how hostility and indifference from Washington can gradually undermine them. About 7,000 lorries, many laden with components or finished cars, cross the Ambassador bridge daily, the "largest single crossing in the second-largest bilateral trade relationship in the world", says Bill Anderson, director of the Cross-Border Institute in Windsor.

Keep the nurses coming

Some 1,500 health workers commute across the river from Windsor to Michigan every day. Out west, British Columbians head to Washington state to load up on cheap electronics and petrol. In border towns of Washington state, Canadians rent post-office boxes to take delivery of shipments from Seattle-based Amazon. Yet interchange is not as easy as it used to be. "When bars closed at 12.30 in Windsor you headed to Detroit. You didn't know there was a border," recalls Bryce Phillips, head of the Windsor-Detroit Bridge Authority, who grew up in the Canadian city.

Security tightened after the terrorist attacks on America on September 11th 2001. American border officials scrutinised all travel documents and required drivers to open their car boots, creating long queues. The two countries worked to restore the former ease of crossing, for example by introducing NEXUS cards, which let pre-screened border-hoppers use a special lane.

The Trump administration reintroduced friction. In 2017 the number of cars entering America from Canada dipped, even though the Canadian dollar strengthened, a sign that Mr Trump's glower was putting off some. In the same year a border official in Michigan misinterpreted a government statement to mean that health workers could no longer commute from Windsor. It took 48 worrying hours to clear up the confusion, says Laurie Tannous, an immigration lawyer. Canadian officials have been stricter during the Trump presidency, she says.

“It’s almost like retaliatory.”

Co-operation between national-level agencies on both sides is not as good as it was, says Laurie Trautman of the Border Policy Research Institute at Western Washington University. “If there are four more years of Trump they will be strained even more.”

Yet interaction and integration are hard to stop. Oregon, Washington state and British Columbia are studying the feasibility of a high-speed rail link between Portland and Vancouver. The nerd bird, a sea plane, has been ferrying techies between Vancouver and Seattle since last year. In Windsor construction has begun on a new bridge across the Detroit river, costing C\$5.7bn, to take the load off the clogged Ambassador bridge. It will be financed by Canada and is due to open in 2024. If Mr Trump menaces Canada again, he will get pushback on the border. ■

[→ Looking ahead: The election in October will be a test of Canada’s liberal values](#)

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<i>Previous</i>	Articles	Sections	<i>Next</i>
-----------------	-----------------	-----------------	-------------

Special report: Canada

Looking ahead

The election in October will be a test of Canada's liberal values

Is Canada's liberalism dependent on a victory for Justin Trudeau?



Jul 27th 2019

NAHEED NENSHI, Calgary's ebullient mayor, says that when he was elected in 2010—becoming the first Muslim to lead a large North American city—only the foreign media brought up his religion. The local press never mentioned it. That changed when he ran for re-election for a third term in 2017. People “suddenly started talking about race and religion”, sometimes abusively, online. Although his rivals avoided bigotry, it encouraged formerly non-voting racists to turn up at the polls. He still won. Four years ago, when Justin Trudeau was elected, “Canada was bucking the trend,” says Mr Nenshi. Now it is learning that “we’re not immune at all” to the political maladies of the age.

The point of Mr Trudeau's premiership has largely been to boost Canada's immunity with a liberal tonic that combines social justice and environmentalism with advocacy of globalisation and a dash of redistribution. The test of whether he has succeeded will not be whether he wins the election in October. Rather, it will come if he loses. Would a Conservative government sustain the broader themes of Canadian liberalism even as it discarded Mr Trudeau's particular brand of it?

Geography, history, political culture, the electoral system, the structure of the economy and the welfare state all argue for optimism. They keep the political climate temperate. American slugfests over judicial appointments are foreign to Canada. The head of the panel to advise Mr Trudeau on picking the next Supreme Court justice is a former Progressive Conservative prime minister.

Canada's comfort with diversity goes back to British colonists' “incomplete conquests” of indigenous groups and French-speaking settlers, Peter Russell, a historian, has argued. Surrounded by three oceans and the United

States, Canada can largely decide what diversity will look like. It was a Progressive Conservative prime minister, John Diefenbaker, who in 1962 ended Canada's policy of favouring white immigrants. This year Canada intends to accept 330,000 newcomers, nearly 1% of its population. The number is set to rise. Around 90% of immigrants eventually become citizens.

They are a diverse bunch. In 2017 the top four countries of origin of new permanent residents were India, the Philippines, China and Syria, who made up 47% of the total between them. Asked in 2016 what makes their country unique, 43% of Canadians, without prompting, said multiculturalism and diversity, according to a poll conducted by the Environics Institute. That was far ahead of land and geography, at number two. Constituencies that swing elections, such as the eastern and southern suburbs of Vancouver and the 905 area code around Toronto, have large numbers of voters from immigrant backgrounds. No aspiring prime minister dares provoke them.

Yet Mr Nenshi's experience is a warning. Polling finds little increase in hostility towards "visible minorities": 40% say too many are coming, compared with 38% in 2013, according to EKOS, an Ottawa firm. What has changed is how those attitudes are divided by party. Among supporters of the Conservatives the share that is suspicious of non-white immigrants has jumped from 47% to 69%. Among Liberal backers it has dropped from 34% to 15%. On this and issues such as climate change, "polarisation in Canada is pretty damn close to what it is in the US," says Frank Graves of EKOS.

That may be overstating it. But recent events at Roxham Road suggest he has a point. A few miles west of an official border post between New York state and Quebec, Roxham Road is an entry point for "irregular" migrants to Canada. Before President Trump, just a few crept across. Since 2017 some 45,000, mostly non-American, migrants have sought asylum in Canada.

The irregular uptick sparked uproar and strained Canada's pro-immigration consensus. This may be "the first time in history that immigration is an election issue nationally", says Christian Bourque of Leger Marketing, a market-research firm in Montreal. In response, the government slipped in a measure to stop "asylum shopping", preventing refugees from filing claims if they have already done so in a safe country such as America.

Andrew Scheer's Conservatives—the party lost the "Progressive" qualifier in a merger with Stephen Harper's Canadian Alliance in 2003—have a trickier problem. Their voters are more alarmed by Roxham Road than are the Liberals'. Conservatives face a challenge from Maxime Bernier, a former federal minister from Quebec who calls himself a "smart populist" and wants to reduce the annual immigration target to 250,000—roughly what it was under Mr Harper. His People's Party is low in the polls, but the Conservatives cannot dismiss him. Nor can they veer from the centre by pandering to nativism.

Canadian liberalism is so deep-rooted that it does not depend on a Liberal victory

While defending immigration, Mr Scheer hinted that Canada could become a bit less welcoming. As prime minister he would "set immigration levels consistent with what is in Canada's best interests". If anyone detects a dogwhistle, a Conservative will set them straight. The Conservatives are "one of few right-of-centre parties that is strongly pro-immigration", says Michelle Rempel, an MP from Alberta.

In effect, Conservatives are betting on the robustness of Canada's liberal antibodies and their own. Mr Scheer's election pitch, which includes undoing gun controls brought in by the Liberals, cutting tax and ending national carbon pricing, may seem to have a whiff of Trumpism. Yet Canadian populism "is not the kind of divisive demagogic variety we've seen in Europe", says Jason Kenney, who was Mr Harper's minister for immigration and for multiculturalism and citizenship before becoming Alberta's premier. The day after uttering those words he spoke in what sounded like creditable Punjabi to thousands of Sikhs at a parade in Calgary—not something Mr Trump or Marine Le Pen could be imagined doing.

Both sides are bracing for a bitter election. The clash between Mr Trudeau's new-age liberalism and Mr Scheer's conservatism may test Canada's defences against immoderation, but they should hold. Canadian

liberalism is so deep-rooted that it does not depend on a Liberal Party victory. If Mr Trudeau loses, the world will no longer be looking to him, as Mr Biden prophesied back in 2016. But liberals will still look to Canada. ■

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<i>Previous</i>	Articles	Sections	<i>Next</i>
-----------------	-----------------	-----------------	-------------

Special report: Canada

Sources and acknowledgments

Jul 27th 2019

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Can American utilities profit from the energy transition?. The regulatory woes of Big Tech multiply.

[Tech and governments: The sun also sets](#)

[Bartleby: The curse of efficiency](#) [Lego v Barbie in China: Brick by brick](#)

Reflections of a business guru.

Why Chinese parents prefer Lego to Barbie.

[German retailers: Stinginess is uncool](#) [Schumpeter: Lacking flexibility](#)

Aldi and Lidl are doing less well at home.

The inflexibility of plastic.

Windfall**Can American utilities profit from the energy transition?**

The monopolists at the heart of America's shift to cleaner energy place their bets



Jul 27th 2019 | MINNEAPOLIS

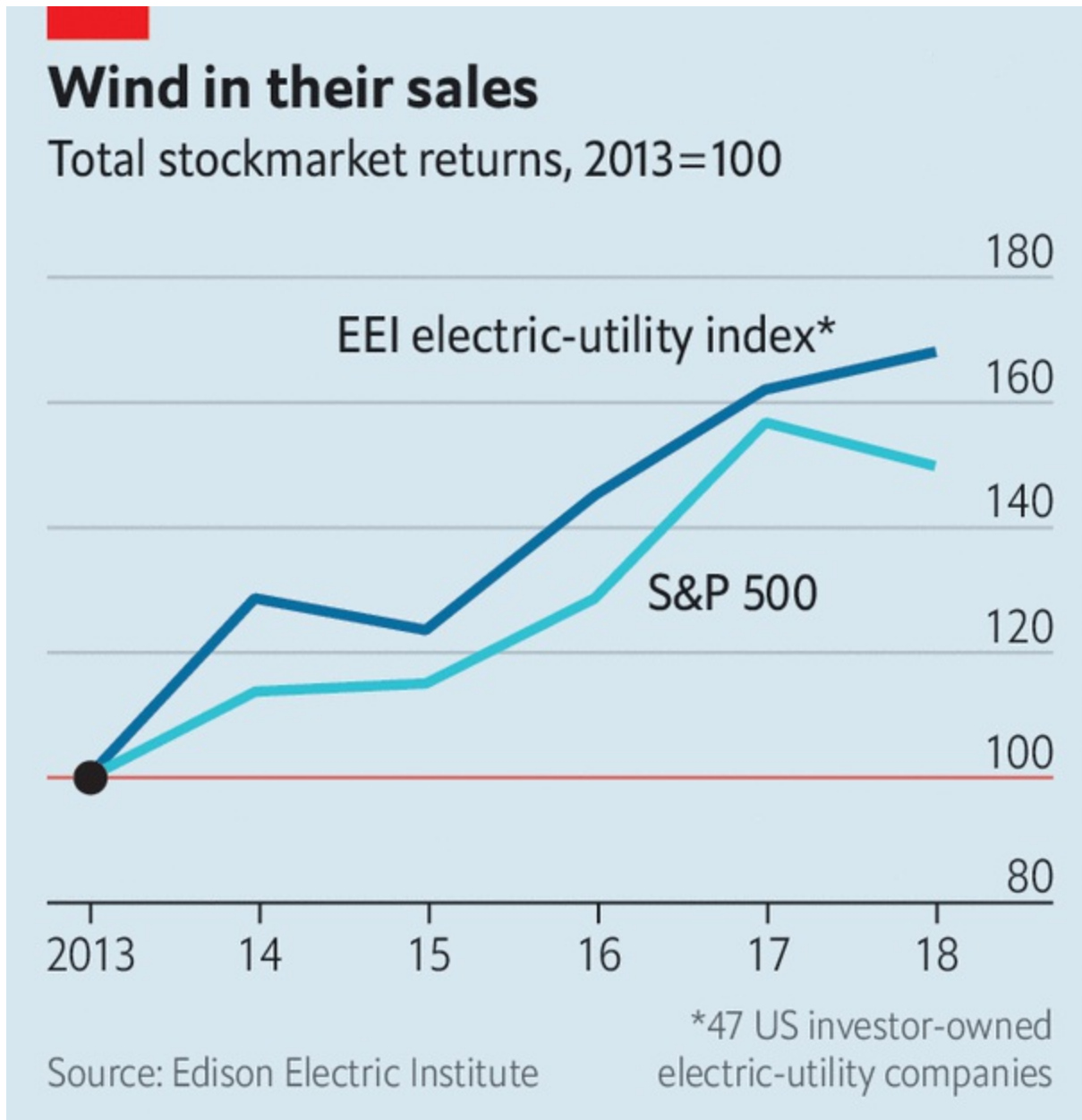
IT IS HARD to ignore the wind hurtling across the green expanse of southern Minnesota. On highways, gusts nudge cars. Corn stalks shimmy in the breeze. And towering overhead, white turbines twirl. xcel Energy bought its first wind farm in the state in 2008. The utility's turbines now stretch to the horizon—its ambitions, far beyond. This month xcel, still dependent on coal to generate electricity, proposed big investments in solar and wind power in the upper Midwest, part of its bid to produce carbon-free electricity in the eight states it serves by 2050. It is one of many firms making multi-billion-dollar gambles on the shift to cleaner energy.

The opportunity is vast. Last year America's power sector generated 4.2bn kilowatt-hours of electricity and 1.8bn tonnes of carbon dioxide (a third of America's total). Only 17% of power generation is currently from renewable sources, and another 19% from nuclear energy. If the \$400bn industry were a country, it would be the world's fourth-biggest emitter, ranking between India and Russia. Some see benefits in moving slowly to cleaner sources of power. Duke Energy, America's biggest utility, this month proposed large investments in natural gas in Indiana and will keep a giant coal plant there open for another 20 years. xcel is among those that sniff profits in the winds of change.

For decades, to describe electric utilities as dull was not an insult but a summary of corporate purpose: keep lights on, rates low and returns steady. The somnolence of their corporate offices, a seasoned visitor quipped, was disturbed only by the periodic whirr of a printer. A push in the 1990s to break up the power monopolies that still dominate America's electricity market lost steam after blackouts in California in 2000-01 curbed enthusiasm for deregulation. It suspended retail choice for consumers soon after. Today just 15 states have competitive retail electricity markets.

The business model of utilities seems designed not to speed up innovation but to stifle it. Some firms corner the market for transmission. Vertically integrated monopolists generate power, too. To keep them in check, a utility commission reviews a regulated utility's investments, then sets rates that cover costs, plus an annual return on invested capital of about 10%, net of depreciation.

This soporific status quo has served utilities rather well. In recent years regulators have authorised big investments in transmission and distribution, and profits from these have helped to support utilities' dividends and share prices (see chart).



The Economist

Now things are heating up. Some companies must contend with the impact of global warming. Pacific Gas and Electric, California's largest power company, is battling regulators, politicians and investors over its alleged role in causing devastating wildfires during recent droughts (see [article](#)). Other companies are trying to make their infrastructure more resilient to floods along coasts, tornadoes in the Midwest and other climatic disruptions.

The politics of green electricity, too, are evolving. Clean-power plans feature prominently in the Democratic

presidential primaries. States led by Democrats, and even some led by Republicans, have set goals for clean electricity; in all, 29 have set targets for raising its share. Utilities face scrutiny from green-minded asset managers. In February institutional investors with \$1.8trn under management urged them to adopt targets for carbon-free electricity. Credit Suisse, a bank, estimates that utilities need to spend over \$100bn by 2030 to meet states' renewables goals.

Most important, the economics of power is being turned on its head by the falling costs of renewables. The "levelised" cost of electricity—which includes capital and operating spending to generate it over a plant's lifetime—is now lower for wind or solar power than it is for coal. Coal's share of power generation has sunk from about half in 2005 to 27% in 2018. It will fall further, despite President Donald Trump's plan, announced in June, to loosen regulation of coal plants.

The big question for utilities is how much of coal's declining share to replace with natural gas, and how much with renewables. The answer depends partly on their location. The high cost of shipping natural gas and oil to Hawaii is one reason why that state has particularly bold goals for renewables. On July 10th Hawaiian Electric filed an ambitious proposal to solicit bids for new wind and solar power. Some of the states where xcel serves customers are blue and others red, but all are among America's gustiest. That made it easier for Ben Fowke, its chief executive, to espouse a renewables strategy. That it appeals to climate-friendly investors is "icing on the cake", he says.

Regulated utilities make money by investing capital; the variable costs of fuel are borne by consumers. But wind has the benefit of being free, no matter how hard it blows. So xcel settled on a strategy to please both investors and customers: invest more in wind farms, on which it can earn a regulated return, and spend less on fossil fuels, on which it cannot. In the long term, consumers save money and utilities make more of it.

Shareholders have welcomed this "steel for fuel" strategy, as Mr Fowke calls it. Last year xcel's earnings per share grew by almost 10%. Utilities such as CMS, in Michigan, are following its lead.

For others, accelerating the move away from fossil fuels holds less allure, and not simply because they operate in places with less wind or sun. Securing land for wind farms in America's densely populated north-east is costlier than in the Midwest. Retiring an ageing coal plant is one thing, points out Michael O'Boyle of Energy Innovation, a research group; scrapping a newer or newly refurbished one is another. Some states continue to prop up coal. Ohio's senate passed a bill this month to subsidise coal plants in which Duke holds stakes.

Natural gas complicates the picture further. Most investors reckon that some gas is necessary to balance the intermittent power of the wind and sun—at least until storage becomes cheaper and more efficient. The question is, how much?

The availability of cheap gas has dissuaded many utilities in the region that sits atop the shale-rich Marcellus formation in America's east from investing much in renewables, says Michael Weinstein of Credit Suisse. Renewables struggle to compete in Florida, too, where newish, efficient gas plants owned by a subsidiary of NextEra, a giant power company, offer cheap electricity. The Energy and Policy Institute, a pro-renewables think-tank, recently analysed America's 22 dirtiest investor-owned utilities. It found that about half, including Duke, Dominion and American Electric Power, plan to decarbonise more slowly in the coming decades than they did from 2005 to 2017 mainly because of investments in gas plants. In proposals for new investments in Indiana and the Carolinas, Duke argues that natural gas is needed to keep prices low and power reliable.

