



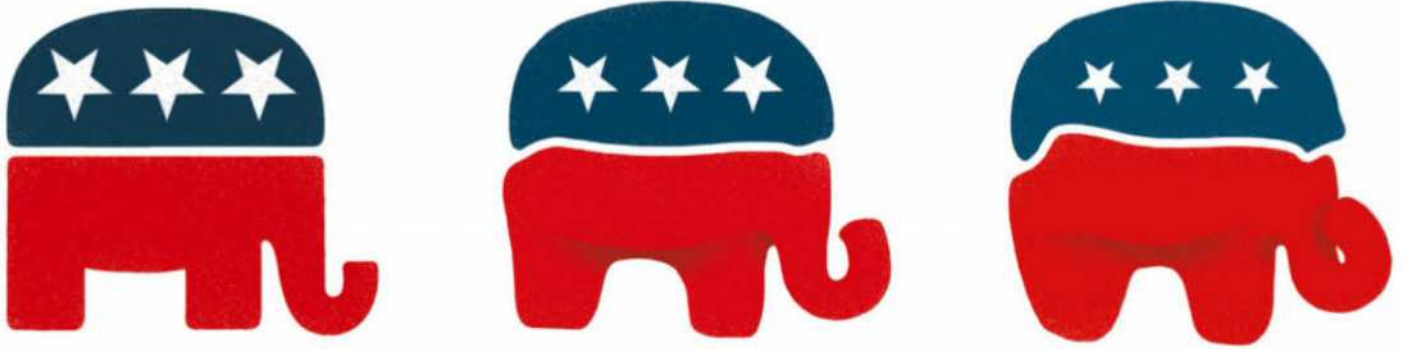
Britain's racial reckoning

The EU's Polish pickle

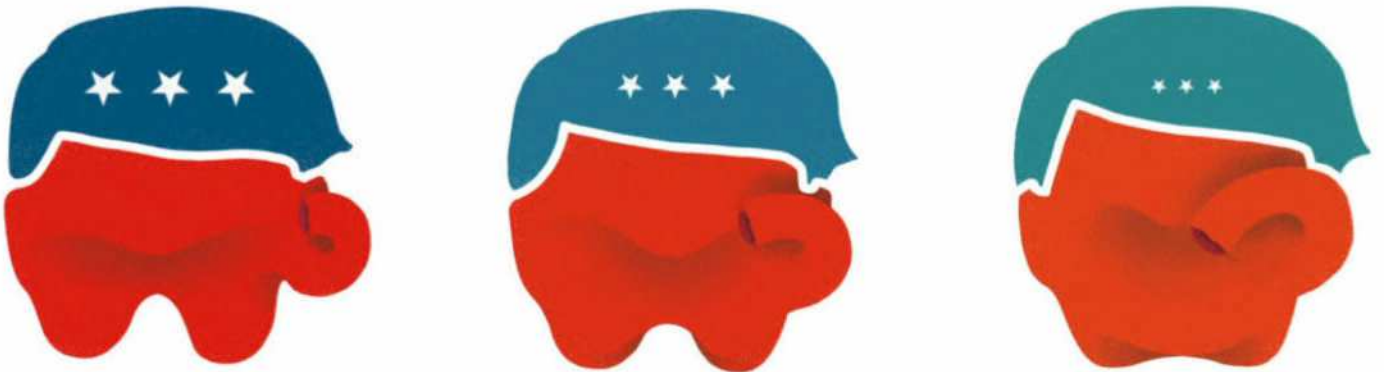
India tackles cronyism

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APRIL 21ST-27TH 2018



**What's become of**



**the Republican Party?**



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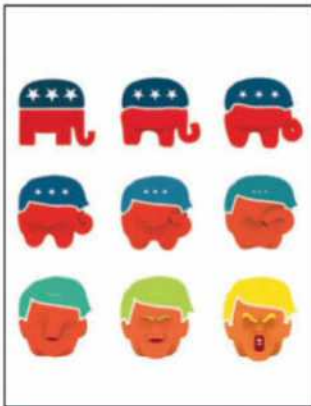
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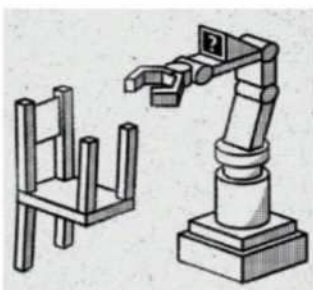




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## Politics



The barrage of missiles fired by America, Britain and France at facilities inside Syria “significantly crippled” the ability of the regime of Bashar al-Assad to produce chemical weapons, the Pentagon claimed. No casualties were reported as a result of the raid, which was a response to the regime’s suspected use of chlorine and sarin on civilians in the town of Douma, killing dozens of people. A security team doing reconnaissance for UN inspectors was fired upon when visiting the town.

The White House said that Donald Trump was not considering a new round of sanctions against Russia. That contradicted Nikki Haley, America’s ambassador to the UN, who had announced that new penalties would be imposed on Russian firms helping Syria with chemical weapons. The White House said that Mr Trump stepped back from punishing Russia further because he wants to maintain good relations, and that Ms Haley had experienced “momentary confusion”. “I don’t get confused”, responded Ms Haley.

Israel celebrated its 70th anniversary, according to the Hebrew calendar, with an elaborate ceremony in Jerusalem, during which Binyamin Netanyahu, the prime minister, called the country a “rising world power”.

A screening of the superhero movie “Black Panther” marked the end of a decades-old ban on cinemas in Saudi Arabia. Muhammad bin Salman, the

young crown prince, is trying to modernise the conservative Muslim kingdom.

**Seeking another mandate**

Turkey’s president, Recep Tayyip Erdogan, announced that parliamentary and presidential elections will be held in June, 17 months ahead of schedule. He said the early polls were needed because of unrest in Syria, and in order to help move the country to an executive presidential system, a shift approved in a referendum last year which will give Mr Erdogan even more power.

German public-sector workers won a pay rise of more than 3% for each of the next two years. It is the largest increase in government salaries in years, and comes after metalworkers received a pay bump of 4.3% in February.

The European Commission recommended that Albania and Macedonia be allowed to start talks on joining the EU. Their western neighbours in the Balkans, Serbia and Montenegro, are already in negotiations. They would be the first new countries to enter accession talks in five years.

Italy’s president asked Elisabetta Casellati, a member of the Forza Italia party founded by Silvio Berlusconi, a former prime minister, to try to broker a coalition deal including the left-leaning populist Five Star Movement and right-wing Northern League parties. Italy has been without a government since an election on March 4th.

**Fidel’s younger brother**

Raúl Castro prepared to step down as president of Cuba, ending nearly six decades of rule by the Castro family. His successor is Miguel Díaz-Canel, though Mr Castro will remain secretary of the Communist Party until 2021.

Two Ecuadorean journalists and their driver were murdered by breakaway FARC guerrillas, after being kidnapped last month near the Colombian border. The Oliver

Sinisterra Front has refused to demobilise since a peace deal with the FARC guerrillas was signed by the Colombian government in 2016. This week the group kidnapped two more people.



A judge in Trinidad and Tobago ruled that “buggery laws”, which prohibit gay sex, are unconstitutional. A final decision about striking down the law is set for July.

**Diplomatic offensive**

Donald Trump confirmed that Mike Pompeo, the director of the CIA (who has been nominated to be secretary of state) met Kim Jong Un in North Korea recently for preparatory talks about a summit between the American president and the North Korean dictator. Mr Trump said Mr Pompeo’s visit had gone well. Moon Jae-in, South Korea’s president, is expected to meet Mr Kim next week. Officials have been in discussions about negotiating a formal end to the Korean war, for which no peace treaty has been signed, even though hostilities ended 65 years ago.

India’s finance minister, Arun Jaitley, assured markets that the country was not running out of money, after cash machines in some parts of the country ran out. The amount of cash in circulation has returned to normal levels since the government abruptly voided most banknotes in 2016, but there has been a spike in demand for cash in the past few months.

China conducted live-fire naval drills in the Taiwan Strait, the first such sabre-rattling in the sensitive waters in three years. The state broadcaster said the military drills

were meant to send a message to pro-independence politicians in Taiwan.

**Limited duties**

The National Guard Bureau, which oversees America’s armed-force reserves, said that 965 guardsmen have been deployed to the Mexican border, considerably fewer than the up to 4,000 that Donald Trump wants to patrol the area. The troops are not involved in detaining illegal migrants.

Puerto Rico endured another islandwide blackout, this time because of an industrial accident. The beleaguered electricity company had only just restored power to almost all Puerto Rico’s residents, seven months after Hurricane Maria tore a trail of destruction through the territory.

Mr Trump pardoned Scooter Libby, Dick Cheney’s former chief of staff, who was convicted in 2007 of perjury. A key witness against him had recanted her testimony, and conservatives had long argued that the conviction was a miscarriage of justice. The man at the Justice Department who had ordered the probe into Mr Libby was one James Comey.



Now sacked as head of the FBI and with a book to promote, Mr Comey pilloried Mr Trump in a TV interview, saying he was “morally unfit” to be president. Mr Comey also revealed that Mr Trump never laughs. There wasn’t much humour in Mr Trump’s Twitter response; he described Mr Comey as a “slimeball” and “slippery”. Robert Mueller’s investigation into Russian shenanigans may determine who has the last chuckle. ▶▶

## Business

**Martin Sorrell** resigned as chief executive of WPP following an internal investigation into unspecified personal misconduct. He denies the allegations. Sir Martin had led the group for 32 years, turning it into a global powerhouse in advertising and market research by acquiring agencies such as Ogilvy & Mather and Kantar Media. But revenue growth stalled in part because businesses cut advertising budgets; WPP has shed a third of its market value over the past two years. Sir Martin's departure raises questions about whether the group will break itself up.

**Starbucks** is to close its 8,000 cafés in America on May 29th so that employees can receive training on racial bias. The coffee chain is responding to a social-media uproar sparked by the arrest at one of its stores in Philadelphia of two black men who had asked staff if they could use the lavatory reserved for customers.

**Pick a number, any number** **Tesla Motors** wants to increase production of its mass-market Model 3 to 6,000 cars a week by the end of June, according to reports, in order to have some margin of error to meet the current target of 5,000. The company has struggled to reach its previous goals and is making around 2,000 Model 3s a week at present.

The Chinese government announced that it will scrap a rule that requires **foreign carmakers** to set up joint ventures with Chinese ones if they want to avoid import duties. This stipulation will end for electric vehicles this year, a boon to Tesla's hopes of opening a factory in China. It is a concession in the current dispute over trade between America and China, even though that row continues. This week China imposed a deposit of 179% on imports of **sorghum** from America. The grain is used in livestock feed and in *baijiu*, a strong liquor.

American officials insisted that a ban on American companies from doing business with **ZTE**, a Chinese maker of telecoms equipment, was not linked to recent altercations on trade. Among the parts ZTE sources are superfast processors from Intel and Qualcomm. America maintains that ZTE has contravened a settlement reached last year over its sales of products to Iran and North Korea. It is the latest measure curtailing American links with Chinese telecoms suppliers, mostly on security grounds.

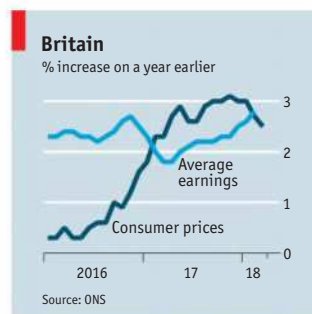
### Blockbuster

**Netflix's** worldwide customer base grew to 125m people in the first quarter. It expects to pass 130m in the current quarter. The streaming company's share price has risen by more than 70% so far this year.

The **biggest banks** in America reported a good set of earnings for the first three months of 2018. Bank of America and Morgan Stanley made quarterly net profits of \$6.9bn and \$2.7bn respectively, boosted by revenues from share trading during a comparatively turbulent period for markets. Goldman Sachs said its income from trading was up by 31% compared with the same quarter last year, helping it to a

profit of \$2.8bn. Profit at JPMorgan Chase came in at a record \$8.7bn.

The IMF's latest forecast for global growth painted a relatively rosy outlook for the **world economy**, which it said will benefit from America's expansionary fiscal policy. It raised its projections for almost all the world's advanced economies (bar Japan). But the fund also issued a stark warning about the rising level of **global debt**, which reached \$164trn in 2016, higher than at the time of the financial crisis.



A surprise fall in **British consumer prices** to 2.5%, marking a 12-month low, did not dampen economists' expectations of an interest-rate rise by the Bank of England in May. In a double helping for household finances, average earnings grew at their fastest rate in the three months to February

since the summer of 2015. But some households may still be struggling. Outstanding secured borrowing has grown by more than 3% in the past year.

**China's economy** grew by 6.8% in the first quarter compared with the same three months last year.

The Supreme Court heard arguments in a case that seeks to overturn **online retailers'** 26-year-old exemption from collecting sales tax in states where they do not have a physical presence. Most states, and bricks-and-mortar retailers, think this gives e-commerce an unfair advantage.

**Some harmony at the Fed** **Richard Clarida** was nominated by President Donald Trump to be vice-chairman of the Federal Reserve, serving under Jerome Powell, the new chairman of the central bank. Mr Clarida is a widely respected professor of economics at Columbia University and worked on economic policy at the Treasury during the administration of George W. Bush. He is also a songwriter, releasing a CD of his own acoustics-heavy tunes in 2016.

For other economic data and news see **Indicators** section







# open future

*A global conversation*

FOR 175 years *The Economist* has not only reported news, it has also championed values: a belief in human progress, distrust of powerful interests and respect for individual freedom. Yet in a period of populism and, in many parts of the world, of growing authoritarianism, these classical liberal values are under attack.

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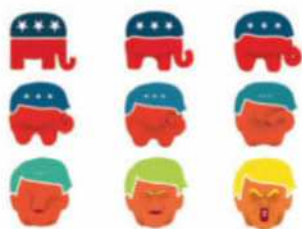
Zanny Minton Beddoes, Editor-in-Chief



The  
Economist

# What has become of the Republican Party?

It is organised around loyalty to one man—Donald Trump. That is dangerous



ALL presidents, Republican and Democrat, seek to remake their party in their own image. Donald Trump has been more successful than most. From the start, the voters he mesmerised in the campaign embraced him more fervently than congressional Republicans were ready to admit. After 15 months in power, as our briefing explains, he has taken ownership of their party. It is an extraordinary achievement from a man who had never lived in Washington, DC, never held public office, who boasted of groping women and who, as recently as 2014, was a donor to the hated Democrats.

The organising principle of Mr Trump's Republican Party is loyalty. Not, as with the best presidents, loyalty to an ideal, a vision or a legislative programme, but to just one man—Donald J. Trump—and to the prejudice and rage which consume the voter base that, on occasion, even he struggles to control. In America that is unprecedented and it is dangerous.

Already, some of our Republican readers will be rolling their eyes. They will say that our criticism reveals more about us and our supposed elitism than it does about Mr Trump. But we are not talking here about the policies of Mr Trump's administration, a few of which we support, many of which we do not and all of which should be debated on their merits. The bigger, more urgent concern is Mr Trump's temperament and style of government. Submissive loyalty to one man and the rage he both feeds off and incites is a threat to the shining democracy that the world has often taken as its example.

## Not what, but how

Mr Trump's takeover has its roots in the take-no-prisoners tribalism that gripped American politics long before he became president. And in the past the Oval Office has occasionally belonged to narcissists some of whom lied, seduced, bullied or undermined presidential norms. But none has behaved quite as blatantly as Mr Trump.

At the heart of his system of power is his contempt for the truth. In a memoir published this week (see Lexington) James Comey, whom Mr Trump fired as director of the FBI, laments "the lying about all things, large and small, in service to some code of loyalty that put the organisation above morality and above the truth". Mr Trump does not—perhaps cannot—distinguish between facts and falsehoods. As a businessman and on the campaign he behaved as if the truth was whatever he could get away with. And, as president, Mr Trump surely believes that his power means he can get away with a great deal.

When power dominates truth, criticism becomes betrayal. Critics cannot appeal to neutral facts and remain loyal, because facts are not neutral. As Hannah Arendt wrote of the 1920s and 1930s, any statement of fact becomes a question of motive. Thus, when H.R. McMaster, a former national security adviser, said (uncontroversially) that Russia had interfered in the election campaign, Mr Trump heard his words as unforgivably hostile. Soon after, he was sacked.

The cult of loyalty to Mr Trump and his base affects government in three ways. First, policymaking suffers as, instead of a coherent programme, America undergoes government by impulse—anger, nativism, mercantilism—beyond the reach of empirical argument. Mr Trump's first year has included accomplishments: the passage of a big tax cut, a regulatory rollback and the appointment of conservative judges. But most of his policymaking is marked by chaos rather than purpose. He was against the Trans-Pacific trade deal, then for it, then against it again; for gun control, then for arming teachers instead.

Second, the conventions that buttress the constitution's limits on the president have fallen victim to Mr Trump's careless selfishness. David Frum, once a speechwriter for George W. Bush, lists some he has broken (and how long they have been observed): a refusal to disclose his tax return (since Gerald Ford), ignoring conflict-of-interest rules (Richard Nixon), running a business for profit (Lyndon Johnson), appointing relatives to senior posts in the administration (John F. Kennedy) and family enrichment by patronage (Ulysses S. Grant).

And third, Mr Trump paints those who stand in his way not as opponents, but as wicked or corrupt or traitors. Mr Trump and his base divide Republicans into good people who support him and bad people who do not—one reason why a record 40 congressional Republicans, including the House Speaker, Paul Ryan, will not seek re-election. The media that are for him are zealous loyalists; those that are not are branded enemies of the people. He has cast judicial investigations by Robert Mueller into his commercial and political links with Russia as a "deep-state" conspiracy. Mr Trump is reportedly toying with firing Mr Mueller or his boss in the Department of Justice. Yet, if a president cannot be investigated without it being counted as treason then, like a king, he is above the law.

The best rebuke to Mr Trump's solipsism would be Republican defeat at the ballot box, starting with November's midterm elections. That may yet come to pass. But Mr Trump's Republican base, stirred up by his loyal media, shows no sign of going soft. Polls suggest that its members overwhelmingly believe the president over Mr Comey. For them, criticism from the establishment is proof he must be doing something right.

## Look up, look forwards and look in

But responsibility also falls to Republicans who know that Mr Trump is bad for America and the world. They feel pinned down, because they cannot win elections without Mr Trump's base but, equally, they cannot begin to attempt to prise Mr Trump and his base apart without being branded traitors.

Such Republicans need to reflect on how speaking up will bear on their legacy. Mindful of their party's future, they should remember that America's growing racial diversity means that nativism will eventually lead to the electoral wilderness. And, for the sake of their country, they need to bring in a bill to protect Mr Mueller's investigation from sabotage. If loyalty to Mr Trump grants him impunity, who knows where he will venture? Speaking to the Constitutional Convention in 1787 George Mason put it best: "Shall that man be above [justice], who can commit the most extensive injustice?" ■

## Poland and the EU

## A Polish pickle

Europe's illiberal democracies create dilemmas for the EU. But it is time to cut subsidies to flagrant rule-breakers



THERE was once no brighter star in Europe. Since shaking off communism in 1989 Poland has rivalled the bounciest Asian tigers in GDP growth. It has become a vital NATO ally. But it is also on the front line of what France's president, Emmanuel

Macron, calls a "European civil war" over the rule of law.

The optimism that attended the EU's great eastward expansion in 2004 has given way, in some places, to angry, nationalist "illiberal democracy". In Hungary, having nobbled the courts, media and public prosecutor, Viktor Orban is squeezing civil society and using state (and EU) funds to nurture oligarchs. Romania's leaders endlessly seek to weaken anti-graft laws that might otherwise ensnare them.

But the gravest challenge is in Poland. Since taking office in 2015 the nationalist Law and Justice (Pis) party has stacked the courts, skewed public media and stuffed the bureaucracy with supporters (see Europe section). Its judicial reforms flagrantly violate EU treaties. That matters not only for Polish democracy: EU countries have to trust each other's courts to uphold the law that underpins the single market. So last year the European Commission invoked Article 7, an untested instrument that obliges governments to assess whether one of them is systematically undermining the rule of law.

In theory Article 7 can strip an offending country of its EU voting rights. In practice the unanimous vote that it requires is impossible to secure, partly because illiberal governments protect each other. So the commission is eyeing the EU budget, much of which is spent on transfers from rich countries to poorer ones. The last seven-year budget granted Poland nearly one-fifth of the EU's cohesion funds. That looks like leverage.

Negotiations over the next budget begin in May. It can be

harnessed in two ways. One, other member states can take a tough line with Poland in the haggling ahead. Parliaments in countries like Germany and the Netherlands already find it galling to send so much of their taxpayers' cash to governments that flout the rules. A second idea is to establish a way to suspend payments to governments that violate the rule of law.

The EU faces a dilemma. Go soft on Pis's leader, Jaroslaw Kaczynski, and Europe's next would-be autocrat will be emboldened. But pushing too hard risks bolstering Pis's claim that meddling outsiders are undermining Polish democracy. As the giant of eastern Europe, Poland matters. The EU's growing east-west cleavages over migration and money cannot be healed if it is sent out into the cold.

## A flicker of hope

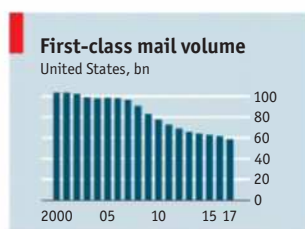
Perhaps prodded into action by the coming budgetary talks, Pis has lately tweaked some of its judicial reforms. The changes, on matters like judges' retirement ages, are the first signs of compromise since 2015. But they are largely cosmetic. The EU should (quietly) insist on much more before it considers lifting Article 7. Poland's rulers must take steps to revive the rule of law, starting with the restoration of improperly fired judges on the constitutional tribunal. If Pis does not budge, the commission should be creative with the budget. Poland receives three times as much from EU funds as it pays in, and those subsidies go disproportionately to Pis's rural supporters. They need to understand that they cannot enjoy the benefits of a club at the same time as they trample on its rules.

This week Mr Macron repeated his call for a "hard core" of EU countries to pursue integration if others ignore their commitments. Poland's government says it does not want to be left behind in Europe's slow lane. But if it continues to undermine independent institutions and violate the rule of law, that is what will happen. ■

## The postal service

## Deliverance

America's post office should be privatised



THE Founding Fathers thought that operating a postal service was a crucial responsibility of the federal government. The constitution allows Congress a monopoly on delivering post. Today the United States Postal Service (USPS)

is the third-biggest employer in America, behind Walmart and the Defence Department. For most of the country's history, USPS provided the arteries along which information flowed.

Not any more. The number of first-class letters has fallen by almost half from its peak in 2001, as communication has mi-

grated to the internet. About half of what still lands in letterboxes is advertising. USPS's revenue from its monopoly is down by 35% in real terms since 2008. Seeking a survival strategy, and with online shopping booming, the post office is focusing on delivering parcels. But it has no monopoly in this business, and its network was built for letters. Parcels still comprise less than a third of revenue. Competition from the likes of UPS, FedEx and DHL means that USPS is unlikely ever to make enough money to plug its massive pension and health-care deficits, which together exceed \$100bn. With its debt already at the maximum allowed by law, USPS may also struggle to invest enough to compete with nimbler rivals.

On April 12th President Donald Trump set up a task force to ►►



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▶ examine USPS's finances. His motives are fishy. He dislikes Amazon, whose founder, Jeff Bezos, also owns the *Washington Post*, a newspaper that is critical of Mr Trump. The president says Amazon is charged too little by the post office for delivery of its goods (a claim that is impossible to assess fully because the contract is private). The task force is made up of administration officials, not independent experts. But if it takes its job seriously, it should recommend privatising USPS and relaxing its monopoly power.

One reason such a reform would benefit the public is that Congress is incapable of managing the changes the post office badly needs. In recent years politicians have blocked plans to close obsolete facilities and to end costly Saturday deliveries. Democrats side with unions who say reform is unnecessary. Republicans worry about triggering a public bail-out of pension and health-care liabilities. Politicians have struggled with the most basic tasks, such as filling seats on USPS's board.

European countries have shown that market forces improve postal markets (see Business section). Every member of the EU allows at least some competition for postal delivery. Competition has spurred innovation and efficiency. Since Germany privatised Deutsche Post in 1995, the firm has expanded massively. Along the way, it has pioneered delivery lockers, at which consumers can pick up packages, and experimented with deliveries to parked cars. Britain privatised Royal Mail in 2013, allowing it to raise capital and evolve free from political meddling. Compare that with America, where private couriers are not even allowed access to the public's letterboxes.

Privatisation would force the government to think rigorous-

ly about the regulation of postal markets. There is no contradiction between privatisation and the universal-service obligation, the requirement to deliver to every address in the country for a fixed price. In Europe the two are often combined. German regulators can subsidise deliveries to remote rural areas by any operator, should the market fail to provide a universal service on its own. Whether this actually makes sense is a different matter. Subsidising some deliveries was more defensible when postmen carried armfuls of essential letters. It is harder to justify now that they lug advertising and consumer goods. Broadband, rather than post, seems like the appropriate subject for a debate about universal service. Privatisation would make that conversation unavoidable.

### Mr Zip, capitalist

If Congress has struggled with even minor postal reforms, is there any hope that it could pass a sweeping one? It can take inspiration from how Britain privatised Royal Mail. The government should assume USPS's legacy pension and health-care deficits, to make it more attractive to investors, and also placate workers by giving them shares in the new company. Republicans would need to accept that the government should not pull the rug out from underneath retirees, and realise that if taxpayers do not foot the bill for their benefits, consumers will have to instead. Democrats would need to concede that the purpose of policy is to benefit the public, not to justify the existence of government jobs and state-owned organisations. Privatisation might not be what Mr Trump intends. But a large dose of the free market is what the post office needs most. ■

## Indian business

# The humbling of the tycoons

**Cronyism is under attack in India. Long may that last**



FOR decades, personal connections have provided a well-trodden path to success in Indian business. State-owned banks provided cheap financing for firms whose success often rested on winning official approvals. If a venture soured, the taxpayer frequently ended up being left to shoulder losses. There are plenty of gifted businesspeople in India. But cronyism, not competition, has been the surest route to riches, even after the partial dismantling of the “licence raj” nearly three decades ago.

A new era of Indian capitalism may be dawning. For the first time a large number of struggling tycoons face the prospect of having their businesses seized from them. The fate of 12 troubled large concerns is due to be settled within weeks; another 28 cases are set to be resolved by September. Between them, these firms account for about 40% of loans that banks themselves think are unlikely to be repaid. For enforcing a bankruptcy system that is usually skirted by those with connections, the government of Narendra Modi deserves much credit. Yet the job is far from done.

Consider first the system that is under assault. Industries such as power generation, mining, telecoms and infrastructure

require large chunks of capital and lots of interactions with the government. That attracted plenty of entrepreneurs whose core competence was using their connections with officials, in order both to win the necessary permits and to secure financing from state-owned lenders. Many tycoons could count on ministers to put in a word with a recalcitrant banker. Some held political office themselves. If things went awry, bankers would frequently extend repayment periods indefinitely, if only to preserve their own blushes. Overburdened courts were unequal to the task of enforcing contracts.

The unscrupulous among the tycoons went further still. Some are thought to have padded cost estimates so that they got bigger bank loans than required, meaning that they could secure assets without putting any of their own money in. Whether a business was profitable was not always material, since it could enrich owners in other ways—by awarding lucrative contracts to firms controlled by family members, say.

This system is under a three-pronged assault. The first is a reformed bankruptcy code that makes the seizure of businesses easier (see Business section). A new set of dedicated courts, backed by a cadre of insolvency professionals, is on hand to help banks seize assets and sell them to fresh owners. To focus the minds of both bankers and borrowers, if no deal can be cut within nine months—a jiffy by Indian legal standards—the firm is shut down and its equipment sold for scrap. This is the point ▶▶



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▶ in the process now being reached by the first dozen defaulters.

The second threat to the tycoons is the grievous state of the state-owned banks. Their losses have ballooned. The authorities, tired of recurring bail-outs, are forcing them to recognise which loans are unlikely to be repaid, and to initiate insolvency proceedings in double-quick time. Though their governance remains parlous, at least these banks are no longer able to hide the extent of their problems.

Third, most tycoons have lost influence in Delhi, as politicians from Mr Modi down realise the toxicity of being seen to be in cahoots with “bollygarchs”. Some of India’s grandest businessmen complain that they can no longer get in to meet the prime minister, who much prefers wooing foreign bosses instead. To increase transparency, some state assets are now auctioned online.

To ensure permanent change will require deeper reforms, however. If wholesale ministerial corruption is reportedly much reduced, there is still little clarity over how political parties are financed. They will spend something like \$5bn between now and federal elections expected in spring 2019, little of which will be publicly accounted for. To loosen the political-crony nexus further, it would help to end the system whereby

parties can raise funds through anonymous donations.

Making India less bureaucratic would also be a boon. A certain brand of tycoon has thrived because getting things done often requires sharp elbows and sharper business practices. Magnates who are politically astute will still have an edge if knowing how to dodge a price cap imposed on a ministerial whim, for example, is a surer guide to success than knowing how to run a factory. Such shenanigans have not stopped.

### Rich pickings

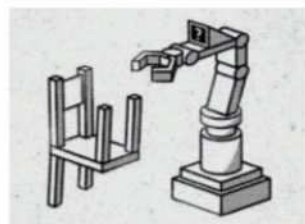
Reforming the state-owned banks is the most important task of all. Their balance-sheets are where you find 70% of loans and nearly 100% of problems. Ensuring banks make commercial decisions can only realistically be achieved by privatising at least some of them. Privatised banks would also be free to pay salaries to attract talented staff. The bosses at state-owned banks currently earn under \$50,000 a year, a pittance even by Indian executive standards—and it shows.