Despite xcel's clean-power plans, which include nuclear energy on top of renewables, even Mr Fowkes says that eschewing gas altogether would be "a little short-sighted". His firm's plan for the upper Midwest is for gas to generate a quarter of electricity by the mid-2030s.

But big investments in gas—such as Duke's plan for it to account for two-thirds of the Carolinas' new generating capacity—carry risks. The first is that some gas plants, like coal ones before them, become uneconomic as renewables keep getting cheaper. In April, Indiana's utility commission rejected a proposal for a

gas plant by Vectren, another utility, for just that reason. If America one day sets a price on carbon emissions, customers could be left paying for utilities' bad bets on fossil fuels.

The second risk is that if utilities do not offer enough clean power, customers may get it elsewhere. Homeowners are installing solar panels on their roofs. Big corporate buyers of electricity, including Google and General Motors, this year launched a campaign to ensure an affordable supply of clean power. Such challenges make life for utilities less boring. Tackling them head on could make it more lucrative.■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

In the crosshairs

The regulatory woes of Big Tech multiply

But the titans may yet emerge unscathed



Jul 25th 2019 | SAN FRANCISCO

“HOW DID YOU go bankrupt?...Gradually and then suddenly.” Many technology entrepreneurs know this quote, from a novel by Ernest Hemingway—and often, from experience. The words have, of late, taken on new meaning. After years during which tech’s titans could do no wrong, they are now being pulled into a vortex of regulatory woes that make headlines almost daily. Big Tech is not about to implode. But will it come out intact?

The latest burst of antitrust activity came on July 24th, when Facebook said that the Federal Trade Commission (FTC), an American regulatory agency, had launched an investigation into the company. The news came soon after the FTC released details of a much-anticipated privacy settlement with the firm.

The social network will pay a \$5bn fine for violating a previous privacy deal with the FTC. But Facebook also agreed to formalise its privacy processes, for instance by creating a special committee on its board and by designating compliance officers. Its boss, Mark Zuckerberg, will also have to certify the firm’s compliance—which could make him personally liable should Facebook fail to get its act together.

A day earlier, America’s Department of Justice announced that it would look into how big online platforms have achieved market power and whether they abuse it. The DOJ did not say which firms it had in mind, but Google is likely to be one. The department’s lawyers are reportedly already preparing to investigate it.

Trustbusters on the other side of the Atlantic—who have already fined Google more than €8.2bn (\$9.3bn) in recent years—are not resting on their laurels. On July 17th Margrethe Vestager, the European Union’s competition regulator, announced that her department had opened an investigation into whether Amazon uses the data it collects from merchants’ sales on its sites to push its own products. Insiders expect the EU’s next

target will be Apple, which stands accused of using its control of the app store on its iPhones to favour its own services, mainly Apple Music.

All this suggests that the tech titans are in trouble both in Europe and America. Some Democrats hoping to run for the presidency have called for their break-up. William Barr, a lawyer for media and telecoms firms who became attorney-general in February, has spent years fighting them. At his confirmation hearings he agreed with a senator who said that “dominant Silicon Valley firms could use their market power...to discriminate against rival products, services or viewpoints.”

This last point in particular worries Republicans. They view these giants as liberal bastions, which will discriminate against right-wing views in efforts to rid their platforms of extreme and hateful content. This month President Donald Trump held a “Social Media Summit” where right-wing bloggers aired their grievances. In a sign of how far critics will go, Peter Thiel, a successful tech investor and sometime defender of Mr Trump, recently speculated that Google had been “infiltrated” by Chinese intelligence services (despite a Trump tweet promising to “take a look”, his administration later dismissed the idea).

Whether these are just acts of intimidation ahead of presidential elections next year remains to be seen. If Facebook’s settlement with the FTC is any guide, Big Tech could still emerge mostly unscathed. The large fine and its new privacy bureaucracy notwithstanding, Facebook does not have to change its data-collection practices and is off the hook for any more claims that it violated the previous FTC settlement.

In a twist, Microsoft, the world’s most valuable listed firm, with a market capitalisation of over \$1trn, has hardly been touched by the techlash. It has learned hard lessons from going through the regulatory wringer at the turn of the century: look beyond the cash cow (Windows); rapaciousness ultimately does not pay; and work with regulators. Another Hemingway quote is less well-known among geeks: “The world breaks everyone and afterward many are strong at the broken places.”■

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Previous

Articles

Sections

Next

Bartleby**Reflections of a business guru**

Charles Handy explains the curse of efficiency



Jul 25th 2019

CHARLES HANDY has been through a lot of challenges in a long career as a manager at Royal Dutch Shell, an oil giant, followed by a spell in academia and acclaim as a business writer championing more flexible, less hierarchical organisations. His latest battle is with his health. Earlier this year, the then 86-year-old Irishman suffered a stroke which meant that he had to learn to walk, talk and even swallow all over again. True to his reputation as a business guru, the experience taught him a valuable lesson, as he explained to Bartleby in a recent interview.

As far as Mr Handy was concerned, the point of his hospital stay was to allow him to recover as fully as possible. That meant he needed to be up and about. In the view of the nurses, that was a potential problem; he might fall and hurt himself. Their priority was to keep him safe. In practice, that required him to stay in bed and keep out of trouble.

The experience led him to reflect on the “curse of efficiency”. Organisations focus so much on efficiency that they fail to be effective. Instead of concentrating on their core goal, they pay attention to narrower measures like cutting costs, or reducing the inconvenience suffered by their staff. Examples of the problem can be found in many places. The purpose of education is to prepare children for later life, but all too often the focus is on getting the children to pass exams.

The drive for efficiency can also seem callous. Mr Handy argues that managers tend to like things more than they like people. If all the staff were replaced by robots, he says, running a business would be a lot easier. As it is, there is a temptation to try to turn people into things by calling them “human resources”. Call someone a resource, and it is a small step to assuming that they can be treated like a thing, subject to being controlled and,

ultimately, dispensed with when surplus to requirements.

Perhaps Mr Handy's philosophy is best summed up as "what do they know of business who only business know?" Before his stroke he wrote a book, "21 Letters On Life And Its Challenges", which takes the form of advice passed on to his grandchildren. The focus is more on gentle wisdom than on management theory. Indeed, Mr Handy argues that most organisations whose principal assets are skilled people, such as universities or law firms, tend not to use the term "manager". Those in charge of them are called deans, directors or partners. Their real job is best described as leadership rather than management. And one of the primary functions of leadership is setting the right purpose for an organisation.

Leadership also involves letting subordinates learn for themselves. When he started work for Shell, he was running the firm's oil business in Sarawak, Malaysia. He had studied Greek and Latin at university and knew nothing about business or energy. There was no telephone link to the regional office in Singapore, and letters took weeks to arrive. No senior manager felt inclined to visit.

Mr Handy says this gave him the opportunity to learn from his mistakes in private. He argues that "education is an experience understood in tranquillity. You look back and see where you went wrong."

Because of this, he thinks that business schools need to change. What they tend to do at the moment is encapsulate the best practices of current businesses, codify them and pass them on. But the real challenge that business-school graduates will face is dealing with the unexpected. That cannot be taught in the classroom but needs to be experienced in the outside world. So students should spend time at small businesses or community projects, and then write a report on how they coped.

Furthermore, if these students aspire to be leaders, they need the ability to tell stories and create a culture. That requires broader knowledge than studying only balance-sheets and sales projections.

Appropriately enough, Mr Handy has hopes of writing yet another book, based on the Bible, which he says is an excellent case study of storytelling. Clearly, he refuses to let illness hold him back. Looking back over his career, he believes that teaching and writing is all about creating the "Aha!" moment. That occurs when people realise that an idea the teacher or writer has advanced is both useful and something they already knew but had not articulated. Bartleby hopes that Mr Handy's readers will be saying "Aha!" for some time to come.■

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Previous

Articles

Sections

Next

Brick by brick**Why Chinese parents prefer Lego to Barbie**

The Danish firm has outwitted its American rival in China



Jul 27th 2019 | SHANGHAI

BUDDING ENGINEERS cluster around a table-sized model of the China Art Museum, a landmark of Shanghai, adding helipads, carrot patches and other improvements with colourful bricks. Prising a child from Lego's vast shop near People's Square can be like unsticking two stubborn bits of Lego. Li Yang, visiting for a few days from Shenzhen, has been waiting for her daughter for two hours. Zhu Yunfei, watching his son, marvels at the variety: "Coming here to play with him is making up for my childhood," he says. They drop by every week.

Lego's rise in China has been vertiginous. In 2017 it overtook Alpha Group, a local giant, to become the country's leading toy company (not including video games). In the past two years it has opened 89 stores. It wants 50 more by December, which will bring it to 30 cities. Its first Chinese factory started moulding bricks in 2016. The toy industry is growing by 9% annually in the country, but the Danish firm's Chinese arm notches up "very strong double digits", says Paul Huang, its boss.

It has done so even as the brickmaker's global business has looked shakier. In 2017 Lego cut 1,400 jobs and recorded its first drop in revenues and profits in over a decade. But last year both ticked up again, by 4% each. Lego has thus retained its status as the world's biggest toymaker, snatched from Mattel in 2014—even as its American rival last year earned its highest revenues in five years from its Barbie dolls.

Newly affluent parents in China have helped Lego recover. "We have not maxed out there, by far," says Niels Christiansen, whom Lego brought in as chief executive two years ago. As in the West, the educational merits of bricks appeal to Chinese parents. Last year 98% of those surveyed by Lego said that play was essential for their child's well-being, even more than Americans and Danes.

Lego has also astutely catered to local tastes. This year the firm launched three sets specifically for China, the first time it has done so for any country. Fans were delighted at the attention to cultural detail. One was a Chinese New Year's Eve dinner kit, with tiny red envelopes and *chunlian*, lucky couplets on banners pasted around doorways. A dragon boat race set included a sticky-rice dumpling, a popular festival snack. The high-quality kits are pricey, costing up to 700 yuan (\$100) apiece.

With Barbie, Mattel tried to localise in the wrong way. A former Chinese manager at the American company calls its promotion of a line of cheaper, flimsier dolls "arrogant". Because no effort was put into making her locally relevant, Barbie held none of her usual aspirational appeal, even for spendthrift Chinese. In 2009 Mattel opened the world's largest Barbie shop on a luxury shopping street in central Shanghai, stuffed with 800 dolls. The six-floor pink colossus confused Chinese parents by offering mothers a spa, designer fashion and "Barbietini" cocktails, and their daughters more age-appropriate attractions. It was a flop and shut two years later.

It is hard to convince prudish parents of the creative merits of frivolous dolls, and grown-up Chinese collectors prefer short and chubby Molly, a popular local poppet. The Chinese market for construction toys is six times bigger than for dolls. In Mr Zhu's words, "there is no art to a Barbie". Tellingly, Mattel's most successful brand in China is a maker of educational baby toys, Fisher-Price, with a market share of 1.1%, according to Euromonitor, a data provider. Barbie, with 0.3%, comes a lowly 31st. By contrast, Lego's 4.5% share puts it firmly in first place: a fortification that will serve it well, as China's market for toys and video games, worth \$45bn, overtakes America's in the next few years. ■

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Previous

Articles

Sections

Next

German retailers**Aldi and Lidl are doing less well at home**

Shoppers have become less stingy



Jul 27th 2019 | BERLIN

ONE OF THE most successful advertising taglines coined in Germany in the past two decades was “Geiz ist geil”: stinginess is cool. Conceived in 2002 by Saturn, an electronics retailer, it captured the mood of the country’s cash-strapped shoppers two years after the dotcom crash, while playing to their penchant for parsimony. But after a decade of economic growth and low unemployment, Germans are feeling flush again and the local discount giants that they once loved, less so.

Aldi (split into two legally distinct companies, Aldi Nord and Aldi Süd, in 1966), Lidl, Netto and Penny still have a market share at home of more than 40% between them. But traditional German grocers such as Rewe, whose sales grew by 9% last year, are outpacing the discounters. A recent study by Edge of Ascential, an advisory outfit, predicts that sales at discount chains will grow on average by 2% this year. Aldi Nord is suffering more. It lost money in 2018 for the first time in decades, and sales are forecast to fall in 2019. “German shoppers are rethinking priorities,” says Boris Planer of Ascential. They are less fussed about hunting for the lowest price, and now turn their noses up at cheap tinned food displayed under fluorescent light. When Saturn revived its old slogan last month with “Geiz is back”, it did so only for a fortnight.

Might international business make up for anaemic growth at home? Aldi and Lidl are booming in Britain, where the Teutonic twosome already has more than 13% of the market and expects to do better still in a possible post-Brexit slump. Aldi is doing well in America and in June it entered China with two shops in Shanghai—for the first time as an upmarket grocer flogging wine from Bordeaux, milk from Australia and fresh organic produce. But foreign expansion is risky. A month earlier, Lidl gave up on China as unprofitable. It is struggling to run its large, costly stores in America.

At home, the discounters hope to lure discerning shoppers by sprucing up their stores. Aldi now sells smoothies and vegan fare. Aldi Nord is spending part of a €5.2bn (\$5.8bn) investment on a facelift for its 2,300-odd outlets in Germany. Booted out for upgrading its shabbier stores too slowly, the firm's boss, Marc Heussinger, was replaced last year by Torsten Hufnagel, his deputy. But Mr Hufnagel's revamping efforts may have come too late. Fears are growing of an end to Germany's golden decade. Stinginess may soon be in vogue again.■

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Previous

Articles

Sections

Next

Schumpeter**The inflexibility of plastic**

The industry has yet to come to terms with a backlash against its products



Brett Rydler

Jul 27th 2019

AS WESTERN HOLIDAYMAKERS escape their daily grind and head to the beach this summer, a concern is likely to resurface—literally, if it washes up on the pristine sand in front of them. In the past two years plastic litter in the ocean seems to have eclipsed other environmental anxieties among rich-world consumers. Harrowing images of sea life ensnared in plastic bags, as depicted in “Blue Planet II”, a popular British television series from 2017 presented by Sir David Attenborough, would be enough to make anyone choke on the plastic straw in their piña colada—if, that is, you were offered one. Politicians everywhere are responding to voters’ demands by banning straws, stirrers and other single-use plastics. The UN says that last year 127 countries had restrictions on plastic bags. This month Panama became the first Central American country to outlaw them. Britain is considering a tax on plastic packaging made with less than 30% recycled content. In March 560 members of the European Parliament backed a law that would require 90% of plastic bottles to be recycled by 2029. Just 35 voted against.

Given the environmental footprint of substitutes like cotton bags, aluminium cans or paper boxes—which often require more energy and water to make and transport than plastic equivalents—new regulations could in fact end up doing harm to the planet. Nonetheless the plastics industry can expect ever more curbs on its products, a trend that will force businesses involved to reshape. Bottles, boxes, films and the like consume nearly half of global output of the polymers on which they rely. Many companies in the \$375bn plastic-packaging value chain—which comprises producers of oil and gas (the main feedstocks), petrochemicals giants, packaging firms and consumer brands—look ill-prepared.

Companies at either end of the chain are the least vulnerable. Beverage-makers will happily switch from oil-derived plastic to recycled stuff for their bottles—or to aluminium cans—so long as the numbers add up (which they do when high oil prices push up the cost of virgin plastic). Even so, ExxonMobil or Coca-Cola cannot

relax. Seema Suchak of Schroders, an asset manager, estimates that fizzy-drinks firms that fail to reduce their reliance on virgin plastics could see annual profits shrink by 5% over the next decade or so because of regulations and taxes spurred by the consumer backlash. According to Paul Bjacek of Accenture, a consultancy, recycling all plastic packaging, rather than the 15% that is reused today, could cut annual growth in demand for oil and gas from 1% to 0.5% by 2040, as recycled materials gain market share.

Plastic-packaging firms could suffer more. Credit-raters at Moody's have warned that Britain's proposed tax on plastic bottles could hurt their makers by discouraging use by consumer-goods companies and driving up the cost of recycled plastic, a scarce raw material as recycling rates are low. Ms Suchak looked at five big makers of plastic packaging and found that the pre-tax profits of four of them could fall by 11-33% in the medium term if they stick with virgin plastics. Amcor, an Australian giant, lists environmental concerns as the number-one risk in its latest annual report.

Then there is the petrochemicals industry. In a much-cited analysis from 2016, consultants at McKinsey calculated that the value of plastic disposed after a single use is \$80bn-120bn a year. Reducing that number could benefit society but harm purveyors of the virgin materials. Last year Spencer Dale, chief economist of BP, a British oil giant, estimated that more plastics regulation could reduce demand for petrochemicals by a sixth in the next 20 years. Around a quarter of the revenues of Germany's BASF or DowDuPont of America come from plastics. Both could suffer. So could big oil firms, hoping that their petrochemicals businesses can offset a looming decline in fossil-fuel sales from a shift to renewable energy and electric cars. ExxonMobil already derives 15-25% of profits from chemicals, twice the share a decade ago. Saudi Aramco, the world's oil colossus, agreed in March to buy 70% of SABIC, the kingdom's petrochemicals firm, for \$69bn. It plans to plough a further \$100bn into new plants over the next decade. A similar sum may be invested in Chinese facilities to convert coal to polymers.

These investments would add to abundant capacity. Wood Mackenzie, a research firm, estimates that \$200bn has been sunk into petrochemical businesses since 2010 in North America alone. Were the increase in supply to collide with a secular decline in demand, profits would suffer. The price of polyethylene, a popular polymer, has already fallen by a third since the start of 2018.

Remoulding opinions

Asked shortly after the premiere of "Blue Planet II" if looming regulations preoccupy plastics companies, a senior European lobbyist for the industry confessed to Schumpeter that they were not really a topic of conversation in boardrooms. They are now. Consumer brands are vowing to retrieve more of their packaging and to make more with recycled materials. BASF has launched packaging for mozzarella cheese made from polymers chemically recomposed from used plastics, perhaps spooked by upstarts that are working on something similar, such as Loop Industries of Canada. BP describes such "chemical recycling" as a "game changer".