A decent financial system is the best defence against cronyism. Sadly, this kind of reform still seems to be anathema to Mr Modi. He has made a start on tackling the tycoons. But if he is to entrench a revolution in Indian capitalism, he must do more. ■

## Artificial intelligence

# The Kamprad test

## IKEA furniture and the limits of AI



COMPUTERS have already proved better than people at playing chess and diagnosing diseases. But now a group of artificial-intelligence researchers in Singapore have managed to teach industrial robots to assemble an IKEA chair—for the first time uniting the worlds of Allen keys and Alan Turing. Now that machines have mastered one of the most baffling ways of spending a Saturday afternoon, can it be long before AIs rise up and enslave human beings in the silicon mines?

The research also holds a serious message. It highlights a deep truth about the limitations of automation. Machines excel at the sorts of abstract, cognitive tasks that, to people, signify intelligence—complex board games, say, or differential calculus. But they struggle with physical jobs, such as navigating a cluttered room, which are so simple that they hardly seem to count as intelligence at all. The IKEAbots are a case in point. It took a pair of them, pre-programmed by humans, more than 20 minutes to assemble a chair that a person could knock together in a fraction of the time (see Science section).

AI researchers call that observation Moravec’s paradox, and have known about it for decades. It does not seem to be the sort of problem that could be cured with a bit more research. Instead, it seems to be a fundamental truth: physical dexterity is computationally harder than playing Go. That humans do not grasp this is a side-effect of evolution. Natural selection has had billions of years to attack the problem of manipulating the physical world, to the point where it feels effortless. Chess, by contrast, is less than 2,000 years old. People find it hard because their brains are not wired for it.

That is something to bear in mind when thinking about the much-hyped effects of AI and automation, especially as AI moves out of the abstract world of data and information and into the real world of things you can drop on your foot. On April 13th Elon Musk, the boss of Tesla, an electric-car firm, said that the production problems which have dogged his company’s high-tech factory were partly the result of an over-reliance on robots and automation. “Humans are underrated,” he tweeted. Lots of jobs have physical aspects that robots struggle with. Machines may soon be able to drive delivery vans, for instance. But, at least for now, they could well fail to carry a parcel to a flat at the top of a flight of slippery stairs, especially if the garden was patrolled by a dangerous dog.

### Not such a silly Billy

Today’s AI systems are limited in other ways, too. They are pattern-recognition engines, trained on thousands of examples in the hope that the rules they infer will continue to apply in the wider world. But they apply those rules blindly, without a human-like understanding of what they are doing or an ability to improvise a solution on the spot. Makers of self-driving cars, for instance, worry constantly about how their machines will perform in “edge cases”—complicated and unusual situations that cannot be foreseen during training.

Calibrating excitement about AI is tricky. Researchers complain that great progress is quickly forgotten: as soon as a computer can do something, it ceases to count as “AI”. But those same researchers also tend to be more cautious about the future than many pundits. There is no reason, in principle, why a computer could not one day do everything a human can and more. But that will be the work of decades at least. Furniture-assembly helps explain why. ■

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## VICE-RECTOR IN EUROPE (D-2)

Duty Station: Bonn, Germany

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**Full details of the position and how to apply:**  
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## DIRECTOR OF ADMINISTRATION (D-1)

Duty Station: Tokyo, Japan

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**Experience:** At least 15 years of progressively responsible professional experience, at least ten years of which have been at a senior level in the area of administration, including human resources management, finance and budget planning and execution, preferably in an academic institution, development agency, or United Nations entity.

Fluency in English is required. Fluency in official UN languages is desirable.

**Application deadline:** 15 May 2018.

**Full details of the position and how to apply:**  
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The closing date for applications is: **08 May 2018 at 15.00 EET.**

### A peace process

Your briefing on Northern Ireland mentioned the importance of grants from the European Union (“Past and future collide”, March 31st). The EU’s PEACE programmes have been substantial, distributing approximately €1.5bn (\$1.9bn) in order to support Northern Ireland’s peace process at the grassroots. They are one of the largest EU peacebuilding interventions ever and one of the largest in Europe since the Marshall Plan. Alas, scale does not imply effectiveness.

We looked at the second wave of PEACE programmes and found no measurable effect on indicators of peacefulness in the communities where spending was targeted. The communities that bore the brunt of the violence, to this day, lag behind the rest of the province on the usual range of socioeconomic indicators.

Perhaps this is a case of money buying neither love nor peace?

TILMAN BRÜCK

NEIL FERGUSON

International Security and Development Centre  
Berlin

I have been travelling to and working in Northern Ireland for eight years. I think neither the statistics you quoted (for example that less than 10% of schooling is integrated) nor the province’s institutions, including the Stormont Assembly, do justice to the distance ordinary people have travelled. Except for a small minority, most people are much more reconciled to normal life than you give them credit for. Their concerns are universal concerns of how to make a better life, in or outside the island of Ireland.

Chances are that ordinary people will vote for politicians who would sooner rather than later deliver the normality they have sought after years of troubles. The real risk of the Brexit negotiations is a road-block to that normality if a frictionless, invisible border does not continue.

DEEP SAGAR

Berkhamsted, Hertfordshire

Have you considered the deal cut by Greenland with the EU? Perhaps Northern Ireland could gain similar status through the Overseas Association Decision as an overseas territory. The rest of Britain would continue its Brexit while Northern Ireland and Ireland would resume their previous customs arrangements. They would also honour the Good Friday Agreement as “partners” in the EU.

NEIL OLSEN  
Salt Lake City

### Striking Syria

Your leader calling for action against the Assad regime in Syria argued that, “the UN cannot perform this task as long as Russia wields its veto at the Security Council. So the burden falls on countries that believe that the rules-based international order is worth upholding” (“The duty to deter”, April 14th). What you’re saying is that as the UN cannot uphold the international order because of a faulty and asymmetric rule (the veto), the solution is for vigilante countries to take the law into their own hands and thereby undermine the very international institutions and rule of law that the UN tries to uphold.

What an utter failure of logic. In addition, what moral authority do these vigilante countries have? And what historical evidence is there to suggest the success of their vigilantism in Vietnam, Iraq and throughout the cold war?

KRISHNA BODDU  
Ipswich

### The case against Lula

Contrary to what Bello claimed (April 7th), Luiz Inácio Lula da Silva’s conviction was not based on “the doctrine of command responsibility”. The prosecution laid out a detailed case surrounding the sale to the former Brazilian president of a beachfront flat. That was the circumstantial evidence on which Lula was convicted. Three appeals-court judges confirmed the conviction and increased the sentence, arguing that being the president of

Brazil was an aggravating factor. Lula faces other cases.

The argument that he is innocent is mere political propaganda. Lula has had the best lawyers, has argued in front of all the courts and has always lost. His supporters believe all manner of conspiracy theories that explain the fall of their leader. They should instead put their energies into fighting hunger and poverty, and for better education and health services. Lula has destroyed his own fabulous biography; it is now time to move on under new leaders. No one is more responsible for his downfall than himself. That is unfortunate, for him, the left, and for Brazil.

NELSON FRANCO JOBIM  
Rio de Janeiro

### To Viktor go the spoils

When explaining the landslide of Viktor Orban’s Fidesz party in Hungary’s parliamentary elections, you exaggerated the “liberal Budapest” versus “traditional countryside” divide in the country (“Viktor victorious”, April 14th). The official election statistics show in fact that in Budapest, Mr Orban’s centre-right Fidesz party won more than a third of the votes, far exceeding the performance of any other party. The far-right Jobbik party also did reasonably well. Together these two parties on the right of Hungarian politics took half of the votes in the capital city. So much for the myth of liberal Budapest.

As you correctly flagged, the Hungarian economy’s reasonably good shape and the “ugly but effective campaign” focusing on threats to Hungarian sovereignty helped Mr Orban. But there are other important factors not mentioned in your article. In Hungary, Fidesz is the only broad-based popular party whose key messages resonate with voters across the entire country and all social classes. Fidesz won even among voters with a college education. The other parties exist essentially on the fringes and are unable to form an effective coalition against the mainstream party.

Last but not least, Mr Orban is the only truly charismatic leader in a fragmented political market who projects strength and international standing. The hyped-up migrant crisis and the Hungarian government’s permanent fight against the “new Moscow” (otherwise known as Brussels) have greatly increased Mr Orban’s strongman values and appeal at the ballot box.

ISTVAN DOBOZI

Gaithersburg, Maryland

### Let’s get quizzical



Having spent ten years on a team in a quiz league, I have to say I did not recognise the happy picture you painted in “A quizzical country” (March 31st). Many of the quizzes in which I was involved were ridiculously competitive and resulted in some spectacular temper tantrums. Pens were flung against walls. I still shudder at my captain’s reaction when one of the team changed my answer of Emmeline Pankhurst to Emily Pankhurst while I was buying an interval pint.

We were once told we had wrongly named the emperor of Japan (apparently we said “Agahito”, not Akihito), and one team nominated a man with a speech impediment as question-master, because only they could understand him. I was glad to retire.

MIKE PAVASOVIC

Ashton-under-Lyne,  
Greater Manchester ■

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## How the elephant got its Trump

WASHINGTON, DC

**The president's takeover of the Republican Party was not a one-off, and it will not easily be undone**

**N**EVER has a party abandoned, fled its principles and deeply held beliefs so quickly as my party did in the face of the nativist juggernaut," Jeff Flake, a Republican senator from Arizona, said in a speech in March. "We have become strangers to ourselves." There is a lot of truth in this. The speed with which the Republican Party's establishment accommodated itself to a candidate, and then a president, who spurned all manner of norms and broke many bounds of decency, as well as policy commitments, was indeed without any precedent.

Paul Ryan, the Speaker of the House, went from refusing to campaign with Donald Trump (after a recording of him boasting about sexual assault became public) to failing quickly to condemn him (when, as president, he spoke of "very fine people on both sides" of confrontations between neo-Nazis and protesters in Charlottesville, Virginia). It now appears that Mr Ryan cannot stomach his position—or, alternatively, that he thinks the voters will not provide the Republican House majority he would need to continue in it after this November's mid-term elections. On April 11th he announced that he will not seek re-election. Like Mr Flake himself, and Bob Corker, a senator who memorably compared Mr Trump's White House to an "adult day-care centre", not to mention 40 other House Republicans—a record—he is leaving the field of battle.

However, Mr Flake's analysis is also flawed. Mr Trump did not for the most part infect Republicans with new beliefs from beyond their ken. He connected, and continues to connect, with what a significant part of its base feels and with what it wants. In so doing, he turned the anti-elitism the party has long fostered in its supporters against its own leadership. In breaking taboo after taboo he did what many in the base had long wanted to see done and to hear said. He is like the "psychoplastic" monsters in David Cronenberg's horror film "The Brood": the party's id made flesh.

### It's good to be the king

This undoubted and persistent connection, coupled with a surprising amount of loyalty from elsewhere in the party, makes the president pretty much unassailable. Mr Trump, polls say, enjoys the support of 85% of Republicans, compared with 65% for Mr Ryan and 40% for Mitch McConnell, the Senate majority leader. That does not mean he can get anything he wants. Congress has been tougher on Russia than he appears to have wished. His promise to repeal Obamacare has not been fulfilled. He has not (yet) pulled out of the Iran deal. His approach to trade goes against a lot of party history, but on gun control, something he has seemed to favour in the past, a tentative sally was nipped in the bud.

But it does mean that criticising him, or

acting in a way that helps his critics—for example by seeking to illuminate the nature of his business dealings—is now almost impossible for a Republican who wants to go on functioning as such. As Mr Corker put it, Republican voters "don't care about issues". They just "want to know if you're with Trump."

Elected officials whose reservations about Mr Trump are not so strong that they want to spend more time with their families keep quiet, content just to vent when in trusted company. Some have rowed back from previous criticism. In 2016 Mitt Romney, a former governor and presidential nominee, denounced Mr Trump as a "fraud". Earlier this year he called outbursts about African migrants the president was reported to have made "inconsistent with America's history and antithetical to American values". Now, seeking a Senate seat in Utah, he has accepted Mr Trump's endorsement and salutes his "extraordinary ability to understand how our economy works to create jobs"—while claiming to be "more of a hawk on immigration than even the president."

The takeover of the party's institutions is largely complete. As is usual when a party's candidate wins the presidency, the Republican National Committee (RNC) has become a subsidiary of the White House. In keeping with the tenor of its new ownership, it now has a website, [LynCorney.com](http://LynCorney.com), dedicated to attacking the former head of the FBI (see Lexington). Ronna McDaniel, who became the RNC's chair last year, previously chaired Mr Trump's campaign in Michigan; Michael Cohen, his personal lawyer, who is under criminal investigation, is one of the RNC's deputy national finance chairs.

Primaries for the November elections will see hundreds of hopefuls competing ►►



▶ to look as close to Mr Trump as possible. There will be no easy victories, if any victories at all, for his critics. The ideological campaign groups that Republicans had to please during Barack Obama's presidency—the Club for Growth, Heritage Action, the Senate Conservatives Fund—might have been able to resist the trend. But they have decided, for the time being, that Mr Trump is the true conservative they wanted all along.

He is not. What he offers politics is not a conservative agenda. It is not an agenda, or an ideology, at all. It is a set of feelings—about patriotism, about who is a proper American and who is not, about foreigners, about elites, about sovereignty and about power. This fits what Larry Bartels, a political scientist at Vanderbilt University in Tennessee, has found out by trawling through survey data. People who identify as Republican are united by cultural issues rather than narrowly political ones. They tend to share respect for the flag and the English language, and negative feelings towards Muslims, immigrants, atheists, and gays and lesbians.

United in this, they are oddly divided on issues that have often defined the right in America and elsewhere—such as what the role of the state should be. Andrea Volkens of the Berlin Social Science Centre and her co-authors compared the manifestos of the Republican Party with those of parties elsewhere and concluded that Republicans sit closer to France's National Front than to the Conservatives in Britain or Canada (see chart 1).

This is not Ronald Reagan's Republican Party. But then, as Reagan knew, parties reinvent themselves. The Republicans have done so more than once since their party was founded in 1854 as an appendage to the anti-slavery movement. After the civil war it was in the ascendancy, providing 11

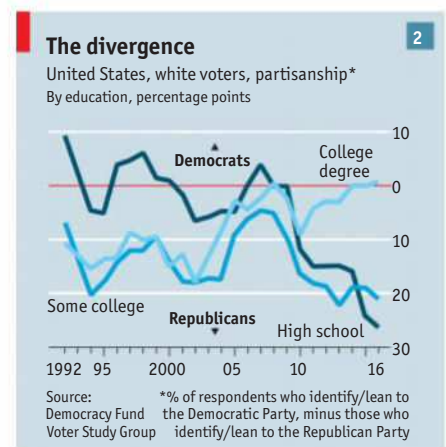
of the 15 presidents from the death of Lincoln until the Depression. This was the party of the union, northern cities, industrialists and protestants, run by classical liberals who believed in a nightwatchman state, content to pick up a colony or two but leery of foreign wars. It came crashing down along with Wall Street in 1929—at a time when Democrats already had southern whites, northern immigrants and Catholics in their camp. With the Depression and the New Deal scrambling politics, the Democrats came into the ascendant. Republicans lost all but two of the nine presidential elections between Herbert Hoover's win in 1928 and Richard Nixon's in 1968; they held the House for just four of the 60 years between 1935 and 1995.

The passage of civil-rights legislation in the 1960s and the nomination of Barry Goldwater for the presidency in 1964 brought about a new transformation. Goldwater promised a return to the party's small-government roots, railing against the Great Society notion that every problem needed a government programme and thus setting the tone for Reagan. Civil rights—also seen by some as a small-government issue—delivered lots of white southerners. "As much as I hate to admit it, George Wallace can't be nominated. Ronald Reagan can. He's right on the issues," ran an advert for Reagan in 1976, winking at the governor of Alabama's past offer of "segregation forever".

**The common clay of the New West**

When Reagan was elected four years later his party was balanced on three legs. Economic conservatives wanted government to spend less and tax less; social conservatives, including many evangelical Christians, wanted the government to ban more and permit less; and national-security hawks wanted the government to wield enormous power overseas. This coalition ran the gamut from the libertarian to the deeply illiberal, but its factions had enough in common for the top brass to keep things moving along. The economic conservatives and national-security hawks, all well represented among party activists, elected officials and big donors, were allowed to run things, so long as they paid sufficient regard to the social conservatives. Part of the deal was they would not actually carry out their oft-stated aim to reduce government spending radically: more popular in theory than in practice. Tax cuts, on the other hand, were fine with all but the most dour deficit hawks—the more the merrier.

But within this odd, successful alliance there was already a significant constituency that wanted just what Mr Trump would later offer. Pat Buchanan, a speechwriter for Nixon, ran in the 1992 and 1996 primaries on a platform of opposition to immigration, free trade, gay rights and multiculturalism. The second time round he won



four states and about a third as many votes as the winner, Bob Dole.

In the early 2000s, with America attacked by terrorists and mounting foreign invasions, many of these people rallied to the president: internal dissent in the party turned to the matter of taxes—the key issue, early on, for the activists known as the Tea Party. The culturally populist position re-emerged in 2008, when the party no longer needed to support a sitting president and some became smitten with the vice-presidential candidate, Sarah Palin, an Alaskan governor who compensated for not knowing things by making Republican voters feel feisty.

This form of Republicanism attracted a number of former Democrats. John Sides of George Washington University says this migration of working-class whites to the Republicans "mainly occurred from 2009 to 2015. It was not a consequence of the 2016 campaign" (see chart 2). Mr Bartels concurs: "I find remarkably little change in partisanship between 2015, when Trump was first emerging as a national political figure, and late 2017," he wrote recently. Many of Mr Trump's supporters joined the party before he did so himself.

Mrs Palin was the harbinger in 2008. In 2012 it was Herman Cain, a black fast-food restaurateur, lobbyist and Tea Partier who had never held elected office and wished to cut the income-tax rate to 9%. He was leading the Republican field when he was accused of sexual harassment by several women—something which, in those innocent days, was enough to sink a candidacy.

Mr Cain was not the only recipient of the base's wayward affections: it was clearly reluctant to settle down with Mr Romney. In the end it did. But his campaign showed that the party was changing. After Mr Ryan, his vice-presidential candidate, talked like a regular fiscal conservative about tackling the deficit with cuts to social security and Medicare, the campaign whisked him into a witness protection programme. Never again was he allowed to trouble elderly Republican voters who wanted to keep the government's hands ▶▶



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off their Medicare. Spending cuts were not for the party faithful: they were for other, less worthy people—a position that helpfully allied prejudice to prudence.

Vice-presidential candidates could then still be controlled by party machinery. Non-candidates could not be. Fox News, which came to dominate cable news in the 2000s, happily provided a platform for populist conservative politicians, including Mr Buchanan, Mrs Palin, Mr Cain and many more, as well as for popular, partisan and peculiar hosts like Bill O'Reilly and Sean Hannity. It both articulated and enforced a new and often increasingly extreme post-Tea Party orthodoxy to which party higher-ups had to pay heed.

Mr Trump's 2016 campaign might, in other circumstances, have fallen foul of this—not least because he was clear about wanting to keep spending on Medicare and social security. But Fox is an entertainment channel built on righteous indignation as well as a political operation, and in Mr Trump it faced for the first time a politician whose star power outgunned it. The prime-time audience for Fox News is around 2.4m. In its pomp "The Apprentice", Mr Trump's reality show, was sometimes watched by ten times that many. The disparity allowed Mr Trump to dictate terms like the star he is. When Megyn Kelly, a Fox News anchor, asked Mr Trump some mildly prosecutorial questions while moderating a primary debate, Mr Trump threatened to boycott the network. Ms Kelly was not removed, but Fox came firmly on to team Trump

### Don't be stupid, be a smarty

What happened between 2009 and 2015 to bring about the shift in non-college white voters Mr Trump profited from? The great recession which followed the financial crisis of 2008 might suggest an economic cause; the presidency of Barack Obama suggests a racial one. Neither explanation is wholly satisfactory.

The Obama presidency began with credit shrinking, factories closing and homes being repossessed. But these conditions hit Democratic-voting minorities the hardest. Frustration at stagnant incomes could be to blame, but Mr Reagan and both Bushes were elected while median wages were growing only slowly. It is hard to see why a continuation of the same conditions should result in victory for Mr Trump. And data released after the election showed that blue-collar wages had in fact been growing at their strongest pace in years.

Among the Republican Party's opponents on the left, it is widely held that Mr Obama's election drew out racial prejudices of the sort Republicans have used since Nixon's "southern strategy". There is truth in this, though also some oversimplification. The most comprehensive recent survey of the influence of racial attitudes

on voting, "Us Against Them" by Donald Kinder of the University of Michigan and Cindy Kam of Vanderbilt, finds that voters who espouse racial stereotypes ("black people are lazy") are indeed more likely to be found in the Republican Party. But it finds that to be mainly because more white people vote Republican. White Democrats are pretty much as likely to hold such views as white Republicans are, and most of them voted for Mr Obama. A majority of whites who voted for both parties in 2016 said that it was important for whites to work together to change laws that are unfair to whites.

There was also something broader going on. The rise of social media allowed people to talk about politics in an unmediated way, reading and saying things that would never have been seen on broadcast television or read in newspapers. Fox understood, to some extent, how this new unfettered and often fact-free discourse worked. Mr Trump knew it in his bones. He could, and did, speak the language of vulgar resentment like a pro. For many of his supporters, the more this was disapproved of, the more valid and admirable it seemed.

### Party of one

How long can his dominance persist? The American right has an abiding characteristic that elsewhere is mostly found among left-wing revolutionaries: it eats its children. Before Mr Trump came along, the cycle usually played out like this: a challenger would win a Republican primary by accusing his opponent of being a Washington insider who had betrayed the conservative cause. He would then head off to Washington to rail against business as usual for a few election cycles before being attacked in his turn as a representative of the hated establishment.

At the moment this dynamic appears to be working in Mr Trump's favour, silencing

opponents and rewarding loyalists. At some point, though, the cycle will turn. Today's saviours will be tomorrow's traitors.

Political parties centred on a single personality fall apart after the leader goes. Silvio Berlusconi founded two parties in Italy, Forza Italia and People of Freedom. Both proved fissiparous in his absence. But this is an unlikely fate for the post-Trump Republicans. It is hard for a party to collapse completely in a two-party system. It is also rare for one to become again what once it was. Because the party was becoming Trumpian long before Mr Trump took over, it will no more go back to the 1980s in his absence than to the 1880s. Mr Trump will not bequeath a set of political ideas as Reagan did those he had inherited from Goldwater and others. But the attitudes he has ridden to office will still outlive him.

If Trumpism is to define the Republican Party for the next decade or more, there are three ways it could develop. The most worrying would see the party choose another leader who, like Mr Trump, does not care for the separation of powers, judicial independence or a free press, but unlike Mr Trump goes about undermining them effectively. A second possibility is that the party loses power and becomes the elected wing of an anti-government movement, its default setting when the Democrats hold power.

There is a third possibility. Trumpian attitudes could lead to matching policies, ones aimed at fashioning a new New Deal, as Geoffrey Kabaservice of the Niskanen Centre, a think-tank, puts it. A national project America's right could support might ease the rigidity of a movement some of which borders on anarchism in its hostility to government and much of which equates compromise with treachery. But if based on white resentment, and thus intent on excluding some Americans from its promise, it could entrench as many problems as it solved. ■



An inspiring display of unity





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Refugees

# Yearning to be free? Bad luck

NEW YORK

America is on track to admit the fewest refugees in four decades

**D**URING the Iraq war, Suleiman's family worked closely with the American army in Mosul, as interpreters. When Islamic State took the city over—and its fighters began driving around the city to search for them—they fled east to Erbil, before he came there, too. Suleiman (not his real name) is now in Amman, Jordan, waiting to hear about his long-stalled refugee case. Without a work permit, he is running out of cash. "Someone needs to tell me whether to go to jail, go to hell, or go to the United States," he says.

For Iraqis seeking to flee to America as refugees, Suleiman's story is a typical one. In his first week in office, Donald Trump hastily signed a travel ban, suspending all refugee admissions for 120 days, which plunged travellers' plans into chaos and triggered mass protests. The travel ban has been withdrawn and resuscitated several times in response to legal challenges. Its third incarnation, which is still in effect, will be challenged before the Supreme Court next week. It has already had a drastic impact on refugee admissions.

In fiscal year 2018, the first one completely governed by the Trump administration, America is on track to resettle only 20,800 refugees according to *The Economist's* calculations—a 61% reduction from the previous year, and the fewest since 1980, when the modern system of admissions was established (see chart). Those

trying to flee from Syria, which America, along with Britain and France, recently bombed to protest against a chemical-weapon attack, are having an even tougher time. Whereas 6,557 were admitted in 2017, only 44 have been in 2018. Admissions from Iraq, Somalia and Iran have declined by similarly steep margins.

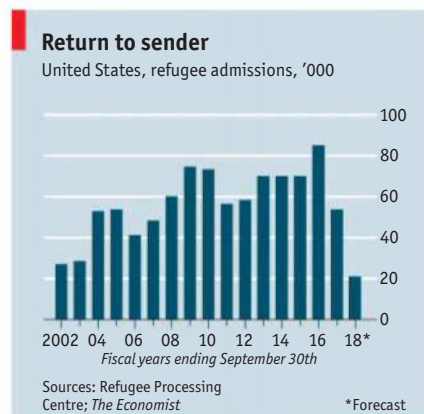
During his campaign, Mr Trump proposed a "complete and total shutdown of Muslims entering the United States". He appears to be working steadily towards that goal. From 2013 to 2017, Muslims made up 41% of admitted refugees. But more than halfway through the current fiscal year, they make up just 17%. Beleaguered religious minorities from Muslim countries,

such as Iranian Bahais and Iraqi Yazidis, have also been harmed by the policy change, facing admission declines of 98%. Admissions of Christians, which were roughly equal to those of Muslims in previous years, have now surged to 58% of all incoming refugees.

The professed reason for the decline in admissions is to protect national security through, as Mr Trump terms it, "extreme vetting". The additional measures have been kept vague, to avoid giving "our play-book to our enemies" in the words of one official. Under Barack Obama's administration American screening was already among the toughest in the world, requiring interviews, continuous background checks, fingerprinting and iris scans. For some applicants, the process could take over two years to complete. Under Mr Trump's administration, the process has got more extreme still.

These checks appear to be effective. A recent study by the Cato Institute, a libertarian think-tank, found that the rate of vetting failure, when a person with terrorist sympathies is allowed into America and goes on to commit an attack, is vanishingly small: one in 29m. The study also found that the chance of an American dying at the hands of an improperly admitted terrorist was one in 328m.

Bureaucratic tweaks are also slowing the flow of refugees. To be admitted, a refugee applicant must be screened in person by agents from the Department of Homeland Security (DHS). But the DHS has been reassigning agents who conduct these interviews and has also reduced foreign trips to carry out such screenings, leaving many applicants in limbo. Medical and background checks expire after a set time, prompting some to restart the lengthy process. "Even without the travel ban, there ▶▶



Sean Hannity

## Fox and friends

WASHINGTON, DC

Michael Cohen has all the best clients

WHEN Donald Trump's lawyer, Michael Cohen, was raided by the FBI last week, it was the biggest story in America. But the news moves fast in Trumpland. By April 16th it was only the third-biggest sensation in the Manhattan courtroom where Mr Cohen and his and the president's lawyers had gathered in a losing bid to stop the FBI reading his documents. The second-biggest was the arrival of the porn star Stormy Daniels, who is suing Mr Trump and Mr Cohen to be shot of a hush agreement designed to stop her discussing an alleged affair with the president. The biggest sensation was a revelation, wrung from Mr Cohen's lawyers by the judge's order, that one of his three legal clients was Sean Hannity.

Mr Hannity, whose Fox News show was until recently the most popular on cable-TV news, downplayed the relationship. He said he had consulted Mr Cohen only on minor issues, chiefly involving real estate. So not, he implied, hush agreements with porn stars. Even so, sticklers for journalistic propriety found this a trifle inappropriate. Mr Hannity had lambasted the raids on Mr Cohen as a "witch-hunt", without mentioning to

Fox, let alone his 3m viewers, that Mr Cohen was his attorney. Happily for Mr Hannity, the media company, which cannot afford to lose another big star to scandal in the wake of Bill O'Reilly's sacking for sexual misdeeds last year, said it was surprised, but supportive. In a less sticklerish sense, indeed, nothing could be more appropriate than Mr Hannity sharing the president's lawyer.

Fox News is one of Mr Trump's main sources of policy advice, and his comfort blanket. It is where he tunes in to see how his latest tweet is going down with his supporters, and to hear that they love him, even if 55% of Americans do not. The news channel has supplied several of his recent senior hires, including John Bolton, the national-security adviser, a former Fox News pundit. And Mr Hannity, another tough-talking New Yorker, who feeds Mr Trump's love of conspiracy theories and hatred of snooty elites, is his closest confidant on Fox.

Mr Hannity's future looks rosy. Mr Trump's nominee for secretary of state, Mike Pompeo, is struggling to get confirmed by the Senate; maybe Mr Hannity could replace him? Don't laugh. Really.



You pretend to grill me and I'll pretend to be angry

▶ are many, many ways to throw sand into the gears to keep the refugee pipeline from moving," says Bill Frelick, director of the refugee programme at Human Rights Watch, an advocacy group.

Under American law, the executive branch has nearly complete authority over refugee policy. With minimal involvement from Congress, the president can set a cap on the annual number of refugees admitted. Mr Trump, for example, has set this cap

to 45,000—the lowest ever—though the actual number will be less than half that. So long as the White House does not articulate a policy of explicit exclusion, the chances of a successful court challenge are low. "They've clearly found a legal way to enforce the Muslim ban," says Mark Hetfield, the president of HIAS, a refugee-resettlement agency. "They've realised that they can turn up the security vetting and keep everyone out." ■

Juries

## Tipping the scales

NEW ORLEANS

The racist origin of two states' laws on juries may help bring about change

TWO of the jurors who sat in judgment at Willie Dunn junior's murder trial in 2011 thought he had a plausible claim to self-defence, and voted to acquit him. The other ten thought Mr Dunn was guilty not of murder but of the lesser crime of manslaughter, and in Louisiana that's good enough. Mr Dunn is now about midway through a 20-year stretch in prison.