Firms are cagey about the extent of such efforts. Industry analysts suspect it is not large. Perhaps plastics executives are counting on the force of reason to prevail, or for Asian consumers not to succumb to plastic panic. This may be wishful thinking. People are easily persuaded that an eyesore despoiling their holiday paradise is intolerable; making them care about invisible, odourless carbon dioxide is tougher. In a contest with the logic of trade-offs, the emotive power of Sir David's cinematography is likely to win. Hard-nosed polymer bosses should remember that. ■

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Previous

Articles

Sections

Next

Finance and economics

[The euro area: Good day sunshine](#)

Domestic demand has sparkled against the euro-gloom.

[Currency manipulation: Fishing expedition](#)

America considers retaliating against currency manipulation.

[Financial crime: Land of the tax-free](#)

Will America go from hunter to hunted in cross-border tax evasion?.

[Robo-advisers: Looking after the pennies](#)

Betterment wants your bank account as well as your investments.

[Buttonwood: The auto-technocrats](#)

Why investors favour economically orthodox political strongmen.

[Small print: Critical conditions](#)

Many consumers neither read nor understand the contracts they sign.

[Live music: Touting for business](#)

[Free exchange: The uncultured science](#)

How big stars maximise their take from tours. A society's values and beliefs matter for its economy.

Europe's bright spots**Domestic demand has sparked against the euro-gloom**

Spain and France have been resilient as Germany and Italy have faltered



Jul 27th 2019 | MADRID

A STONE'S THROW from the bustling arcade of Atocha railway station in central Madrid are the offices of Spotahome, a startup that matches tenants and long-term rentals. Set up five years ago, it lists 65,000 properties in 11 European cities and employs more than 300 people. An example of Spain's small but fast-growing startup scene, its success reflects an economic resurgence in Madrid and some other European cities. The supply of rental properties has grown since Spain's deep housing crisis, notes Alejandro Artacho, its boss. Demand comes from exchange students, as well as an expansion that has lured foreign businesses and workers. Spain's population fell after recession struck for the second time in three years in 2012, as more people moved abroad than came in, but that trend reversed in 2016.

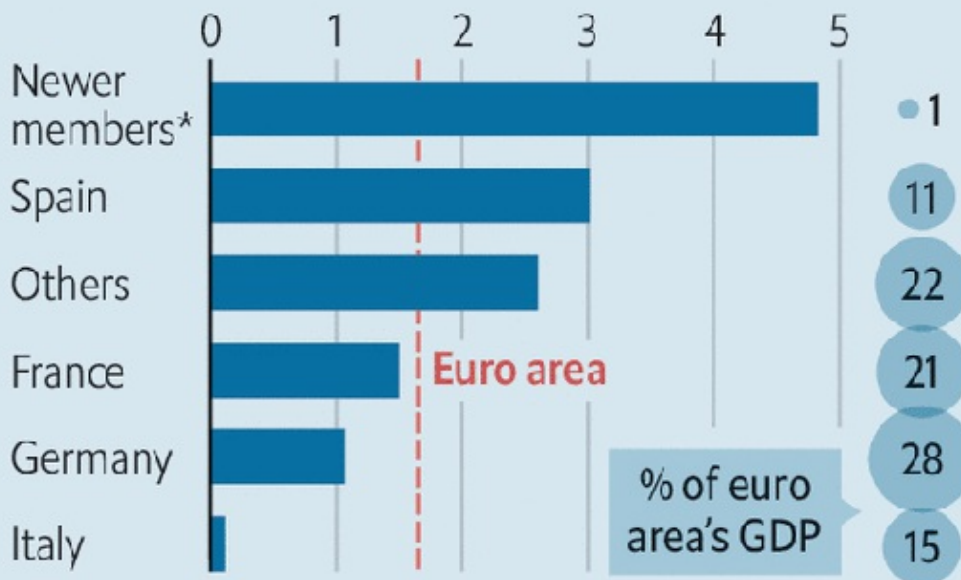
Since 2018 a slowdown in trade and manufacturing, concentrated in Germany and Italy, has cast a pall over the euro area. But matters would be far worse had other countries and sectors not held up. Spain alone accounts for a tenth of the zone's GDP, but in recent years has contributed a fifth of growth and an outsize share of new jobs. Across the bloc sectors that rely on domestic demand have expanded, as recovering labour and credit markets have boosted household and business spending.

In the growth league table, the euro area's newer members in central and eastern Europe come top (see chart). But these make up just over 1% of the zone's economy. The big four—Germany, France, Italy and Spain—make up three-quarters. Although France has grown more slowly than Spain, surveys of activity there have been buoyant. Daniela Ordonez of Oxford Economics, a consultancy, points out that it is the only country where such indicators were both above their historical average and strengthening in the second quarter, perhaps as business sentiment recovered from the worst of the *gilets jaunes* protests in 2018.

Sunny side up

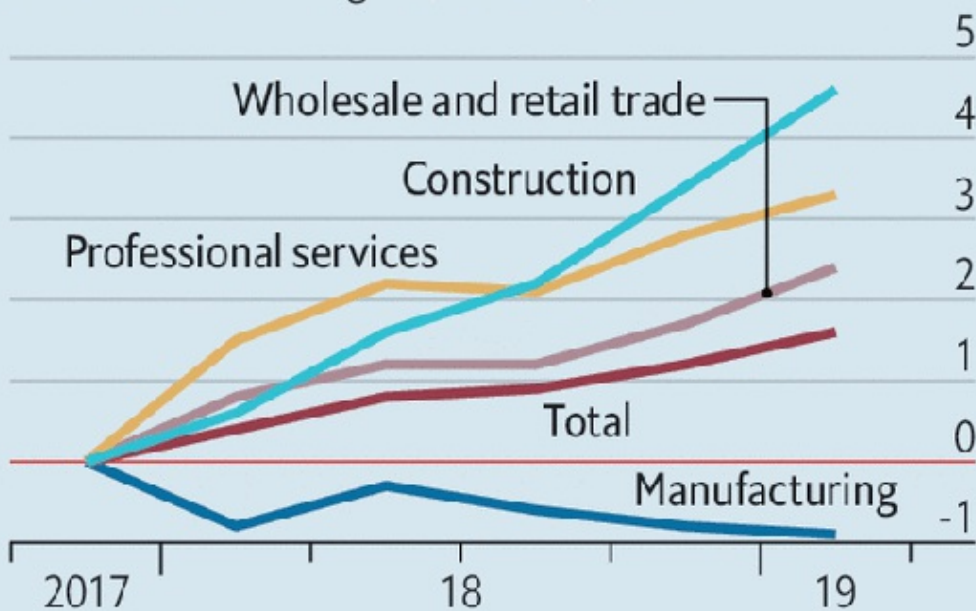
Euro area

GDP, cumulative increase, Q4 2017-Q1 2019, %



Gross value-added, by sector

Cumulative % change, Q4 2017-Q1 2019



Source: Eurostat

*Since 2007. Excluding Slovakia

France and Spain have certainly felt the slowdown in global trade. According to a preliminary Purchasing Managers' Index survey released on July 24th, manufacturing activity in France stagnated in July. But their factory sectors have held up better than Germany's, which is more dependent on exports and appears to be in recession. They have also been helped by what Raymond Torres of Funcas, a think-tank in Madrid, calls a "virtuous loop", connecting an improving labour market to rises in consumption and investment.

Across the euro zone 2m jobs have been created since early 2018. The unemployment rate has fallen to pre-crisis levels. Wage growth, though still modest, is picking up and, courtesy of a dip in the inflation rate in the past year, real incomes are accelerating. Ms Ordonez expects them to grow by 2.5% in France this year, the fastest pace since 2007. Banking reforms in Spain mean credit is flowing more freely. Companies are investing more in equipment. Investment in housing has also risen. No wonder that output in retailing and construction has risen steadily across the bloc since 2018. Even in Germany domestic demand has been healthy, thanks to the lowest unemployment rate in decades—but not quite healthy enough to make up for the industrial slowdown.

The fear, however, is that as external gloom deepens, the positive loop will go into reverse. The slowdown in manufacturing, at first dismissed as temporary by economists, has persisted: the threat of American tariffs on European cars and a disorderly Brexit still loom. Trouble in exporting industries can easily spill over into domestic demand, as it did during the financial crisis, by encouraging businesses and households to save rather than spend.

In Germany, industrial weakness is starting to be felt in the labour market. Second-quarter profits at BASF, the world's largest chemicals firm, were down by 47% compared with a year earlier. The company plans to cut costs and jobs. According to the Ifo Institute for Economic Research in Munich, the number of manufacturers planning to introduce short-time working over the next three months is expected to reach its highest level since 2013. That weakness could spread: research by Jean Imbs of New York University Abu Dhabi and Laurent Pauwels of the University of Sydney Business School, presented at the European Central Bank's annual conference in June, finds that services are ever more integrated across European countries. The bank's staff expect geopolitical tensions to weigh on investment.

The central bank, which was due to hold its monetary-policy meeting on July 25th as *The Economist* went to press, is expected to indicate further policy loosening. Even if fears of a trade war fade, it expects domestic demand to lose some of its lustre. Much of Spain's sparkle, for example, reflects pent-up demand following its deep crisis, which will level off as the economy nears capacity and job creation slows. And yet, by the central bank's projections, that recovery is not enough to return euro-zone inflation to its target of "close to, but below" 2%. More stimulus will be needed if the bright spots are not to go out.■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Exchange rates and trade

America considers retaliating against currency manipulation

But such a strategy could easily backfire



Jul 27th 2019 | WASHINGTON, DC

THE SOUTHERN SHRIMP ALLIANCE, an industry association based in Florida, is angling for tariffs. It has tried repeatedly to have foreign competitors harpooned with duties. Now some new opportunities have surfaced. The Department of Commerce is proposing a rule enabling tariffs on imports from currency manipulators. Crustacean-catchers are keen.

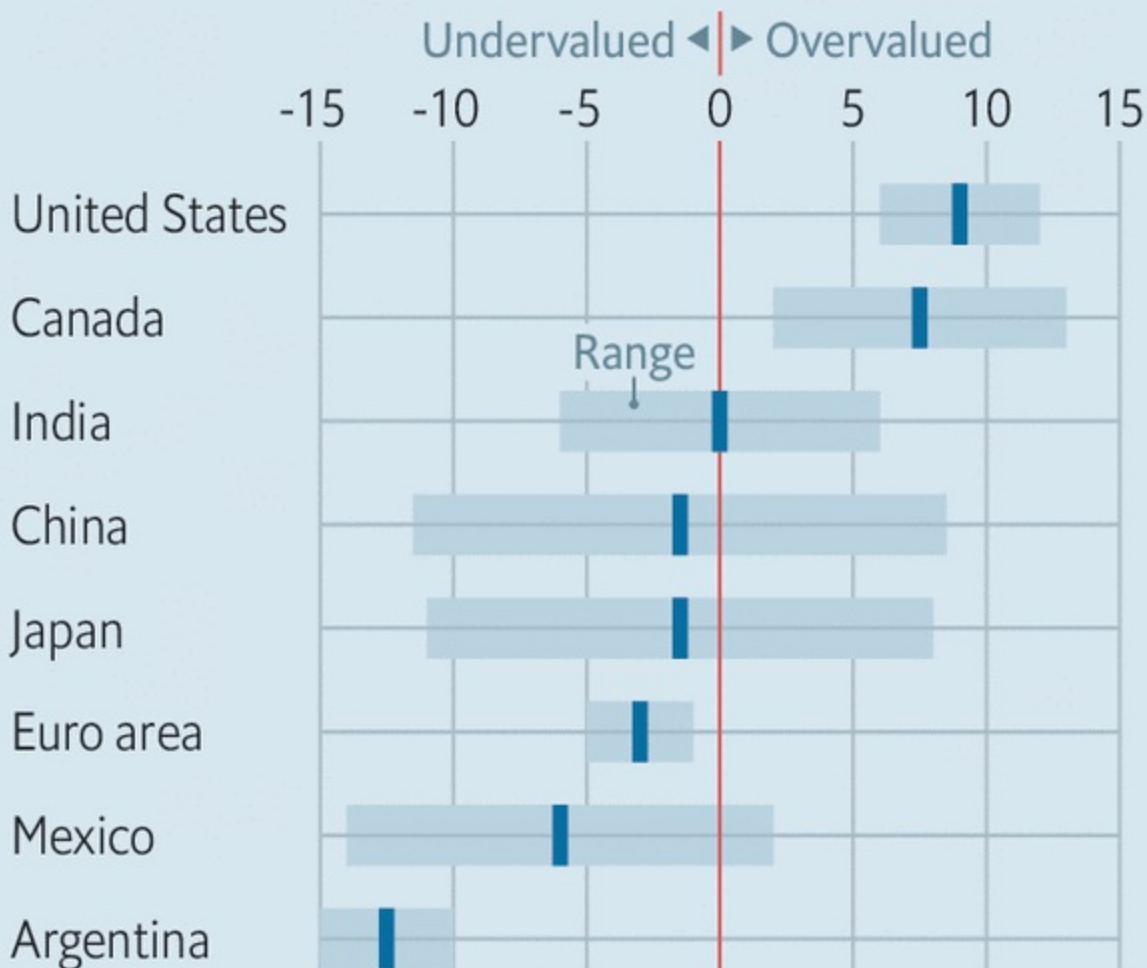
American businesses disgruntled by what they see as distorted exchange rates may soon have more weapons at hand. After weeks of fulmination by President Donald Trump on Twitter about countries that keep their currencies artificially weak to America's detriment, financial analysts are speculating that the Treasury might use its Exchange Stabilisation Fund (ESF) to weaken the dollar. Elizabeth Warren, a Democratic presidential hopeful, has also called for the dollar to be managed to promote exports, referring to proposals by Fred Bergsten and Joseph Gagnon of the Peterson Institute for International Economics, a think-tank.

The chatter is odd in one respect: other countries' currency manipulation does not seem to be the reason for the dollar's strength. Although an IMF report published on July 17th said that the dollar was overvalued by 6-12%, it also said that foreign-exchange intervention had been playing "a much more muted role in recent years". America's loose fiscal policy—and the tighter stance of countries like Germany and the Netherlands—are more obvious culprits.

However misdirected the current ire, the multilateral system for restraining currency manipulation is indeed toothless. In 2007 the IMF refrained from declaring China a currency cheat, although it was running a current-account surplus of 10% of GDP and buying around \$2bn in dollar-denominated assets each business day. Preparing for a future bout of competitive devaluation might not be a bad idea.

Alternating currency

IMF estimates of real effective exchange rate under/over-valuation, 2018, %



Source: IMF

The Economist

But the proposals floating around Washington would be ripe for abuse. The Commerce Department's would allow its officials to declare a country a manipulator even if the Treasury had not. Companies seeking an unfair edge over foreign competitors would no doubt lobby hard.

The measures suggested by Mr Bergsten and Mr Gagnon would grant Mr Trump huge financial firepower—dangerous, given his penchant for using whatever weapon is to hand to fight his trade wars. They think the Treasury should be allowed to use the ESF to neutralise currency intervention by other countries with equal and opposite purchases, thus deterring the intervention in the first place. But to be credible it would need hundreds of billions of dollars at its disposal. Its current portfolio is around \$95bn, of which \$23bn is in dollars.

Moreover, unilateral action might lead other central banks to retaliate. Mark Sobel, a former Treasury official

who managed the ESF, worries that a currency conflict might even push the dollar up, if investors scurried for safety into dollar-denominated assets. Stephen Englander of Standard Chartered, a bank, warns American policymakers to “think about how you’re going to feel the morning after”. Intervention means buying unpopular currencies. Mr Bergsten and Mr Gagnon argue that their scheme could make the Treasury money as undervalued currencies rise. But negative yields on European and Japanese debt make losses at least as plausible.

One more reason for caution is the potential for further harming an already-fragile multilateral system. Previous American administrations considered tariffs on imports from countries manipulating their currencies, arguing that an artificially weak exchange rate amounted to an export subsidy. But they held back, understanding that such action would break the World Trade Organisation’s rules. A reversal would invite legal challenge, and perhaps retaliatory tariffs. The bellicose Mr Trump, however, would be unlikely to mind. ■

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<i>Previous</i>	Articles	Sections	<i>Next</i>
-----------------	-----------------	-----------------	-------------

Land of the tax-free

Will America go from hunter to hunted in cross-border tax evasion?

Finland targets taxpayers with hidden American accounts, in what could become a trend



Jul 25th 2019

AMERICA HAS launched brutal assaults over the past decade on countries, such as Switzerland and Liechtenstein, where banks have helped American citizens hide money and thereby evade tax. Forced to clean up, these erstwhile havens have seen much tainted capital flow elsewhere—not least to America itself. Now it is the former aggressor's turn to be on the defensive. Other countries are using similar tools to those America once employed to reveal untaxed money stashed by their own citizens in the world's largest economy.

As well as fining and prosecuting the enablers of tax-dodging—Swiss banks alone coughed up at least \$5.5bn—America passed a law in 2010 known as FATCA that required foreign financial firms to spill the beans on American clients. Stung into action, more than 100 other countries signed up to the “Common Reporting Standard” (CRS), and now swap tax-relevant financial information with each other.

America, however, did not join the CRS. Instead it shares information on the foreign clients of American banks under FATCA's reciprocal provisions. But sharing is patchy; a lot of countries get nothing. Combine that with the high level of anonymity offered by American shell companies, and it is hardly surprising that America has become the destination of choice for many tax evaders. One tax expert reckons that “over 90% of assets avoiding the CRS have been herded into the USA”.

America does not have to worry about the sort of bludgeoning that it doled out to Switzerland—no other country has anything like the same extra-territorial financial power. But other countries are finding that there are legal tools at their disposal, all the same. One is the so-called John Doe summons. This American provision assists tax authorities going after “a particular person or ascertainable group or class of persons” whom they suspect of financial wrongdoing, but whose identities are unknown. If approved by a court, the summons forces

banks to hand over names.

Until now the biggest user of such summonses in tax cases has been America, which, for instance, used the procedure in 2008 to prise open Swiss bank secrecy. That resulted in UBS handing over the names of around 4,500 account-holders. In April the tables were turned when a request from Finland prompted America's Internal Revenue Service to petition a federal court in North Carolina for leave to serve John Doe summonses on three banks in America. Heavy use at Finnish ATMs of payment cards issued by the banks, and linked to American accounts, had led the Finnish tax authority to conclude that they were being used by Finnish taxpayers who had hidden untaxed income across the Atlantic. The court has since granted approval.

Other countries suffering tax leakage will be looking more closely at this procedure. Any of the 90 with a ratified bilateral tax treaty with America can use it, though some seem unaware of the option. (By contrast, America has agreed to exchange information with only 47 countries under FATCA.) Experts say it could help to break open not only dodgy bank accounts but also trusts and insurance policies, which are also commonly used to hide capital.

There could still be obstacles, for instance if an account is owned by an entity rather than an individual. But banks issued with a summons are required to investigate who stands behind account-holding shell companies. Due-diligence rules designed to curb money-laundering and the financing of terrorism, issued by FinCEN, a federal agency, already require banks to know the identity of such "beneficial" owners (though not all seem to do so). A shell-cracking bill picking up momentum as it passes through Congress would also help improve corporate transparency.

If more countries take the John Doe route, it would help balance the unequal relationship America enjoys in matters of financial transparency. For too long it has got away with demanding much while offering little in return. Tax dodgers stashing cash in America, says Mark Morris, an international tax consultant, should "prepare to be smacked open like a *piñata*". ■

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Previous

Articles

Sections

Next

Looking after the pennies**Betterment wants your bank account as well as your investments**

Robo-advisers have made big inroads. They still need to work out how to make profits



Jul 27th 2019 | NEW YORK

THOSE SAVING for retirement face plenty of quandaries. Spending today is more fun than waiting to spend tomorrow. Once savings have been amassed you must decide what to do with them. The possibilities are many and complex. And people are prone to error, buying when asset values are high and panic-selling when they dip. The promise of robo-advisers, which offer computer-generated financial advice, is to assist savers with these problems far more cheaply than human ones.

Rock-bottom fees, usually just 0.25% of assets, have helped them grow fast. Betterment, a robo-adviser based in New York that was founded in 2008, manages \$18bn-worth of assets. Wealthfront, a rival from San Francisco, manages \$11bn. But skimpy fees mean they need hefty assets to survive. In a report in March HSBC claimed that robo-advisers need to oversee \$11bn-21bn of assets to break even. Jon Stein, Betterment's boss, says that the company is profitable, helped by low costs for running the accounts. But it is probably a close-run thing. Betterment has launched some pricier, fancier products—but its business model would suggest that revenues of just \$40m must pay for nearly 300 employees, swanky midtown Manhattan offices and advertising blitzes.

Competition in robo-advice is fierce, as established asset managers have muscled in. Vanguard, which manages \$5.3trn of assets, mostly in index funds, has a robo-advisory product, with \$115bn. So does Charles Schwab, a bank in San Francisco, which manages \$37bn in its “intelligent portfolio” product. Some smaller robo-advisers have paired up with industry giants to survive. Aviva, a British pension fund, bought a majority stake in Wealthify, a robo-adviser based in Cardiff, in 2017. But Betterment is taking a different route. On July 23rd Mr Stein announced that it was launching savings and current (checking) accounts, with the aim of becoming a “one-stop shop” for money management.

Betterment will not become a bank. Instead it has agreements with regional banks, which will hold deposits. This, says Mr Stein, allows it to offer generous terms. Rather than leaving deposits with one bank, Betterment will place them wherever rates are highest. It can split customer deposits between banks, meaning greater federal-insurance coverage. Less concerned about the stickiness of deposits, it can offer unlimited withdrawals.

The result is compelling for customers. The savings account offers a juicy interest rate of 2.69%, around 0.2 percentage points higher than the best high-yield savings accounts elsewhere. Federal insurance covers \$1m, four times the usual limit. The current account, due to launch later this year, will have no minimum balance or account or overdraft fees, and will reimburse all fees for using an ATM.

If successful, the shift in strategy could put to rest worries about profitability that have dogged both Betterment and the robo-advisory industry more broadly. New account customers might be tempted to use advisory services, too. Mr Stein also hopes that the firm can encourage account-holders to save more. More than half of Betterment's customers transfer money automatically into their investment funds. If the firm manages more current and savings accounts, it may be able to increase that share.

The launch comes with risks, however. The first is that it may irk regulators. Deposits are supposed to be a reliable source of funds for banks. If Betterment gets them to compete for its customers' funds, not only would banks' margins be squeezed but deposits could become flightier.

The second is that the terms are too generous to be sustainable. Betterment has raised \$275m to fund its growth so far, but has not had to raise capital since 2017, when it added \$70m, valuing the firm at \$800m. Mr Stein expects its account products to be profitable from launch, but admits that there may be a "learning curve" when it comes to managing them. To offer customers compelling investments, Betterment needs to be a sound investment, too. ■

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Previous

Articles

Sections

Next

Buttonwood**Why investors favour economically orthodox political strongmen**

A guide to auto-technocracy



Jul 27th 2019

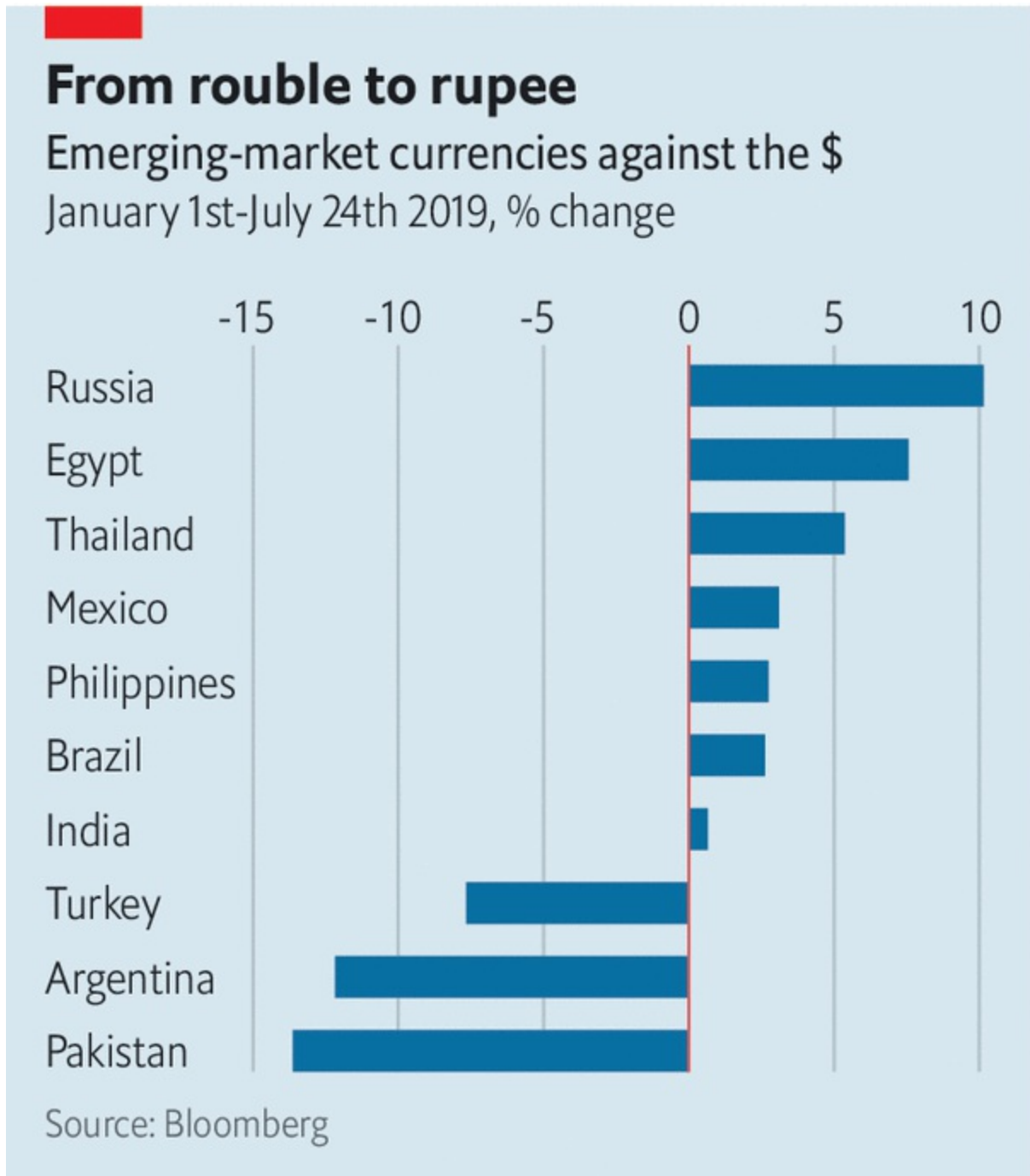
A GOOD WAY to start an argument that never ends is to try to define populism. Dictionaries say it is politics directed at ordinary people who feel neglected by elites. That leaves a lot out, not least economics. In 1990 Sebastian Edwards and the late Rudiger Dornbusch sketched what is meant by “economic populism”. It is an approach, they wrote, that denies that budget deficits or inflation are constraints on economic growth. The Latin American populists they studied printed money to pay for public-spending binges. It ended in tears.

There is no shortage of leaders in middle-income countries who fit the dictionary definition of a populist. But economic populism in its purest form is now quite rare (though its results are sadly evident in Venezuela). These days a lot of would-be champions of the people prefer their macroeconomic policies on the orthodox side: inflation targets, fiscal restraints, free-floating currencies, that sort of thing. They are happy to let technocrats get on with it.

This poses a mild dilemma for rich-world investors—which is soon resolved. They may be appalled by the social and foreign policies of such strongmen. Yet as professionals they are also unthrilled by inflation, default, devaluation and adverse shifts in politics, which are hazardous to a bond portfolio. They tend to favour autocrats who like technocrats. You might call it the Putin Principle.

Russia’s president, Vladimir Putin, is not much loved in the West. Buttressed by suppression at home and military adventures abroad, he is the archetypal strongman. He combines this with an affinity for well-qualified economists. His finance ministry frames the budget by a conservative fiscal rule. Inflation is under control, helped by fairly high interest rates. The central bank’s governor, Elvira Nabiullina, is widely admired.

What pulls investors in or puts them off is hard to pin down. It is never a single factor; the world is more complex than that. But a currency's value is a clue to general sentiment, because it is a shadow price of a country's assets relative to everybody else's. The rouble is one of the best-performing currencies this year (see chart). Just as telling is that countries led by strongmen hostile to orthodox policies have seen their currencies suffer—the inverse of the Putin Principle. Recep Tayyip Erdogan, president of Turkey, is the exemplar. For years he has bullied the central bank. Earlier this month he sacked its governor for keeping interest rates high. The lira has suffered badly.



The Economist

Other countries can be paired on the Putin-Erdogan scale. Take Egypt and Pakistan. The army looms over both. Under the IMF's auspices, Egypt has followed orthodox policies. The Egyptian pound has risen. Pakistan lost its policy discipline as soon as its most recent IMF programme ended (though it has just signed up to another one). The rupee is down.

The populist label also fits both Jair Bolsonaro of Brazil and Andrés Manuel López Obrador of Mexico. But when Mr Bolsonaro was elected, investors sensed that he might defer to technocratic advisers such as Paulo Guedes, now his economy minister, who has a doctorate in economics from the University of Chicago. Sure enough, Mr Bolsonaro recently shepherded through Brazil's lower house a pension reform that is vital to the country's fiscal stability. The real rallied. Meanwhile, Mr López Obrador's finance minister abruptly resigned. He complained bitterly that technocrats had been sidelined in favour of unqualified types. The peso wobbled.

The leader who is hardest to place on the scale is Narendra Modi of India. He has all the elements of a strongman: strident nationalism, personality cult, enfeebled opposition. He appears to value technocrats. As prime minister and, before that, as chief minister of Gujarat, he has relied on a small band of trusted civil servants. And though he is no fiscal hawk, he seems to grasp that the budget has limits. But there are marks against him. He lost two well-regarded central-bank governors in his first term as prime minister. His madcap idea to withdraw banknotes from circulation in 2016 was anything but orthodox.

The autocrat-plus-technocrat model is not rock-solid. A frailty is that stability is less valuable if it is not married to policies to promote economic growth. Such reforms often, or usually, founder on vested interests on which the autocrat depends. But if living standards are not growing, there will be demand from voters for old-style economic populism. And that always ends badly.

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Previous

Articles

Sections

Next

Critical conditions**Many consumers neither read nor understand the contracts they sign**

That makes markets less efficient



Jul 27th 2019

“TERMS AND conditions apply” vies for being the most morale-sapping four-word phrase of modern times, along with “The plane is delayed” and “You’re trending on Twitter”. Consumers read about a juicy offer, but fear a catch is hidden in the small print. The obvious solution—to read that small print—is not always feasible. Facebook’s online terms and conditions run to more than 3,200 words. Not too daunting? One section lists another 11 “other terms and policies that may apply to you”, including “community standards” on the content that users may post. A lot of further reading will be required.

Even when users do read, they may not understand. Last year Which?, a British consumer-advice group, asked 24 volunteers to read the fine print on a selection of 40 insurance documents and answer a series of questions. They gave the wrong answers to between a quarter and a third; only four got top marks. Language analysis showed that the documents were harder to understand than the late Stephen Hawking’s “A Brief History of Time”.

All this matters because “freedom of contract” is fundamental to the economic system. If two parties freely contract to make an exchange or enter a long-term relationship, both must perceive that it is to their advantage. But there is an asymmetry of information between an ordinary consumer and a corporation with lawyers paid handsomely to craft terms in its favour.

Some economists have argued that consumers’ rights will be protected, even if only a few read the small print. By complaining about unfair terms, those few will keep sellers up to the mark. But one paper* found that only one or two of every 1,000 retail shoppers buying software read the licence agreement, and of those most examined only a small part of the text. This does not suggest there is a hard core of consumers who will keep

companies in line.

The issue clearly bothers the Competition and Markets Authority (CMA), a British regulator, which launched a campaign in April under the banner “Small Print, Big Difference” to encourage travel and tourism operators to treat customers fairly.

As things stand, markets may be working less efficiently than they should. Consumers may fail to buy the best product on offer. This is easy to imagine with services such as mobile phones or energy, where there may be several points of comparison, such as a flat rental rate plus fees for usage. But another new paper** suggests it may be the case even with relatively simple products. The authors conducted a randomised trial with 124,000 British savers with savings accounts at five institutions. These are simple products and the main salient feature is the interest rate.

Savers were given information about rival accounts that offered higher rates. On average switching would have taken around 15 minutes and made them £123 (\$153) in the first year. But only around 3% were prepared to switch. The academics experimented with ways of displaying the information to make the benefits clearer. Enhanced disclosure made switching a bit more common, but not much.

The most successful approach increased the share of customers switching to just 12%. Neither a saver’s age nor the balance in the account made a difference. The authors concluded that savers doubted the benefits of shopping around and were put off by the perceived inconvenience. “Caveat emptor”, it seems, may apply in principle but not in practice. ■

* Does Anyone Read the Fine Print: Consumer Attention to Standard-Form Contracts? by Yannis Bakos, Florencia Marotta-Wurgler and David Trossen, Journal of Legal Studies, vol 43

** Testing the Effectiveness of Consumer Financial Disclosure: Experimental Evidence from Savings Accounts by Paul Adams, Stefan Hunt, Christopher Palmer and Redis Zaliauskas

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Previous

Articles

Sections

Next

Touting for business**How big stars maximise their take from tours**

Some send tickets straight to resellers



Jul 27th 2019

BUYING TICKETS to a marquee music show can be a miserable experience. You go online as soon tickets are released only to find they are sold out and available only on resale sites at a hefty markup. Touts often use bots to buy up tickets. But it has long been a dirty secret in the music industry that some end up on the secondary market at the behest of performers themselves.

A secret, that is, until July 19th, when *Billboard*, an industry magazine, reported on a phone conversation in 2017 between an executive at Live Nation, a concert promoter, and someone claiming to represent Metallica, a heavy-metal band. The representative asked Live Nation to place 88,000 tickets for an upcoming tour on ticket-resale sites, bypassing outlets where they could be bought at face value. Live Nation admitted that it had previously placed concert tickets on resale sites for other artists.