Whereas split verdicts are acceptable in England, in America they can convict people only in Louisiana and Oregon, each of which allows convictions in most felony cases when ten of 12 jurors agree. Now in Louisiana a proposal to put the question of reforming the law before voters has cleared the state Senate and is pending in the House; and in Oregon prosecutors, the law's staunchest defenders, are talking about supporting a change.

The shift of sentiment comes amid renewed discussion of the law's shameful history and troubling effects. The *Advocate*, Louisiana's largest newspaper, recently analysed the outcomes of nearly 1,000 felony trials. About two-fifths ended with split verdicts, which were 30% more likely when the defendant was black—as, in Louisiana, most are. Though the state's population is about one-third black, the prison population—the largest, per head, in the world—is two-thirds black.

The newspaper also found that black people are heavily underrepresented on the juries that send people to jail, often for life. Mr Dunn was found guilty by an all-white jury, even though the community it was drawn from is nearly half African-American. It is not a great look for a Deep South state with a history of slavery and discrimination.

Louisiana required unanimous verdicts for its first 80 years of statehood, but after the civil war newly enfranchised black people started to serve on juries. The split-verdict law was adopted as part of Louisiana's constitutional convention in 1898, the stated purpose of which was "to establish the supremacy of the white race". It aimed to ensure that, if a couple of blacks were somehow seated on a jury, their votes could be ignored. According to Lawrence Powell of Tulane University in New Orleans, Louisiana felt the need for this law more than other southern states did because it had a unique tradition of "free people of colour" (mixed-race free people, often of Spanish or French origin, especially clustered in New Orleans), who were ag- ▶▶

itating for political rights more forcefully than most newly freed slaves dared to.

Oregon's split-verdict law was the product of a different sort of racism. It was passed in protest against a manslaughter verdict handed down in 1933 in a widely publicised case in which the accused murderer was Jewish. Eleven jurors had supported the murder charge, but there was one holdout. The killer got a short prison term, spawning outrage. The *Morning Oregonian* opined that "the vast immigration into America from southern and eastern Europe, of people untrained in the jury system, have combined to make the jury of 12 increasingly unwieldy and unsatisfac-

tory". Months later, in 1934, voters approved the law allowing split verdicts.

Today, split-jury verdicts play out in quite different ways in the only two states that allow them. In Louisiana, the law's racist stench remains, thanks to the state's demographics and its struggles with mass incarceration—which are attributable in part to a law that makes it easier for prosecutors to win their cases. Anti-Semitism, by contrast, is of little moment in today's Oregon, and the law merely gives a helping hand to prosecutors in getting defendants sent down. Nevertheless, change may be coming to the state that brought the world "Portlandia". ■

### Property prices and demography

## The burbs are back

HAYS COUNTY, TEXAS

### Americans are once more fleeing the cities for the suburbs

JUST as Cody Butler and Joey Trombetta were searching for a spot to open a second branch of their Austin-based fitness boutique, Heat Bootcamp, they began losing business. Their clients weren't trading their kettlebells and TRX bands for some other form of corporal torture; they were leaving town. "Every few months someone would come up to us and say 'Love you guys, but we need more space and can't afford it in Austin so we're moving to the suburbs in Hays County'," Mr Trombetta recalls. The buff business partners decided to follow their customers. After outfitting an expansive space formerly occupied by a grocery chain with rubber floors, mirrors, and red and blue mood lights befitting a nightclub, Heat Bootcamp opened up in San Marcos, the quaint seat of Hays County.

The county, where builders have transformed farmland into gleaming new subdivisions with slogans like "Where Austin goes to grow", expanded by 5% between July 2016 and July 2017. It is an extreme example of a wider trend sweeping America: the resurgence of the suburb. The Great Recession, combined with a mortgage crisis, hindered mobility and curtailed home-buying, dragging down the growth of the suburbs. At the same time, urban cores began to grow more quickly than they had before, inspiring questions about the future of America's development. Academics began theorising that perhaps the "back to the city" movement would endure, driven by millennials who cared less about white picket fences than about being within strolling distance of cafés hawking cold brew and avocado toast.

Recent migration trends suggest other-

wise. Analysis of United States Census Bureau data by William Frey, a demographer at the Brookings Institution, a think-tank, shows that lower-density suburbs and exurbs—areas separated from cities by rural land—have been growing more quickly since the Great Recession, while the growth of urban cores is slowing. Since 2012, considered the peak year of the urban renaissance, the growth of urban cores has fallen by half and exurban county growth has quadrupled.

Looking at the same data, Wendell Cox, who runs Demographia, an urban planning consultancy in St Louis, found that between 2016 and 2017 nearly 438,000 net residents left the counties that included urban cores, while suburban counties of the same metro areas gained 252,000 net residents. Growth in America's three largest metropolitan areas is sluggish. Los Angeles grew by just 0.19% from 2016 to 2017, while New York expanded by 0.23% and Chicago actually shrank by 0.14%. In 2017, five times

as many Americans moved to New York's suburbs as moved to the Big Apple. The large metro areas that have added the most people—Dallas, Houston and Atlanta, for example—have relatively small downtown areas and are dominated by residential neighbourhoods that feel every bit as suburban as Stepford.

The last time Americans fled the cities for the suburbs, from the 1950s to the 1980s, they were driven primarily by fear of crime. This time the migration is the consequence of the cities' success, not their failure. Housing and rental prices in many of the country's largest metro areas have soared, inspiring residents to pack up and move out. In Los Angeles and San Francisco median home prices are more than ten times median household incomes. The ratio is only slightly better in Boston and Seattle. A retired school teacher boarding a plane from Los Angeles to Austin, where she plans to move to the suburbs later this year, lamented: "Who can afford to live in Los Angeles any more?"

Older people are not the only ones making such moves. Taylor Felan, a 30-year-old banker, moved to San Marcos with his wife a year ago after they realised that selling their shabby home in Austin would give them enough cash to build a new one on an acre (0.4 hectare) lot in Hays County. He is far from alone. According to the National Association of Realtors, a trade association for estate agents, more than half of Americans under the age of 37—the majority of home-buyers—are settling in suburban places. In 2017, the Census Bureau released data suggesting that 25- to 29-year-olds are a quarter more likely to move from the city to the suburbs than to go in the opposite direction; older millennials are more than twice as likely. Economic recovery and easier mortgages have helped them on their way.

Despite the widespread perception that millennials are allergic to cars, gardens and chain stores, they are actually less urban than the previous generation. Analysis by FiveThirtyEight, a data-journalism website, found that while the share of 25- to 34-year olds with bachelor's degrees living in hyper-urban neighbourhoods grew by 17% from 2000 to the period between 2009 and 2013, as a whole millennials were less likely to live in urban areas than young people were in 2000.

As more young people decamp from the cities to the suburbs, Mr Frey wonders if a hybrid might develop, where people who leave cities—especially the most vibrant and expensive ones—will gravitate to places with similar amenities. Or transform them—as is happening in San Marcos. Though it has its fair share of cookie-cutter homes and strip malls, its well-preserved old downtown boasts a brewery and beer garden, a yoga studio and, now, a bootcamp boutique. ■

### Bye bye bright lights

United States, population in urban and suburban counties, % change on a year earlier



Source: William H. Frey, Brookings Institution \*Counties in metropolitan areas with more than 500,000 people



## Despondent farmers

## A pig's ear of a policy

CHICAGO

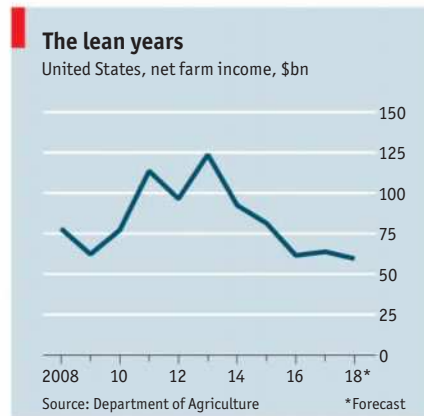
The president's protectionism is alienating his farmland fans

“EVERYONE in pork production is more anxious than they have been for 20 years,” says Jimmy Tosh, a pig farmer from north-western Tennessee. As for the grain farmers, he reckons things are worse than at any time since the 1980s. The farmers' latest worry is the five-yearly Farm Bill, which was submitted to Congress on April 18th. But Donald Trump, whom they overwhelmingly supported for the presidency, has provided them with plenty of other reasons to grouse.

Times were already tough. Farm income has halved from a peak of \$124bn in 2013 to a forecast \$60bn this year (see chart) because the supply of global grains is outstripping demand, the Chinese economy is slowing and demand for ethanol based on corn (maize) is slack.

The Farm Bill should be good news for farmers, covering, as it usually does, subsidies for them and, through the food stamps programme, for the poor. The previous bill included direct subsidies for farmers to the tune of \$7bn a year, a land-conservation programme costing some \$5bn and crop insurance, which comes at a price tag of up to \$8bn. In the past, a deal between Republicans and Democrats has ensured that both farmers and poor people got their cash. But the farmers are worried, this time round, that Republicans are more determined to cut welfare and less concerned to protect farmers than they used to be. Not long ago, Mr Trump suggested cutting crop insurance by a third. Michael Conway, the congressman who submitted the bill, did not include the suggestion in his draft, but conservative groups such as the Heritage Foundation have lambasted the bill for, in their view, doing nothing to cut wasteful subsidy programmes. It will be bitterly debated over the coming months.

But trade is the farmers' biggest worry. Mr Trump has pulled out of the Trans-Pacific Partnership (TPP), a colossal trade agreement between 12 Pacific Rim countries, threatened to leave the North American Free-Trade Agreement and slapped tariffs on imports of steel (25%) and aluminium (10%). All those moves are problematic for agriculture. Mr Tosh says that he has already been hit by the steel and aluminium tariffs. He is planning to increase his herd of pigs from 750,000 to 950,000 and the costs of the new barns needed have gone through the roof thanks to the higher price of rebar, a steel rod for reinforcing concrete. He expects to be hit even harder by the 25%



tariff on American pork imposed by the Chinese government on April 2nd in retaliation for Mr Trump's tariffs.

China is the third-largest market for American pigs and the biggest market for variety meats (pig feet, livers and hearts), which most Americans do not eat. Last year America sold China 496,000 tonnes of pork worth \$1.1bn, or 20% of total pork exports. Farmers expect to lose most if not all of this business. Domestic prices are, as a result, expected to fall by \$6-8 per pig. In Mr Tosh's case this will translate into a loss of up to \$6m a year.

Soybean farmers stand to lose even more than their peers farming livestock or other crops. One-quarter of their production is exported to China. With prices of

soybeans languishing at \$10 a bushel (compared with \$17 in 2013) they cannot afford to lose their biggest export market to Brazil and Argentina.

Support for Mr Trump among farmers seems to be slipping. According to a survey by AgriPulse, a trade website, 67% supported him in 2016 and 45% would now. In an apparent attempt to placate them, he suggested on April 12th that he might consider rejoining the TPP. But five days later, he completed the full 360 degrees, tweeting that “I don't like the deal.”

Farmers may get more joy from concessions on the ethanol front. Under the Renewable Fuel Standard, oil firms have to blend billions of gallons of ethanol into fuel each year. Around 38% of America's corn is used to make ethanol, but the process is of questionable value to the environment, and the sale of fuel containing 15% ethanol is banned in the summer because of smog. Mr Trump has suggested that he might direct the Environmental Protection Agency to lift this ban. Another possibility is an increase in the ethanol mandate—the percentage that fuel must contain. At present it stands at 10%. “Even an increase to 12% all year would be a huge boon for corn farmers,” says Decker Walker, a partner at the Boston Consulting Group. This would incense not just environmentalists (who already hate Mr Trump), but also the oil lobby, which objects to the cost of the ethanol mandate, and big buyers of animal feed, whose bills go up if more corn is used to make ethanol.

But a shift in the ethanol rules would not make up for losing the largest market on the planet. Farmers are keen on the open markets that have benefited them greatly. Mr Tosh says he has now moved to the centre politically. At the upcoming Senate race in Tennessee he will vote for Phil Bredesen, the Democrat. ■



Bringing home less bacon

# Lexington | The bad things good men do

By trying to protect the FBI, James Comey damaged it and sullied his own reputation



**T**HROUGH the first half of 2016, James Comey, then FBI director, wrestled with what he considered to be an awful problem. For almost a year his agents had been investigating Hillary Clinton's mishandling of classified information as secretary of state. Were this to result in a criminal charge, America would face a crisis, for Mrs Clinton was the presumptive Democratic presidential candidate. And like many Republicans back then, Mr Comey, a devout Christian interested in ethics, considered her Republican opponent unfit to be president. Yet this was not Mr Comey's worry.

Mrs Clinton, as he acknowledges in his memoir, "A Higher Loyalty", was never in serious danger of being indicted. Former officials are charged with mishandling intelligence rarely and only if they are shown to have done so knowingly, and there was little evidence that she had. The trouble was, millions of Republicans, deceived by decades of anti-Clinton conspiracy theories, were already convinced of her guilt. Mr Comey's "challenge" was to spin the results of his investigation in a way that would deflect their inevitable anger and suspicion away from the FBI. He needed to close "the case in a way that maintained the confidence of the American people that their justice system was working in an honest, competent and non-political manner."

It is strange that Mr Comey, even now, defends this preoccupation with how the FBI's discreet inner working was perceived, not on what it concluded. His well-written memoir, which combines a powerful argument for principled leadership with some acid comment on Donald Trump's mendacious, "ego driven" alternative, contains a lot of advice to the contrary. "Lady Justice wears a blindfold," he writes. "She is not supposed to peek out to see how her political master wishes her to weigh a matter." When it came to dealing with presidents, he stuck by that. He was sacked last year after, he claims credibly, denying Mr Trump's request to back-pedal a counter-intelligence investigation into the president's campaign team. But when it came to the people who elect presidents, Mr Comey peeked, with dire consequences.

He called a press conference at which he lambasted Mrs Clinton for being "extremely careless"—and then added, on the heels of that sensational news, that the FBI was letting her off the hook. It is hard to imagine the universe in which Mr Comey thought this

would be seen as "non-political". It suborned the authority of the Democratic attorney-general, Loretta Lynch, to decide whether Mrs Clinton should face charges. It consigned the Democratic candidate to political purgatory; even many of her supporters henceforth believed she was crooked. And far from insulating the FBI against accusations of bias, Mr Comey's ruse united the electorate against it. Democrats accused him of gratuitously blackening Mrs Clinton's name. Republicans accused him of failing to punish her wrongdoing. That suspicion, in turn, prepared the ground for Mr Trump's bigger assault on the FBI and Robert Mueller, the special counsel who now runs the Russia probe.

Mr Comey's tactic also established a pattern that would lead him, three months later, to intrude into the election more egregiously. After a new trove of Clinton e-mails emerged, a couple of weeks before the poll, he broke rules against electoral interference by informing Congress that he was reopening his investigation. Mrs Clinton's polling lead collapsed, never to recover, even after Mr Comey let it be known, a couple of days before the election, that there was nothing to the new e-mails after all. Though it is impossible to prove he cost Mrs Clinton the presidency, it seems likely. That was some achievement for a discreet investigator dedicated to the sanctity of blind justice.

Mr Comey presents his book as a meditation on "ethical leadership". And indeed the former prosecutor is plainly honest. An illustrious career battling mobsters (whose values and methods he recalls amid the mirrored glass of Trump Tower) and Dick Cheney on torture offers much proof of that. It also provides ground to trust Mr Comey's word against Mr Trump's over the circumstances of his sacking. That conflict, which forms a relatively minor and unsurprising part of his book, could be important to Mr Mueller's investigation, and there is little reason to think, as some claim, that Mr Comey's memoir has damaged his standing as a witness. His testimony has already been delivered to Congress.

There is also no cause to suppose, as many Trump fans do, that Mr Comey is part of a "deep state" plot against the president. His decision not to disclose the fact that Mr Trump's team was also under investigation, even as the scandal over Mrs Clinton's e-mails raged, was another service to the president, albeit a defensible one. And the Russia probe that has grown from that seedling is hardly the "witch-hunt" Mr Trump says it is. It has led to several criminal charges. Mr Comey, in short, has played an upstanding, at times heroic, part in Trump's America. Yet, given his lead role in bringing it into being, his book is most useful as a guide to how an ethical leader screwed up.

## Comey island

Mr Comey's error was to think his good intentions, chiefly his concern for the FBI's independence, justified his overstepping the boundaries of institutional propriety. His main excuse, that the bureau was fated to play a role in the 2016 election anyway—it was investigating both presidential candidates, for goodness sake—emphasises his difficulty. But it is also self-serving and illogical. The threat of politicisation, to which extreme polarisation will make all independent institutions prone, argues for scrupulous professionalism, not compensatory activism. Mr Comey, who kept on his desk as a reminder of the FBI's need for "oversight and restraint" a request by J. Edgar Hoover to wiretap Martin Luther King, had no excuse not to know that. His reputation will always suffer for his horrendous error, however many thousands of books he is about to sell. ■





### Canadian politics

## A different kind of populism

OTTAWA

**Anti-elitist politicians are starting to court immigrants rather than demonise them. That is no reason for liberals to be complacent**

EVER since Doug Ford became the leader of Ontario's centre-right Progressive Conservative Party on March 10th, he has been asked if he is Canada's Donald Trump. The two have much in common. Big, beefy and blond, Mr Ford inherited a large product-labelling company, yet campaigns against elites who "drink champagne with their pinkies in the air". He loathes regulation and taxes, and vows to repeal Ontario's carbon cap-and-trade system. Two books about his late brother Rob, Toronto's crack-smoking mayor, paint the surviving Ford as impulsive, undisciplined, indiscreet and a bully.

However, the comparison falls apart when it comes to immigration. Mr Ford bemoans the loss of 300,000 manufacturing jobs from Ontario, but blames an incompetent Liberal Party, not foreigners. Far from bashing immigrants, he aims to woo socially conservative ones. For example, he wants to repeal a sex-education curriculum for primary schools that lists six genders and four sexual orientations. Many immigrant parents pulled their children from classes when it was launched in 2015.

Even a colour-blind populism could be dangerous. Some of Canada's new populist leaders are reckless with facts, impatient with legal constraints and make budget-busting promises. And they might win. Polls suggest that Mr Ford will capture the premiership of Ontario, the country's second-most-powerful office, at an election on June 7th. In Quebec, the party of Fran-

çois Legault, a cultural nationalist, is leading polls for a provincial election in October. And in Alberta, a recently unified party led by Jason Kenney, a conservative accused of sharing Mr Trump's penchant for "alternative facts", enjoys a vast lead. National polls tell a similar story. By last month the ruling Liberal Party, led by Justin Trudeau, had fallen into a rough tie with the opposition Conservatives (see chart). After a long spell basking in global adulation as an antidote to Mr Trump, Canada is no longer populist-proof, liberals worry.

Political upheaval is not new to Canada. After Canadians declined to join the revolting American colonies, rebellions erupted in Ontario and Quebec in 1837 against appointed leaders who resisted

self-rule. A century later, agrarian socialists won control of provincial governments in the western prairies.

Nonetheless, occasional victories by political outsiders have mostly been limited to the provinces. Because Canada's population is concentrated in Ontario and Quebec, federal elections have hinged on the east, where politics have focused on placating Quebec's separatists. Voters elsewhere had reason to feel ignored.

Only in 2006 did a candidate from the hinterlands win by opposing the Montreal-Toronto axis. The dour Stephen Harper did not look like a cowboy populist, but struck a chord by accusing distant overlords in Ottawa of stifling Canada's energy-rich west with regulation. Moreover, his calls for family values and law and order resonated with immigrants in suburban Ontario as well as with his base in rural Alberta.

Mr Harper spent a decade in power. Once he could no longer run as an outsider, voters swung back to the establishment; Mr Trudeau is the son of a former prime minister. But in office, Mr Trudeau has invited populist scorn, only partly because of his dynastic leg-up. Policy-wise, he enraged the right by planning a national carbon tax and making non-profits applying for grants pledge to support legal abortion. He was also mocked for dressing his family in Bollywood garb on a trip to India, and holidaying on a private Caribbean island.

There is little demand for Trump-style isolationism in Canada. With trade equivalent to 64% of GDP, it would strike voters as absurd. And even a whiff of racial prejudice would be political suicide in a country where 20% of citizens are immigrants (compared with 13% in the United States) and the native-born are obsessed with being nice. Far-right groups are active in every Canadian province, but they are small. Violent zealots, such as the shooter who killed six Muslims in a Quebec City ►►

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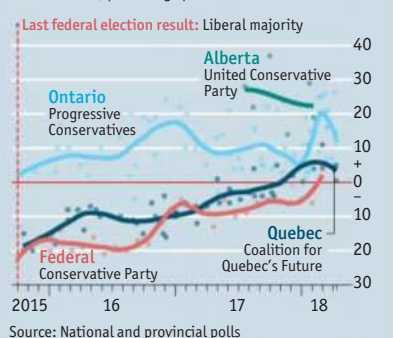
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### The rise of the centre-right

Canada, centre-right parties' margin over closest rival, percentage points





mosque to protest Mr Trudeau's welcoming of refugees, are even rarer.

Instead of ethnic division, Canada's populists offer unrealistic fixes. For example, Mr Ford says he will fire the head of Ontario's electric utility, which the premier cannot do. Mr Kenney wants a referendum on federal revenue-sharing, from which Alberta cannot withdraw. Both promise to pay for tax cuts with unspecified savings. And all populists claim to defend the masses against corrupt elites.

The targets of such attacks vary. In Ontario, where the premier is openly lesbian, Mr Ford's alpha-male persona appeals to men who find Mr Trudeau's feminism grating. In Alberta, Mr Kenney—who crafted Mr Harper's outreach to conservative non-whites—rails against Ottawa and crony capitalism. And in Quebec, nativism has flourished. Its Francophone residents have long fought to protect their language and culture. Mr Legault may not call immigrants rapists—this is Canada, after all—but he does want to cut their inflow by 20%, and subject them to a “values test”.

The entry of the populists does not ensure an early exit for Mr Trudeau. Andrew Scheer, the federal opposition leader, will need to court culturally anxious Quebecers, assembly-line workers in Ontario and western cowboys alike—a feat that only Mr Harper has achieved so far. He has sought to keep his party free of unsavoury influences. In January he expelled from his caucus a senator whose website maligned the work ethic of indigenous Canadians. Nonetheless, he will need to win the voters now backing Mr Ford and his ilk at the next election in 2019. Perhaps the best test of the country's reputation for moderation is whether he can run a competitive race without making ridiculous promises or tarring his opponents as un-Canadian. ■

### Borders in Central America

## Half of Belize, please

### Guatemala votes to demand the majority of its neighbour's territory

IT SOUNDS like an outrageous act of provocation. In a referendum on April 15th, Guatemalan voters chose to file a claim at the International Court of Justice (ICJ) demanding sovereignty over 53% of Belize, their eastern neighbour. The Belizean government, however, responded with congratulations, saying the result “contributes further to the strengthening of democracy, peace and security”. It had reason to be sanguine: the most likely outcome is that nothing will happen.

Guatemala's demand for a bigger



chunk of Central America's Caribbean coast is far older than Belize itself. In the 1700s Spain agreed to let Britain cut timber in the northern half of modern Belize. Britons searching for mahogany crept southwards. After Spain retreated from Latin America in the 1800s, Britain formally took over the entire territory, naming it British Honduras. The new state of Guatemala said it had “inherited” the region from Spain. Guatemala gave up its claim in 1859, in exchange for Britain building a road from Guatemala City to the Caribbean. But the road never materialised, and Guatemala declared the treaty void.

The dispute remained an irritant for most of the 20th century. Both Britain and Guatemala intermittently deployed troops to the region, and the threat of invasion by Guatemala's military dictators contributed to the relatively late decolonisation of Belize; it did not gain independence until 1981. Although Guatemala recognised Belize in 1991, it reasserted its territorial claim eight years later. The two countries have set up an “adjacency zone” 2km wide to separate them. Tensions occasionally flare over shootings of people crossing the border.

Only in 2008 did their leaders bury the hatchet. After years of stalled talks, they agreed to resolve the dispute at the ICJ—if and only if both countries' voters approved via referendum. That is the latest sign that old grudges are fading. Guatemala long ago dropped its demand from its constitution, and no longer reserves three empty seats in congress marked “Belize” and draped in its national colours. With the country's political agenda dominated by corruption and crime, a decade passed before it held its referendum. Although 89% of people who voted chose to file at the ICJ, turnout was just 26%. “Most people consider it irrelevant,” says Fernando Carrera, a former foreign minister.

Now it is Belize's turn. The government says its electoral roll will not be ready until 2019. Perhaps surprisingly, some Belizeans support a “yes” vote. Winning at the ICJ would not only lift an age-old cloud over the country, but also bring international law to Belize's side when policing illegal

fishing and logging by Guatemalans. A defeat, however, would be catastrophic. Guatemala's demand covers a large hunk of the mainland, several islands and a wide swathe of sea territory. In total, the court would rule on an area containing 43% of Belize's people, 50% of its exports and 38% of its GDP. “If Belize wins, we win nothing,” says Osmond Martinez, a professor at Galen University in Belmopan, who expects Belizeans to vote no. “If we lose, we lose 12,000 [square] km of our country.”

If the case does reach the ICJ, the court is expected to take up to four years to rule. And now that Guatemala has in effect given Belize a veto over its own dismemberment, if Belize does vote no, passions are likely to wane further. Residents along the frontier tend to get along. Belize, which considers itself a Caribbean country, is becoming more Latin as Spanish-speaking migrants flock in. And next year Guatemala, according to its president, Jimmy Morales, will get at last what Britain never built: a four-lane, \$600m highway running 200km (135 miles) to the Caribbean coast. Footing much of the bill is not its old rival, Britain, but a new friend: Taiwan. ■

### Colombia's peace process

## A long final chapter

BOGOTÁ

### Attacks by a rump guerrilla force show that organised crime remains a threat

JUAN MANUEL SANTOS chose his words carefully after signing a peace deal with Colombia's FARC guerrillas in 2016, officially ending a 50-year-long conflict. “Today marks the beginning of the end of the suffering, the pain and the tragedy of the war,” the president said, well aware that reintegrating the FARC into society would bring its own travails. Overall, the peace process has succeeded; the Colombian countryside is safer than it has been in generations. But a few holdouts still trouble Mr Santos, whose presidency ends on August 7th, and will test his successor as well.

On April 13th Lenin Moreno, the president of Ecuador, announced that two of his country's journalists and a driver had been killed near the Colombian border. They had been kidnapped on March 26th by the Oliver Sinisterra Front, a gang of 70-80 former FARC guerrillas who refused to demobilise and broke off from the organisation. Led by an Ecuadorean named Walter “Guacho” Artízala, the splinter group has sought to retain a piece of the lucrative trade making cocaine in southern Colombia and northern Ecuador and shipping it via the Pacific Ocean. Its fighters often attack Ecuadorean security forces. ▶▶

▶ Mr Moreno promised last month to send 12,000 soldiers and police to the region to fight drug gangs, and in response to the abductions the two countries have arrested 43 alleged members of the front. But determined guerrillas in mountainous terrain can prove remarkably resilient. On April 17th the Ecuadorean government announced that the Oliver Sinisterra Front had kidnapped two more of its citizens, and played a disturbing video of the captives in which they plead for their lives.

After transforming themselves into a political party and renouncing violence, the FARC have condemned the attacks by

their former members. However, the new FARC have not proven as reliable a partner as Mr Santos might have hoped. On April 9th Colombian authorities arrested Seuxis Hernández Solarte, a FARC official who goes by the name Jesús Santrich and was slated to take up one of ten Congressional seats reserved for the new party in July. He was charged with conspiring to export ten tonnes of cocaine.

FARC leaders have decried his arrest as an effort to discredit their party, and demanded that he not be extradited to the United States. Relying on reports from local and American investigators, Colombi-

an media have published stories alleging that one of the sources of the shipment in question was none other than the Oliver Sinisterra Front. Mr Santrich vehemently denies the charges. But if evidence emerges to support such links, tenuous public support for the peace deal—the first draft of which was rejected by voters in a referendum—could weaken even further. Colombia's presidential candidates are paying close attention. Iván Duque, the front-runner, has campaigned on revising the pact to remove the FARC's reserved legislative seats and exclude drug-trafficking crimes from the deal's lenient special court. ■

## Bello | The spirit of Lima

Even in the age of Donald Trump, most of Latin America supports American values. That could change

THE last time the leaders of 30-odd countries from the Americas met, in Panama in 2015, the presidents of the United States and Cuba, longtime enemies, shook hands. When the group reconvened in Lima this month, the bonhomie was gone. Raúl Castro, who is due to step down as Cuba's president on April 19th, did not come. His foreign minister, Bruno Rodríguez, attended in his stead and lambasted "United States imperialism". Donald Trump, who ended the detente with Cuba, stayed home too. He sent his vice-president, Mike Pence, to denounce Cuba's "despotic regime". The stand-ins blasted each other with quotations from Latin America's liberator, Simón Bolívar. Mr Pence: "A people that loves freedom will in the end be free." Mr Rodríguez: "The United States seems destined by Providence to plague America with torments in the name of freedom."

Mr Pence probably thought he had won the duel. On the biggest question facing the summiteers—addressing tyranny and hunger in Venezuela—the big countries agreed with the United States. This owes little to American leadership. Mr Trump is the first United States president to skip an Americas summit since they began in 1994 (his excuse was the strike on Syria). His absence reinforced the impression that his views on Latin America float between indifference and contempt. Many leaders in Lima may have agreed with both Bolivarian propositions.

The biggest countries sided with the United States because they are democracies, with moderate leaders who are appalled by the slow-motion disaster in Venezuela. The United States can endorse their actions even if it did not inspire them. Similarly, it was democracy that drove the other big initiative in Lima, bolstering efforts against corruption. The



gathering showed that the region can, for a while, weather erratic engagement by the United States. On trade, Mr Trump's protectionist threats even have a silver lining, encouraging Latin countries to strengthen links with each other. But what will happen when today's leaders leave the scene?