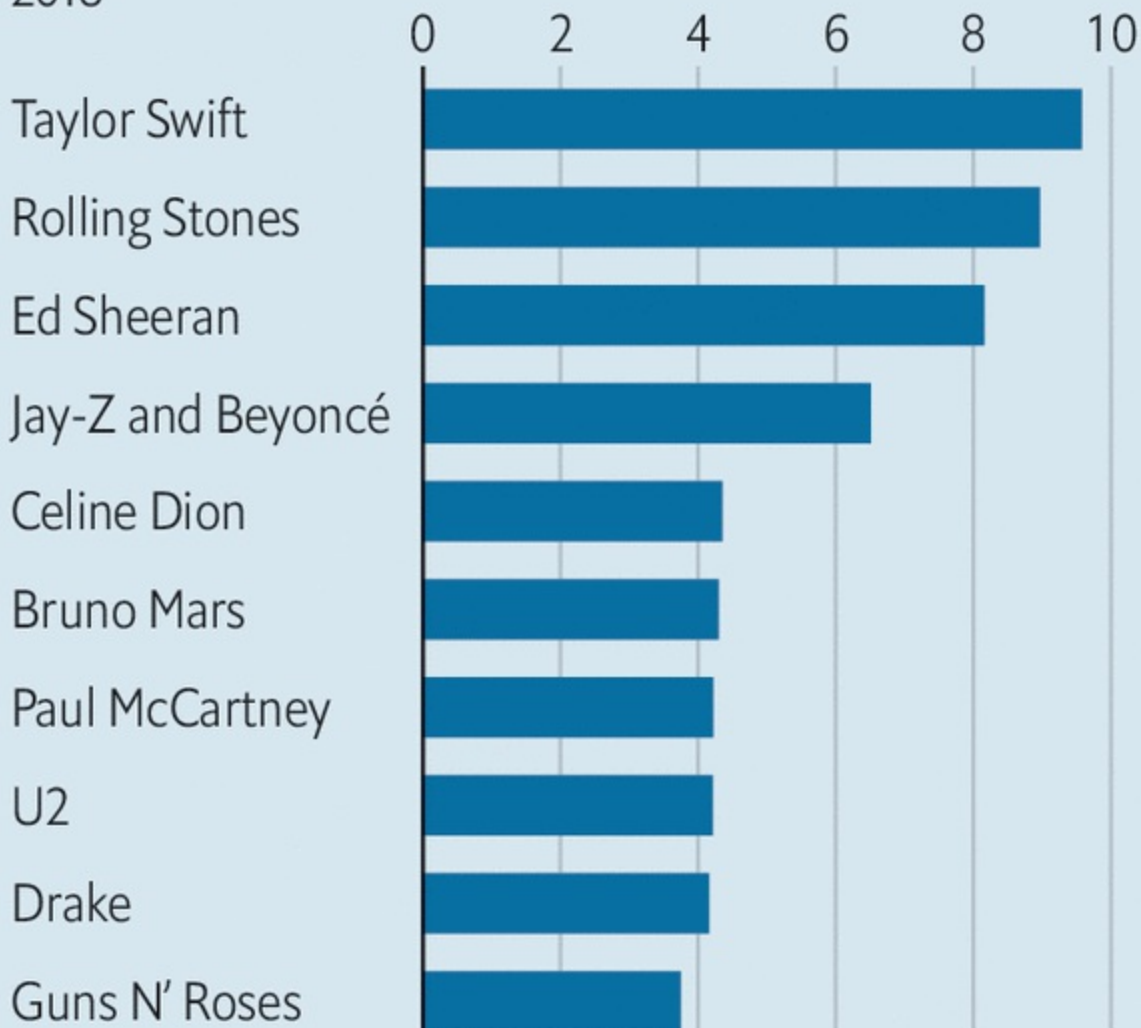
“None of the bands who had tickets on the secondary market would ever take responsibility,” says Paul Hutton of Crosstown Concerts, a British music promoter. “It was always blamed on an unscrupulous manager or agent.” Live Nation’s admission has destroyed that defence.

The reason for the ruse is that performers want to be rich, but not to make fans think them greedy. In an article in 2016 for *The Ringer*, a sport and pop-culture website, Nathan Hubbard, the former boss of Ticketmaster, a large primary-ticketing agency, wrote that “the biggest artists sign contracts that guarantee them money every time they step on the stage, and that guaranteed amount is usually more than 100% of the revenue if every ticket is sold at face value.” Sending marked-up tickets straight to resellers closes the gap.

All you had to do was pay

Average gross revenue per live concert, \$m

2018



Source: Pollstar

The Economist

Some artists are exploring more creative ways to maximise revenues without arousing fans' ire. For Taylor Swift's "Reputation" tour last year, fans who shopped in her online store had more chance of getting tickets. These were released in batches, becoming progressively pricier, like airline seats. Garth Brooks extends his tours until demand is sated, adding extra dates until shows stop selling out. Bruce Springsteen and Madonna have played in theatres, where high prices are more palatable—the average ticket for "Springsteen on Broadway" last year cost more than \$500.

Historically, tours were loss-leaders used to promote albums. As revenues from recorded music have collapsed and productions have become increasingly elaborate to draw the crowds, ticket prices have risen steeply. The cost of a concert ticket in America increased by 190% between 1996 and 2018, compared with 59% for overall consumer prices. But as the continued success of scalpers demonstrates, they are still far below the market-

clearing price. ■

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Previous

Articles

Sections

Next

Free exchange**A society's values and beliefs matter for its economy**

And cultural change can unlock the economic potential of people and ideas



Jul 25th 2019

MAKE AMERICA GREAT AGAIN is more than text on a red cap. It is an argument about the nature of American success: one which President Donald Trump elaborated on in racist comments last week. On July 21st he questioned whether four Democratic congresswomen, all non-white, were “capable of loving our Country”. The same day Stephen Miller, an adviser to Mr Trump, said the president’s criticisms of America differed from those of his critics because he was defending the “principles of Western civilisation”. The comments seemed to imply that American greatness is built on a cultural inheritance that some people cannot access, whether born in America or not.

Cultural arguments once loomed large in explanations of the ways in which countries differed economically and politically. Economists mostly abandoned such reasoning in the 20th century, not only because it provided cover for racists but also because of its lack of explanatory power. In 1970 Robert Solow, a Nobel prizewinner, quipped that attempts to explain growth with variables such as culture generally ended up “in a blaze of amateur sociology”. This position is changing, however, and not before time. A better grasp of how cultures work may be needed to understand modern political economy.

The responsible intellectual use of cultural arguments begins with clear terminology. In “A Culture of Growth”, published in 2016, Joel Mokyr, an economic historian at Northwestern University, describes culture as “a set of beliefs, values, and preferences, capable of affecting behaviour, that are socially (not genetically) transmitted and that are shared by some subset of society”. Economists typically treat rational self-interest as the lodestar of human behaviour. But Mr Mokyr recognises that acquired social codes also influence individual choices, and thus broader economic activity. Culture is not immutable, as those who ascribe countries’ diverging fates to deep-rooted cultural attributes often suggest. It evolves as the ideas and influence of different groups shift.

Cultural evolution is essential to the thesis of “A Culture of Growth”, which attempts to explain why sustained growth began where and when it did. Mr Mokyr says that factors often credited with kick-starting industrialisation—such as capital accumulation and the cost and supply of certain kinds of labour—may be necessary but are not sufficient. The true catalyst was a continent-wide evolution in beliefs. In Europe between the 16th and 18th centuries, a group of intellectuals often called the “Republic of Letters” groped their way towards a bold new view of nature and knowledge. Francis Bacon, an English intellectual and early contributor to the movement, thought that through disinterested and open inquiry, nature’s secrets could be understood and then manipulated to the benefit of humankind. Such views helped nurture the Scientific Revolution and the Enlightenment, but also percolated through society, influencing behaviour. Once the notion became widespread that objective knowledge was possible and could be used to improve people’s lives, the emergence of self-sustaining economic growth was near-inevitable.

In a recent essay Enrico Spolaore of Tufts University writes that Mr Mokyr’s ideas show how economists might make better use of culture. He does not simply argue that Europe industrialised first because of a particular European cultural way of being. Rather, he identifies a specific cultural change—the rise of an evidence-based, humanistic approach to scientific inquiry—which led to a shift in behaviour that enabled industrialisation. He contrasts this with, for example, China, where rationalistic schools of philosophy such as Mohism were eclipsed in intellectual circles by tradition-venerating Confucianism. China’s fate is not down to something inherent in Chinese culture. Rather, history unfolded one way in one place, and another in another.

Mr Spolaore has deployed cultural arguments in his own research. In work with Romain Wacziarg of the University of California, Los Angeles, he studied how cultural barriers within Europe created social distance, which impeded the flow of ideas and practices. Fertility control, which contributed to a falling birth rate in France in the early 19th century, before anywhere else, spread first to places that had close cultural and linguistic links to France. The reason to consider such cultural factors, Mr Spolaore argues, is that modern economic phenomena often cannot be explained without them. An account of the Industrial Revolution that omitted cultural shifts would be less useful and informative. And imagine trying to explain the labour-market fortunes of women and racial minorities over the past century solely as the outcome of individual decisions made on the basis of rational self-interest.

A clash of civilisations

On reflection, it seems obvious that cultural change can unlock the economic potential of people and ideas, with history-altering results. Such shifts matter for reasons other than their effect on GDP. Evolving norms that allow women, ethnic minorities, immigrants, and gay and transgender people to play full roles in society not only boost growth but reduce human suffering. But because these shifts matter economically, the dismal science needs a better understanding of when and how cultures change—especially now.

Despite Mr Trump’s trade war, America’s longest-ever expansion rolls along. But as Trump admirers at a political rally demand that Ilhan Omar, a Somali refugee and naturalised American citizen who is now a congresswoman from Minnesota, be “sent back”, it is worth thinking harder about the broader nature of Mr Trump’s economic influence. Mr Spolaore, listing the social norms that became a part of Mr Mokyr’s “culture of growth”, includes “tolerance of heterodox views, rigorous standards based on proofs and reproducible experiments, and positive attitudes towards openness, collaboration and disclosure”. These norms shaped behaviour, which enabled progress. But cultures change. ■

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Previous

Articles

Sections

Next

Science and technology

[Extreme weather: Climate blame game](#)

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[Superorganisms: Root cause](#)

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How to make a flat lens.

Extreme weather**Greenhouse-gas emissions are increasing the frequency of heatwaves**

And it will get worse in future



Jul 25th 2019

EXTREME HEAT is ruinous to productivity, particularly if you are a criminal. Several American police forces posted messages to their social-media accounts last weekend declaring a moratorium on crime. “It is just too hot to be outside committing crimes,” wrote the Park Forest Police Department in Illinois, on its Facebook page. In some cases, it seems to have worked. “We have had zero customers stay the night at our ‘hotel’, so we appreciate all of the criminals adhering to the heat advisory,” tweeted the Malden Police in Massachusetts on Sunday.

The messages came as scorching temperatures swept across America, placing more than 100m people under excessive-heat warnings. Temperatures hovered either side of 40°C on the east coast. On July 18th Mitch Petrus, a well-known retired player of American football, died of heatstroke after working outdoors all day. At least five other deaths have been reported.

Europeans have also been sweating, for the second time this summer. A month ago, warm air from the Sahara contributed to making it the continent’s hottest June on record. At the top of Mont Blanc, western Europe’s highest mountain, instruments recorded 7°C (the normal June temperature would be below freezing). At Gallargues-le-Montueux near Nîmes, in France, temperatures peaked at 45.9°C. The previous record anywhere in that country was 1.8°C lower. Linked to these temperatures, in Alaska (see [article](#)) and Portugal (pictured), forest fires are raging.

If your hunch is that this kind of extreme weather is more common today than it was once-upon-a-time, you are correct. When, in 2003, tens of thousands of people in Europe died prematurely as a result of a two-week heatwave, it was deemed to be a once-in-1,000-years event. Twelve years later, a study led by Nikolaos

Christidis of the Hadley Centre, the climate-research division of Britain's Met Office, found that heatwaves of this severity had become once-in-100-years events, and would be commonplace by the 2040s.

The question on many people's minds is whether these changes, and specific events like this week's temperatures in America and Europe, are caused by greenhouse gases accumulating in the atmosphere. For years, the semi-official line was that no single weather event could be blamed on climate change, only trends. That began to change in 2004, with the publication of the first "attribution" study. This focused on the European heatwave of 2003, when average summer temperatures broke through a threshold until then unbreached in 150 years of records. By comparing simulations of a world with and without greenhouse-gas emissions, Peter Stott at the Met Office and his colleagues found that climate change had made the record-breaking heatwave at least twice as likely as it would otherwise have been.

Since then, research of this sort, intended to study how climate change is already promoting extreme weather, has grown rapidly. A recent, extended drought in California has been linked to greenhouse-gas emissions, as was the extreme heat southern Europe experienced during the summer of 2017. That event was made at least ten times more likely by climate change according to work published later that year by World Weather Attribution, a collaboration between experts in these sorts of analyses.

Shortening odds

Attribution work does not concern itself only with heat. Floods, storms and cold spells also carry a climatic fingerprint. When Hurricane Harvey hit America in August 2017, it stalled over Texas, delivering huge quantities of rain, which caused heavy flooding and more than 80 deaths. On that occasion, World Weather Attribution found that climate change was responsible for intensifying precipitation levels by between 8% and 19%. Since 2012, the *Bulletin of the American Meteorological Society* has published an annual compendium of attribution studies. Roughly 70% of events scrutinised show some influence from climate change.

One challenge has been to do the analyses faster. Findings connected with the heatwave of 2003 took a year to appear, by which time public interest had mostly moved on. The goal today is to offer a verdict on the influence of climate change on particular meteorological events more or less as they are happening. Here, the Met Office has been leading the way, with its Dutch, French and German counterparts close behind. But many other places do not have the capacity to carry out the onerous computer-modelling required. As a result, a European Union project planned to start before November will seek to provide contemporaneous weather-attribution analyses for the continent.

An inadvertent early test of how this could work took place last month, when many of Europe's attribution scientists gathered at a statistical-climatology meeting in Toulouse, just as the June heatwave hit. Within days they published their conclusions. Accumulating greenhouse gases in the atmosphere had made the event at least five times more likely than would otherwise have been the case.

Such statements help show that the danger posed by climate change is clear and present, not just something for future generations to worry about. Heatwaves, for example, sometimes kill by the thousand—and can cause more casualties than other meteorological extremes, such as floods and hurricanes. But attribution also provides useful guidance to policymakers.

For instance, information about how much more likely an event is today than it was 50 or 100 years ago can assist decisions about building and adapting infrastructure. If what were thought of as once-in-a-millennium heatwaves now come once a century and will soon become so frequent as to be normal, then public-health systems need to be designed to cope with an influx of people suffering from heat stress. Likewise, if big floods are more frequent, water-handling systems need to be expanded and flood defences raised. Insurance and reinsurance companies are paying particular attention, because these calculations help them reassess risk levels.

Conversely, some people blamed climate change for a drought in south-eastern Brazil in 2014 and 2015, in which water levels in reservoirs around São Paulo and Rio de Janeiro fell to between 3% and 5% of capacity.

But a study published in 2015 by Friederike Otto of the Environmental Change Institute at Oxford University found no sign that greenhouse-gas emissions had raised the risk of drought. Dr Otto concluded instead that a quadrupling of São Paulo’s population since 1960 had put pressure on scarce water supplies.

Attribution science is also playing a role in courtrooms and human-rights hearings. A study published in 2015 showed that climate change contributed to the high wind speeds of supertyphoon Haiyan, which blew through the Philippines in 2013, killing more than 6,000 people. Those stronger winds created a much bigger storm surge. The matter was raised during hearings held by the Philippine Commission on Human Rights last year, which sought to explore the question of whether fossil-fuel companies could be held responsible.

Clear, present and lethal?

Others have sought to pin companies down more specifically. In one widely reported lawsuit, Saúl Luciano Lliuya, a Peruvian farmer, is suing RWE, a German energy firm, for contributing to the melting of a mountain glacier that threatens to sweep away his village. Mr Luciano Lliuya’s counsel, Roda Verheyen, has said that the case “was mostly made possible by the advancement of...attribution science”. Lindene Patton, a lawyer with the Earth and Water Law Group, a firm specialising in environmental law, has written that “the science of event attribution may become a driver of litigation, as it shifts understanding of what weather is expected and, relevantly for law, foreseeable.”

To a layman, however good attribution science has become, trying to use it to link an event in the Peruvian Andes to a particular firm in Germany looks a bit of a stretch. But whether or not Mr Luciano Lliuya wins his case, the fact it is even being heard is a straw in the wind—and a sign that global warming can change metaphorical weather patterns as well as real ones. ■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Superorganisms**Tree stumps can live on indefinitely...**

...with a little help from their friends



Jul 27th 2019

A LIVING STUMP sounds like something out of a horror movie. In fact, it is not unusual for a tree, deprived of its trunk and foliage by lightning, disease or a lumberjack, but still possessed of roots and an above-ground stump, to continue a zombie-like existence for years—even decades. Such arboreal undead have been recognised since 1833. But surprisingly, until now, no living stump has been subjected to detailed scientific scrutiny.

The scrutinised stump, pictured above, is the remains of a Kauri tree in Waitakere Ranges Regional Park, New Zealand. It and two neighbouring, intact, Kauris were investigated by Martin Bader and Sebastian Leuzinger of Auckland University of Technology, who have just published their results in *iScience*.

Dr Bader and Dr Leuzinger started with the suspicion that living stumps are sustained through their roots by nearby, intact trees of the same species. Above ground, trees look like distinct entities, but below the surface things get more complicated. More than 150 tree species, Kauris among them, are known to have roots that sometimes fuse with those of other members of the same species. Such subterranean junctions permit exchange between individual trees of food, water, minerals and even micro-organisms, to create what some regard as a superorganism.

The question the researchers asked was: if a tree in such a network were reduced to a stump, would that remnant quickly be cut loose as useless and left to fend for itself? Their study, carried out over the course of nine days, proved that the stump under scrutiny was still a participating member of the local superorganism.

Sensors fitted to the two intact trees and the stump showed that the stump's flow of sap and water ran inversely to that of the trees. On sunny days, when the intact trees were photosynthesising extensively and drawing a

great deal of water up their trunks, there was almost no water movement in the stump. At night, when the trees were no longer transpiring in this way, water flooded into the stump and sap flow reached a maximum, indicating that it was receiving a burst of resources.

Exactly why a stump's neighbours dole out their hard-won nutrients in this manner remains a mystery, but Dr Bader and Dr Leuzinger have ideas. Biologists know of two ways co-operation between organisms can evolve. One is kin selection, which requires the collaborators to be related (as neighbouring trees of the same species are likely to be) and works if sacrifices by one bring disproportionate reproductive benefits to others. The effect of this is to propagate a collaborator's genes collaterally, in a way that sociologists might refer to as nepotism, instead of directly from parent to offspring. This may be why root connections happen in the first place, but cannot explain their perpetuation, for trying to help a trunkless stump reproduce would be a fool's errand.

The other route to co-operation is reciprocal altruism of the "you scratch my back and I'll scratch yours" variety. This requires a stump's neighbours, which are feeding it, to benefit directly from the arrangement. The suggestion Dr Bader and Dr Leuzinger make is that they do—the stump's role being to extend, at minimal cost, the root networks of its intact neighbours. From their point of view, that makes keeping the stump alive worthwhile.

If this is what is going on, however, it is a good illustration of the dangers of anthropomorphic terminology. The arrangement might look reciprocal to human eyes, because it is keeping the stump alive. But since the stump cannot reproduce it might as well, in Darwinian terms, be dead anyway, for it garners no evolutionary benefit from its survival. Unless, of course, to go back to the idea of kin selection, the neighbours it is sustaining are its kin and it is rendering nepotistic assistance to them from beyond the grave. ■

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Previous

Articles

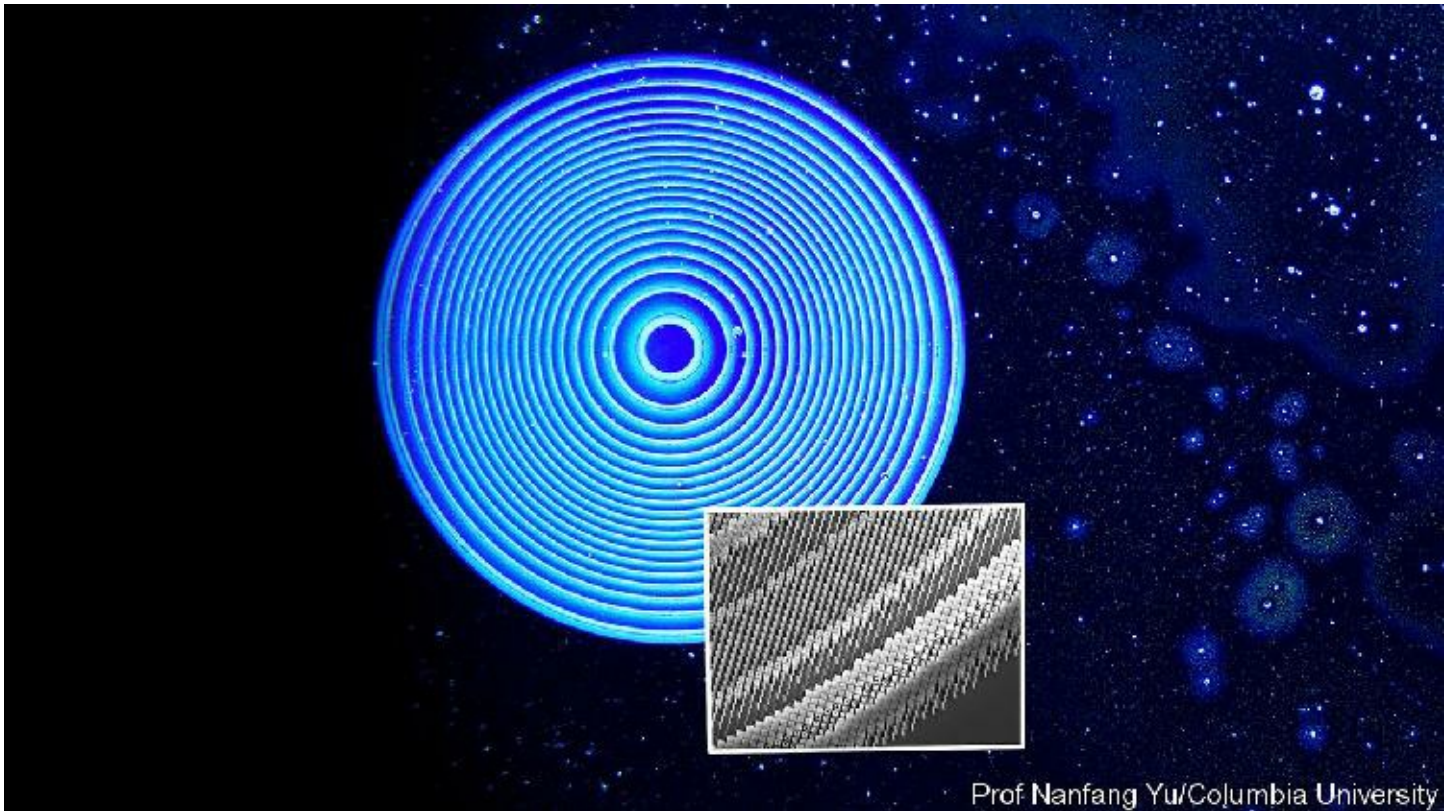
Sections

Next

The seed of light

How to make a flat lens

Cover its surface with tiny antennae



Jul 27th 2019 | NEW YORK

“LENS” IS THE Latin word for lentil. And it is indeed true that the shape of bi-convex lenses—the familiar sort used as magnifying glasses—resembles those leguminous seeds. But that resemblance may soon be a thing of the past. For a group of engineers at Columbia University, in New York, led by Nanfang Yu, has worked out how to make magnifying lenses that are flat, and thinner than a hair.

A lens works by slowing down a light wave as it traverses one of the lens’s faces (the speed of light in glass is about two-thirds of that in air). Slowing a wave changes its direction, a process called refraction. The angle through which it is refracted depends on its angle of incidence to the refracting surface—an angle that, on a curved surface, varies continuously. When the light leaves the lens it picks up speed again, and thus goes through a second refraction. The trick of the lensmaker’s art is to grind the two surfaces into such shapes that the sum of all this refraction brings the light passing through the lens to a focus.

Dr Yu’s flat lens achieves a similar result in a different way. Instead of holding the change of speed constant while varying the angle of incidence, the new lens holds the angle of incidence constant while varying the amount that the speed changes on different parts of the lens.

It can do this because its surface is covered with millions of tiny antennae. These antennae are of different designs, each with a cross section smaller than the average wavelength of the light it is interacting with, and are arranged in concentric circles (see picture). The antennae scatter the light falling on them in such a way that, when the individual changes are added up, the combined effect is the same as if different parts of the beam had passed through the lens at different speeds.

Dr Yu is not the first person to make a lens in this way, but previous efforts worked only with single colours, and also required the light to be polarised. Dr Yu's lens works with all colours and in natural light, which is unpolarised.

In practice, few optical systems other than eyeglasses rely on single lenses. Usually, different lenses with different properties are stacked on top of each other to remove aberrations and achieve full-colour wide-angle images. Dr Yu's lenses can be stacked in this way, too. By sandwiching three of them together, he has created a triplet that achieves almost all the control of light waves that would be expected of bigger and heavier glass-lens systems.

Besides saving weight and volume, Dr Yu's flat lenses also promise to be cheaper to mass produce than the conventional sort. Grinding and polishing a glass lens is complex and time-consuming. Flat lenses are made using nanolithographic techniques, which are also employed for making computer chips. Given these advantages, flat lenses could replace their bulkier counterparts anywhere that cost or weight is an issue—meaning pretty-well everywhere from microscopes and cameras, to pairs of spectacles.

Flat lenses still need development before they can truly replace their glass counterparts. In current designs, only around half of the light falling on a flat lens triplet makes it through to the other side. The rest is reflected or absorbed by the material. In a typical glass lens, by contrast, at least 90% of the light passes through. However, the researchers hope that, by tweaking the shapes and positions of the antennae, they will be able to improve on this.

In theory, there is no limit to the size of a lens that could be made using Dr Yu's techniques. But there are practical challenges in making ever-larger lenses that would work well in full colour. In particular, the bigger the lens, the more challenging it becomes to design the correct shape and distribution of antennae.

These technical obstacles will no doubt be overcome—and probably quite quickly, given the interest the project has attracted from America's armed forces. Meanwhile, flat lenses for smaller applications are already on course to become the biggest innovation for manipulating rays of light since someone, thousands of years ago, first ground a piece of transparent crystal into the shape of a leguminous seed.■

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Previous

Articles

Sections

Next

Books and arts

[Cinema and reality: The director's cut](#)

A bold Ukrainian film-maker charts the line between fiction and truth.

[Resisting the Nazis: Message from hell](#)

[Islam in America: Taking liberties](#)

Witold Pilecki is an unsung hero of the second world war. For some in America, religious freedom has limits.

[Literary influences: Huck meets Kim](#)

[A life in science: In praise of cyborgs](#)

Rudyard Kipling and the American imagination. Cyborgs will save humanity, says James Lovelock.

The director's cut**A bold Ukrainian film-maker charts the line between fiction and truth**

Sergei Loznitsa chronicles the after-effects of the Soviet Union's collapse



Jul 27th 2019

IN THE OPENING scene of “Donbass”, the latest feature film by Sergei Loznitsa, a hotch-potch group of extras gather in a makeup trailer. The shaky footage follows them as they are escorted to the site of a staged mortar attack in Russian-controlled territory in eastern Ukraine (see picture). There, for the benefit of a separatist news crew, they bemoan the depredations of the Ukrainian army. In the film, the explosion is a stunt, but the damage is genuine—much like the real-life conflict.

With its vertiginous spiral of fakery, the invented but plausible scene captures the essence of Russia's hybrid onslaught against Ukraine. After the revolution of 2013-14 Kremlin-controlled television stations spewed poisonous lies into the disaffected, Russian-speaking Donbass; next, militants and army units rolled in to “defend” the region from phantom Ukrainian fascists. Like a mirror, Mr Loznitsa's film reflects and inverts that process, using fiction to expose the wounds inflicted by the annihilation of truth. Not surprisingly, “Donbass” has been banned in Russia.

The boundary between reality and lies, fiction and history, is one of the world's most contested borders. It runs squarely through the propaganda-warped badlands of eastern Ukraine—and through Mr Loznitsa's powerful oeuvre. In both his feature films and documentaries, his aim is the opposite of the propagandists': to present the essential truth of what happened, and—an even harder task—diligently to make clear what did not happen, too.

Often his uncompromising films lack linear narratives, even protagonists. He is not interested in heroes, but in the crowd; in the audience on the square, not the politicians on the stage. In his documentaries, his impersonal camera does not probe inner lives but simply records: the space, the movements, the soundscape (snatches of pop and folk songs, anthems, tolling bells), the flow of time and ultimately of history. There is no voiceover or

catharsis. Instead, Mr Loznitsa allows the absurdity and tragedy of life to speak for themselves. “He is not a hunter,” says Mikhail Iampolski, a critic and historian of Russian culture at New York University. “He is a trap, patiently waiting for whatever gets caught in it.”

The camera, for Mr Loznitsa, is more than a piece of kit—it is a way of seeing. “When we look in front of us, there are things we don’t see,” but which can become visible afterwards, he says. The result may be “something that I could never have imagined, let alone invented”. He cites an aphorism of Alfred Hitchcock’s: “In feature films, the director is God. In documentaries, God is the director.”

On with the show

Now 52, Mr Loznitsa was born in Soviet Belarus and brought up in Ukraine. He learned his craft in Russia and now lives in Germany. Like many others, his life has been shaped by the fracturing of the Soviet Union and the Russian empire before it; his work chronicles the political—and moral—disintegrations that followed. His subjects have included the failed coup of 1991 that preceded the Soviet collapse (“The Event”, 2015) and Ukraine’s revolution (“Maidan”, 2014). Today’s world, he says, provides “no firm ground under your feet”. Just as fact and fiction have bled together, it can seem that “there is no good or bad.”

This moral predicament is captured in a scene in “Donbass” in which thugs tie a Ukrainian soldier to a telegraph pole and entice the crowd to lynch him. “I wanted to show the mechanism for working people into a state of ecstasy,” Mr Loznitsa says. The scene reconstructs a real video posted on YouTube, and is more effective for the absence of a narratorial voice. He could never film such an event directly, Mr Loznitsa avers: not only would that “make you an accomplice”, the presence of a camera would “draw in the audience to participate”. Often he conveys a sense that he is telling one story among many. Elsewhere in “Donbass”, for example, a businessman whom the militia are extorting is transferred to a holding room—where he finds a legion of other detainees pleading for help on their phones. The sequence, like many in Mr Loznitsa’s films, seems at once hyperreal and mythic.

The interplay between audience and spectacle, and the use of news footage to validate lies, are at the heart of “The Trial”, which he made just after “Donbass”. One is a feature, the other is shaped entirely from archive material, but in their preoccupations, the films are twins. “The Trial” reconstructs a tribunal that took place in Moscow in 1930. A group of Soviet engineers and economists were accused of forming the “Industrial Party”, which in collusion with France had supposedly plotted against the Bolshevik government.

In reality, like the Ukrainian “fascists”, the Industrial Party never existed; the entire case was fabricated. The trial was held—or performed—not in a court but in the House of the Unions, a grand hall used for state ceremonies, illuminated for the cameras and complete with a 1,000-strong audience. “The Trial” intercuts passages from the resulting propaganda film with shots of crowds demanding the death of the culprits. In this instance, says Mr Loznitsa, “Stalin was the real director of the show. I merely helped make it into a film.”

Strikingly, none of the accused—the main actors in the drama—protested or tried to clear their names; instead they helpfully implicated themselves in fantastical crimes. Some were rewarded for their convincing performances. Leonid Ramzin, a professor of engineering, was cast as a leader of the imaginary conspiracy, but his death sentence was commuted to ten years in prison. He was amnestied in 1936 and later showered with awards. Meanwhile, the prosecutor, Nikolai Krylenko, was himself arrested in 1937 during the Great Terror. He falsely confessed, too—and was executed soon afterwards. By then, the era of co-productions with Stalin’s prisoners was over.

Russia and separatist Ukraine are not the Soviet Union, but justice is still suborned to theatre, and facts to interests. Mr Iampolski argues that in this nihilistic climate, “inscription”—the act of committing things to paper or the screen—becomes the main form of legitimacy. In this way propaganda, including Russia’s demonisation of Ukraine, makes falsehoods credible. Yet even (or especially) now, scrupulous film-makers can expose lies instead of spreading them, as Mr Loznitsa shows.

At the end of “Donbass” the grumbling extras prepare for another stunt. A soldier enters the trailer and ruthlessly shoots them all dead. A TV crew soon arrives to report on this latest confected-but-real atrocity. Mr Loznitsa’s camera dispassionately surveys the scene from above. ■

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Message from hell**Witold Pilecki is an unsung hero of the second world war**

He volunteered to go to Auschwitz and told the world about its horrors. Or, he tried to



Jul 27th 2019

The Volunteer. By Jack Fairweather. *Custom House*; 529 pages; \$28.99. WH Allen; £20.

WITOLD PILECKI is one of the great—perhaps the greatest—unsung heroes of the second world war. He volunteered to be infiltrated into Auschwitz and spent two and a half years there, not only surviving but organising an extensive resistance network. Among other feats, he chronicled the murders and tortures meted out to the inmates, and the transformation of a modest internment and labour camp into the giant centrepiece of Hitler’s extermination of the Jews. His first-hand accounts were smuggled to the Polish government-in-exile in London, from which they reached the British and American leadership.

It would be nice to think two things. One is that the allies reacted speedily to the news by doing everything they could to halt the murder machine—bombing the camp and the rail lines that supplied it, arming the Polish underground army so that it could co-ordinate with the resistance inside Auschwitz over a mass break-out, and highlighting the plight of the Jews in occupied Europe as one of the greatest humanitarian crimes of all time. Another consoling assumption would be that after the war Pilecki’s courage, determination and ingenuity would be celebrated, not only in his native Poland, but everywhere.

On both scores, think again. The news about Auschwitz trickled out slowly. One agent took over six months to make the hazardous journey to Britain. The stories were initially dismissed as fanciful, or, later, overshadowed by reports of other atrocities, such as the destruction of the Warsaw Ghetto. President Franklin Roosevelt worried that publicising Auschwitz would stoke anti-Semitism—that Americans would believe Nazi propaganda that the war was being waged on behalf of the Jews. Military commanders thought attacking Auschwitz would be a distraction, and that the bombs and planes were needed for the only task that mattered,

defeating Hitler (a leading British sceptic of targeting the camp was Charles Portal, chief of the air staff, and this reviewer's great-uncle).

Nor, alas, was Pilecki treated as a hero by Poland's post-war communist regime. His resistance activities, under the direction of the émigré leadership in London, led to his arrest and torture—which was so bad, he told his family, that Auschwitz was “just a game” in comparison. His work fighting the Nazis counted for nothing in this new tyranny. He was executed on May 25th 1948; his body has never been found.

Jack Fairweather's meticulous and insightful book is likely to be the definitive version of this extraordinary life (even if, slightly jarringly, he calls his subject by his first name, Witold). The author, a British former foreign correspondent now living in America, has tracked down survivors, unearthed archival documents and obtained family papers. He has woven them together with Pilecki's own powerful accounts, written after his escape from Auschwitz in 1943, to draw a sympathetic and imaginative picture of wartime Poland under Nazi occupation. The book is all the more powerful for the restraint with which he describes Nazi atrocities and Western shilly-shallying. And it is all the more welcome for its projection of an often-missed view of the war, in which Poles take a leading and positive role, rather than being mere bystanders, victims or accomplices. The maps and pictures are illuminating.

This is not, as its publicity bumf claimed, “the first account” of an “untold story”. In fact, Pilecki's deeds are already the subject of films, much journalism and many books, mostly in Polish but also in English and Italian. For his part, though, the author scrupulously cites these sources in his admirably comprehensive notes. He ends the book by reiterating Pilecki's frustration that he had failed to deliver his message effectively. Then, as now, non-Western stories and viewpoints are all too often overlooked. ■

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Previous

Articles

Sections

Next

Taking liberties**For some in America, religious freedom has limits**

A personal and political account of discrimination against Muslims



Jul 27th 2019

When Islam is Not a Religion: Inside America's Fight for Religious Freedom. By Asma Uddin. *Pegasus Books*; 336 pages; \$27.95.

WHEN JOHN LOCKE built a case for religious toleration in 1689, he had a few caveats. Atheists were out—they could not be trusted—as was anyone whose faith threatened the social order. Also excluded were believers who “deliver themselves up to the protection and service of another prince” in a foreign land—such as a “Mahometan” with “blind obedience to the Mufti of Constantinople”. This category included Catholics (due to their fealty to the pope) as well as Muslims. Divided loyalties, Locke reasoned, made dangerous subjects.

In her new book on the fragile status of America's roughly 3.5m Muslims after the attacks of September 11th 2001, Asma Uddin identifies a similar prejudice. It may sound like a “crazy fact”, Ms Uddin writes, but a central thread of Islamophobia in the United States is the preposterous notion that Islam is not, properly speaking, a religion. Michael Flynn, briefly Donald Trump's national security adviser, said in 2016 that Islam is a “political ideology” that “hides behind the notion of being a religion”. When Sebastian Gorka, formerly an adviser to Mr Trump, was asked if the president believed Islam is a religion, he demurred. “We aren't going to get into theological debates,” Mr Gorka said.