The regional response to the crisis in Venezuela has been led by the 14-country "Lima group" formed last year. (The United States wisely did not try to join, letting Latin America take the lead). It was Pedro Pablo Kuczynski, Peru's former president, who disinvented Venezuela from the event, despite protests by Cuba and others. Sixteen summiteers, including Mr Pence, called on Venezuela to ensure that the presidential election in May will be fair and to allow in aid for the hungry. They were visibly frustrated that they could do little more than cajole. Any sanctions tough enough to sway the regime risk hurting ordinary Venezuelans, said Martín Vizcarra, who became Peru's president in March after Mr Kuczynski was forced out, partly by a conflict-of-interest scandal. The response was muted in part because some of the leaders in Lima are lame ducks, due to be replaced

this year. But at least the Americas' heavyweights are not watching in silence.

"Democratic governance against corruption", the theme Mr Kuczynski picked before he became a casualty of it, was less contentious. All the countries vowed to do more to fight the scourge. As with the declaration on Venezuela, this commitment is mostly symbolic. The assembled leaders, many of whom are caught up in scandals, cast themselves as priests, not penitents. Brazil's president, Michel Temer, extolled judicial investigations of graft without mentioning his own efforts to avoid prosecution. Mexico's Enrique Peña Nieto touted his country's new "anti-corruption system", which lacks an independent prosecutor. It fell to Wilfred Elrington, Belize's magnificently bearded foreign minister, to admit that "none of us...is in a position to cast the first stone."

The Inter-American Convention Against Corruption, signed in 1996, did not succeed at preventing it. If the "Lima commitment" fares better, it will be because some countries' judiciaries are emboldened and voters are angrier. Graft is a big issue in Brazil's and Mexico's elections. In Peru, Colombia and Brazil prosecutors are pursuing powerful politicians.

But democracy, which summoned up the spirit of Lima, could also banish it. In Mexico the front-runner is a left-wing populist, Andrés Manuel López Obrador. Brazil's election, meanwhile, is wide open. That puts the Lima group at risk of losing its two biggest members. Voters could easily be tempted by populists vowing to clean up corruption. But such candidates are unlikely to build strong institutions, which are the best bulwark against it. Latin America's luck could run out. That is when the United States might be most sorely missed as a steady partner for democracy and clean government.



## North Korea

## The world's most dangerous talk show

GANSEONG

**Just because America and South Korea are willing to talk to the North does not mean they understand each other**

**S**UDDENLY, everybody wants to talk to the hermit king. On April 17th the *Washington Post* reported that Mike Pompeo, the director of the CIA, met North Korea's leader, Kim Jong Un, over the Easter weekend. President Donald Trump more or less confirmed the story during a meeting with Japan's prime minister, Shinzo Abe: "We have had direct talks at very high levels, extremely high levels, with North Korea."

Mr Trump further indicated that his summit with Mr Kim was likely to take place by early June. In the meantime, he said, he had given his "blessing" to talks about formally ending the Korean war (the shooting stopped in 1953) at a summit on April 27th between Mr Kim and Moon Jae-in, South Korea's president. On April 18th a senior South Korean official confirmed that talks about a permanent peace agreement and a possible security guarantee for North Korea were on the table for the inter-Korean summit, along with a joint statement about "denuclearisation"—a polite term for scrapping North Korea's nuclear arsenal.

Suddenly, not only did the two summits, which many had suspected would never take place, seem on track; there was also a prospect of real discussions. The term *jongjun*, which translates roughly as "end of war", began trending on Naver, South Korea's biggest search engine. On social media, people rushed to thank Mr

Moon, the "best president ever". The price of "reunification stocks", such as railways and construction companies, shot up. Meanwhile elderly conservatives staged protests on Seoul's subway against what they see as a sell-out to the communists.

"If the summit is a success we can have the place up and running again in a month," says Woo Gye-keun of South Korea's unification ministry. He is referring to the inter-Korean transit office near Ganseong, through which hundreds of thousands of South Koreans passed at the height of a past period of detente, to enjoy cultural exchanges, family reunions and hikes in the mountain park just across the border in the North. The subsequent cooling of relations left Mr Woo and his staff with nothing to do but scrub floors and dust countertops in the giant steel-and-glass building, in the hope that the tourists would eventually return.

### Cold showers needed

Alas, both summits are likely to disappoint, but in different ways. The South-North talks will probably skirt hard topics such as human rights. Moreover, restarting even cross-border tourism, let alone heftier trade or investment, is impossible given the dense thicket of international sanctions around the North. Instead, Korea-watchers expect a focus on simpler goals such as agreeing to regular future meetings.

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The subsequent summit between America and North Korea threatens almost the opposite outcome. Mr Trump and Mr Kim both talk about denuclearisation, and appear to have high expectations. But they see the forthcoming meeting through entirely different lenses.

Mr Trump seems to believe that a combination of tougher sanctions and military threats has brought Mr Kim to the negotiating table. Once there, Mr Trump suggests, he should present a plan for complete, verifiable and irreversible nuclear disarmament. In the meantime America's "maximum pressure" on North Korea, including the possibility of pre-emptive military action, would not be relaxed. After North Korea begins dismantling its nuclear programme, anything might be possible.

Mr Kim, in all likelihood, has something very different in mind. Whenever North Korea has talked in the past about "denuclearisation of the whole Korean peninsula", it has made it clear that any reductions of its own nuclear arsenal would depend on the departure of American forces from South Korea and the removal of the "nuclear umbrella" that America extends to both South Korea and Japan.

Mr Kim would undoubtedly like to get some relief from sanctions and lock America into a drawn-out process of "phased, synchronised measures to achieve peace". He probably thinks that Mr Trump is prepared to talk to him directly only because North Korea is on the verge of wielding nuclear missiles that could hit the American mainland. (No sitting American president ever met Mr Kim's father or grandfather, from whom he inherited the job of dictator.) The summit is thus a recognition by America of his country's status as a nuclear power. Jonathan Pollack of the Brookings Institution, a think-tank, regards it as "mag- ▶▶



ical thinking” to suppose that Mr Kim has any intention of giving up his nukes.

That does not mean that Mr Kim will come to the summit empty-handed. Mr Pompeo must have been given enough encouragement to think it worth the president’s while to turn up. Mr Kim’s aim may be to offer a concession big enough to entice Mr Trump into the kind of protracted negotiation that would suit the North Korean despot nicely. One possibility might be a moratorium on tests of nuclear devices and of missiles with enough range to hit America. Mr Kim could hold out the prospect of never deploying such weapons in return for the lifting of some sanctions and progress towards the peace treaty that he hopes might eventually lead to the departure of American troops.

For his part, Mr Trump could boast of honouring his commitment to remove the threat to America of North Korean missiles, albeit at the cost of potentially weak-

ening the alliance with South Korea and Japan. North Korea and its protector, China, have long wanted to decouple America from its regional allies.

Might Mr Trump accept such a dismal offer? It would be reassuring to think that the hawkish Mr Pompeo would counsel against it. But Mr Trump likes Mr Pompeo, his nominee as the next secretary of state, largely because he skilfully panders to the moods and instincts of his boss. It would also be characteristic of Mr Trump to play for the headlines and leave others to confront the thorny details. Gary Samore, a former adviser to Barack Obama, thinks that even if the talks go nowhere it is better to talk than to prepare for war. But like Mr Pollack, he has low expectations. As another Obama administration official ruefully observed, talking to the Kim family is like going to Taco Bell. You might go looking for something new, but you always end up with the same thing. ■

## Politics in Japan

# Revenge of the factions

TOKYO

**The prime minister, scourge of the LDP’s cliques, may fall victim to them**

THE last thing that Shinzo Abe, Japan’s embattled prime minister, needed this week was a swipe from his mentor. Junichiro Koizumi, a former prime minister who ushered Mr Abe to political prominence in the early 2000s, said it was time for his protégé to quit. If Mr Abe clings to power as his popularity ebbs, Mr Koizumi warned, his Liberal Democratic Party (LDP) could suffer in next year’s election for the upper house of parliament.

In fact, Mr Abe faces elections before then, in September, to secure a third term as leader of the LDP. Having led the party to a series of triumphant election victories, most recently for the lower house of parliament last year, he had been considered a shoo-in. Indeed, the party changed its rules to allow him to run. But since then a series of scandals has caused Mr Abe’s support in the polls to slump to its lowest level since he began his second stint as prime minister in 2012. He now seems likely to face a challenger in the autumn vote, which would leave his fate in the hands of the LDP’s fissiparous factions. While Mr Abe was visiting America this week, some LDP grandees met for dinner, which the press interpreted as an incipient plot.

An old joke about the LDP is that it is neither liberal (it has an authoritarian, statist bent), nor democratic (it has ruled Japan for all but four years since 1955), nor even much of a party, since it is a weasels’ nest of

rival factions. These are strangely formal institutions, with their own leaders, offices and bank accounts. Most of the party’s MPs are a member of one.

Factions date from the LDP’s origins as an alliance of disparate right-wing groups united only around the goal of keeping the left from power, says Takashi Inoguchi, a political scientist. They were especially im-

portant under Japan’s old system of multi-seat constituencies, whereby each district elected 4-6 representatives. This arrangement meant that LDP candidates in effect competed against one another, explains Yasuhide Nakayama, an LDP politician, and needed the money and machinery of a faction to gain an advantage.

The abolition of multi-seat constituencies in 1994 undermined the main rationale for strong factions, however. That gave party leaders a chance to assert themselves. Whereas Japan had previously rattled through prime ministers as the factions jockeyed (it has had more than twice as many since the second world war as Britain), Messrs Koizumi and Abe have been the longest-serving since the 1960s. Mr Abe has concentrated power in the cabinet secretariat, vastly expanding its staff. His inner circle bypass ministries and the party’s own mechanisms to write policies, especially on military and economic issues, says Harukata Takenaka of the National Graduate Institute for Policy Studies, a research institution.

The party leadership selects the LDP’s electoral candidates and makes appointments within the bureaucracy. Advancement depends more on showing loyalty to the leadership than to any faction. Mr Abe nods to factions when sharing out junior government posts, but gives the most powerful ministries to his preferred candidates.

All this accelerates the drift away from the consensual politics of the post-war years, says Kenneth Mori McElwain of the University of Tokyo. The Hosoda faction (the largest, to which Mr Abe belongs) is more ideological than the others, notes Arthur Stockwin, another political scientist. It is “interested in promoting a set of policy ideas that go back to the 1950s”. Hence Mr Abe’s unpopular drive to rewrite Japan’s pacifist constitution.

The less doctrinaire factions do still matter, however, as vehicles to support their leaders’ ambitions, argues Tobias Harris of Teneo Intelligence, a consultancy. A recent internal spat involving the LDP’s third-largest faction could thus spell trouble. Fukushima Nukaga, its leader, was forced to quit in March, largely because of his failure to secure cabinet posts for its members. His replacement, Wataru Takeshita, has taken a more confrontational line, threatening to withdraw support for Mr Abe in the leadership election.

Many in Mr Takeshita’s faction are also unhappy about the scandals dogging the prime minister. Taro Aso, the deputy prime minister and leader of the second-biggest faction, may fancy himself a kingmaker. As for Mr Koizumi, he may sense a chance to clear a path for his son, Shinjiro, a prime ministerial hopeful who has yet to align himself with any faction. The factional politics that Mr Abe has done so much to erode may yet prove his undoing. ■



**Abe is failing to gain faction**

## Quotas in Bangladesh

## Making merit

## Students topple a corrupt system

INDIA reserves a share of jobs in government for people of particular castes. In Bangladesh, the dividing line is history. The ruling Awami League, which led the country's independence movement, reserves 30% of public posts for descendants of those who fought in the war of secession from Pakistan in 1971 (a further 26% go to other groups). Students, who have been agitating for reform since February, want 90% of public posts to be awarded on merit. On April 11th Sheikh Hasina Wajed, the prime minister, faced with a spiralling series of demonstrations and sit-ins, appeared to accede to their demands, promising to abolish all the quotas. But there has been no official follow-up, and supporters of the quotas are now planning counter-demonstrations.

The anti-quota protests, suspended for now, first erupted on the campus of Dhaka University on April 8th. They quickly spread, gripping public and private universities across the country. In Dhaka, the capital, police used tear gas, batons and water cannons to disperse students and frustrated jobseekers. Hundreds were injured. The authorities' heavy-handed response and the deployment of the Awami League's thuggish student wing, the Bangladesh Chhatra League, only inflamed the protests. So did Matia Chowdhury, a firebrand student leader in the 1960s and now a cabinet minister, who said the protesters were the sons and daughters of those who collaborated with the Pakistani army in 1971. Students hacked government websites to post messages demanding quota reform.

Rashed Khan, one of the leaders of the protests, says they will resume if the government does not call off the prosecution of several of the students involved for vandalism. He claims plainclothes police stuffed him and two other leaders of the movement into a van, and handcuffed and blindfolded them, before releasing them without charge. "All political movements are banned in this country. We can be kidnapped at any time," he complains.

Bangladesh has seen many "quota protests" in recent years. Only 44% of all public posts are filled on merit. Many students approve of the existing quotas for women (10%), religious and ethnic minorities (5%), the disabled (1%) and to ensure jobs for people from all parts of the country (10%). But they revile the system of favouritism and patronage built by the ruling party, of which the 30% quota is a centrepiece. The



The government is doing a bit of both

bureaucracy has issued some 250,000 documents certifying the bearer as a freedom fighter. Many recipients obtained them through bribery. Others use forgeries.

Bangladesh's campuses are calm for now. Yet the dissent has evolved into a broad critique of the League's entire approach to politics, which continues to sow divisions based on the events of 1971. The students are proving nimbler than a government led by ageing loyalists of the ruling family. One placard, referring to Sheikh Hasina's generally revered father, the country's founding president, read: "In Bangabandhu's Bangladesh, discrimination will not be tolerated."

Hossain Zillur Rahman, an economist based in Dhaka, suggests that an underlying employment crisis is increasing the protests' potency. Although birth rates have plunged, two-thirds of Bangladeshis are under the age of 35. The government has promised to create 2m new jobs every year. But the workforce is growing much faster than jobs are being created. Youth unemployment exceeds 10%.

The simmering dissent comes as the Awami League, which has run Bangladesh for the past nine years, prepares for an election in December. Other political parties are in disarray. Sheikh Hasina's bitter rival, Khaleda Zia, the leader of the Bangladesh Nationalist Party (BNP), the main opposition, is in jail. The BNP is not even sure if it will participate. Its electoral ally, the Jamaat-e-Islami, has been barred. The only plausible sources of dissent are the army and students. The question, says Debapriya Bhattacharya, an economist, is whether "we can still have an election whose result we cannot predict". For the ruling party, the 23m newly eligible young voters since the last proper poll in 2008 must be a worry. ■

## China and the Pacific

## The Great Wharf

WELLINGTON

## Australia is nervous about the growing Chinese presence on its doorstep

THE new wharf at Espiritu Santo island in Vanuatu is one of the longest in the South Pacific. Built by Chinese contractors with a loan from the Chinese government, it can accommodate three cargo ships or two cruise liners at the same time. But it is not its capacity that has attracted attention in nearby Australia (see map). Press reports there suggest that the governments of China and Vanuatu have been discussing the establishment of a Chinese naval base on Espiritu Santo. Although Vanuatu's foreign minister, Ralph Regenvanu, roundly dismissed the reports, Malcolm Turnbull, Australia's prime minister, took the story sufficiently seriously to say, "We would view with great concern the establishment of any foreign military bases in those Pacific Island countries." Vanuatu's prime minister has since reassured him in person that no base is in the offing.

China has greatly expanded its presence in Pacific countries in recent years, mainly by financing infrastructure projects like the wharf. But Chinese firms have diversified beyond such development schemes into commercial construction. Mining, including the \$2bn Ramu nickel mine in Papua New Guinea and gold and bauxite mines in Fiji, has also attracted Chinese capital.

Australian officials are clearly spooked. Last year the country's spy chief, Nick Warner, persuaded the prime minister of the Solomon Islands to drop a deal with Huawei, a Chinese telecoms firm, to lay a sub-sea internet cable to Australia. Instead, the Australian government is financing the project itself. In January Australia's international development minister, Concetta Fierravanti-Wells, accused China of deliberately indebting Pacific islands by constructing "useless buildings" and "roads to nowhere"—comments the Chinese government dismissed as "full of ignorance and prejudice". ▶▶





▶ There is no doubt that external debt is piling up all over the Pacific. Vanuatu's stands at around a third of GDP, and around half of that is owed to China. Samoa's debt amounts to 50% of GDP, around 40% of which is owed to China. Two-thirds of Tonga's debt, which is also about half of its GDP, is held by China. Tonga came close to default in 2013. China was not willing to write off any of its debt, but did suspend repayments for five years.

But leaving Pacific governments beholden is a far cry from building a naval base. The Chinese navy ventures only occasionally and cautiously into the distant reaches of the Pacific, usually in the form of a courtesy call by a hospital or training ship to a friendly country such as Fiji. China only has one foreign base at the moment, in Djibouti in the Horn of Africa, right next

to the main shipping lane between Asia and Europe. Vanuatu, by contrast, is a much less strategic spot.

Moreover, if China does want to build a base, Vanuatu would be a peculiar choice. Its government has changed 24 times since independence in 1980. The constant political intrigue sometimes manifests itself in foreign-policy rows. Fiji, which has been at odds with Australia ever since a military coup in 2006, is much better disposed towards China. More deeply indebted Tonga, meanwhile, has an enticing harbour at Vava'u in the country's north. What they all have in common, however, is a knack for exploiting geopolitical rivalries (oscillating between China and Taiwan has been a common ploy) to win more foreign aid. Time, perhaps, for Australia to build a few nice, long wharves. ■

Geo off the air. Instead they blame the cable companies, such as Wateen and World-Call. Yet in private, cable operators freely admit to military pressure. According to a report in the *Hindu*, an Indian newspaper, those who refused to cut Geo were taken to safe houses and threatened.

Executives at the channel worry that this time the ban aims to put it out of business for good. The army has been trying to silence "all dissent", says Ayesha Siddiqi, a political commentator, ahead of elections to be held this summer. Geo particularly angers the top brass by favouring a former prime minister, Nawaz Sharif, who says his ousting last year by the courts was also inspired by the army.

Geo is vulnerable partly because it lacks defenders. Officials from the ruling Pakistan Muslim League-Nawaz (PML-N) have mostly kept silent. "Where is the prime minister?" rages Mr Jawad. When ministers speak at all, they blame the Pakistan Electronic Media Regulatory Authority (PEMRA), a body largely under their control, for failing to force cable operators to restore the channel. In fact, the PML-N, like the opposition, is keener to kowtow to the army than to defend media freedom.

In previous eras, the courts might have stepped in. But the judiciary and the army have been getting on well of late. When Geo's ban was brought up in the Supreme Court on April 16th, Saqib Nisar, the chief justice, lambasted the channel, which has been starved of advertising revenue, for failing to pay salaries. He sneered, incorrectly, that Mr Mir, the journalist who was shot, drove a Mercedes. On the same day the High Court in Lahore was indulging in some censorship of its own: a new ruling orders PEMRA to ensure that no channel airs any "anti-judiciary speeches" by PML-N leaders.

Pakistan's boisterous media were once a bright spot in its unsteady democracy, but the current assault has sapped journalists' spirits. "I am thinking of doing a cookery show tonight," sighs Murtaza Solangi, a talk-show host, since so much else is off the menu. Reporting on the Pushtun Protection Movement, a tribal protest group that criticises human-rights abuses by the army, has been banned in print and on TV. "It is worse now than under direct military rule," adds Mr Solangi.

Geo's rivals are propped up by their owners' investments in other industries. The Jang group, in contrast, is involved only in the media. It required big loans to survive its previous period out of favour. On April 17th the service went back on air in parts of the country. But journalists say managers have instructed them to be less critical of the courts and army and harder on Mr Sharif. It remains to be seen if Geo, whose name sounds like the Urdu for "live", will come back as its vigorous old self, or in a zombified form. ■

## Press freedom in Pakistan

# Jamming Geo

ISLAMABAD

The country's most popular and courageous channel is under attack

**R**ANA JAWAD pinches the bridge of his nose. For much of the past month the director of news at Geo TV, Pakistan's most popular channel, has marshalled his team of correspondents in the knowledge that broadcasts of their work have been mysteriously cut in most of the country. Post-it notes scrawled with frowny faces stick to his office window, requesting unpaid salaries. "We are already in the grave, with one hand sticking out," he says.

The blackout began in late March. Many of Pakistan's 73m-odd cable subscribers began to complain that they could no longer watch Geo's offerings. Not only had Geo News disappeared, but so had sports and entertainment channels (upsetting fans of the Indian soap operas they carry). Viewership of the news fell by 70% in the fortnight to April 15th, according to official figures. That was not all. Newspapers owned by Jang group, the conglomerate behind Geo, went undelivered. At the company's offices in Karachi, city officials cut the internet cable.

These troubles stem from Geo's bold editorial stance. In the 16 years since Pakistan granted licences for privately run television channels, Geo has carved out an identity as the one most willing to challenge the army. This is a lonely role. Almost all of its rivals parrot the military line. Many denounce Geo as an agent of India, an absurd accusation spurred by its campaign in 2010 for peace with the old enemy.

In 2014 unknown assailants shot Geo's Hamid Mir, the country's best-known jour-

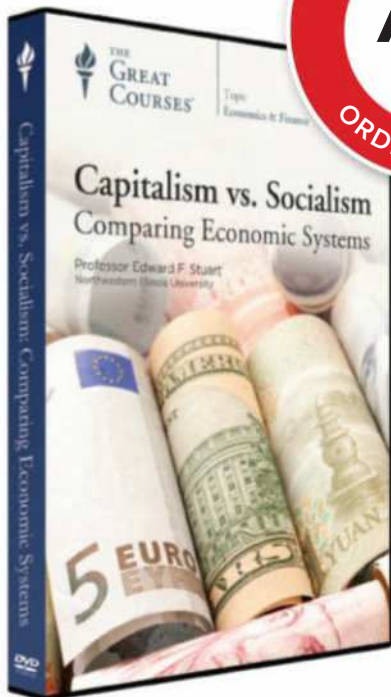


Live or let die?

nalist. (He survived.) Geo claimed that the head of Inter-Services Intelligence (ISI), the country's main spy agency, which is dominated by the army, had ordered the attack—a rare public denunciation of an institution usually referred to only in whispers. (ISI denies any involvement.) On that occasion, too, the channel was mysteriously dropped by cable companies.

The army has not made any public statement about the latest ban. In private, the top brass deny that they have ordered





## Where Does Capitalism Begin and Socialism End?

Economics is really about people and their lives, and societies have pursued the ideal system for centuries, one that can balance competing desires for freedom and security. No one has found perfect equilibrium—but some major contenders have emerged, all of which are variations of capitalism and socialism. Determining which, if any, is the best possible option in a definitive way, however, is a Sisyphean task and one riddled with complications.

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# Banyan | Wasting wildlife

Pity the world's animals: Asia's demand for wildlife only grows



**E**VEN the Minahasan people, who pride themselves on eating bushmeat, call the collection of stalls at Tomohon, in the highlands of North Sulawesi, the “extreme market”. There is certainly something extreme about the serried carcasses, blackened by blow torches to burn off the fur, the faces charred in a rictus grin. The sheer range of species on the slabs is also astonishing: reticulated pythons, warty pigs, flying foxes (a type of fruit bat) and the Sulawesi giant rat (no, it doesn’t taste like chicken). Especially as Christmas and Easter approach, other specimens find their way to the market, including crested macaques and a tree-dwelling marsupial, the adorable Sulawesi bear cuscus.

The *pasar extrim* speaks to Sulawesi’s striking biogeography. The Indonesian island straddles the boundary between Asiatic and Australian species—and boasts an extraordinary number of species found nowhere else. But the market also symbolises how Asia’s amazing biodiversity is under threat. Most of the species on sale in Tomohon have seen populations crash because of overhunting (habitat destruction has played a part too). Fewer than 6,000 crested macaques now inhabit the forests. The cuscus hangs on by its fingertips—or its curling, prehensile tail.

The appetites of the locals are not the only worry. An hour’s drive from Tomohon is Bitung, terminus for ferry traffic from the Moluccan archipelago and Papua, Indonesia’s easternmost province. These regions are even richer in wildlife, especially birds. Trade in wild birds is supposedly circumscribed. Yet the ferries are crammed with them: Indonesian soldiers returning from a tour in Papua typically pack a few wild cockatoos or lorries to sell. One in five urban households in Indonesia keeps birds. Bitung feeds Java’s huge bird markets. The port is also a shipment point on a bird-smuggling route to the Philippines and then to China, Taiwan, even Europe. Crooked officials enable the racket.

The trade in animal parts used for traditional medicine or to denote high status, especially in China and Vietnam, is an even bigger racket. Many believe ground rhino horn to be effective against fever, as well as to make you, well, horny. Javan and Sumatran rhinos were not long ago widespread across South-East Asia, but poaching has confined them to a few tiny pockets of the islands after which they are named. Numbers of the South Asian rhinoceros are healthier, yet poachers in Kaziranga national park

in north-east India have killed 74 in the past three years alone.

Name your charismatic species and measure decline. Between 2010 and 2017 over 2,700 of the ivory helmets of the helmeted hornbill, a striking bird from South-East Asia, were seized, with Hong Kong a notorious transshipment hub. It is critically endangered. As for the tiger, in China and Vietnam its bones and penis feature in traditional medicine, while tiger fangs and claws are emblems of status and power. Fewer than 4,000 tigers survive in the wild. The pressure from poachers is severe, especially in India. The parts of over 1,700 tigers have been seized since 2000.

The brutal economics of extinction leads to two conclusions. Those holding valuable stocks of a particular creature have little interest in saving it in the wild. And it pays to generate new demand and supply. Both conclusions favour well-organised international criminal syndicates.

Asia’s wildlife mafias have gone global. Owing to Asian demand for horns, the number of rhinos poached in South Africa leapt from 13 in 2007 to 1,028 last year. The new frontline is South America. A jaguar’s four fangs, ten claws, pelt and genitalia sell for \$20,000 in Asia. Between 2013 and 2016 authorities in Bolivia seized 380 jaguar fangs.

South Africa auctions permits to hunt a few rhinos each year, with the proceeds supposed to fund conservation. This has provided cover for poachers. One Thai smuggler used prostitutes to pose as legal trophy hunters; the dead beasts’ horns ended up in Asia. Schemes to farm animals, which some said would undercut incentives to poach, have proved equally harmful. Lion parts from South African farms are sold in Asia as a cheaper substitute for tiger, or passed off as tiger—either way, stimulating demand. The farming of tigers in China, Laos, Thailand and Vietnam provides cover for the trafficking of wild tiger parts. Meanwhile, wild animals retain their cachet—consumers of rhino horn believe the wild rhino grazes only on medicinal plants.

## From eco-warriors to eco-detectives

The anti-trafficking regime laid out under the Convention on International Trade in Endangered Species, or CITES, struggles to keep up. But change is in the air. Wildlife NGOs are hiring ex-cops as sleuths and working with governments to provide intelligence on trafficking networks. In Indonesia the Wildlife Conservation Society (WCS), an American NGO, helps bring half of all cases of wildlife crime to court. Of those cases, says Dwi Adhiasto of the WCS, nine-tenths end in convictions, compared with just half when it is not involved.

The arrest in Thailand in January of Boonchai Bach, head of one of Asia’s biggest wildlife-trafficking networks, was cause for cheer. But many weak links remain, not least corruption and poor enforcement in Cambodia and Laos, the preferred smuggling routes into China and Vietnam. Scott Robertson of WCS in Vietnam says governments are getting more serious about wildlife crime, with China taking the lead. But authorities in different countries do not collaborate enough against the traffickers.

Curbing demand may prove even harder. Consuming rhino horn has no more medicinal value than chewing your nails. Yet demand for rhino leapt in Vietnam on rumours that a government minister had been cured of cancer by it. Some younger, more affluent Asians are growing interested in eating wild meat. Back in Sulawesi, some conservationists want Minahasan pastors to thunder from the pulpit against bushmeat—even though their bellies might argue otherwise. ■



## Censorship

## No laughing matter

BEIJING AND SHANGHAI

By tightening censorship, the Communist Party is taking a risk

AT THE end of last year Bytedance, one of China's most talked-about technology firms, seemed to have the world at its feet. Since its founding in 2012 more than 700m users had tried out its apps, which serve people with a diet of news, funny videos and memes, tailored to individual users' tastes by clever algorithms. The Beijing-based company had been valued at more than \$20bn and embarked on a buying spree abroad in a bid to go global.

The picture now is less rosy. On April 9th state media reported that Chinese regulators had suspended Bytedance's flagship app, Jinri Toutiao (Today's Headlines) for three weeks. They had also banned outright another of its products, a joke-sharing app called Neihan Duanzi, which specialised in bawdy humour and had more than 20m active users. Officials said its "vulgar and banal" content had upset people. Two days later Zhang Yiming, the firm's founder, issued an apology online saying he was "filled with guilt and remorse" that his apps had taken "the wrong path". He said his company had not understood that "technology must be led by socialist core values." He pledged that it would do more to spread "positive energy".

Bytedance's travails, and those of three other firms that also had to suspend their news-aggregating apps, suggest that censors are trying to catch up with new technology. Officials appear to worry that people can immerse themselves in news and

entertainment which, while posing no direct challenge to the party, fail to promote party views. Personalised news services using artificial intelligence have enabled users to wall themselves off from puff pieces about the party's latest achievements. (Jinri Toutiao's slogan, featured in the advertisement pictured above, promises readers "only what you care about".) David Bandurski of the China Media Project, a research group in Hong Kong, says that "party leaders are aware of this." This is why Mr Zhang now promises to do a better job of promoting "authoritative media" through his services.

Censors are also paying more attention to content they regard as "lowbrow": material deemed licentious, sexist or likely to encourage what the party regards as immoral behaviour. State media have reported disapprovingly on the uploading of videos to one of Bytedance's platforms by teenage mothers who do not appear contrite about having children before the legal age for marriage. Cultural commissars are becoming quicker to suppress anything they regard as non-mainstream, from hip-hop music to tattoos. The national football team recently took to the field with their ink hidden under bandages.

In the past ten months officials have also been clamping down on gossip. Some portals have replaced their feeds offering news about celebrities with alternatives directing users to patriotic fare. Regulators

have also shut down the microblog accounts of celebrity-gossip writers. The censors' reasoning may be that tattle about film stars might lead people to believe that it is also acceptable to peddle rumour about politicians. Or they may have simply decided that reading such news diverts people's attention from the latest utterances of President Xi Jinping.

**Xi's amazing**

Efforts to boost Mr Xi are reaching unprecedented heights. Pictures of him are commanding increasing amounts of space on the front pages of official newspapers. Last month a film called "Amazing China" became the country's highest-ever grossing documentary, in large part because government offices and state-linked companies have been encouraged to block-book screenings for their staff. The film dwells on the achievements of Mr Xi. In February the media regulator said that it would designate 5,000 cinemas as "People's Theatres". These will have to devote more time to films such as "Amazing China" that promote socialist values.

The censors' shifting priorities are a challenge for Chinese tech firms. Companies that operate social-media platforms or allow users to share content have their own in-house censors. In his online apology, Mr Zhang of Bytedance said he planned to expand his team of them by two-thirds, to 10,000. But such employees are often ►►

## Also in this section

38 The licence-plate ordeal



► unsure how to interpret the government's directives. Last year the *New York Times* reported that regulators had circulated a less-than-helpful list of 68 types of material that internet firms were expected to expunge, ranging from media that promote "unhealthy marital values" to posts that blur lines between "beauty and ugliness".

Satisfying the censors also involves financial risk. Bytedance and similar companies will find it much more difficult to attract and retain users without content that is "borderline risqué", says Bhavtosh Vajpayee of Bernstein, a research firm. Officials' distaste for news packaged by algorithm could impede China's development of artificial intelligence, since news aggregators such as Toutiao offer a profitable means of improving such technology.

Above all, the party itself is taking a risk. In the decade or two before Mr Xi took over, people were given wider leeway to amuse themselves as they wished as long as they avoided politics. Officials may have reckoned that such an approach would reinforce stability by giving people less reason to resent the party. Mr Xi, by contrast, is trying to revive the party as an enforcer of morality and taste. By stamping on citizens' small pleasures he could irritate many people who had previously shown no interest in politics.

The biggest fans of Bytedance's now-defunct humour app, for example, were men without great prospects living in smaller cities. That the app helped them form groups of like-minded individuals in the real world and engage in pranks such as honking their car horns in a coded sequence may help explain why the authorities shut it down. But by trying to insert more propaganda into such people's leisure time, officials could end up making the party seem like a bore who doesn't know when to shut up.

In recent weeks, among the country's more than 700m internet users, there has been evidence of unhappiness with the party's meddling. On April 13th Sina Weibo, one of the country's biggest social-media platforms, declared a three-month effort to purge itself of posts containing pornography or promoting violence or homosexuality—topics that had been ruled off-limits by the regulator. It is possible that Sina decided to mount its campaign in a highly public manner in order to show off its zeal to the party's media watchdogs.

Angry people flooded the site with messages lambasting the firm's intolerance of homosexuality. Even the *People's Daily*, a party mouthpiece, weighed in against Sina. On April 16th the company said it would no longer target gay content that was not smutty. The incident marked a rare victory for online freedom and for gay rights. It was also a reminder of how contentious and how unpredictable China's expanding censorship has become. ■

## Driving

# One country, three systems

**In big cities a licence plate can cost more than a car. Yet there is an alternative**

**L**IU LEI has been waiting to buy a car for more than seven years. Sadly, Mr Liu, an engineer from Beijing, has had no luck in the capital's licence-plate lottery. Introduced in 2011, this system for allocating number plates aims to tackle the city's problems of rage-inducing congestion and asphyxiating pollution. Under the scheme, the city imposes annual quotas on the issuing of new licence plates. Buying a car requires proof that one is in hand. Obtaining a plate involves entering a bimonthly draw. The odds of winning fell from 6% in February 2011 to an all-time low of 0.2% this February (see chart). In the latest one 2.8m people contended for 6,460 plates.

In Shanghai, the financial capital, there are also strict quotas. Unlike their counterparts in Beijing, however, city officials put the plates up for auction online. At the most recent monthly sale, around 217,000 bidders battled for 9,855 licence plates. The average winning bid was 88,176 yuan (\$14,022), more than it costs to buy many domestically made cars. Last year Shanghai raised 12bn yuan in licence-plate sales, about 2% of its total revenue.

Yet it is a hybrid model used in the southern city of Guangzhou that has become the favoured approach among policymakers in China's biggest cities. Under this system, some plates are distributed by lottery and the rest sold at auction. Since Guangzhou adopted this approach in 2012, three other large cities—Shenzhen, Hangzhou and Tianjin—have adopted it.

None of the three methods is ideal. Start with Beijing's. Some people place a much higher value on owning a car than others. The lottery system takes no account of that. This fuels a black market. Websites

abound with illegal offers by lottery winners to rent out their plates. The average yearly fee for one is about 12,000 yuan.

Beijing's system also breeds corruption. Song Jianguo, then head of the city's traffic-management bureau, was jailed for life in 2015 for demanding backhanders in exchange for rigging the lottery. A bribe of at least 200,000 yuan was reportedly needed to guarantee victory. Mr Song pocketed a tidy 24m yuan before getting caught. Even today, 70% of Beijingers believe the lottery involves dodgy goings-on.

Shanghai's auctions help avoid the creation of a black market. Yet they are unfair on the less well-off. Average winning bids have risen by a third in less than three years. Residents moan that owning a car has become the preserve of the super-rich. The city says it reinvests proceeds from its auctions in public transport. But in class-conscious Shanghai, owning a car is as much a status symbol as a means of transport. Obtaining a plate from elsewhere does not help much. Shanghai, like some other big cities, bans cars with non-local plates from using inner-city roads for much of the business day.

Guangzhou thinks it has hit upon the right compromise. By combining the lottery and auction systems it aims to make everyone happy. Those with deeper pockets can bid at auction, and poorer folk still have a shot at winning the lottery. But a recent study by Jinhua Zhao and Shenhao Wang of the Massachusetts Institute of Technology shows that the benefit of such a system is less than meets the eye.

The coexistence of an auction reduces the number of lottery participants, but only slightly. Lottery entrants in Guangzhou still have a tiny chance of success; the winning odds were just 0.8% in the most recent lottery draw in March. Meanwhile, auction prices are not necessarily lower in cities with mixed systems. In December the average winning bid for a licence plate in Shenzhen, for example, set a national record of 95,100 yuan.

There is still hope for people like Mr Liu, however. To fight pollution, officials in nearly all big cities are allocating separate quotas of licence plates for buyers of electric or hybrid cars. Such vehicles are also heavily subsidised. In fact, Mr Liu's wife has just applied for an electric-vehicle plate. These are offered on a first-come first-served basis. The odds are much better. Only four people are vying for each one. ■





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Sectarianism in Lebanon

# Chopping up the tree of state

BEIRUT

Lebanon's religious quota system leads to paralysis and corruption. Many want it reformed, but they are afraid to act

IT IS difficult to escape the grip of religion in Lebanon. The rules that govern marriage, property rights and inheritance are administered by religious courts. Well-to-do secular Lebanese can fly to Cyprus to marry in civil ceremonies. But once back home, if their relationship goes sour, Muslims still have to deal with religious judges, who rule on divorce, alimony and child custody.

Lebanese are increasingly fed up with this way of doing things. The number of believers has steadily declined since 2011. Today almost a quarter of people say they are not devout, according to Arab Barometer, a pollster. Nearly half say they are only somewhat religious. Trust in clerics and the clergy has never been so low.

This helps explain why more and more Lebanese want to overhaul the way the country is run. On winning independence in 1943, Lebanon's leaders agreed to divvy up political power among the country's religions. The system has been tweaked over the years, often in response to outbreaks of violence, but not fundamentally changed. The president is always a Maronite Christian, the prime minister a Sunni Muslim and the speaker a Shia Muslim. Seats in parliament and government jobs are split between Christians and Muslims.

Many blame the power-sharing system for government paralysis and pervasive

corruption. Take the electricity system, which badly needs an upgrade. Supply falls far short of demand, leading to daily blackouts. But instead of doing anything, rival political parties blame each other for the problem—and then profit from it. Many Lebanese use expensive generators to light their homes. The businessmen running the units are often connected to sectarian leaders, who take a cut.

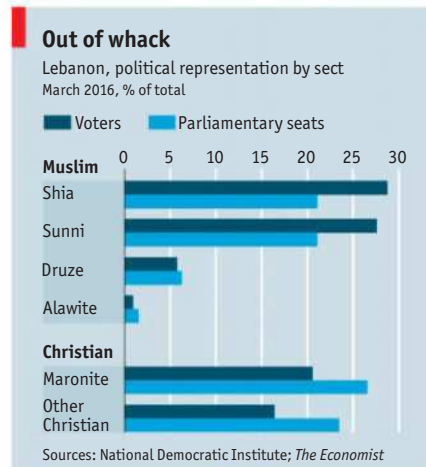
When politicians squabble it is often over how to share the spoils of power, not because they disagree on policy. Many were warlords during the sectarian-fuelled

civil war of 1975-90. They tend to award contracts to friends, family and supporters. The public payroll has expanded as big-wigs jostle to give jobs to their co-religionists. Several government agencies, such as the postal service and transport authority, guzzle fat budgets but do little work. The waste associated with confessional governance costs Lebanon 9% of GDP each year, according to the World Bank.

But though many want to abolish the power-sharing system, few are prepared to act. Fear is one reason. In an experiment conducted by the Lebanese Centre for Policy Studies, 70% of people agreed to sign a petition calling for the abolition of the system. The figure dropped to 50% when people were told their names would be made public. Most Lebanese depend on a political party for financial support. Sectarian leaders provide jobs, cover hospital fees and pay for schooling. "We have Stockholm syndrome," says Jawad Adra of Information International, a consultancy in Beirut. "Our leaders hold us hostage, but they are also our nurses."

Some groups would inevitably lose power if the system were abolished. Christians, for example, get half the seats in parliament, based on their estimated share of the population. But the last national census was held in 1932. Many fear a new one would inflame sectarian tensions—for good reason. According to voter-registration lists obtained by *The Economist* in 2016, Christians make up only 37% of voters (see chart). That number is likely to shrink further, as Lebanese Muslims are younger and reproducing faster.

Among Muslims the system helps Sunnis, whose power has been eroded by the collapse of Saudi support and the tumbling fortunes of their main political party. ►►



▶ There are more Shia than Sunni voters. But the influx of over 1m mostly Sunni Syrian refugees, who are now roughly a quarter of Lebanon's population, complicates the situation. Absorbing them as citizens would upset the sectarian balance.

Optimists say a new electoral law that institutes proportional representation will make it easier for reformers to win seats when Lebanon holds parliamentary elections on May 6th. But candidates who rage against sectarianism have failed to convince many voters that they could provide the same benefits as vote-buying incumbents. And some voters question the wisdom of throwing out a system that, since the civil war, has kept the peace between religious groups. Abolishing it might lead to a sectarian power struggle, they say, sucking in other countries, such as Iran and Saudi Arabia. Lebanon's neighbours serve as cautionary tales.

Gradual reform may be the best way forward. For example, parliamentary candidates could be allowed to run without having to name their religion or sect. Sectarian parties could still divide up seats under the current formula, but their share of parliament would shrink as the number of secular MPs rose. Such reforms, though, would require political elites to change the rules of a game from which they benefit. Until that happens, Lebanon will continue to limp along. ■

### The war in Syria

## Assad's next move

BEIRUT AND DAMASCUS

### Where Syria's dictator is likely to strike

IF THE cruise missiles that slammed into Syria on April 14th rattled President Bashar al-Assad, he did his best not to show it. Hours after America, Britain and France struck three facilities connected to Mr Assad's chemical-weapons programme, his office posted a video of him strolling confidently into work. Russian politicians who met him later in the day said he was in a good mood.

Mr Assad may have feared a bigger response from the West. Donald Trump, America's president, had vowed to make his regime pay a "big price" for gassing to death more than 40 people in the town of Douma on April 7th. But the missiles destroyed only a handful of buildings and probably failed to wipe out all of Mr Assad's poisonous arsenal. Nor did they dent his ability to rout, with conventional weapons, what is left of the rebellion in Syria's seven-year civil war.

Aided by Iran and Russia, Mr Assad is



winning the war. His soldiers recently captured Eastern Ghouta, a suburb of Damascus of which Douma is part, after a brutal weeks-long offensive. Hours after the chemical attack, the only rebels still standing in the area agreed to the terms of a Russian-brokered surrender. Some handed over their weapons and will join the regime's security forces; others were bused north to Idlib province.

Now the regime's forces are massing on the edge of Yarmouk, another suburb of Damascus that is occupied by Islamic State (IS). Some of the jihadists have already fled. The rest will either surrender, cut a deal or fight a battle they will lose, say analysts. A similar fate awaits rebel groups that control a small adjacent area. Russia wants them to reconcile with the regime and join the fight against IS.

Rebels in other parts of the Syrian interior are also on the ropes. Cut off from international support, those still in control of towns near Homs have tried to strike a deal with Russia that would allow them to stay in the area. But Mr Assad, who has vowed to retake the entire country, is unlikely to tolerate their presence on the main highway that runs north from Damascus. "I can see every remaining rebel pocket in the centre of the country falling in the next few months," says Emile Hokayem of the International Institute for Strategic Studies, a think-tank in London.

What happens in the last big rebel strongholds, on the country's borders, is harder to predict. In the south, where a fragile ceasefire holds, Mr Assad would need Russian and Iranian help to defeat the rebels quickly. But relying too heavily on Iran and its proxies risks provoking Israel, which has already struck Iranian bases in Syria. Jordan, which has backed the rebels, would probably tolerate the regime's return to its border if it didn't lead to a new wave of refugees. The war has hurt Jordan's economy; it just wants it over.

In the north, where a separate ceasefire is in effect, the situation is even more complicated. Rebels control much of Idlib, home to 2m people. The most powerful groups are led by jihadists. Al-Qaeda has

300 or so fighters in the area, but they are lightly armed and widely reviled. Vicious infighting among the rebels has delighted the regime.

Idlib poses a dilemma for Mr Assad and his allies. The province is guarded by Turkish soldiers, who are monitoring the ceasefire. If, as expected, the regime attacks, its forces would need to confront or skirt Turkey's bases. Some think the Turks would cede some territory to prevent a full-scale assault on Idlib. Much depends on whether Russia, which is working with Turkey to negotiate an end to the war, would support an offensive deep into the province's densely populated areas.

Mr Trump, for his part, has said he wants to withdraw American troops from Syria, where they are fighting alongside Kurdish-led forces in the north-east. There is talk of replacing the Americans with an Arab force, which the regime has promised to fight. The war may become still more complicated. ■

### Iran's economy

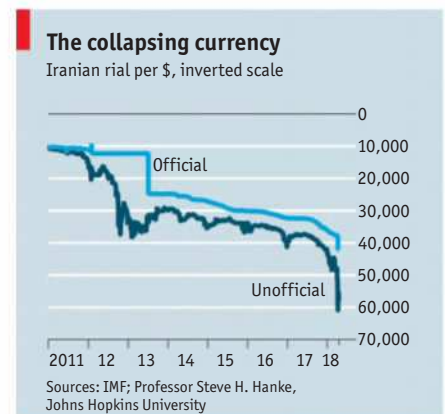
## Rial v reality

DUBAI

### Mullahs rig the price of moolah

FOR the second time in as many months, Iran's "dollar patrol" is on the streets. The country's currency, the rial, has lost a third of its value on the black market since September. On April 9th it sank to a record low of 61,000 to the dollar (when the official rate was 37,850). The next day the government imposed a rate of 42,000 and vowed to arrest anyone who bought or sold rials for what they are actually worth—as it did during the previous currency crisis, which was only in February.

Some are nonetheless flouting the rules, demanding 56,000 rials or so for a dollar. There were long lines and, surprise, surprise, dollar shortages at the handful of ▶▶





exchanges using the official rate. A lack of confidence in the rial reflects a lack of confidence in the economy. The housing market is stagnant and the banking sector is shaky. Iranians are snapping up foreign currency because it is one of the few sound investments available.

Something similar happened in 2012. Back then Iran was under crippling sanctions and suffered from an annual inflation rate of around 25%. Many Iranians thought those days were over when, in 2015, Iran signed a deal with world powers that imposed restrictions on its nuclear programme in exchange for sanctions relief. President Hassan Rouhani expected to attract large amounts of foreign investment and recoup \$50bn in frozen assets, equivalent to 12% of GDP.

Those benefits have not all materialised. The government is quick to blame Donald Trump, the American president, who is threatening to withdraw from the agreement (and may do so next month). The fear of fresh sanctions no doubt dampens investment. So do American sanctions (related to other aspects of Iran's behaviour) that remain in place and discourage big banks from handling Iranian transactions. In 2016 Iran recorded just \$3.3bn in foreign inflows. Israel, with a similar GDP and one-tenth the population, drew \$12.3bn.

But Iran's corrupt, opaque economy would probably be struggling even without Mr Trump. Companies linked to the Revolutionary Guards have revenues equivalent to a large share of GDP. Their empire spans construction, mining and telecommunications. A foundation linked to the supreme leader holds \$95bn in assets, according to an investigation by Reuters in 2013. Many banks are on the brink of insolvency, in part because of pyramid schemes that swindled millions of poor Iranians. The head of parliament's economic committee said in April that some \$30bn in capital fled the country at the end of last year.

From the outside Iran looks ascendant, using proxies to expand its reach across the Middle East. In Syria it is establishing a permanent military presence. In Yemen it dragged arch-rival Saudi Arabia into a ruinous war at little cost to itself. At home, however, the regime looks increasingly brittle. In late December thousands of Iranians unexpectedly took to the streets to vent their frustrations. A subsequent poll by the University of Maryland found that 69% of Iranians think the economy is in bad shape, up from 49% two years earlier. Two-thirds of them blame mismanagement and corruption, rather than sanctions. Nearly half think Iran spends too much money on foreign adventures.

The protests stopped after the regime killed or locked up lots of protesters, but it is now battling discontent on other fronts. Dozens of young women have been arrest-

ed for doffing their headscarves in public to protest the official dress code. In February there were deadly clashes between the police and Sufis, who have long been harassed by the authorities. After a rare uproar in parliament this winter, Mr Rouhani backtracked on plans to cut subsidies.

Looming over all this is the question of who will succeed Ali Khamenei, the 78-year-old supreme leader who is rumoured

to have suffered from prostate cancer. The presumed front-runner, Ebrahim Raisi, embarrassed himself last year when he ran for the presidency—and lost by 19 points. Whoever takes charge will inherit a restive, youthful country that has been mismanaged for decades. The nuclear pact created hopes for change. Unmet expectations may pose a bigger threat to the regime than sanctions ever did. ■



### Africa and climate change

## A burning issue

JOHANNESBURG, LUSAKA AND NAIROBI

### Africa's big emitters admit they have a problem

**A**N HOUR east of Johannesburg, on the rolling highveld plains, six massive cooling towers sit around two belching smokestacks. The Kendal power station (pictured) is among the world's largest, producing 4.1 gigawatts (GW) from burning coal. A few kilometres down the road there is another coal-fired plant, Duvha, which is only slightly smaller. An even bigger one, Kusile, is under construction next door.

When sub-Saharan Africa comes up in discussions of climate change, it is almost invariably in the context of adapting to the consequences, such as worsening droughts. That makes sense. The region is responsible for just 7.1% of the world's greenhouse-gas emissions, despite being home to 14% of its people. Most African countries do not emit much carbon dioxide. Yet there are some notable exceptions.

Start with coal-rich South Africa, which belches out more carbon dioxide than Britain, despite having 10m fewer people and an economy one-eighth the size. Like nearly all of its power plants, many of its vehicles depend on coal, which is used to make

the country's petrol (a technique that helped the old apartheid regime cope with sanctions). A petrochemical complex in the town of Secunda owned by Sasol, a big energy and chemicals firm, is one of the world's largest localised sources of greenhouse gases.

Zambia is another exception. It burns so much vegetation that its land-use-related emissions surpass those of Brazil, a notorious—and much larger—deforester. On a recent descent into Lusaka, four fires were visible from the aeroplane. "If you had come 30 days later, it would have been worse," says Davison Gumbo of the Centre for International Forestry Research, a non-profit. Most burning happens during the dry season, which starts next month.

South Africa and Zambia may be extreme examples, but they are not the region's only big emitters (see chart). Nigerian households and businesses rely on dirty diesel generators for 14GW of power, more than the country's installed capacity of 10GW. Subsistence farmers from Angola to Kenya use slash-and-burn techniques to

▶ fertilise fields with ash and to make charcoal, which nearly 1bn Africans use to cook. This, plus the breakneck growth of extractive industries, explains why African forests are disappearing at a rate of 0.5% a year, faster than in South America. Because trees sequester carbon, cutting them counts as emissions in climate accounting.

Other countries are following South Africa's lead and embracing coal, the filthiest fuel. A dozen of them are building or planning new coal-fired power plants totalling 40GW, according to Coalswarm, a watchdog. A big one planned for the old port town of Lamu in Kenya is one of many Chinese-backed coal projects in Africa.

Policymakers at the latest African climate summit, which concluded in Nairobi on April 13th, acknowledged the continent's carbon problem. But they worried that development might slow if Africa meets its commitment under the Paris climate agreement, which aims to limit global warming. The two imperatives often pull in opposite directions. Africa's sunny skies and long, blustery coastlines offer near-limitless solar- and wind-energy potential. But what African economies need now are "spinning reserves", which can respond quickly to volatile demand, says Josh Azenbrod of the Rocky Mountain Institute, a think-tank in Colorado. Fossil fuels deliver this; renewables do not.

Foreign aid, on which many African countries depend, often leads to more emissions. To ensure that their money is used efficiently, and not stolen, Western development agencies favour large tried-and-tested projects, such as fossil-fuel

plants. So do the Chinese, who want to keep their engineers busy now that they have stopped building coal-fired power plants at home.

Yet it is not all gloom. The UN's newer green-finance initiatives are proving more generous to Africa than its old Clean Development Mechanism, which has channelled just 2.5% of its resources to the continent since 2001. Many of Africa's proposed coal plants, including the one planned for Lamu, may never get built. Several countries are intrigued by hybrid plants where most electricity is generated by solar panels, but diesel provides the spinning reserves, says Mr Azenbrod. Adaptation will remain Africa's chief climate concern for the foreseeable future. But it is no longer the only one. ■

### Social media in Africa

## Tweet like a jailbird

NAIROBI

**African governments want to control what is said online**

**I**N THE West, when celebrities post revealing videos on Instagram, they may find themselves mocked by tabloids and gossip websites. In Tanzania they can be arrested. On April 16th Diamond Platnumz, a Swahili rapper (pictured), known for such ditties as "Bum Bum", was arrested after posting a clip of himself kissing a woman. According to Tanzania's information minister, Harrison Mwakyembe, Mr Platnumz's "indecent" fell foul of a new law intended to regulate social media. It is part of a growing trend of African governments trying to control what is said online.

Tanzania's vaguely worded law, which came into effect last month, seems to require almost anyone who publishes content online in the country to buy a licence for 2.1m Tanzanian shillings (around \$900). The government says its aim is to fight "immorality" and hate speech. No one imagines that political speech will be spared. Any content "that causes annoyance, threatens harm or evil, encourages or incites crime, or leads to public disorder" can lead to a writer's licence being revoked or a 5m shilling fine. A similar law, introduced in 2015 and ostensibly aimed at cyber-criminals, has ensnared people for insulting the president in WhatsApp groups.

Other east African states are tightening up, too. Uganda's government has proposed a daily charge for social-media use on mobile phones of 200 Ugandan shillings (\$0.05), to reduce what President Yoweri Museveni (a prolific tweeter himself) calls excessive "gossiping". In 2016 Rwanda made it illegal to cause "annoy-

ance, inconvenience, or needless anxiety" with a digital device, but journalists were already cowed. One was arrested for complaining on Facebook about police harassment. Even in Kenya, where there is more freedom of speech, restrictions were mooted ahead of last year's election. In January, a prominent Kenyan blogger, Cyprian Nyakundi, was arrested for allegedly defaming the interior minister.

Internet penetration in much of Africa is still low, but it is growing quickly. In Tanzania, roughly 23m people (out of a population of 55m) used the internet last year, according to the government. That was up 16% on 2016. As more people get access, the elite are being challenged like never before, says Nanjira Sambuli, a Kenyan activist.

Will the new laws silence digital dissidents? Uganda's charge can probably be collected directly by mobile-phone operators—but it is unlikely to stop people from gossiping. The effect of Tanzania's law will depend on how the government enforces it. In a country with an annual GDP per head of just \$900, few bloggers will pay the fee. But, as Mr Platnumz has found, the law can be used to arrest people for posting nearly anything online. To improve enforcement, the government has proposed installing CCTV cameras in internet cafés.

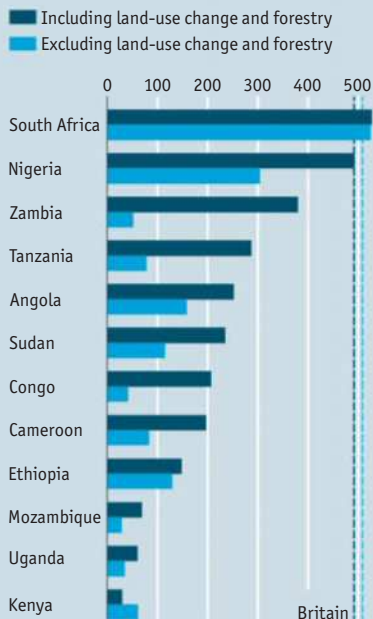
Some of Africa's savvy leaders have made the internet work for them. Uhuru Kenyatta, Kenya's president, hired Cambridge Analytica to help him get re-elected last year. The British firm is under fire for obtaining data on millions of Facebook users in dubious ways. One of its executives boasted of writing "all the speeches" for Mr Kenyatta and having "staged the whole thing". Facebook and Twitter messages, not necessarily associated with the campaign, promoted fake stories and targeted Mr Kenyatta's challenger. All over Africa, anyone is free to slime the opposition. ■



You have the right to remain silent

### Emitters, big and small

Sub-Saharan Africa, greenhouse-gas emissions  
Selected countries, 2014, tonnes of CO<sub>2</sub> equivalent



Source: World Resources Institute



Poland under PiS

## Change of state

WARSAW

The hollowing out of the rule of law is doing lasting damage

FOR a glimpse of Poland under the populist Law and Justice (PiS) party, tune in to the news on the state television channel, Telewizja Polska (TVP). The opening sequence, a computer-animated tour of Polish landmarks, homes in on the clock tower of Warsaw's royal castle. The capital's most recognisable building, the towering Soviet-era Palace of Culture and Science, is nowhere to be seen. Then the anchors appear, and proceed to praise PiS slavishly while branding its critics treacherous crypto-communists.

This combination of subtle and brazen nationalist revisionism captures the two-and-a-half years of PiS rule. The party has purged the public administration, made it illegal to accuse the "Polish nation" of complicity in the Holocaust, and peddled conspiracy theories about the aeroplane crash in 2010 which killed then-president Lech Kaczyński and 95 others outside Smolensk, in Russia. It has turned a blind eye to chauvinism among its supporters, while prosecuting peaceful counter-protesters at the monthly commemorations of the Smolensk disaster led by Lech's twin brother, Jarosław (pictured), who is PiS's chairman.

Most troubling, PiS has neutered the constitutional tribunal and given lawmakers and ministers more power over the appointment of judges, threatening their independence. It has sown deep divisions within Poland and with its allies in the European Union, as well as with Israel and America. It has transformed Poland from a

poster-boy of post-communist transition into the EU's problem child. In March a judge in Ireland refused to extradite a Polish defendant to his homeland, worried that he might not get a fair trial.

And PiS isn't done. Mr Kaczyński, who holds no office other than MP yet acts as Poland's de facto leader, recently told a right-wing weekly that there are "parts of our reality which must not merely be modernised but ploughed over". His party, he mused, needs at least three terms in office.

That prospect sends liberals scrambling for a stiff drink. It is a headache for the EU. In December the European Commission triggered proceedings against Poland under Article 7 of the EU treaty, which could ultimately lead to suspending its voting rights. In March, after the commission rejected Poland's justifications of its reforms, the government proposed softening them, for instance by limiting the justice minister's power to replace district-court presidents. But even if PiS yields further, the grief it has caused Poland will not go away.

### The nationalist international

At first glance, the party's ascendancy follows a familiar script. From Viktor Orbán in Hungary to Donald Trump in America, populists have converted economic malaise and fear of immigrants into electoral success. Yet Poland departs from that script in important ways. Immigration is negligible; the wave of Syrian migrants in 2015, which initially crossed through Hungary,

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never touched Poland. Meanwhile, Poland's economic performance has been nothing short of extraordinary.

The economy has grown for 26 consecutive years. GDP per person has nearly tripled since 1990 (see chart, next page). Since 2000 manufacturing's share of the economy has grown, and inequality has fallen. Poland was the only EU country to weather the crisis of 2008-09 without a recession.

For an illustration, drive north from Warsaw into Mazowsze. The region is as gorgeous as a Chopin concerto, an undulating quilt of cereal fields and birch groves, but in the 1990s its towns were unromantically down-at-heel. Today it is dotted with handsome farmsteads. Tractors are still mostly Polish-made Ursuses, but now come with air-conditioning and sound systems. In the cobbled market square of Pultusk, a town of 20,000, and down the road in the village of Golymin, shops offer luxuries unimaginable two decades ago: \$100 Nike sneakers and wine at \$20 a bottle.

Such wealth accumulation was well under way by 2015. Yet PiS won both the presidential and parliamentary elections that year. In Pultusk, in the parliamentary election, the party claimed 46% of the vote, nine percentage points above its national average. In Golymin, it got 58%.