Ms Uddin folds bits of theology, and her own experience as a Muslim in America, into her legal and political narrative. “Islam” means “peaceful submission”, she writes in response to a claim to the contrary from Steve Bannon, Mr Trump's erstwhile strategist. Islamic law is more flexible than is commonly believed: sharia may be God's “divine blueprint”, but “the rules we derive from it”, or *fiqh*, are subject to reinterpretation. Some American Muslim scholars, for example, now say the Koran permits gay and lesbian Muslims to “worship and

engage meaningfully in the community”. For Ms Uddin’s part, after concluding that the hijab was “hopelessly politicised” and hazardous to her safety, in 2006 she stopped wearing hers in public.

Peril for women wearing religious garb is only one example of anti-Muslim discrimination in America. The author also adduces xenophobic anti-sharia laws and resistance to Muslim buildings. After arsonists targeted the site of a new Islamic centre in Tennessee in 2010, a candidate for Congress said that the building would “fracture the moral and political foundation” of the region; the state’s lieutenant-governor declared Islam a “violent political philosophy”. The mosque opened in 2012, but five years later vandals wrapped bacon on the door handles and scrawled “Fuck Allah” on the wall.

Ms Uddin wants to forge stronger links with opponents of Mr Trump’s restrictions on immigration and on travel from Muslim countries. Both Muslims and LGBTQ people, she says, are “fighting for their civil rights” and should “support each other’s causes”. Nevertheless the author defends Christian conservatives who resist laws requiring businesses to serve customers of all sexual and gender identities. As a lawyer at Becket, a non-profit firm, Ms Uddin represented Hobby Lobby, a textile shop, when its religious proprietors demanded an exemption from the Obamacare rule that companies must provide contraceptive coverage for employees. Her firm also sided with a group of nuns who complained that an accommodation releasing them from the contraceptive mandate was itself a violation of their conscience.

This is a fraught political stance. Ms Uddin wants to ally with liberals and begin a “conversation” with conservatives. But many on the left oppose religious exemptions that impede the rights of women and minorities, while many on the right—as this book disturbingly documents—deny that Islam is even worth protecting. ■

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Previous

Articles

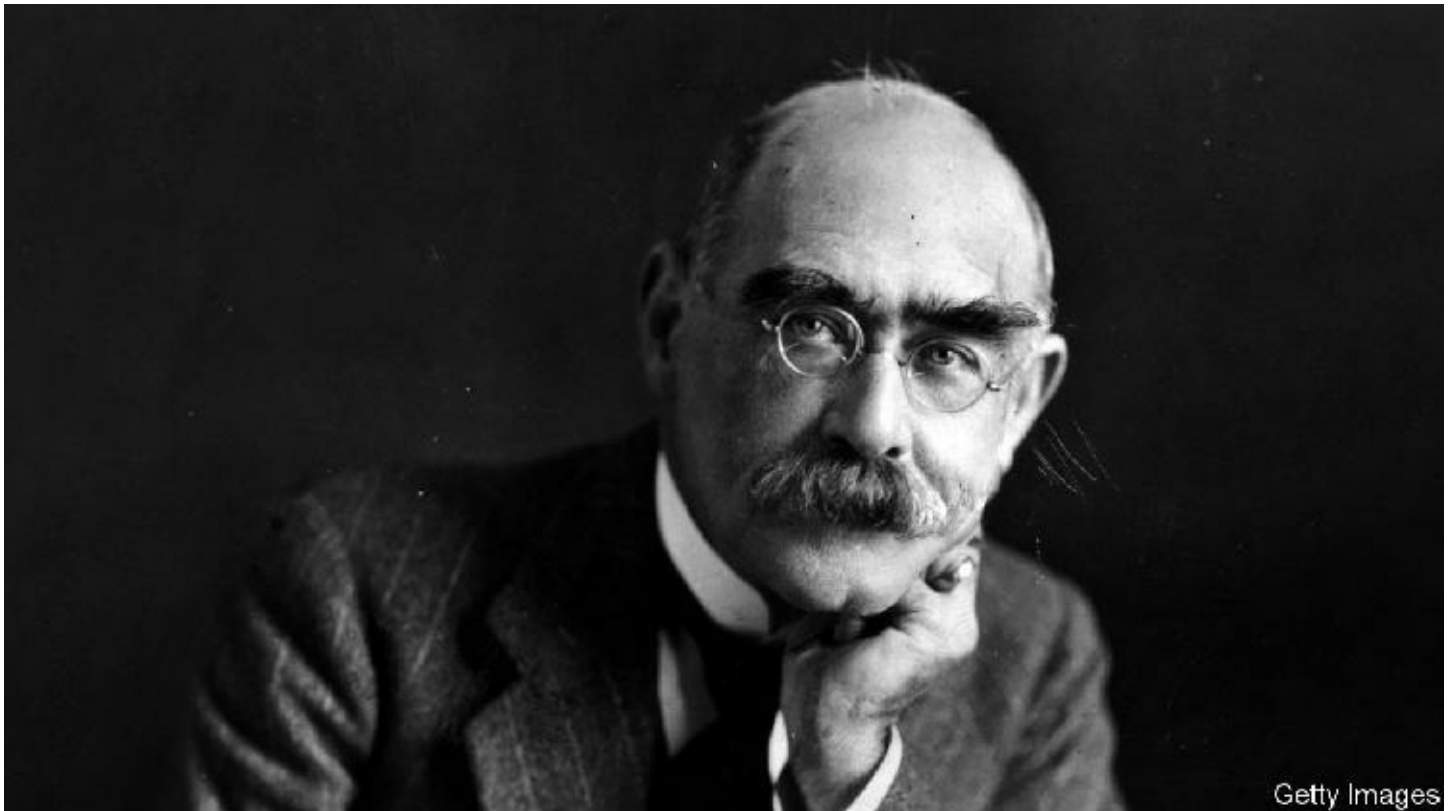
Sections

Next

Huck meets Kim

Rudyard Kipling and the American imagination

He thought he was the man to write the Great American Novel



Jul 27th 2019

If: The Untold Story of Kipling's American Years. By Christopher Benfey. *Penguin Press*; 256 pages; \$28.

"KIM", RUDYARD KIPLING'S tale of an Anglo-Irish boy's journey through British India (published in 1901), recalls another literary odyssey. Huckleberry Finn floats down the Mississippi river with Jim, a runaway slave seeking his freedom. Kim treks over the Grand Trunk Road with the Teshoo Lama, a holy man searching for spiritual liberation. Both defy prejudices to help their companions, even as their authors deal in ugly racial stereotypes.

As Christopher Benfey observes in "If", his sensitive study of Kipling's sojourn in America, Kim's resemblance to Huck is not coincidental. It was Mark Twain who first attracted Kipling to the United States in 1889, when the young Indian-born Englishman made a pilgrimage to Elmira, New York, to meet his literary hero. Twain was dazzled by the unknown writer's eloquence. He compared Kipling's language to footprints, "so strong and definite was the impression which it left behind".

"If", which takes its title from Kipling's celebrated poem, charts the decisive influence of his time in America on his life and writing. In 1892 he married Carrie Balestier, the sister of his late literary agent, and the couple settled in her home town of Brattleboro, Vermont. There, in a hillside house with a view of the Connecticut river, he laboured "to turn himself into a specifically *American* writer". Indeed, Kipling believed that, as a perceptive foreigner devoted to his adopted country, he alone was capable of producing The Great American Novel.

He came close, Mr Benfey argues, with "The Jungle Book". Far from the forests of Madhya Pradesh, Kipling composed his story of an Indian man-cub raised by wolves. Mowgli seeks "the proper balance between the

claims of civilisation and the claims of the wild”, a favourite theme of the New England Transcendentalists. (Ralph Waldo Emerson’s “Self-Reliance” was, for Kipling, “a sacred creed to live by”.)

In his bid to join the American pantheon, Kipling pored over the work of Twain, Emerson and Henry Wadsworth Longfellow. He befriended Theodore Roosevelt, then an ambitious civil-service commissioner, with whom he visited the National Zoo in Washington. Roosevelt, a champion of big-stick diplomacy, admired the mighty bears. Kipling, who believed in imperial duty, preferred the diligent beavers.

Mr Benfey does not gloss over Kipling’s faith in colonialism. He considers the flagrant racism of “The White Man’s Burden”, a notorious call for America to occupy the Philippines, alongside denunciations of Western hubris in lesser-known texts such as “Recessional”. Long after Kipling’s death in 1936 reactions to his writing reflected these contradictions. During the Vietnam war CIA operatives read “Kim” for its lessons in international espionage, while film-makers such as Francis Ford Coppola and John Huston drew from Kipling’s work to critique imperial overreach.

Kipling’s hold on American culture has endured. He popularised themes—such as the virtues of an education in the wilderness—that pervaded American literature of his age; today his characters live on in Hollywood. But the Kiplings themselves reluctantly quit Vermont for England in 1896, when a row with Carrie’s ne’er-do-well brother became a media scandal (leaving was the most difficult decision of his life, Kipling said). Once again, the Indian-cum-Englishman-turned-American would have to find his place in the world. “Like all men, Rudyard Kipling was many men,” Jorge Luis Borges wrote in 1941, “but none with more conviction than the artificer.” ■

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Previous

Articles

Sections

Next

Gaia meets AI**Cyborgs will save humanity, says James Lovelock**

A distinguished centenarian scientist prophesies the future



Jul 27th 2019

Novacene: The Coming Age of Hyperintelligence. By James Lovelock with Bryan Appleyard. *The MIT Press*; 160 pages; \$22.95. *Allen Lane*; £14.99.

“MY FATHER WAS, in many ways, a hunter-gatherer,” recalls James Lovelock on the patio of his cottage above Chesil Beach, on England’s south coast. In a poor household, the elder Lovelock not only scabbled to feed the family, but taught young Jim the virtue of respecting nature and Earth. As a scientist, Mr Lovelock went on to develop Gaia theory, the idea that Earth is a single, complex, self-regulating system. Though initially rejected by life scientists, it became the main way many people conceive of the planet.

That is just one of his many contributions to science. Mr Lovelock honed a method to look for life on other planets while at NASA in the 1960s. He found and quantified CFCs in the atmosphere in the 1970s, which led eventually to a ban on the harmful chemicals. His nomination to Britain’s Royal Society in 1974 cited a plethora of work in biology, chemistry and physics—all before the popularisation of the theory for which he is best-known (it is named after Gaia, the ancient Greek goddess of Earth).

To coincide with his 100th birthday, he has published a slim book on artificial intelligence (AI), written with Bryan Appleyard, a journalist. It is mind-stretching stuff. Mr Lovelock thinks the world is leaving the Anthropocene (ie, the current geological age, when human activity has a dominant impact on the planet), for the Novacene, in which “cyborgs” (AI systems) will play the central role.

This is the next step in natural selection, he argues, because cyborgs can reproduce and evolve. They can think thousands of times faster than humans: they are as cleverer than people as people are than plants. Don’t panic,

Mr Lovelock counsels, terrifying as this sounds. Cyborgs will have an incentive to conserve humans rather than wipe them out, since they will need life-forms to help cool the planet for their own survival—though mortals may be relegated to the status of pets and play-things. Cyborgs may “exhibit collections of live humans”, he writes, just as today people “go to Kew Gardens [in London] to watch the plants”.

In the end, AI systems may save humankind as well as themselves. Besides climate change, Mr Lovelock fears other natural ways that Gaia—the principle that maintains the balance in the planet’s climate—could be destroyed, such as a severe volcanic eruption. Keeping the planet cool will make it more resilient to such threats, he contends; so, as well as preserving organic life, the cyborgs will probably enact other kinds of geoengineering that lower Earth’s temperature. Hence the Novacene is to be welcomed, not feared. “Whatever harm we have done to the Earth, we have, just in time, redeemed ourselves by acting simultaneously as parents and midwives to the cyborgs. They alone can guide Gaia through the astronomical crises now imminent,” Mr Lovelock writes.

As a thinker, he defies categorisation. He adamantly favours nuclear energy and rejects the Green movement as utopian. He considers work on autonomous weapons to be as foolish as it is deadly. He attributes his originality to a decision to abandon academia for independent research, which allowed his curiosity to roam. In “Novacene”, his most impassioned argument is that humans are cursed by language because it forces causal, linear thinking at the expense of intuition, which is a truer way to understand the reality of the world.

He expands on this point on his seaside patio. Most of his own inventions came from intuition, he reflects on a warm summer day, not from following the logical steps from known science. A statue of Gaia stares back at him blankly from his garden. But it gets hot, and Mr Lovelock goes inside to escape the sun. ■

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Previous

Articles

Sections

Next

Books and arts

Sections

Graphic detail

Economic and financial indicators

[Economic data, commodities and markets](#)

Economic data, commodities and markets.

Books and arts

Sections

Graphic detail

	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Economic data, commodities and markets

Jul 25th 2019

Economic data

1 of 2

	Gross domestic product				Consumer prices			Unemployment rate	
	% change on year ago:				% change on year ago:			%	
	latest		quarter*	2019†	latest		2019†		
United States	3.2	Q1	3.1	2.2	1.6	Jun	2.0	3.7	Jun
China	6.2	Q2	6.6	6.2	2.7	Jun	2.9	3.7	Q1 [§]
Japan	0.9	Q1	2.2	1.0	0.7	Jun	1.1	2.4	May
Britain	1.8	Q1	2.0	1.3	2.0	Jun	1.8	3.8	Apr
Canada	1.3	Q1	0.4	1.6	2.0	Jun	2.0	5.5	Jun
Euro area	1.2	Q1	1.8	1.2	1.3	Jun	1.4	7.5	May
Austria	1.4	Q1	3.8	1.3	1.6	Jun	1.8	4.7	May
Belgium	1.2	Q1	1.1	1.2	1.7	Jun	1.9	5.5	May
France	1.2	Q1	1.4	1.2	1.2	Jun	1.2	8.6	May
Germany	0.7	Q1	1.7	0.8	1.6	Jun	1.4	3.1	May
Greece	0.9	Q1	0.9	1.8	-0.3	Jun	1.0	17.6	Apr
Italy	-0.1	Q1	0.5	0.1	0.7	Jun	0.9	9.9	May
Netherlands	1.7	Q1	1.9	1.6	2.7	Jun	2.6	4.2	Jun
Spain	2.4	Q1	2.7	2.2	0.4	Jun	1.1	13.6	May
Czech Republic	2.8	Q1	2.6	2.6	2.7	Jun	2.5	2.2	May [‡]
Denmark	2.4	Q1	0.5	1.9	0.6	Jun	1.1	3.7	May
Norway	2.5	Q1	-0.3	1.6	1.9	Jun	2.6	3.2	Apr ⁺⁺
Poland	4.7	Q1	6.1	4.0	2.6	Jun	2.0	5.3	Jun [§]
Russia	0.5	Q1	na	1.2	4.7	Jun	4.9	4.4	Jun [§]
Sweden	2.0	Q1	2.4	1.7	1.8	Jun	1.9	6.8	May [§]
Switzerland	1.7	Q1	2.3	1.6	0.6	Jun	0.5	2.3	Jun
Turkey	-2.6	Q1	na	-1.7	15.7	Jun	16.1	13.0	Apr [§]
Australia	1.8	Q1	1.6	2.2	1.3	Q1	1.7	5.2	Jun
Hong Kong	0.6	Q1	5.4	1.8	3.2	Jun	2.4	2.8	Jun ⁺⁺
India	5.8	Q1	4.1	6.7	3.2	Jun	3.6	7.9	Jun
Indonesia	5.1	Q1	na	5.1	3.3	Jun	3.1	5.0	Q1 [§]
Malaysia	4.5	Q1	na	4.5	1.5	Jun	0.7	3.3	May [§]
Pakistan	3.3	2019 ^{**}	na	3.3	8.9	Jun	8.5	5.8	2018
Philippines	5.6	Q1	4.1	6.0	2.7	Jun	3.6	5.1	Q2 [§]
Singapore	0.1	Q2	-3.4	1.6	0.6	Jun	0.6	2.2	Q1
South Korea	2.1	Q2	4.4	1.9	0.7	Jun	0.8	4.0	Jun [§]
Taiwan	1.7	Q1	2.3	1.7	0.9	Jun	0.5	3.7	Jun
Thailand	2.8	Q1	4.1	3.3	0.9	Jun	1.2	1.1	May [§]
Argentina	-5.8	Q1	-0.9	-1.2	55.8	Jun [‡]	48.6	10.1	Q1 [§]
Brazil	0.5	Q1	-0.6	0.8	3.4	Jun	4.0	12.3	May [§]
Chile	1.6	Q1	-0.1	3.0	2.3	Jun	2.4	7.1	May ^{§††}
Colombia	2.3	Q1	nil	3.1	3.4	Jun	3.4	10.5	May [§]
Mexico	1.2	Q1	-0.7	0.8	3.9	Jun	3.9	3.5	May
Peru	2.3	Q1	-2.0	3.4	2.3	Jun	2.2	7.1	May [§]
Egypt	5.7	Q2	na	5.5	9.4	Jun	11.8	8.1	Q1 [§]
Israel	3.3	Q1	5.0	3.3	0.8	Jun	1.2	3.6	May
Saudi Arabia	2.4	2018	na	1.9	-1.4	Jun	-1.1	5.7	Q1
South Africa	nil	Q1	-3.2	1.0	4.5	Jun	4.8	27.6	Q1 [§]

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.