Fatigue with the centre-right Civic Platform (PO) played a part. PO had grown complacent after eight years at the helm. In 2014 its charismatic leader, Donald Tusk, stepped down as prime minister to become president of the European Council, leaving his party rudderless. Its politicians were caught on tape discussing matters of state in filthy language. They said nothing terribly damning, but it left a bad smell.

Many voters were in any event growing fed up with finger-wagging elites telling them to work harder to get ahead. This dual weariness, with the PO and the post-1989 gospel of self-improvement, ►►



played into Mr Kaczynski's hands. He and his brother were among the leaders of the Solidarity movement who negotiated Poland's bloodless transition to democracy. But Jaroslaw, especially, felt that it let ex-communists off the hook too lightly.

In 2001 the Solidarity coalition split into the PO, which embodied the post-1989 consensus, and the anti-elitist PiS. It appealed to those who, like the Kaczynskis, felt they deserved more, and who sensed that, while they might be prospering, well-connected insiders were doing better. In 2005 PiS took a quarter of the vote, enough for a plurality in parliament. But its unruly coalition with two other anti-establishment parties collapsed two years later.

By 2015 Poles' sense of being short-changed had grown, not because they were worse off, but because their aspirations outpaced reality. Many had experience of western Europe, where 2m or so had sought work since Poland joined the EU in 2004. Interviews with denizens of Pultusk-like towns by Maciej Gdula, a sociologist at Warsaw University, reveal that PiS supporters are neither left behind nor frustrated with their lives. But they want more—and they want it now.

PiS promised them less condescension and more protection. In Andrzej Duda it found a young, affable presidential contender who outmanoeuvred Bronislaw Komorowski, the PO's respectable but dull incumbent. Beata Szydlo, Mr Kaczynski's pick for prime minister, was less divisive than the chairman, who kept a low profile. Aided by images of migrants pouring into western Europe, PiS exploited fears of a Muslim invasion. The centre-left split into two camps, neither of which got enough votes to enter parliament. PiS won an unprecedented absolute majority.

With control of parliament and a sympathetic president, PiS prime ministers—first Ms Szydlo and, since December, Mateusz Morawiecki—set about delivering on campaign promises. They recklessly reversed a PO pension reform by cutting the retirement age, introduced a monthly benefit of 500 zlotys (\$148) per child starting with the second-born, reformed the justice system (ostensibly to make it more efficient), and went after evasion of value-added tax, raising receipts by 23%. This flurry of activity made PiS's critics look like weak, privileged naysayers. Meanwhile, the economy continues to grow at 4%, wages are up and inflation is subdued.

PiS is aided by an underlying conservative streak in Polish society. In the 1990s not even the left-wing governments championed social liberalism. Poland's abortion law is among Europe's strictest. The global #MeToo movement against sexual harassment has been more #NotMe in Poland, outside a few feminist circles. Pride in Poland's undoubted virtues—it never collaborated with the Nazis, and was the first



Keeping her hopes up

country in the Soviet bloc to topple communism—can turn xenophobic. At last November's independence-day march, some openly carried fascist banners.

Until 2015 pro-European elites maintained a guardrail against such sentiments. PiS has dismantled it. "No Brussels bureaucrat will tell us what democracy is," sums up one person close to Mr Morawiecki.

What is democracy, according to PiS? First, it is majoritarian. Any constraint amounts to "legal impossibilism", Mr Kaczynski's term for what his liberal critics call checks and balances. The opposition is given short shrift. Legislation is pushed through as private-members' bills, which unlike government proposals can dispense with public consultation. In 2016 40% of PiS's 181 draft laws were submitted in this way, up from 15% and 13% in the previous two parliamentary terms.

Lacking a supermajority to amend the constitution, PiS did the next best thing and nobbled the constitutional tribunal. It replaced five judges seated by the previous parliament (including two who, admittedly, the PO had appointed irregularly when

a loss at the polls looked imminent). More egregiously, the government ignored several unfavourable rulings.

The second feature of PiS-style democracy is rulers' freedom of action. The justice minister doubles as the chief prosecutor, deciding which transgressions to prosecute (Smolensk counter-protesters) and which to ignore (marchers with illegal fascist flags). A draft law would sack the entire diplomatic corps and let the foreign minister rehire whomever he wants.

In this worldview cadres are everything. According to an analysis by the Forum of Civic Development, a think-tank in Warsaw, 37 PiS laws have led to the sacking of more than 11,300 civil servants. The party decides which ex-communists are repentant patriots (PiS's ranks are full of such figures), and which are unreformed enemies of the state. Many of the latter, including military top brass, have been purged.

If this sounds like an affront to the constitution, the PiS-dominated tribunal seems unperturbed. It judged 88 cases last year, half as many as in 2015, nearly always siding with the government. When the civil-rights ombudsman, Adam Bodnar, challenged PiS's reforms of the tribunal, including the dodgy investiture of three judges, his complaint was rejected by a panel that included two of the judges in question.

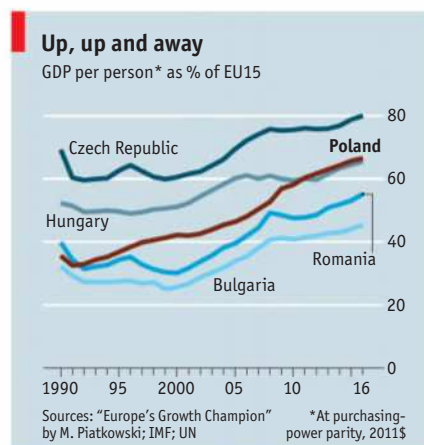
Does PiS, which won 38% of the vote in 2015, have a mandate to rip up the post-1989 social contract? Mr Morawiecki plays down Mr Kaczynski's talk of revolution. But, he adds, "every contract can be amended." Polish institutions need a shake-up, he says. Courts average 685 days to enforce a contract, the fourth-slowest in Europe. None of the provisions in the judicial reforms, he says, is unique to Poland.

### Wolf in Italian wool

It is a cunning sales pitch. No single move looks revolutionary in isolation. Lithuanian supreme-court justices are appointed and dismissed by parliament at the president's request. In Denmark and Sweden ministers appoint members of the judicial council. As blatant as the state media's populist tilt is, PiS claims it is only correcting its historically liberal bias.

Mr Morawiecki, a millionaire former banker, was promoted to prime minister in December at the orders of Mr Kaczynski, who had tired of Ms Szydlo. He is worldlier and cleverer than his predecessor, and speaks fluent English. Where Ms Szydlo shunned Brussels, he engages.

Yet when it comes to ridding the state of the (mostly imaginary) remnants of communism, Mr Morawiecki appears to be a true believer. In the 1980s his father founded a radical splinter of Solidarity. Mr Morawiecki, then a teenager, was kidnapped by the secret police, beaten and told to dig his own grave, but refused to give up his father's whereabouts. In con- ▶▶



trast to many party colleagues, his disdain for the old regime seems genuine. But this zeal may lead him to push Poland closer to the sort of “illiberal democracy” which Mr Orbán has created in Hungary, and which Mr Kaczyński makes no secret of desiring.

Poland is not quite Hungary. Its civil society is livelier. Its economy is more diverse and lacks media oligarchs, notes Jan-Werner Müller, a scholar of populism at Princeton University. Viewership of tvp news is falling, while independent newspapers benefit from the PiS version of the “Trump bump”. Where other populists cosy up to Vladimir Putin, Mr Kaczyński loathes Russia, which he blames (with little evidence) for the Smolensk crash.

PiS is not immune to criticism. Proposals to regulate independent media have been shelved. So have efforts to outlaw all abortions, after thousands of women took to the streets. Courts have mostly dismissed the charges against anti-PiS protesters. Ms Szydło’s decision to award herself and her cabinet 2.1m zlotys before her demotion may cost PiS in local elections in the autumn. “Bonus-gate” may explain its slide in some recent polls.

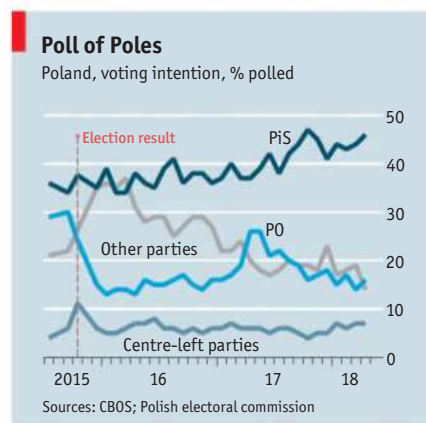
The party is not as monolithic as myth would have it, either. In March Mr Duda broke ranks and vetoed a bill which would allow communist-era soldiers to be stripped of rank. A faction leery of Mr Morawiecki’s rise has tried to clip his wings. Neither he nor Mr Kaczyński controls Zbigniew Ziobro, the Jacobin justice minister, who leads his own group in parliament.

Then there is the EU. Besides the Article 7 proceedings, a growing chorus of member states wants future EU aid to be tied to rule-of-law considerations. Faced with a choice between revolution and EU money, which flows disproportionately to its poorer rural base, PiS may think again.

But even if PiS’s wrecking job were halted, deep scars would remain. Society has split into warring camps. A PO leader looks bemused when asked if he has friends in PiS. Mr Morawiecki’s aides react similarly to a question about pals in the PO.

Purges of the military and intelligence services have strained relationships with allies. Diplomatic fallout from the Holocaust law, which America and Israel see as whitewashing the role some Poles played, has been disastrous. Poland risks becoming like Turkey, a prickly ally important only because of its strategic location, says a Washington insider.

The economy, though healthy, could be better given the ruddy global outlook. Its rate of convergence with western Europe has slowed. A tight labour market and extravagant handouts have fuelled consumption (the government has doled out 42.6bn zlotys in the new child benefit alone since 2016) but not private investment. Grzegorz Baczewski of Leviatan, a bosses’ association, blames this in part on regulatory un-



certainty. Laws affecting entire sectors are rushed through parliament. A ban on Sunday trading was passed in January and came into force in March. Mr Morawiecki’s talk of national champions and “national capital” risks putting off foreigners.

State capitalism of the sort the prime minister seems to favour may weigh on productivity. This needs to rise for growth to persist as the population, which dipped below 38m in 2015, continues to shrink. Few expect the child benefit to reverse the

trend. In the short term it may constrain the supply of labour. According to one estimate, the child benefit has discouraged 103,000 women from work. Labour-force participation among young women is at a 19-year low. The lower retirement age will make matters worse. This, plus the expected fall in EU aid after 2020, prompted Fitch and Standard & Poor’s, two rating agencies, to revise Poland’s potential GDP growth rate down to 1.5-2.6% in the next decade.

Worst of all, PiS’s assault on Poland’s institutions undermines citizens’ trust in them. Its campaign to paint the judiciary as a corrupt clique—complete with billboards depicting a drunk-driving judge—doubtless contributed to falling confidence in the justice system, down from 41% in 2015 to 32%, according to a Eurobarometer poll.

At best, PiS’s illiberal reforms might be reversed by the next party that wins an election. But they have set a precedent: future governments may repeat the cycle of court-packing and purges. In the worst case, Poland may have started down the authoritarian road already travelled by Turkey and Hungary. Today few see this as likely. But when such things shift, they shift faster than anyone expects. ■

## Armenia

# Meet the new boss

## An unpopular president switches to prime minister

“I BELIEVE that one person must not aspire to the reins of power more than twice in a lifetime,” Serzh Sargsyan, then president of Armenia, declared in 2014. But the unpopular Mr Sargsyan, whose second (and final) consecutive term as president expired on April 9th, was just kidding. On April 17th the national assembly, stacked with loyalists, elected him as the country’s new prime minister. Even many members of the biggest “opposition” group voted for him. If imitation is the sincerest form of flattery, Vladimir Putin must be smiling.

Around 10,000 protesters in Yerevan, the capital, took to the streets before the vote, chanting “Reject Serzh!” Police used tear-gas to disperse them. With hindsight Mr Sargsyan’s intentions have long been clear. Constitutional changes he enacted in December 2015, which take effect this month, grant the prime minister nearly all the powers previously held by the president. The amendments also scrapped direct elections for the presidency, ensuring that this post too is occupied by one of Mr Sargsyan’s yes-men.

Mr Sargsyan insists that a parliamentary system will strengthen democracy.

Many Armenians are unconvinced. Hovsep Khurshudyan of the Armenian Centre for National and International Studies, a think-tank, calls the change “groundless”. The new, convoluted electoral system almost guarantees Mr Sargsyan’s Republican party a majority.

After a decade in power, Mr Sargsyan has little to boast of. The economy, reliant on remittances from Russia, has barely grown. Unemployment is at nearly 20%. Three in ten Armenians fall below a poverty line of \$2.90 a day, more than in 2008. The borders with Azerbaijan and Turkey are closed. Foreign investors are deterred by corruption. Oligarchs control the main industries, Mr Sargsyan among them.

The new prime minister has a three-pronged agenda. First comes economic integration with the European Union, Armenia’s second-largest trading partner after Russia. On April 14th the national assembly ratified a “partnership agreement” committing to more regulatory harmonisation with the EU. Second is stemming depopulation. Around 300,000 Armenians, fully 10% of the total, have left the country since 2008. Last year Mr Sargsyan set a target ▶▶



▶ population of 4m by 2040. The last prong is making Armenia an information-technology powerhouse.

These goals are not particularly realistic. The partnership agreement with the EU is a weaker version of an association agreement which Mr Sargsyan turned down in 2013, choosing instead to join Russia's Eurasian Economic Union. The population target entails no concrete proposals. Mr Sargsyan wants to tempt back some of the 7m-10m ethnic Armenians abroad, but it is unclear how many want to return. Armenia's IT sector is the fastest-growing part of the economy, making up 7% of GDP in 2017, but it is mainly known for its cheap labour. And there is tough competition from Ukraine and Romania. Mr Sargsyan's stint in his new job is likely to be underwhelming. Soon, he may come to appreciate the wisdom of his words from 2014. ■

## Russia

# Catch me if you can

MOSCOW

**Russia's government chases a popular messaging service**

TELEGRAM, a sleek online messaging service founded in 2013, has 200m users worldwide. About 15m of them are in Russia, the homeland of its founder, Pavel Durov. Russia's business and political elite have taken to its anonymous "channel" feature to dish out insider gossip. Even the Kremlin has adopted it to communicate with reporters.

But along with user-friendliness, Telegram has built its brand on privacy. Russian authorities are not pleased. The Federal Security Service (FSB), the successor to the KGB, has demanded that Telegram obey a law requiring firms to hand over the cryptographic "keys" needed to access encrypted messages. Mr Durov has refused. His lawyer posted a picture of two metal keys he joked had been sent to the FSB. Last week a court ruled against Telegram. Roskomnadzor, the communications authority, announced it would block the service from April 16th. The government urged reporters to switch to ICQ, a service owned by a Kremlin-friendly billionaire.

Roskomnadzor has blocked more than 19m IP addresses. Many belong to Google or Amazon, whose cloud services Telegram began using to bypass the ban. The agency's head, Aleksandr Zharov, called it a "battle between shells and armour". Many unrelated businesses have been caught in the crossfire, including Odnoklassniki, a social network; Viber, a messaging app; and online retailers and gaming platforms. The Kremlin Museum even re-

## Spain

# Driving swine to ITACA

JEREZ DE LOS CABALLEROS

**Mis-labelled ham makes foodies squeal**

ON A spring morning in Extremadura, a few miles from the border with Portugal, a herd of brown Ibérico pigs is gambolling in the *dehesa*, the open parkland that occupies a broad swathe of south-eastern Spain. The pigs are clean and friendly. They live outdoors and are grass-fed. Next winter they will fatten on acorns. They will be slaughtered at around 18 months, and after curing with sea salt and years of natural drying, will start going on sale in 2023, says Jaime García de Montasano, the family-run company that owns them.

Ibérico ham is the beluga caviar of the porcine world. It is slow food. The best hams will hang in Montasano's drying rooms on a hilltop outside the town of Jerez de los Caballeros for up to six years, sweating gently when the windows are opened. This breaks down the fat and lets it seep into the muscle, producing micro-marbling (detectable only when a slice is held to the light). It is this, and the *bellotas* (acorns), which give Ibérico its sweet, melt-in-the-mouth nuttiness. The finest legs retail whole for up to €900 (\$1,100), or much more if sold sliced.

But some ham sold as Ibérico in supermarkets in Spain and elsewhere, at suspiciously low prices, is actually a cut-rate substitute. The pigs may be cross-breeds, and have never met a *bellota* in their lives. Spanish critics call this fraud. Andrés Paredes of ASICI, the industry association, disagrees: "What we have to do is to inform the consumer about what they are really buying." A decree issued in 2014 set four categories, each denoted by a colour-coded collar attached to the pigs' ankles. A black collar means a 100% Ibérico pig, reared free-range and fattened on *bellotas*; white denotes a pig reared

in feedlots and sired by a non-Ibérico.

Mr Paredes says this offers budget-conscious consumers a choice. To police the system ASICI has set up a database called ITACA (the Spanish acronym for identification, traceability and quality) which means each leg or shoulder can be traced by farm and parentage. This year, for the first time, all the hams released to the market have the collars.

Traditionally, hams in Spain were sold whole. Now half of sales are sliced, as are most exports to growing markets in Europe and Asia. The next step should be to colour-code packets of sliced ham. Mr Paredes says ITACA can do that. But the big processors are against it. Others, like Mr García, would like to see a simpler system, with the Ibérico tag only for purebred pigs fed on *bellota*. "I think we have to defend the purity of Ibérico," he asserts. Barring that, buyers will have to keep in mind that some Spanish pigs are more equal than others.



**Spot the impostors**

ported problems with online ticket sales.

For many users Telegram has remained accessible, moving to new hosts each time Roskomnadzor blocks it. Others have defiantly switched to VPN services to maintain access. "They're blocking Telegram because we created life here: we joke, lament, laugh, reflect, and discuss," wrote a popular Telegram channel called Stalingulag. Mr Durov, who founded vk, Russia's equivalent of Facebook, before emigrating, says Telegram has seen no significant drop in engagement. TGStat, a monitoring group, reckons that during the first day of the block, views of Russian-language Telegram channels were actually 17% higher.

Activists see the episode as a big escala-

tion of the Russian state's assaults on internet freedom. Russia has no equivalent of China's automatic "great firewall"—it updates its blacklists manually—but such a possibility is "growing ever closer", wrote Sarkis Darbinyan of Roskomsvoboda, a digital-rights group. The law requires companies to store Russian users' data in Russia, but the government has mainly ignored Western companies that do not. That could change. Mr Zharov says if Facebook does not comply by the end of the year, it may be blocked, too. ■

**Correction:** A cartoon last week depicted Portugal's Social Democratic Party as part of the governing coalition. It is an opposition party. We regret the error.



# Charlemagne | Jupiter in the bog

Emmanuel Macron's ambitious plans for Europe are in danger of getting stuck



WHEN France's president speaks about Europe, his remarks are directed in part at Germany. Before his election in 2017 Emmanuel Macron went to great lengths to show Angela Merkel that he could be a credible partner. He lauded her leadership on refugees and Russia, took the fight to populists, and promised to tackle France's economic rigidities, all wrapped in a European Union flag. The Elysée Treaty of 1963, the basis for Franco-German co-operation, would be given a fresh lick of paint. For years visitors to Berlin had grown familiar with weary complaints about unreformable France. Now the Germans seemed to have what they had long claimed to be waiting for. If Mr Macron had not come along, perhaps Germany would have had to invent him.

Mr Macron has always argued that his domestic plans cannot be isolated from his European ambitions. So this week, as transport strikes and university sit-ins roiled his country, he took his calls for EU reform to the European Parliament in Strasbourg. France's Jupiterian president loves a good scrap, and it showed. Mr Macron sparred with MEPs from across the spectrum, passionately defending his decision to attack weapons sites in Syria, and reserving particular venom for a former ally of Marine Le Pen, the nationalist leader he bested last year. Mr Macron issued his customary battle-cry against illiberal populists and European naysayers—but also tried to dispel what seems to him to be a whiff of complacency. “We can't carry on as if this is any old debate,” he said, adding that he did not want to belong “to a generation of sleepwalkers”. As he knows, the warnings in Christopher Clark's book of the same name, which charts the diplomatic missteps that led to the first world war, resonate with Mrs Merkel.

Yet Berlin is slumbering. Hours after Mr Macron's address, Mrs Merkel followed her Christian Democratic Union (CDU) in resisting a beefing-up of the euro zone's bail-out fund, one of several modest reform ideas to be discussed at an EU summit in June. Mr Macron had already scaled back his ambitions for the euro. But even the relatively easy projects are starting to look too difficult. “We are not the ones with our foot on the brakes,” insisted Mrs Merkel. But she seems too tired or weak to respond to Mr Macron's initiatives. Her latest idea is that meetings of the euro zone's finance ministers should occasionally take in economy ministers too. Mr Macron might be forgiven a dash of impatience. (The pair

were due to meet in Berlin as we went to press.)

French hopes that Germany's Social Democrats (SPD), who have reluctantly rejoined Mrs Merkel in coalition, might soften hard hearts in the CDU look misguided, too. Olaf Scholz, the new SPD finance minister, has failed to purge his department's upper ranks of staff installed by Wolfgang Schäuble, his flinty CDU predecessor. Some MPs grumbled after Mrs Merkel bowed to her party, but the SPD is more concerned to shore up its fragile support than to bolster Mr Macron's European dreams. The European debate Mr Macron was supposed to kick-start is already bogged down in the sort of pettifogging technicalities he detests, on matters like the appropriate level of non-performing loans on the balance-sheets of euro-zone banks. Italy's political mess, Poland's inward turn and Spain's Catalan distraction further thin the ranks of potential allies. The June summit, once hailed as a make-or-break moment, may yield little more than one of the EU's endless “road maps”.

No matter, say Mr Macron's aides. They will play the long game on the euro and look for momentum elsewhere. But the list looks thin. In Strasbourg the French president urged a resolution to the interminable intra-EU fights over how refugees should be redistributed the next time emergency hits. But this file has been blocked for years, and he appears to have no fresh ideas. Few Europeans have much interest in contributing to his proposed joint military-intervention force. And as the Syria strikes, co-ordinated with the United States and Britain, showed, for hard security matters the Elysée needs partners outside the EU.

## March on, march on

Mr Macron has at least rallied support for his cause to build a “Europe that protects”. He has won a battle to equalise pay and benefits between native workers and those temporarily “posted” from other EU countries. The European Commission has taken up his call for a special tax on digital giants, although Germany remains sceptical about the details. It is warmer towards another Macron priority: a tough line on foreign governments, especially China's, that encourage their firms to gobble up “strategic” industries in the EU while making life difficult for European investors.

Mr Macron's other big idea is to run a series of “citizens' consultations” to generate debate about the EU in the run-up to next year's European elections. (After his Strasbourg address he went to a nearby town to lead a discussion among 300 voters.) Mr Macron has convinced other leaders to establish their own versions. But do not expect a revolutionary exercise in grassroots politics, for few of his counterparts share his appetite for disruption. That also explains why Mr Macron's ambitions to shake up Europe's institutions are floundering. His party, La République En Marche, remains aloof from the pan-European political groupings through which much EU business is conducted. If he hopes to make good on his promise to blow up party politics in Europe as he did in France, he needs to get a move on.

Traditionally Europe has reinvented itself under two sets of conditions: optimism (the creation of the euro, enlargement to the east), or panic (bail-out funds, refugee deals). A different sort of mood is abroad today, characterised by mutual mistrust, caution and fear that the next emergency is just around the corner. That is why France's president finds an audience for his protective measures, but tumbleweed for the rest. This leaves the EU in limbo, ill-equipped to cope with the next crisis. That is precisely Mr Macron's message. But it is not being heard. ■



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Enoch Powell, race and migration

## Fifty years down-river

BIRMINGHAM

### The lasting legacy of a poisonous speech

ON APRIL 20th 1968 Enoch Powell rose to give a speech before an audience of Conservative Party activists in the Midland Hotel in Birmingham. Normally such an occasion, on a Saturday afternoon, would have attracted little attention. But the shadow defence secretary, dressed formally, as ever, in a three-piece suit, had other ideas. Powell had invited the TV cameras, and promised one journalist that his speech was “going to go up, ‘fizz’, like a rocket; but whereas all rockets fall to Earth, this one is going to stay up.” He was right.

This was Powell’s “rivers of blood” speech, so named after the peroration. It was a direct and provocative assault on immigration from the Commonwealth, quoting the fears of one constituent that “in 15 or 20 years’ time, the black man will have the whip hand over the white man.” It caused outrage at the time—Powell was sacked from the Tories’ front bench—and still does. Many objected even to an actor reading out his words in a recent BBC radio programme to mark the anniversary.

Powell’s main contention was that if mass immigration continued, there would be civil strife. “Like the Roman,” he warned, “I seem to see ‘the River Tiber foaming with much blood.’” The line was from Virgil but the apocalyptic tone was borrowed from America, ablaze with riots after the murder of Martin Luther King on April 4th that year. Powell, “filled with foreboding”, implied that Britain could not

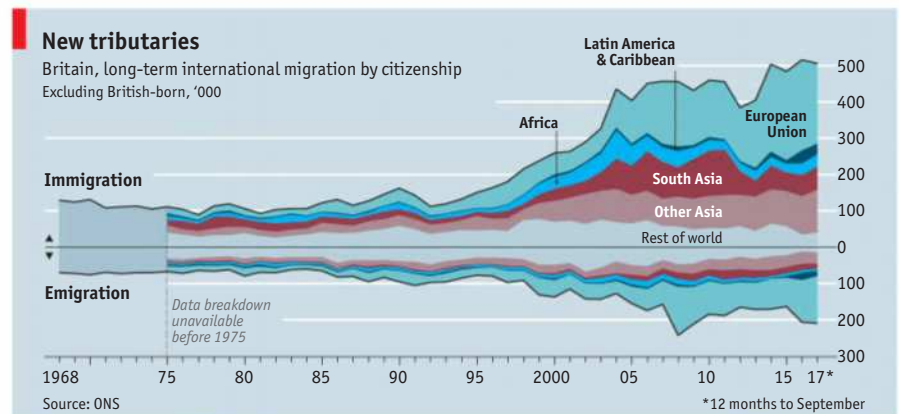
continue to absorb the current number of immigrants without mass violence.

The subsequent 50 years have disproved that idea. Today’s levels of immigration dwarf those at the time of Powell’s speech (see chart). About 14% of Britain’s population is foreign-born, nearly treble the proportion in 1968. Non-whites made up 14% of the population at the last census, in 2011; non-British whites (mainly Europeans) a further 5%. A tenth of adults reported that they were in mixed-race relationships. All this might have shocked Powell, who died in 1998. Yet the conflagration that he predicted has not materialised.

Birmingham itself provides as good a case study as any. Today half of all the non-white people in Britain live in the three

largest cities of London, Birmingham and Manchester. Birmingham exemplifies the trend towards what academics call super-diversity. In the past, minority ethnic groups tended to cluster together. Now, unprecedented numbers of people of different ethnicities are mixing. No ward in Birmingham has fewer than 32 ethnic groups, says Jenny Phillimore of Birmingham University. At the extreme is Handsworth, whose 31,000 residents hail from 170 different countries. Here, says Ms Phillimore, “virtually everyone can fit in”.

This is reflected in the region’s politics. Powell’s nearby former constituency of Wolverhampton South West was until 2015 represented by Paul Uppal, a Sikh (and Conservative), and is now held by Eleanor Smith of the Labour Party, whose mother immigrated from Barbados in 1954 to work in the National Health Service. Ms Smith remembers her mother’s distress at Powell’s speech, which called for voluntary repatriation—something which was Conservative Party policy at the time. She had been encouraged to come to Britain at a time of labour shortages, and was now being told to go home. ▶▶



Superdiversity in Birmingham and other cities is evidence of integration, but, cautions Eric Kaufman of Birkbeck College, University of London, it has in some cases meant less contact between whites and ethnic minorities. There has been some “white flight” from superdiverse areas, he says, as whites have moved out of the poorer areas where migrants gather, to the suburbs. The end result is that “minorities are mixing with each other, but less so with the white British.”

An official review into integration in 2016 by Dame Louise Casey found that

white-British and Irish people were the least likely to have ethnically mixed social networks. It also highlighted the socio-economic exclusion and consequent isolation of some Pakistani and Bangladeshi communities. They have the lowest levels of English-language proficiency of any minority group; more than a fifth of Muslim women cannot speak the language well.

Such findings mean that Powell still has admirers. There was recently an application for him to be honoured with a blue plaque outside his home in Wolverhampton (thousands have petitioned against it).

But the real effect of his “rivers of blood” speech was not to open a frank discussion on such matters, but to stifle it. As Dame Louise argues, by talking about immigration in such menacing tones, Powell shut down sensible debate about the subject for decades. One consequence is that some problems have not been tackled, leading to outcomes like the relative isolation of Pakistani women. “We have had our heads in the sand about this,” she laments.

Powell’s speech may also have had an unexpected impact on another of his obsessions: Britain’s relationship with the European Union. Migration had been a taboo subject for decades, because of its association with race. But after the number of mainly white immigrants from eastern Europe shot up in the early 2000s, pent-up worries about migration and integration were suddenly and explosively aired. The subsequent Brexit referendum of 2016 was lost largely on the issue of migration.

Half a century on from Powell’s speech, the blood still shows no sign of foaming. But the lasting and malign effect of his intervention on the way in which race and migration are discussed, or not discussed, holds a lesson for all politicians about the power of their words. ■

### The Windrush scandal

## Turning the boat around

The shameful treatment of Caribbean Britons worries other migrants, too

THE past few years have been a “nightmare”, says Anthony Bryan. After his passport application was turned down, the Home Office claimed he was an illegal immigrant because he lacked the documents to prove otherwise. He lost his job and did two stints in prison-like migration detention centres. At one point the Home Office booked him on a flight back to Jamaica, the country he left as a child in 1965. Only an intervention by his lawyer averted his deportation.

Mr Bryan is a child of the “Windrush generation” of Caribbean migrants who came to Britain in 1948-71. Named after the *HMT Empire Windrush*, the boat that carried some of the first arrivals, their right to British citizenship was enshrined in law in 1971. That applied even to those without migration papers, like children who travelled on a parent’s passport. Many were therefore legally resident, without the paperwork to prove it.

For a long time, that didn’t matter. But in 2014 Theresa May, then the home secretary, introduced a number of policies to create a “hostile environment” for illegal migrants. Employers and landlords faced new duties to perform migration checks—and steep fines or jail time if they failed. The effect was to bring migration controls inland from the border.

But the policy also snared people like Mr Bryan, who were in Britain legally. No one, least of all the Home Office, seems to know the number of people affected, but experts reckon it may be tens of thousands. Many have lost their jobs, been detained in migration centres or denied medical treatment. Some may have been deported—the Home Office is not sure.

Proving their right to be in Britain is fiendishly hard for some. Applicants must show that they have not left for more than two consecutive years since their arrival, a tall order for those who

came half a century ago as tots. In 2010 the Home Office destroyed an archive of old landing slips, the only evidence some had of their arrival. The problem has been compounded by cuts to legal aid, says Nick Nason, an immigration lawyer.

The government initially hid from its foul-up. Mrs May refused a request by the leaders of Caribbean countries to discuss the problem at this week’s Commonwealth summit. But public outrage prompted a U-turn: she apologised for the migrants’ treatment, as did her successor as home secretary, Amber Rudd, who faced calls from Labour to resign.

The episode is a cause of “national shame”, as David Lammy, a Labour MP and son of Windrush arrivals, told Parliament. And it has hardly reassured EU migrants living in Britain that they can believe the Home Office’s assurances regarding their status after Brexit. Satbir Singh of the Joint Council for the Welfare of Immigrants sums up the concern: “In 40 years we could see Italian grandmothers being removed because they did not fill in the right application form.”



Anthony Bryan, betrayed by his country

### Voting on Brexit

## Enough already?

It is Parliament, not a fresh referendum, that is most likely to upset Brexit

IT WAS more like a happy-clappy church than a political rally, with whoops, cheers and flag-waving. The incongruous setting for this Sunday outing was an old ballroom in Camden, where a campaign was launched on April 15th to demand a “People’s Vote” on the Brexit deal. All the main pro-European Union groups came together to support this cross-party cause. With less than a year to go before Brexit is due to happen, their hope is, in effect, that the voters may yet stop it.

Brexiters promptly accused a metropolitan elite of ignoring the will of the people, who decided in June 2016 to leave the EU. Yet the campaign has good arguments. The vote for Brexit was for the principle, not the outcome. Britons were made innumerable promises, such as no cost to the economy, easy agreement on access to the EU market, more money for the health service and quick trade deals with other countries. None of these promises is likely to be kept. Chuka Umunna, a Labour MP, likens the process to buying a house but finding big faults after a survey. The buyer should not then be forced to go through with it. ►►



▶ Yet the call for a vote on the final Brexit deal is fraught with problems. Mark Malloch Brown, a former Labour minister who chairs Best for Britain, a pro-EU lobby group, admits it is “a long shot”. Polls may find support for a vote, but there is little sign of a big shift of public opinion against Brexit. There is no parliamentary majority for a new vote. Labour’s Brexit spokesman, Sir Keir Starmer, confirms that the party does not support one. And as June 2016 showed, referendums are too binary. Rejecting a Brexit deal might mean more uncertainty, not reverting to membership.

The place that is having a vote—many of them, in fact—is Parliament. This week the Lords inflicted a heavy defeat on the government by amending the EU withdrawal bill to ask it to negotiate a customs union with the EU. Other amendments likely to pass make it illegal to build infrastructure on the Irish border and bolster a clause giving Parliament a “meaningful” vote on the Brexit deal. More Brexit-related legislation lies ahead, including on trade, customs and immigration.

Because Theresa May’s government lacks a majority in both the Commons and the Lords, it is vulnerable to further defeats. It is fending them off with three arguments. One is to claim that amendments to its legislation are intended only to sabotage Brexit. A second is to insist that, if it loses a vote on the Brexit deal, that will be an instruction to leave with no deal at all. And the third is to tell potential Tory rebels that this and many other votes will in reality be ones of confidence: if any are lost, an election could follow that brings Labour’s Jeremy Corbyn to power.

Yet these arguments are not convincing. Many amendments are aimed at softening Brexit, not stopping it. As a new report from the Institute for Government, a think-tank, explains, voting down the Brexit deal need not mean leaving with no deal. Other outcomes are possible: new negotiations, a change in Britain’s red lines, a decision to reverse Brexit. And the Fixed-term Parliaments Act of 2011 makes it hard to label any vote, even on Brexit, a confidence matter. Mrs May might resign, triggering a Tory leadership contest. But an early election can be called only via a confidence vote or by a two-thirds majority in Parliament.

The biggest obstacle to a People’s Vote is the timetable. The government has delayed much Brexit legislation to avoid defeats. The Brexit deal is due to be agreed by October, but as trade talks have only just begun, a slippage to December is likely. And details of the future relationship may still be vague, to be firmed up during a transition period to December 2020. Dominic Grieve, a Tory MP who favours a People’s Vote, says the EU would extend next March’s Brexit deadline if need be. But the risk of accidentally crashing out without a deal will rise the closer that date gets. ■

## Russian propaganda

# Anglichanka strikes again

MOSCOW

**Kremlin-backed media peddle exotic theories of British perfidy**

IT WAS Britain, not Russia, that poisoned Sergei Skripal and his daughter, to stoke Russophobia. Or perhaps Ukraine targeted the former spy, to frame Russia. Then again, maybe the Skripals were accidentally exposed to a British nerve-agent, produced at Porton Down laboratory. Or maybe the culprits were the daughter’s half-crazy fiancé and his mother, who did it out of jealousy. After all, Russia does not produce the Novichok nerve-agent that is said to have been used. And in any case it was not Novichok at all, but a toxin called BZ, as a Swiss laboratory secretly confirmed.

These are some of the claims made by Russia’s state media, its foreign ministry and by online trolls following last month’s assassination attempt on a former Russian spy in Salisbury. Their contradictory character is not a flaw of the Kremlin’s propaganda, but a feature. The purpose of the disinformation campaign is to drown Western intelligence in a cacophony of wild claims, rather than offer a coherent counter-narrative. Russia has used the tactic before, during the wars in Ukraine (including the downing of Malaysian Airlines flight MH17) and Syria. The stories are regularly collated by Britain’s Foreign Office.

Earlier this year the Russian embassy in the Netherlands tweeted a suggested slogan to describe its foreign policy: “Russia’s strength is in truth”. It was unclear whether the nod to George Orwell was intentional. But Russian officials have barely hidden their engagement in information warfare, claiming that Russia is under attack from the Western media, which wants to stir trouble. In so doing, they project Russia’s own tactics onto other countries.

Thus, Britain and France staged a chemical attack in Douma, Syria, and used a fake YouTube video to justify their strikes with America on April 14th. “This is an established fact,” asserted Dmitry Kiselev, the anchor of Russia’s main weekly TV news show. The media first said that there was no evidence of the use of chemical weapons in Syria, before adopting the line that the evidence was fabricated by Britain.

Both the poisoning of the Skripals and the attack on Syria, Mr Kiselev claimed, were “Anglo-Saxon provocations”, led by “petty Britain” with America participating in its “devilish plot”. (The world, he added, was lucky to have so sober and restrained a leader as Vladimir Putin.) The studio backdrop showed Big Ben and an old Russian saying, *Anglichanka gadit* (an Englishwoman makes mischief), which was first applied to Queen Victoria after she humiliated Russia in the Crimean war of 1853–56.

Victoria is not the only *Anglichanka* said to have made mischief in Russia. The largest pro-Kremlin tabloid, *Komsomolskaya Pravda*, last month ran a long interview with a “historian of intelligence services”, who claimed that Elizabeth I dispatched her physicians to the “noble and kind” Tsar Ivan IV (better known as Ivan the Terrible), to poison him and his wife with mercury. “The English had every reason to poison Ivan the Terrible. He started to display independence, stripped English merchants of their privileges and contradicted the queen herself,” the historian explained. English spies, disguised as merchants, were also behind the so-called time of troubles, a spell of famine and uprising in the early 17th century, he added.

All this is framed as a historical precedent to the supposed plot by another *Anglichanka*, Theresa May, to poison the image of Russia’s modern tsar, Mr Putin, by unleashing a nerve agent on the Skripals. But the real history is somewhat different, and perhaps telling. In his letters to Elizabeth I, Ivan proposed to marry the English queen, and asked her for shelter in case he met trouble at home. She turned him down. ■



Someone’s up to mischief

# Bagehot | The pacifist illusion

Jeremy Corbyn's reluctance to use force threatens to make the world a more dangerous place



GEORGE ORWELL wrote, a little wickedly, in “The Road to Wigan Pier” that the British left acts as an irresistible magnet to cranks of every variety: fruit-juice drinkers, nudists, sandal-wearers, sex-maniacs, “nature cure” quacks, and, a particular peeve of his, pacifists. On the whole the Labour Party has done an admirable job of keeping its crank-wing under control when it comes to serious issues like national security. Ernest Bevin was one of the architects of NATO. Nye Bevan slammed supporters of unilateral nuclear disarmament with a rhetorical flourish about sending a foreign secretary “naked into the conference chamber”. Tony Blair’s failure, if anything, was to go too far in the use of force.

There are two exceptions to this tradition. One was in 1980-83, when Michael Foot committed Labour to unilateral nuclear disarmament and shrinking the armed forces. That hardly mattered because Foot was crushed under the wheels of Margaret Thatcher’s chariot in the general election of 1983. Another was in 1932-35, when the party was led by a committed pacifist, George Lansbury. In 1933 Labour’s annual conference passed a resolution calling for “the total disarmament of all nations” and pledging never to take part in any war. The party routinely opposed rearmament. This mattered enormously. Adolf Hitler and his confrères took it as evidence that they could proceed with impunity.

Enter Jeremy Corbyn. Today’s world has more than a whiff of the 1930s about it. The old order is shaky. Strongmen are on the march. Wars on the periphery are threatening to spread. And the leader of the Labour Party is talking about peace. The big difference this time is that Mr Corbyn is much more powerful than Lansbury ever was. He has a tight grip on his party apparatus and is the most likely winner of the next general election.

Mr Corbyn says that he is not a pacifist. He is willing to sanction the use of force in certain circumstances—“under international law and as a genuine last resort”—and gives the second world war as an example of a conflict he would have been willing to support. It is true that he is not a pacifist, but not for the high-minded reasons that he gives. He has spent his life opposing the use of force by Western governments. He not only objected to the Iraq war, and acted as chairman of the Stop the War Coalition in 2011-15. He also opposed the West’s decision to strike against Serbia’s Slobodan Milosevic in 1999. He not only spent his youth

campaigning against the Vietnam war and nuclear weapons. He has also been a longtime critic of NATO.

But his conscience has been less sensitive when it comes to opposing the use of force by anti-Western regimes or by various non-state actors. He half-justified Russia’s invasion of Ukraine in 2014, saying that the roots of the conflict lay in “belligerence” from the West and that Vladimir Putin was “not unprovoked”. He has often found time to hold meetings with left-wing groups that have sanctioned the use of violence to achieve their aims. In 1984, a few weeks after an IRA bomb nearly killed Thatcher (and did kill five others) at the Conservative Party conference in Brighton, he invited Gerry Adams, the leader of the IRA’s political wing, to Parliament for a reception. The essence of Corbynism is the rejection of one of the basic tenets of British foreign policy: that you side with the West, rather than its enemies. He is a pacifist of ideological convenience rather than principle.

Two noxious events in the past two months—a poisoning in Salisbury and a chemical attack in Syria—have given a vivid sense of what Mr Corbyn’s quasi-pacifism means in practice. He has repeatedly raised questions about the government’s (and indeed the West’s) version of events. He has called for the government to delay acting until international bodies have had their say—despite the fact that, in the case of Syria, Russia’s ability to veto any decision by the UN means that this would be like waiting for Godot.

Mr Corbyn’s prevarications are a reminder of what a risk Britain would be taking with its foreign policy if it sent Mr Corbyn to Downing Street in the next election, which is due in 2022 but could happen earlier given the government’s lack of a majority and the agonies of Brexit. A Corbyn government would weaken Britain’s relations with its allies. The United States might well refuse to share sensitive information with a leader who has built his career on anti-Americanism. It would weaken NATO, since Mr Corbyn has refused to say whether he believes in Article 5 (which states that an attack on one is an attack on all) and has opposed the use of nuclear weapons (bizarrely, he supports maintaining Britain’s nuclear submarines but not arming them). It would also embolden Mr Putin, who could assume that, through the UN, he could exercise a veto over British foreign policy—and thereby neutralise one of the world’s strongest military powers and one of the West’s most consistent champions.

## Nudists in the conference chamber

The classic objection to pacifism is that it makes conflict more likely, because bullies conclude that they can act unpunished. This is even more true of Mr Corbyn’s quasi-pacifism. It insists on erecting endless obstacles to the West’s use of force, from the seemingly reasonable (such as a parliamentary debate before the use of force), to the deliberately impossible, such as international consensus. At the same time, it makes endless excuses for the use of force by the West’s enemies.

In 1935, as the strongmen flexed their muscles, the Labour Party replaced the hapless Lansbury with Major Clement Attlee, who combined a vigorous support for Britain’s entry into the second world war with unceasing work to found the post-war welfare state. Today, alas, Labour’s parliamentary party is bereft of Attlees. Meanwhile, the party in the country is dominated by sandal-wearers and nature-cure quacks, who are willing to give the slippery Mr Corbyn the benefit of the doubt in return for the vague promise of a more just society. ■





### Integrating refugees

## Making them welcome

OMUGO

**Two articles consider how best to integrate refugees, and the benefits of allowing them to work. The first, on poor countries, focuses on Uganda**

**T**WO years ago, a group of elders in this village in north-western Uganda agreed to lend their land to refugees from South Sudan. About 120,000 are now in the surrounding area. Here they live in tarpaulin shelters and mud-brick huts on a patch of scrub where cows once grazed. Kemis Butele, a gravel-voiced Ugandan elder, explains that hosting refugees is a way for a remote place, long neglected by the central government, to get noticed. He hopes for new schools, clinics and a decent road—and “that our children can get jobs”.

There are more than 20m refugees in the world today, more than at any time since the end of the second world war. Nearly 90% reside in poor countries. In many, to preserve jobs for natives, governments bar refugees from working in the formal economy. Uganda has shown how a different approach can reap dividends. The government gives refugees land plots and lets them work. In some places, the refugees boost local businesses and act as a magnet for foreign aid. Mr Butele and many other Ugandans see their new neighbours as a benefit, not a burden. Sadly, such attitudes are still the exception.

Uganda hosts more than 1m South Sudanese refugees, in unfenced “settlements” across hundreds of square miles in the north. Most came after the collapse of a

peace deal in July 2016. Hilda walked for two weeks, carrying her four-year-old son. “If those Dinkas get you on the road, they will kill you,” she says, referring to the president’s ethnic group. This is the third time she has found refuge in Uganda.

Refugees are “brothers and sisters”, say many Ugandans. Mr Butele was once one himself. But the welcome is also a pragmatic one. Northern Uganda is so poor that some locals pose as refugees to receive food aid. Others see refugees as buyers for local goods. Elsewhere in Uganda has indeed seen such positive spillovers. One study from 2016 found that the presence of Congolese refugees in western Uganda had increased consumption per household. Another estimates that each new refugee household boosts total local income, including that of refugees, by \$320-430 more than the cost of the aid the household is given. That rises to \$560-670 when refugees are given cash instead of rations.

Uganda’s generous refugee policy also opens possibilities for skulduggery. In February the government suspended its senior refugee official and three colleagues, after the UN passed on reports of fraud. Allegations include extortion, the trafficking of women and girls, and the systematic inflation of refugee numbers, to skim off aid money for non-existent beneficiaries.

Such failures hold lessons for other countries, but so do Uganda’s successes, say some economists. Paul Collier and Alexander Betts, of Oxford University, argue that rich countries should pay other “havens” to open their labour markets, as Uganda has. The result, they say, is a triple win: for refugees; for host economies; and for rich countries to which the refugees otherwise might swarm chaotically.

But security and cultural concerns often trump potential economic benefits. In Jordan refugees make up 20% of the population. Only since 2016 has the government allowed them to work, in exchange for help from Britain, the World Bank and the European Union. The “Jordan Compact” has had mixed results. The government handed out work permits, but only for certain sectors. Some refugees found construction work, but many shunned low-paying factory jobs.

### They will go far

Sending aid to the countries from which refugees come may actually encourage migration, as potential migrants gain the means to pay smugglers. This suggests that rather than sending aid, rich countries should lead by example and open their own labour markets (see next article). In the short term, as Mr Collier and Mr Betts argue, it may be easier for refugees to find employment in nearby countries similar to their own. But in the long term, they will make more money in richer countries, and so send more remittances home.

Refugee influxes produce both winners and losers. In Tanzania, a surge of Burundian and Rwandan refugees from 1993 caused a sharp rise in food prices, helping local farmers but hurting town-dwellers. ►►



▶ Even in northern Uganda, protesting locals blocked a road last year, complaining that their hopes for improved living conditions and abundant jobs had not been met.

Many refugees in the latest influx are also struggling. Settlements have restaurants, billiard halls, pharmacies and vegetable stalls, but business is sluggish. In one, Imvepi, Jeff Mambo, a refugee, recently opened the “Exile Salon”, offering “cute styles for mens” at 1,500 shillings (\$0.41) per trim. But few refugees come for haircuts; they have little cash to spare. Next door, women sell their bland UN food rations for salt and soap.

One problem is that donors have given only a third of the funding needed in 2017—a shortfall of \$443m. Health and education services are expanding too slowly: one school has 4,200 students and just 16 teachers. In the past, refugees in Uganda

got one-hectare parcels of land. New arrivals get smaller, stony plots, big enough to grow household greens, but not a surplus. During a food shortage last year, some refugees ventured homeward to recover abandoned crops; a few got killed. The World Food Programme gave others half their rations in cash. But as yet the markets to supply grain quickly and in sufficient quantities did not exist—as hungry refugees were well aware.

Refugees are more likely to thrive and integrate if allowed to move freely and work legally. It helps, too, if they receive aid in cash rather than kind. However, in Uganda, which is also coping with a new influx from Congo, the welcome for refugees is wearing thin. And in South Sudan, the killing continues. Having returned and fled twice before, Hilda is not hopeful. “I will not go back,” she says. ■

## Integrating refugees (2)

# From asylum-seeker to taxpayer

AMSTERDAM

**Allowing refugees to work can bring benefits to rich countries, too**

**M**OUHANAD SALHA would like nothing better than to work. But since arriving in the Netherlands in late 2014, he has managed to do so for just one week. Like more than 80% of Syrian refugees in Europe, he is unemployed.

He was studying information technology when he fled Syria in 2012, and worked as an apprentice electrician in Lebanon, where “you can just go in and fix everything.” Not so in the Netherlands. Becoming an electrician requires elaborate certification, and jobs usually need proficiency in Dutch. Such rules, intended to shield native workers, deter asylum-seekers from looking for jobs. Refugees who do find work lose their government-paid benefits.

Asylum-seekers in the Netherlands are housed in government-run centres and not allowed to work until six months after they arrive. If they then find a job, the government withholds 75% of their wages to cover room and board. (Unsurprisingly, few do.) Once granted refugee status, as Mr Salha was last year, they are moved out into subsidised housing. Mr Salha registered with a temporary-job agency, but the local government told him working would mean losing housing and other subsidies.

The agency could not guarantee enough work, so he quit, and the Dutch taxpayer is supporting him again. Across Europe unemployment rates among refugees are higher than among the native-born. In the Netherlands, the gap is among the highest. Even among refugees who ar-

rived in the Netherlands in the late 1990s, only 55% were in the workforce 15 years later, compared with a rate among natives of 80%. Yet the Dutch unemployment rate is under 5%, and last year 40% of Dutch construction firms said they were struggling to fill positions. In particular they needed electricians, like the redundant Mr Salha.

Evidence from past refugee waves, and the experience of other countries, suggest that the long-term gains to everyone of al-



German lessons

lowing refugees to work outweigh the short-term costs, not just to the public purse, but to natives’ jobs and wages. In America, within six years, refugees’ employment rates exceed natives’. The average refugee becomes a net fiscal contributor just eight years after arriving. Also, in European countries sectoral wage agreements often make it expensive to employ low-productivity workers and tough to fire them. America has no difficulty creating low-wage jobs for unskilled immigrants, and its welfare benefits are too mean to tempt refugees out of work.

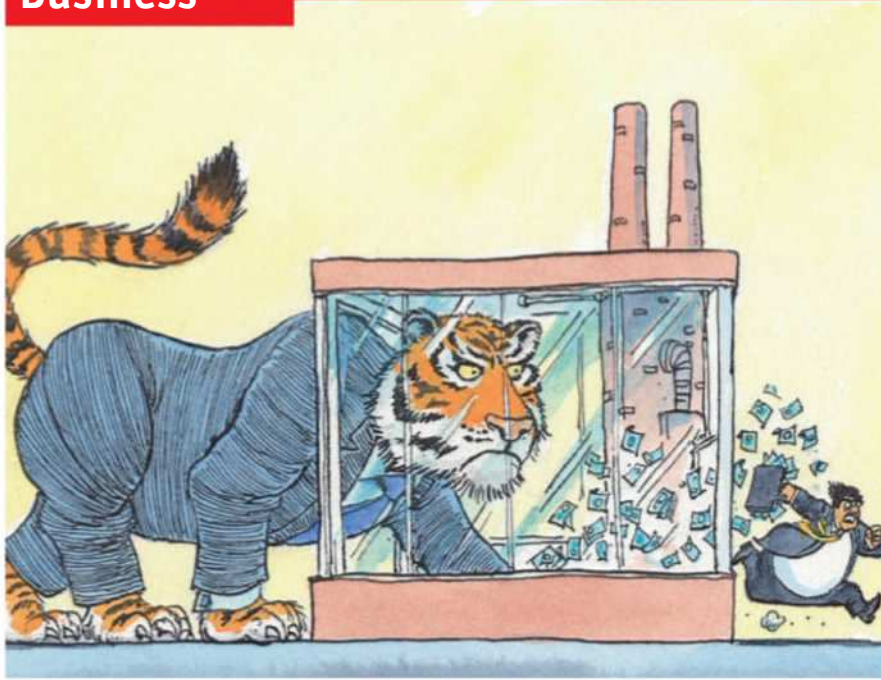
But European countries have shown that it is possible to accommodate an influx of low-paid workers without either driving people permanently out of work, or forcing their wages down. A study that examined two decades of employment data from Denmark found that low-skilled native workers in towns that received large numbers of refugees (mostly from Afghanistan, Iraq, Somalia and Bosnia) were indeed displaced from their jobs. But they tended, eventually, to move into higher-skilled, higher-paying jobs at other firms.

A recent study by Patrick Joyce, a Swedish economist, compared refugee labour-force integration in Denmark, Germany, the Netherlands, Norway and Sweden. Germany was the clear leader, with 70% of refugees working after 15 years, nearly as high as the native employment rate of 74%.

One reason for Germany’s success is that the Hartz labour-market reforms, beginning in 2003, allowed the economy to create more low-wage jobs suitable for immigrants. Moreover, Germany has allowed municipalities to adapt their refugee-integration policies to local conditions, whereas Scandinavian countries have one-size-fits-all policies. Unlike the Netherlands, Germany encourages asylum-seekers with a high likelihood of receiving approval to begin working before they get it. Germany does a better job of co-ordinating asylum-claim processing with refugee housing, language and job training, and job placement. Other European countries could do a lot more along these lines to increase the chances that refugees’ role in the labour force is complementary to native workers, rather than competitive.

But, first, rich places that receive just a fraction of the world’s refugees would need to heed their own advice to the poorer countries that receive the lion’s share: allow asylum-seekers to work. Mr Salha is now enrolled in a training programme sponsored by Alliander, an electrical-grid operator. It will earn him a job at the company and a piece of paper that proves that he knows how to install electric cable. This is a step in the right direction. But it has taken three years. ■

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Details of all the papers and studies referred to in these two articles are at [economist.com/refugees2018](http://economist.com/refugees2018)



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### Indian business

## Exit, pursued by a tiger

MUMBAI

### A new bankruptcy code is upending the Indian corporate landscape

**E**NRIQUE IGLESIAS, a Spanish pop singer, plays an unlikely part in the story of Indian capitalism. His presence at a party to mark Vijay Mallya's 60th birthday, in December 2015, was, literally, a showstopper. A flamboyant booze heir, Mr Mallya was then best known for founding Kingfisher Airlines, which had earlier imploded because of its debts. Given that he had personally guaranteed some of these loans, the self-proclaimed "king of good times" was assumed to have been chastened. Upon hearing of Mr Iglesias's performance, bankers—and politicians—started asking how Mr Mallya had continued to live so large. The party had lasted for three days.

Mr Mallya is hardly the only embattled Indian tycoon to have cocked a snook at his bankers. Some "promoters" of companies, as founding shareholders of Indian companies are known, have long made full use of a loophole of local corporate law that thwarted banks' attempts to seize companies in default on their loans. A bunged-up court system made foreclosure all but impossible, so owners of even the sickliest of companies could spend lavishly without fear of repercussions.

The party is now over. Mr Mallya fled to London soon after the bash (Indian authorities are trying to extradite him on charges of fraud, which he denies). But the spotlight on him gave fresh impetus to dis-

cussions about finding ways to reign in failed promoters. A new bankruptcy code entered into force in May 2016, and after almost two years of preparation, governs the final rulings on its first big cases this month. Tycoons who had once fobbed off bankers are now getting turfed out of companies they had held onto for decades despite repeated defaults. As a result the outlines of a fresh era in Indian capitalism are taking shape.

The law is brutal for those who fall foul of their creditors. Promoters who have defaulted are explicitly banned from staying on as owners, following an amendment made to the code in November. If a firm is found to be insolvent by a specialised tribunal, the company's board is in effect fired and an independent expert appointed to run the firm on behalf of its lenders. (In America, say, the owners of an insolvent firm usually continue to run it.) The new manager then prepares the company for fresh investors. If creditors cannot reach a deal in nine months, the business is liquidated and its assets sold for scrap—a bad outcome for all parties.

Before the code came in, promoters were able to stay on as managers in the stricken firms, which some unscrupulous moguls used as an opportunity to drain them of cash. Their position at the helm also gave them leverage in negotiations

with bankers, who often had little choice but to agree to debt reduction.

The result of the new regime, says Ramesh Shah of Edelweiss, an investment bank, has been lively auctions for companies once thought to be impossible to liberate from their promoters' grasp. A dozen large firms, that were in effect pushed into bankruptcy by the authorities last summer and given nine months to sort out the mess, have attracted winning bids from far and wide, including from the Tata Group and Vedanta, a mining giant. Deep pools of capital, such as Canadian pension funds, private-equity firms and the World Bank's commercial arm, are among those looking to buy "distressed" assets.

Just this dozen big cases account for around 2.2trn rupees (\$33.4bn) of bank debt. That is about a quarter of all the loans banks have already admitted are unlikely to be repaid. Nearly all of the problems lie with state-owned lenders, which have long made injudicious loans to large industrial projects, such as shipbuilding, steel or infrastructure, which have proven especially prone to default.

A further pipeline of 28 cases is due to be resolved by September, accounting for another 2trn rupees or so of bad loans. These include coal-fired power plants that are uneconomical to run, for which liquidation is a real possibility. All told, over 1,500 companies are said to have been deemed insolvent by the courts. The cases ▶▶

**Business writer:** *The Economist* is looking for a business correspondent to work at its headquarters in London. An ability to write informatively, succinctly and wittily, combined with numeracy and curiosity, matter more than prior experience. Applicants should send a cv and an article which they think would be suitable for publication in the Business section to [businessjob@economist.com](mailto:businessjob@economist.com). The closing date for applications is May 18th 2018.

of several thousand more are pending.

The consequences are still being gauged. Lots of “zombie” companies which ambled on for years despite being unable to repay their debts may be acquired by healthier firms or closed down. Such consolidation will bring industry-wide benefits. And the share prices of firms owned by promoters with reputations for transparent corporate governance are already trading at a premium, says Sanjeev Prasad of Kotak, a bank.

But the disruption will have short-term economic costs. Many healthy firms deciding whether to build plants are waiting to see if they can buy distressed assets on the cheap instead, which prolongs a depression in the investment cycle. State-owned banks face hefty losses. Except for steel plants (which have returned to profit thanks to a resurgence in metals prices), in-

vestors sniffing out bargains are offering to buy bankrupt firms for less than half the face value of their outstanding loans, says Ashish Gupta of Credit Suisse, another bank. In one instance banks got just six cents on the dollar.

The bankers' current pain will be the system's future gain. The aim of the new law is as much to prevent future wrongdoing as to recover outstanding loans. Ashwini Mehra of Duff & Phelps, an advisory group, says promoters now approach banks well ahead of potential insolvency, in the hope of working something out before it is too late. That is an encouraging sign that the balance of power between debtors and creditors is shifting. “If you failed in business before, nobody thought there was a price to pay,” says Raamdeo Agrawal of Motilal Oswal, an asset manager. “Now, people aren't so sure.” ■

radical shake-up. Tech platforms have made it easier and cheaper for companies to appeal directly to customers, without needing the services of an upscale ad agency. Upstart consumer brands have been taking on the world's biggest advertisers, such as Procter & Gamble, which have in turn pressed WPP (and its rivals) to cut their fees. Marketing via social media has eclipsed the lucrative 30-second television spot. Last year WPP suffered its worst year since the financial crisis.

### Principal-agency problem

Some wonder if the company will survive without its talismanic boss. Whatever happens, WPP faces the loss of some business. “I have no doubt every competitor is getting ready to swoop [in on its clients],” says a senior executive at a rival advertising giant. Even before Sir Martin stepped down, multiple large clients said they would be formally reviewing their relationships with WPP this year. They included HSBC, a bank, Royal Dutch Shell, an oil firm, and Mars, a chocolate-maker. Informally, Ford Motor Company is considered the largest account at risk. Without Sir Martin to sweet-talk clients into keeping their business with him, investors and creditors are worried. On April 16th WPP shares dropped by nearly 7%; Moody's, a ratings agency, downgraded its outlook on the firm from “stable” to “negative”.