Economic data

2 of 2

	Current-account balance	Budget balance	Interest rates		Currency units	
	% of GDP, 2019†	% of GDP, 2019†	10-yr gov't bonds latest,%	change on year ago, bp	per \$ Jul 24th	% change on year ago
United States	-2.4	-4.7	2.0	-84.0	-	
China	0.2	-4.5	3.0 ^{§§}	-31.0	6.87	-0.9
Japan	3.8	-2.9	-0.2	-17.0	108	2.8
Britain	-4.1	-1.6	0.8	-53.0	0.80	-5.0
Canada	-2.6	-0.9	1.4	-79.0	1.31	nil
Euro area	3.5	-1.2	-0.4	-78.0	0.90	-5.6
Austria	2.1	0.1	-0.1	-76.0	0.90	-5.6
Belgium	0.1	-1.0	-0.1	-77.0	0.90	-5.6
France	-0.9	-3.3	-0.1	-76.0	0.90	-5.6
Germany	6.5	0.7	-0.4	-78.0	0.90	-5.6
Greece	-3.0	0.1	2.0	-185	0.90	-5.6
Italy	2.0	-2.5	1.5	-118	0.90	-5.6
Netherlands	10.1	0.7	-0.2	-74.0	0.90	-5.6
Spain	0.5	-2.2	0.4	-96.0	0.90	-5.6
Czech Republic	0.2	0.2	1.3	-77.0	22.9	-4.2
Denmark	6.8	1.0	-0.3	-67.0	6.70	-4.9
Norway	7.7	6.4	1.4	-36.0	8.63	-5.3
Poland	-0.6	-2.0	2.0	-116	3.82	-3.9
Russia	6.9	2.1	7.3	-49.0	63.0	-0.5
Sweden	4.9	0.5	-0.1	-64.0	9.43	-6.5
Switzerland	9.6	0.5	-0.6	-63.0	0.99	nil
Turkey	-0.7	-2.3	16.4	-185	5.71	-14.4
Australia	-1.4	0.1	1.3	-135	1.43	-5.6
Hong Kong	4.6	0.4	1.6	-61.0	7.81	0.5
India	-1.8	-3.5	6.4	-134	69.0	-0.2
Indonesia	-2.6	-1.9	7.2	-52.0	13,995	3.8
Malaysia	2.6	-3.5	3.6	-48.0	4.12	-1.2
Pakistan	-3.9	-7.1	14.1 ^{†††}	411	161	-20.2
Philippines	-2.1	-2.3	4.8	-171	51.2	4.4
Singapore	15.3	-0.6	1.9	-52.0	1.36	nil
South Korea	4.2	0.9	1.5	-111	1,178	-3.6
Taiwan	13.0	-1.0	0.7	-21.0	31.1	-1.2
Thailand	7.8	-2.9	1.7	-86.0	30.9	8.2
Argentina	-2.3	-3.4	11.3	562	42.8	-35.8
Brazil	-1.0	-5.8	5.5	-355	3.76	-0.5
Chile	-2.6	-1.3	3.0	-151	693	-5.5
Colombia	-4.2	-2.5	5.8	-99.0	3,189	-9.3
Mexico	-1.7	-2.4	7.5	-32.0	19.1	-1.5
Peru	-1.9	-2.0	5.6	64.0	3.29	-0.6
Egypt	-1.2	-7.2	na	nil	16.6	7.8
Israel	2.5	-4.0	1.3	-68.0	3.52	3.7
Saudi Arabia	3.8	-5.6	na	nil	3.75	nil
South Africa	-3.7	-4.2	8.1	-62.0	13.9	-4.2

Source: Haver Analytics. ^{§§}5-year yield. ^{†††}Dollar-denominated bonds.

Markets

In local currency	Index Jul 24th	% change on:	
		one week	Dec 31st 2018
United States S&P 500	3,019.6	1.2	20.5
United States NAScomp	8,321.5	1.7	25.4
China Shanghai Comp	2,923.3	-0.3	17.2
China Shenzhen Comp	1,563.0	-0.7	23.3
Japan Nikkei 225	21,709.6	1.1	8.5
Japan Topix	1,575.1	0.5	5.4
Britain FTSE 100	7,501.5	-0.5	11.5
Canada S&P TSX	16,611.8	0.8	16.0
Euro area EURO STOXX 50	3,532.9	0.9	17.7
France CAC 40	5,605.9	0.6	18.5
Germany DAX*	12,522.9	1.5	18.6
Italy FTSE/MIB	22,080.3	nil	20.5
Netherlands AEX	583.3	1.9	19.5
Spain IBEX 35	9,329.7	0.5	9.2
Poland WIG	60,776.7	1.3	5.3
Russia RTS, \$ terms	1,339.6	-1.6	25.7
Switzerland SMI	9,907.7	-0.3	17.5
Turkey BIST	103,457.3	3.7	13.4
Australia All Ord.	6,862.4	1.5	20.2
Hong Kong Hang Seng	28,524.0	-0.2	10.4
India BSE	37,847.7	-3.5	4.9
Indonesia IDX	6,385.0	-0.2	3.1
Malaysia KLSE	1,652.4	-0.3	-2.3
Pakistan KSE	32,401.4	-1.8	-12.6
Singapore STI	3,368.4	0.1	9.8
South Korea KOSPI	2,082.3	0.5	2.0
Taiwan TWI	10,935.8	1.0	12.4
Thailand SET	1,725.4	0.4	10.3
Argentina MERV	39,784.9	-4.0	31.3
Brazil BVSP	104,119.5	0.3	18.5
Mexico IPC	41,167.7	-3.3	-1.1
Egypt EGX 30	13,617.9	-0.2	4.5
Israel TA-125	1,499.4	1.7	12.5
Saudi Arabia Tadawul	8,785.7	-3.2	12.3
South Africa JSE AS	57,718.1	0.1	9.4
World, dev'd MSCI	2,217.8	0.9	17.7
Emerging markets MSCI	1,055.3	nil	9.3

US corporate bonds, spread over Treasuries

Basis points	Dec 31st	
	latest	2018
Investment grade	157	190
High-yield	480	571

Sources: Datastream from Refinitiv; Standard & Poor's Global Fixed Income Research.

*Total return index.

Commodities

The Economist commodity-price index				% change on	
2005=100	Jul 16th	Jul 23rd*	month	year	
Dollar Index					
All Items	137.0	136.2	-2.4	-4.3	
Food	147.7	146.3	-3.8	0.9	
Industrials					
All	125.9	125.7	-0.8	-9.9	
Non-food agriculturals	113.3	113.6	-4.6	-17.1	
Metals	131.4	130.9	0.8	-6.9	
Sterling Index					
All items	200.7	199.1	-0.2	1.2	
Euro Index					
All items	151.8	151.9	-0.4	0.5	
Gold					
\$ per oz	1,409.6	1,424.2	-0.6	16.0	
West Texas Intermediate					
\$ per barrel	57.6	56.8	-1.8	-17.1	

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

The Economist

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	Articles	Sections	<i>Next</i>
--	-----------------	-----------------	-------------

Economic and ...

Sections

Obituary

Graphic detail

[Economic forecasting: Curveball](#)

Yield curves help predict economic growth across the rich world.

Economic and ...

Sections

Obituary

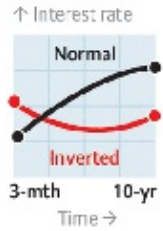
	Articles	Sections	Next
--	--------------------------	--------------------------	----------------------

Economic forecasting

Yield curves help predict economic growth across the rich world

For every percentage point that spreads flatten, GDP growth slows about half as much

→ In America, recessions typically follow after the yield curve has inverted



The yield curve shows the rate of interest at which governments borrow money over different time periods. Typically it costs more to borrow for longer. When interest rates are higher in the short term than the long term, the curve is inverted.

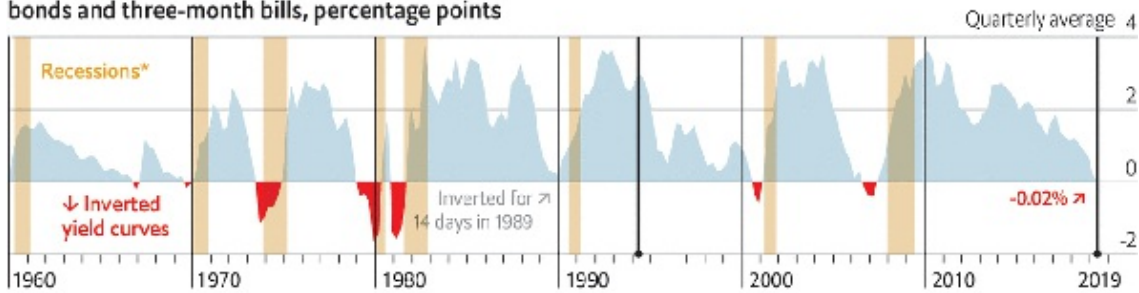


United States 1960-2019

GDP, % change on previous quarter

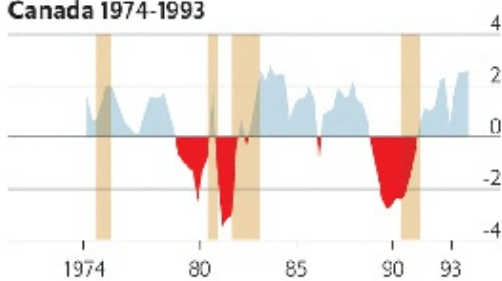


Difference in interest rates between ten-year bonds and three-month bills, percentage points

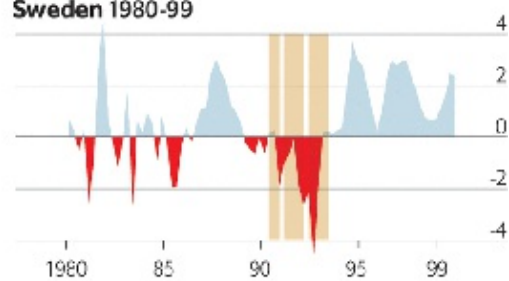


→ At first glance, the relationship appears murkier in other countries

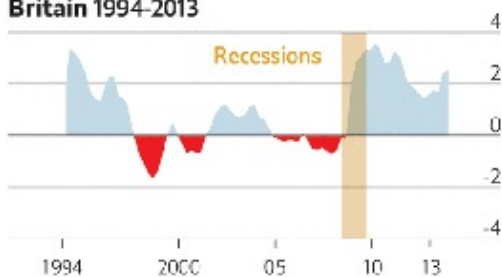
Canada 1974-1993



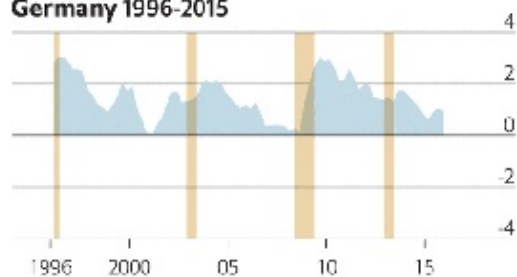
Sweden 1980-99



Britain 1994-2013



Germany 1996-2015



Sources: Datastream from Refinitiv; IJaver Analytics; IMF; OECD; The Economist
*National Bureau of Economic Research definition

Jul 27th 2019

MANY ECONOMISTS see the link between GDP growth and yield curves as a curious case of American exceptionalism. In general, interest rates rise as borrowing periods get longer, because the risks of default and rising inflation grow over time. But occasionally this pattern reverses, and short-term rates exceed long-term ones.

In America, such “inversions” have foreshadowed economic turmoil. For all eight recessions since 1960, three-month interest rates exceeded ten-year ones on at least one day during the previous year. The signal has sounded just one false alarm.

There are good reasons why yield-curve inversions tend to precede recessions. At the short end, when central banks raise rates, the curve flattens and the economy slows. On the long side, when a recession looms, investors expect that central banks will cut rates to soften the blow. That lowers long-term yields, flattening the curve.

This logic should apply everywhere. Yet only in America has the curve been a soothsayer. In a dataset of 16 other rich countries, reaching as far back as 1960, 51 of the 95 recessions were not preceded by an inversion during the previous two years. Moreover, the curve seems prone to crying wolf. On 63 occasions, these non-American economies kept growing despite inverted yield curves.

The yield curve’s failure to foresee recessions outside the United States has led some scholars to dismiss its predictive power as a fluke. With so few recessions in America, there is insufficient evidence to determine the strength of the relationship.

However, squashing yield curves and growth figures into a pair of binaries—inverted or not, and recession or not—leaves precious data on the cutting-room floor. A better test would check whether flattening curves foreshadow slowdowns, and steepening ones presage economic acceleration.

Seen through this lens, America is not an outlier. In 15 of 17 countries, changes in spreads correlated with changes in growth the next year. Overall, a one-percentage-point move in spreads predicted a 0.55-point change in growth in the same direction. The effect was strongest in Switzerland, at 1.1 points; America ranked third.

Economists do not appear to make full use of this well-known indicator. If they did, blending their predictions with yield-curve data would be no more accurate than using consensus projections alone. However, we found that consensus forecasts made a year in advance accounted for 57% of variance in GDP. In contrast, the blend explained 64%—a large improvement.

Changes in monetary-policy tools mean that the curve may lose some of its predictive power in future. Because central banks have bought long-dated bonds in quantitative-easing schemes, they now affect both sides of the yield curve directly. That makes long-term interest rates a less reliable proxy for market expectations.

But if history is any guide, America should expect a deceleration. Its curve has flattened by 1.1 points in the past year, implying growth will slow from 3% to 2%. ■

Sources: Datastream from Refinitiv; Haver Analytics; IMF; OECD; *The Economist*

*National Bureau of Economic Research definition

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	Articles	Sections	Next
--	--------------------------	--------------------------	----------------------

Graphic detail

Sections

Obituary

[Li Peng: The butcher of Beijing](#)

Obituary: Li Peng died on July 22nd.

Graphic detail

Sections

The butcher of Beijing**Obituary: Li Peng died on July 22nd**

China's prime minister in 1987-98, who became the public face of the Tiananmen massacre, was 90



Jul 27th 2019

HIS DIARY entry for April 27th 1989 recorded the moment when the trouble touched Li Peng directly. On his way home from his prime ministerial office in Beijing, his car was blocked by student protesters. His driver and bodyguards—and he was glad to have both at that moment—had to find another way round.

After days of pro-democracy protests by students in Tiananmen Square, nothing had been done about them. Nobody had come to beat up and drag away the protesters, as had happened during the only previous outbreak of large-scale unrest on that vast plaza during Communist rule. That was in 1976, when people were mourning the death of Prime Minister Zhou Enlai. Li had mourned too, perhaps more than many, because Zhou had cared for him as a child after his father had been killed, a martyr in the revolutionary struggle. Zhou's morals and principles had deeply influenced him then. But the public grieving in 1976 had turned into political protest against Zhou's hardline enemies, and that had been sharply put down. Now, 13 years later, many Chinese were allowing themselves to believe that the party might at last be about to take off in a new political direction, one more open to dissent. This Li could not allow. He would rather die, he wrote in his diary, than let the protests get out of hand.

From the beginning of the unrest he had feared the worst: that these troublemakers would repeat the chaos and violence that China had suffered during the Cultural Revolution. He had sat out those tragic years as an unthreatening apparatchik in charge of Communist Party affairs at the capital's electric-power bureau. (Power-generation, especially hydroelectric engineering, was his great love, and had been his study at the Power Engineering Institute in Moscow.) Now, in the era of Deng Xiaoping with reform the catchword, politics seemed muddled and mixed up in a new way, and Li was acquiring a name as a conservative. Where Deng was open-minded, he would make his mark by being just the opposite.

In fact, Chinese politics during the Deng era was often contradictory: both benign and hardline. In 1989 the paramount leader had two lieutenants, and Li was only one of them. The other, totally different, was the party chief, Zhao Ziyang, a seeming liberal through and through, a suave, charismatic man who wore Western suits. Li had long been at loggerheads with Zhao over the pace and direction of change, on questions ranging from price reform to ideological controls. As a strong believer in the role of the state and the party, he viewed any change as potentially dangerous to both.

Zhao was also, in those nervy spring days of 1989, sympathetic to the students. He thought them patriotic. Li saw their leaders as counter-revolutionaries, bent on overthrowing the party. They had to be repressed. At meetings of the Politburo Standing Committee he and Zhao sparred furiously with each other. But Li knew he had Deng on his side, in favour of military force. On May 17th he left a Politburo meeting at Deng's house, alongside the "crestfallen" Zhao, exultant that he had got his way. The crackdown had been ordered. On the 18th he held a tense meeting with some of the student leaders in the Great Hall of the People overlooking Tiananmen Square, telling them cryptically: "The situation will not develop as you wish and expect." On the contrary, it was about to develop as he himself wished and expected.

The night of May 20th seared his face on China's memory. That was when he appeared on state television, wearing a Mao suit and with his hair slicked back, to justify the imminent imposition of martial law in Beijing. "The anarchic state is going from bad to worse," he read from a script in a voice that was tense and jerky with anger. "The fate and future of the People's Republic of China, built by many revolutionary martyrs with their blood [his father among them], are facing a serious threat." From a packed hall, hundreds of officials applauded him.

He had won his battle, and Zhao had lost. But he had not won hearts and minds. Though the students directed their anger against a number of people, including Deng himself, Li became their main face of evil. As troops gathered on the edge of Beijing, preparing to clear the square, students and other citizens staged a massive demonstration, shouting "Down with Li Peng!". At his brief meeting with them on the 18th, seething with contempt, he had told them straight: "We have to defend socialism. I don't care whether you are happy to listen to this or not." On the night of June 3rd this point was repeated—with bullets. Hundreds, maybe thousands, were killed. Several people, especially Deng, deserved the tag "Butcher of Beijing" that many foreigners applied after that to Chinese leaders. But it was most commonly given to Li.

A whirling wheel

Not that he would have minded. The post-Tiananmen world was his. Zhao-style liberalism never recovered. Economic reform eventually took off again, faster than conservatives like him cared for. But the party stayed firmly in charge, and that was what mattered most of all. He remained prime minister for nearly a decade, making sure his family was comfortably ensconced in the power-generation business: his two sons and his daughter all worked in the Ministry for Water Resources and Electrical Power, and one son became governor of coal-rich Shanxi province. Anti-corruption campaigners were outraged by his "power-industry family". That did not bother him.

The project he was proudest of, though it made him even less popular, was the building of a massive dam on the scenic Three Gorges of the Yangzi river. It cost tens of billions of dollars, displaced 1.3m people and was denounced by environmentalists in China and abroad, but he cherished it and hymned it in a poem: "The huge wheel whirls/its power boundless. The achievement is now,/the benefits for a hundred years." He wrote a book about the project, based on the diary he had kept then, and he continued to keep a diary every day even in old age. He also tried to publish selections from the one he had kept in April, May and June 1989, defending his role in Tiananmen. He may not have cared whether readers were happy or not.■

	Articles	Sections	<i>Next</i>
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