But some current and former insiders at WPP say that Sir Martin's departure could actually be a blessing in disguise. He micromanaged his empire, and was loth to sell companies or fire loyal lieutenants, even when they deserved it. WPP has become unwieldy, with more than 400 companies and 200,000 employees in more than 100 countries. The common business model is huge fixed contracts with clients, locking them into long-term relationships with multiple agencies, whose activities range from media-buying to public relations. As the speed and precision of digital advertising has increased, that model is looking increasingly dated, complex and costly. Critics wondered if Sir Martin had become too sentimental about the firm he ▶▶

WPP

## Ads and subtracting

NEW YORK

### Sir Martin Sorrell leaves the world's biggest ad company in a sorry state

**D**URING his spectacular rise from London beancounter to the globe-trotting boss of WPP, the advertising powerhouse he created out of a backstreet wire-basket and trolley company, Sir Martin Sorrell was rarely sentimental. The man who helped turn a ramshackle but chic industry into a global force poached accounts mercilessly and often pitted his own firms against each other in the quest for clients.

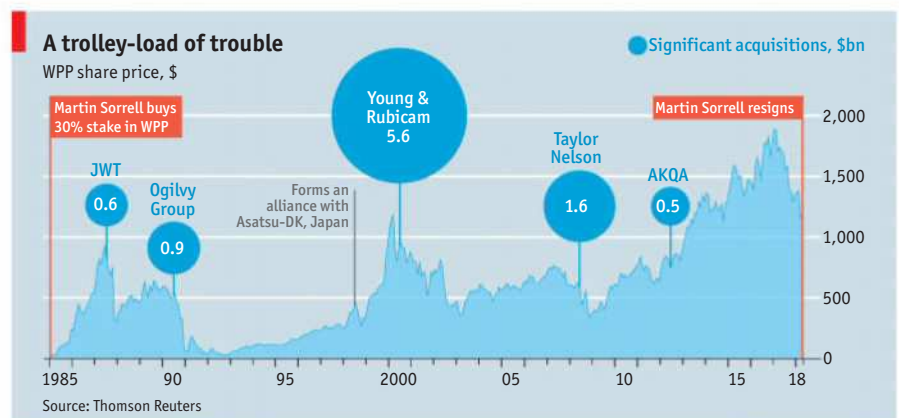
Not for nothing did the late David Ogilvy, one of the industry's founding patriarchs, reputedly describe him as an “odious little shit” when WPP came after the Ogilvy Group in the late 1980s at the dawn of its decades-long acquisition spree (see chart). But Ogilvy later became WPP's non-executive chairman, and the company turned into the world's largest marketing conglomerate with more than \$20bn in annual revenues. In business, Sir Martin charmed as well as cajoled.

On April 14th Sir Martin's 32-year reign over the company ended. He quit following an inquiry commissioned by WPP's board into a whistle-blower's allegation of “personal misconduct” and misuse of company assets, accusations that he has denied. The shock departure came with very little public explanation. The investigation, which was conducted by WilmerHale, a law firm, came to light only because of a report in the *Wall Street Journal*, which led to a public confirmation by WPP but no further details.

The board has since remained tight-

lipped about the alleged misconduct, stating only that Sir Martin resigned after the investigation had concluded. (He said he quit in protest at how the investigation was handled.) The lack of transparency came as little surprise. The board had previously been criticised for coddling its superstar CEO, awarding him overgenerous pay packages—£70m (\$107m) in 2015. Even as the company lost about a third of its value in the year up to Sir Martin's departure, it made no succession plans. Only now has it begun the hunt for a permanent replacement, while putting its chairman, Roberto Quarta, in charge, and appointing two senior WPP executives, Mark Read and Andrew Scott, as joint chief operating officers.

WPP is struggling to find a new leader just as upheaval in the industry calls for a





▶ built to remake it again.

WPP needs to become nimbler, leaner and better able to serve clients at competitive prices, they say. It could combine agencies that Sir Martin once had at each other's throats. It could sell off Kantar, its large but stagnant data-research business, to a similar company looking for scale (like Nielsen). It could shift its focus to digital services, such as app design and the personalisation of customer service, provided by consultancies-cum-rivals like Deloitte and Accenture. That would reduce its excessive reliance on conventional advertising, which Sir Martin believed would surely make a comeback.

Sir Martin was always a buyer of businesses, not a seller. Yet some analysts estimate the break-up value of WPP is greater than its market capitalisation of £14bn (\$20bn). WPP, via its advertisements, has hawked countless products. It may now be time to start selling itself. ■

### Chinese telecoms

## Not so phoney war

SHANGHAI

**A ban on using American components puts ZTE in peril**

TALK of restricting the use of Chinese telecoms equipment in the West is growing. This week the curbs went the other way, when America banned its companies from selling hardware and software for seven years to one of China's state-owned tech champions, ZTE. On April 16th America's Department of Commerce said that China's second-largest telecoms firm had trampled on a settlement reached in March 2017 over ZTE's illegal shipments since 2010 of American-made technology—telecommunications equipment to Iran, and routers, servers and microprocessors to North Korea—in known violation of trade sanctions.

The one at risk of being crippled by an embargo is now ZTE. In 2016 UBS, a bank, estimated that 80-90% of its products relied on American parts. Jean Baptiste Su of Atherton Research, an American technology-research outfit, described the ban as “devastating” for ZTE, especially the loss of chips made by America's Qualcomm used in about 70% of ZTE's smartphones. Although ZTE makes most of its money from its telecoms-equipment business, nearly a third of its revenues come from phones.

Switching to other suppliers (and it must seek out those with zero parts sourced from America) would require handset redesigns to match new specifications that would take years to bring to market, says Mr Su. The software restrictions

are just as bruising. ZTE's phones use the Android operating system developed by Google, which under the ban may no longer be able to license its apps to ZTE. It does not have its own operating system. As *The Economist* went to press, ZTE's shares had been suspended from trading in Shenzhen and Hong Kong for three days.

America had dangled the threat of this sort of ban (known as a denial of export privileges) last year but shelved it when ZTE confessed to wrongdoing and paid \$890m in penalties. As part of the deal ZTE pledged to discipline senior staff. But although it fired four people, it was found to have neither reprimanded nor cut bonuses to 35 others, as promised. That seems incredibly foolhardy. According to the Department of Commerce, ZTE admitted it had submitted false statements but said it had no intention of misleading the government. The department decried “a pattern of deception” and “repeated violations”.

ZTE stood out as the only Chinese handset-maker to have cracked the American market; half of its phones are sold there. It is the country's fourth-largest seller of smartphones, with a 12% share—despite its inclusion in a report from America's House Intelligence Committee in 2012 that urged domestic telecoms firms purchasing networking equipment to shun its products over espionage worries. (The report also targeted Huawei, ZTE's larger Chinese rival, which, because of deeper concerns over its possible ties to the Chinese government, has struggled to make inroads since.)

Although the sanctions row predates the administration of President Donald Trump, it will make an example of ZTE, reckons Mr Su, as tensions mount between America and China over trade disputes and technological dominance. Since the start of the year a bill has been proposed in America's Congress to block the government from using telecoms equipment made by Huawei and ZTE; and Mr Trump has halted the takeover of Qualcomm by Broadcom, a rival chipmaker, on national-security grounds, for fear it would give China the edge in setting standards for 5G, a wireless technology.

A parallel salvo this week, by the Federal Communications Commission, was all of a piece. America's telecoms regulator voted unanimously to move forward with a plan to stop federal subsidies to domestic carriers who use suppliers that are considered to be a risk to American national security. It pointed in particular to congressional scrutiny of Huawei and ZTE.

Edison Lee of Jefferies, an investment bank, thinks that ZTE has a shot at negotiating the ban away, but that if it fails it will hope to involve the Chinese government in a mediation process. Even if ZTE's fate becomes a bargaining chip in a trade dispute, a resolution may take many months. Until then the firm will at best limp on. ■



Heineken in Congo

## Refreshing the parts...

KINSHASA

**...(most) other beers cannot reach**

THE Bralima brewery in Kinshasa, the capital of the Democratic Republic of Congo (DRC), is an island of modernity in a city where chaos is the norm. Inside a building near the docks where barges begin the journey up the Congo river, conveyors or belts rattle as thousands of glass bottles are washed and filled with amber liquid. A generator hums to power the new brewing machinery, creating enough booze to fill 28,000 crates every two days.

Yet the real achievement of Bralima, which is owned by Heineken, a Dutch brewer, is not making the beer. It is what happens when it leaves the factory. Congo is one of the worst-connected, most dysfunctional countries on Earth. Four times the size of France, it has almost no all-weather roads. In large parts of eastern DRC, the state is a fiction and rebels control the roads. Yet there is scarcely a village where it is impossible to get a beer.

Bralima was founded in 1923. Its main competitors, Bracongo and Brasimba, both owned by Castel, a secretive French family firm that operates across Africa, have been there almost as long. They are among the only surviving companies from the colonial era. By his fall, and the start of the first Congo war in 1997, Mobutu Sese Seko, Congo's flamboyant post-independence dictator, had looted almost everything else. Today Congo is falling back into conflict. Can the industry survive? And what can other companies learn from it about doing business in such a trouble spot? ▶▶

▶ Almost every other processed food in Congo is imported. Milk is brought in from France. But beer is patently local. Bralima, including its sales and the production of its raw materials, accounts for 2% of GDP, reckons its boss, Rene Kruijt. That is far less than mining, which makes up 22% of output. But with about 2,500 workers, the firm claims it is the biggest private-sector employer in the country. Primus, its main brand, labelled in the light blue and gold of the national flag, is “a source of national pride”, says Mr Kruijt, not implausibly.

Castel's operations may be as large. The two compete fiercely. David Van Reybrouck, a historian of Congo, records how just a few years after a peace agreement in 2003, Bralima was instructing its marketers to fight a war for business.

During the worst of the fighting itself, the real war and the war for business were arguably intertwined. Some even talk about “conflict beer”, on the same lines as conflict minerals. In 2013, when M23, a new rebel movement, emerged, two academics, Jason Miklian and Peer Schouten, estimated that third-party truckers selling Bralima's beer might have been making payments to rebel groups of as much as \$1m a year.

Today, no large towns are rebel-controlled but the work is almost as difficult. In 2012 Castel opened a brewery in Beni, a small city in the north-east of the country, at a cost of \$125m. A year later, Beni suffered the first of dozens of massacres that have killed up to 1,000 people over the past five years. The roads out of the city are among the least secure in the world. Nonetheless, Tembo and Skol—Castel's brands—are sent from Beni to markets far and wide.

Even moving in the peaceful parts of the country is expensive. Travelling 1,000km can take a lorry three weeks, at a cost of thousands of dollars. Producing beer in the DRC is also pricey. Heineken estimates that the cost of water alone is five times that in neighbouring Congo-Brazzaville. Even in Kinshasa, electricity is unreliable, making the Bralima generator—big enough to power a small cruise liner—necessary. They in turn have to be fuelled with imported fuel. And then there are the taxes and shakedowns.

Yet the companies also have impressive marketing and distribution operations. Beer companies in Congo are huge sponsors of music (so too are mobile-phone companies). The most popular stars can command large sums in exchange for endorsing Primus or Tembo—so much so that it has corrupted Congolese musicians, complains Lexxus Legal, a rapper. Meanwhile, the firms' distribution networks are unparalleled. On the Congo river, barges operated by Bralima are among the only vessels left operating a regular schedule. Outside of the big cities, distribution is outsourced—presumably to people able to

limit the extortion.

Can it last? In February, Heineken declared a €286m (\$353m) impairment loss for 2016 in Congo, after closing down two of its factories. In western Congo, Angolan beer in cans—less tasty but cheaper than Primus or Tembo—has flooded the market. It is not sold at cost since the smugglers' main aim is to acquire dollars to trade on the black market in Angola. In the east, as Joseph Kabila, Congo's president since 2001, refuses to leave office, the violence is worsening. In South Sudan, another conflict-ridden failed state, the only brewery was forced to close in 2016. The South Sudanese now drink beer imported from Uganda and Kenya.

But in all likelihood, brewing in Congo will survive. Without Primus or Tembo, Congo would hardly be the same place. Even in wartime, the music plays—and who can listen to rumba without a beer? ■

### Entrepreneurship

## Red capitalism v red tape

NEW YORK

Some American startups look east for inspiration

“WHEN you enter [the marketplace] with that level of hubris and arrogance, you don't create trust.” So declared a member of San Francisco's Board of Supervisors this week. He was upset about the sudden appearance of dockless electric scooters, rented via smartphone, all over the city. Several American startups are battling each other and the authorities to promote them. They are clean, cheap and convenient. The snag is that some users ride them wildly or dump them willy-nilly after use. On April 17th the city passed an ordinance requiring a permit to park scooters on its pavements.

Similar clashes have taken place elsewhere. Bird, a Californian startup that raised \$100m in venture-capital funding last month, launched its rental service for electrified scooters in September at its home base of Santa Monica. Since then, the beach town's hipsters have completed over half a million rides on its scooters. Rather less keen were city officials, who filed a criminal complaint against Bird for operating without proper licences. The firm paid \$300,000 to settle the matter, pledging to change its practices and even share some revenue with the city. More conflict is likely elsewhere as firms roll out their services in cities like Austin and Washington, DC.

There are two lessons to be drawn from the scooter skirmishes. The first is that America remains a hotbed of entrepre-

neurial activity. The second, and less obvious, is that after years of seeing their leading technologies and business models stolen by Chinese imitators (a practice dubbed C2C, or “copy to China”), American entrepreneurs are starting to copy China's trailblazers.

America still leads the global innovation race by most measures but China is catching up. That is one of the conclusions of the Global Startup Ecosystem Report, released on April 17th by Startup Genome and the Global Entrepreneurship Network, two groups that support entrepreneurs worldwide. China leapfrogged Japan last year to become the second-largest generator of quality international patents after America. Its venture-capital investments are soaring and it produces nearly as many “unicorns” valued at \$1bn or more each year as does the United States.

China is surging ahead of America in sectors ranging from mobile payments to messaging. Shared-mobility services provide another example. Though they will not admit this, the American scooter firms are borrowing business models developed by Mobike and Ofo, Chinese unicorns that pioneered dockless bicycle-sharing several years ago.

Hans Tung of GGVC Capital, a venture-capital fund, has investments in both countries—including a stake in LimeBike, an American dockless bicycle and scooter startup based in Silicon Valley. Mr Tung observes that in China “the government is much more open to innovators experimenting, and then regulating afterwards.” That allows for more “learning by doing”. In contrast, he reckons that inventive American firms must slow down and negotiate with local officials first or get shut down quickly. “Copy to America” is harder than it seems. ■



Hipster Hells Angel

## Airlines in Europe

## Shooting down the competition

## A possible merger between IAG and Norwegian should worry flyers

WHEN flag carriers such as British Airways (BA) ruled the skies, only the rich could afford to fly across the Atlantic. That was until Freddie Laker, a British entrepreneur, came along. His dream was to open long-haul travel to the masses. In 1977 he launched Skytrain, the first low-cost long-haul flights between London and New York. "Thanks to Freddie Laker you can cross the Atlantic for so much less," declared Margaret Thatcher in 1981. "Competition works." But within a year of her speech Laker Airways had gone bust, amid accusations of predatory pricing.

Since 2013 Norwegian, another low-cost carrier, has been trying to make Laker's dream a reality. Last year it painted his face onto one of its jets to show it is serious about disrupting transatlantic air travel. But just like Laker Airways, it has run into financial headwinds. And BA is once again a potential beneficiary. On April 12th IAG, a group of flag carriers including BA, said that it had bought 4.6% of its budget rival as a precursor to possible takeover talks. That cheered Norwegian's investors. Its shares rose by 47% (see chart). But passengers have much more to lose from a deal.

Norwegian's difficulties stem from its foray into long-haul. Founded in 1993 by Bjørn Kjos, still its chief executive and biggest shareholder, Norwegian started off with just three small planes that served a few domestic routes. Then in 2002 it expanded into short-haul flights in Europe, becoming the continent's third-largest low-cost carrier. Following a few years of decent profits, from 2013 Norwegian launched new "no-frills" long-haul routes to America, Asia and Argentina after having placed orders for 222 new jets costing several times its own value.

By the end of 2017 the airline had 145 aircraft operating on 512 routes. But to grow rapidly, and achieve the scale needed to compete against established carriers, it had to slash ticket prices to fill planes. In February Mr Kjos revealed that the airline had lost Nkr299m (\$36.2m) in 2017, against profits of Nkr1.14bn the previous year. In March the airline had to raise fresh capital, sell some aircraft and put its frequent-flyer scheme up for sale to avoid breaching banking covenants. Last year its net debt (including leases) was 14 times its gross operating profits, compared with just 0.7 and 0.4 for easyJet and Ryanair, its two biggest low-cost rivals, says Ross Harvey of Davy, an investment firm.

## Really low-cost

Share prices  
June 30th 2016=100, \$ terms



Norwegian's sagging share price is an opportunity for IAG. It launched a low-cost long-haul brand last June; adding Norwegian would strengthen that venture. But IAG may also see the advantage of removing a rival that has lowered fares on routes flown by all four of its main airlines.

A takeover would therefore be a "curate's egg for passengers", says Andrew

Charlton of Aviation Advocacy, a consultancy. It would ensure that the weakness of Norwegian's balance-sheet does not kill off low-cost long-haul flying. But it would take out the biggest disruptive threat to IAG and other flag-carrier rivals.

A deal might be blocked on competition grounds. Last month the European Commission's transport chief, Henrik Hololei, said he did not want Europe's five biggest airline groups, including IAG, to gain market share. From a competition perspective, a takeover by a low-cost rival such as Ryanair would be preferable. It does not yet do long-haul and would have no qualms about carrying on disrupting the flag carriers. But Ryanair's boss, Michael O'Leary, is surprisingly cautious about a bid. It is harder to boost aircraft utilisation on longer flights, which is what makes Ryanair so cheap on shorter routes. Moreover he is convinced that Europe's three big flag carriers and their partners, which now control 78% of transatlantic flying, will do everything they can to destroy low-cost rivals. Including, perhaps, buying them. ■

## ESPN starts streaming

## A Netflix for sports nerds

NEW YORK

## Disney's hesitant debut reflects fears of an own goal

THE first week for ESPN+, a sports streaming service that Disney, owner of ESPN, launched in America on April 12th, had none of the razzmatazz associated with a firm known for blockbuster openings. Forget marquee matchups from the National Basketball Association. The games come from lesser-known football (ie, soccer) leagues, minor college sports and international fixtures with limited American audiences, like rugby and cricket.

This was tactical, says Kevin Mayer, the boss of Disney's first shot at streaming in America. At \$5 a month, the aim is to create a sort of mini-Netflix for sports. But Disney is loth to take customers away from the company's lucrative ESPN networks on pay-TV. It wants to avoid the own goal of disrupting itself.

The delicate positioning of ESPN+ reflects an industry in flux. Cable networks are losing millions of subscribers to "cord-cutting", whereby customers drop expensive pay-TV packages in favour of much cheaper internet services like Netflix. In response to this threat Disney decided to pull its films from Netflix and to develop its own internet-only entertainment service, which is scheduled to debut next year. In December the company agreed a \$66bn deal to buy much of the entertainment business of 21st Century Fox, in order to gain the

heft to compete with Netflix. Disney is betting that streaming is the future.

The problem is that ESPN retains tremendous value as a pay-TV business, even with subscribers and viewership in decline. Pay-TV distributors like Comcast, Charter and AT&T view live sports as the linchpin of their offering, along with live news, and feel they must offer ESPN to keep customers. Kagan, a research firm, estimates that ESPN has 86m subscribers and receives \$8.14 of fees per subscriber per month from distributors, far more than any other network. Even after accounting for the high cost of sports rights, subscriber fees help make ESPN the most profitable network in America, generating an estimated \$2.1bn in cash this year, says Kagan.

That makes building an audience for ESPN+ tricky. Jimmy Pitaro, the boss of ESPN, says the new service will go after the "hard-core sports fanatic" and the "underserved sports fan". Such people may happily pay to watch, say, ice-hockey games between Ivy League schools. Neither Mr Mayer nor Mr Pitaro are saying how many subscribers they hope to lure. But for the foreseeable future they will keep the highest-profile games off the internet service. As long as ESPN continues to make billions, ESPN+ will remain in the little leagues. But its day will come.



## Post offices in the rich world

## Going postal

## Amazon is not the only threat to universal mail services

IT MAY be hard to imagine a world without cheap postal services, but 200 years ago sending mail was a luxury. Posting a letter from London to Edinburgh cost an average daily wage. In 1840, after a proposal by Rowland Hill, an inventor, Britain launched the Penny Post, the world's first universal mail service. The state-run post office was given a mail monopoly in return for delivering letters to any address in the country at the same rate. Cheaper postage proved wildly popular and the flows of information it enabled boosted economic growth. But the scheme's finances proved controversial. The low cost of the service hit profits and the government introduced income tax to fill the fiscal hole.

That did not stop the idea of a "universal service obligation" for post spreading across the entire rich world over the next century. At the industry's peak, post offices worldwide delivered nearly 350bn items of mail in 2007. But over the past decade this model has come under threat from falling letter volumes and from gig-economy firms and e-commerce giants expanding into parcel delivery.

As a result, the postal service in America has again become controversial. On April 12th President Donald Trump set up a task force to examine the finances of the state-owned United States Postal Service (USPS). Over the past month he has attacked Amazon, an e-commerce giant, on Twitter for costing USPS "massive amounts of money" for delivering its items. Analysts think that claim is dodgy. Mr Trump has a well-known dislike of Amazon and its boss, Jeff Bezos, who also owns the *Washington Post*, no fan of the president. But it is true that USPS is in serious financial trouble. Since 2008 revenues have fallen by 35% in real terms and it last made a profit in 2006.

Post offices elsewhere in the rich world suffer the same underlying problems, yet are more financially successful. Letter volumes have fallen at a rate of between 3% and 5% a year across the developed world over the past decade, says Brody Buhler of Accenture, a consultancy. Up to 80% of letter volumes could be lost before a floor is reached, says Rob Wolleswinkel of BCG, another consultancy.

Most of the decline has been due to bank statements and utility bills going online and personal letters and greeting cards going out of fashion. Junk mail has also begun to crumble due to the rise of digital ad-

vertising on smartphones. Online government services are likely to reduce demand for first-class letters even further. Denmark scrapped that service in 2016.

Parcels could come to the rescue. In 2014-16 global package volumes surged by 48%, reckons Pitney Bowes, a tech firm. But unlike with letters, most post offices do not have a monopoly in parcels, so margins are thinner. The machines needed to sort bulky parcels require heavy investment that strains cash-strapped post offices.

Their struggles are also due to delivery startups. Investors are pouring money into gig-economy couriers that use cheaper, self-employed drivers. BCG reckons that investment in such firms grew from \$200m to nearly \$4bn in 2014-16. Post offices, weighed down by strident unions, high labour costs and costly networks of sorting centres, struggle to compete.

But it is not yet clear that gig couriers will survive in the long term, says David Jinks of ParcelHero, a parcel broker. Last month two American startups, UberRUSH, a service owned by Uber, a ride-hailing app, and Shyp, shut themselves down due to a lack of demand. Bad publicity about working conditions is forcing others, such as DPD of Britain, to introduce holiday and sick pay. Tighter labour markets may make it harder to find enough cheap drivers to compete with the postal services.

E-commerce giants may prove a greater threat. The biggest risk is not that post offices bid for their business too cheaply, as Mr Trump suggests. It is that they lose their

custom completely. Amazon has already hit Britain's Royal Mail hard by starting its own door-to-door deliveries. In California it has launched a grocery-delivery service as a way of gaining greater scale to deliver its own e-commerce parcels itself. The biggest threat of all may come from Amazon's Chinese rival, Alibaba, which is injecting \$15bn into its own delivery arm, Cainiao, and aims to expand beyond China. By doing their own deliveries in cities, where profits are juicier, these firms could leave less money on the table for post offices to cross-subsidise rural services, where costs are higher.

The answer to these challenges is not to shield postal services from competition. Four out of the world's five fastest-growing legacy firms—Singapore Post, Poste Italiane, bpost of Belgium and Austrian Post—are privately owned and face rivals. Royal Mail, which was privatised earlier this decade, is using gig-economy staff to deliver parcels and is investing in startups to improve its services, says Daniel Roeska of Bernstein, a research firm. Although Deutsche Post DHL of Germany will be 30% more labour-efficient in a decade's time, Frank Appel, its chief executive, insists that the growth of e-commerce will keep his existing workforce fully employed.

## Typical mail

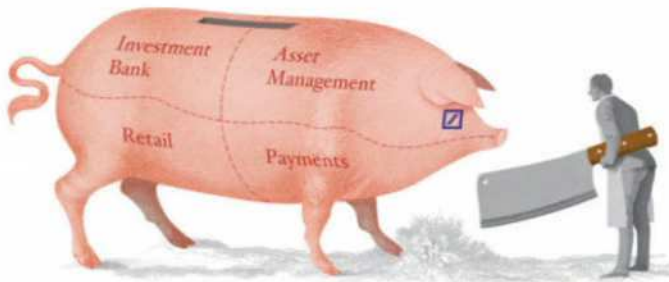
Amazon dreams of using drones to disrupt delivery to the doorstep. But that will take years to win regulatory approval. And in spite of new rivals and continued universal service obligations, the sheer scale of post offices still give them a big comparative advantage. Royal Mail has dozens of competitors, yet still has nearly all of the door-to-door letter business. The same is true for other EU countries with competition. Postal firms can survive and thrive if they are prepared to change how they operate. Rowland Hill, a radical reformer in his own era, would approve of that. ■



The Pony Express, British style

# Schumpeter | Dismantling Deutsche

Should the world's eighth-largest bank by assets be wound down?



**D**EUTSCHE BANK is one of the financial industry's hardest problems. It is not a viable business when judged by any sensible yardstick, because it is unable to make enough profits to generate a remotely adequate return. Its existence does not seem to be in the public interest, since it is dominated by an investment bank that has paid its lucky staff a colossal €40bn (\$49bn) over the past decade. The bank's governance has misfired for ages. On April 8th Deutsche fired John Cryan, its chief executive, in the third regime change in seven years. If the rules of capitalism apply to banks, Deutsche should be wound down. Is that possible?

Deutsche was founded in 1870 to help German companies go abroad. In 1999 it bought Bankers Trust, a Wall Street firm, and went on a long expansion in the investment-banking business. Today it has four elements. A decent asset-management operation called DWS; a profitable payments business that ships money around the world for companies; a mediocre German retail bank that uses the Postbank and Deutsche brands; and a faltering global investment bank that soaks up half of the bank's capital.

The bank's profitability has been dismal. Over the past decade its average return on equity (ROE) has been 5%; it was 2% last year. These figures exclude the cost of fines and goodwill write-downs and assume that today's capital levels were always in place. Shareholders have almost lost hope, valuing the bank at 0.4 times its book value, roughly where American banks were during the 2007-08 crisis. Creditors have not panicked, but have got gloomier this year. They think that Deutsche is riskier than other banks, judged by the cost of insuring its debt against default.

The bank's troubles reflect weak businesses but also weak governance. Paul Achleitner, the chairman since 2012, has presided over chaos. As a German company, half of the supervisory board are staff representatives, who may have opposed deeper cost cuts. As Deutsche has drifted, its shareholder register has become bizarre. Its largest investors include HNA, a Chinese tourism conglomerate loaded with debt, and funds linked to Qatar's royal family that lack an established record of stewardship.

Deutsche offers two defences. First, that it has a plan to restore profitability. Not really. To make a passable ROE it needs to generate pre-tax profits of €7bn a year, compared with the €1.5bn it managed last year. Planned cost cuts are not nearly deep enough

to close the gap. Deutsche's weakness is structural. The German retail operation is badly run and has to compete with state- and mutually owned banks that do not care much about profits. The investment bank, meanwhile, has decent market shares in some activities such as currency dealing, but is unable to cover its massive overheads. One way to demonstrate this is to compare it with its big four rivals, Goldman Sachs, and the investment-banking units of JPMorgan Chase, Citigroup and Bank of America. Deutsche's division is less than half their size in terms of its revenue. Yet it spends a similar sum—\$9bn—on non-compensation expenses such as fees and IT.

Deutsche's second defence is that it is indispensable to Germany. That is debatable. The investment bank books only 5% of its revenue in Germany. Deutsche's corporate-loan book in the country is only about €40bn, equivalent to 5% of the total debt of all the country's listed firms, and only twice as big as JPMorgan Chase's German book. The payments business has a better case, with a quarter of its business from German customers.

Any benefit that Deutsche brings to Germany should be weighed against the potential cost to the government of hosting a barely profitable bank that relies on wholesale funding. During the subprime and euro-zone crises, the benefit to Deutsche of having an implicit government guarantee was worth billions of euros a year. Germany has a new "bail-in regime" that is meant to protect taxpayers and eliminate subsidies by imposing losses on bank bondholders. But it has never been tested in an emergency.

No one would recreate Deutsche. Breaking it up would take several steps. DWS could be spun off or sold. The retail bank could be merged with Commerzbank, another German lender, in a government-blessed deal. The payments business could be sold to the likes of BNP Paribas, a solid euro-zone bank that took on the global payments arm of Royal Bank of Scotland in 2015.

Its investment bank would need to be wound down responsibly over ten years, reflecting the long life of some of its positions. For example, 16% of its €42trn of notional derivatives have a maturity of over five years. Revenues might fall faster than costs, resulting in losses. There would be redundancy costs for 30,000 staff. And regulators would allow the capital trapped in the business to be released only gradually. It would be messy. But the net present value that shareholders would recover from the investment-banking division could be roughly €15bn. While that is only half of its book value, it is more than investors attribute to it today.

## The hardest job in finance

The new boss is Christian Sewing, a lifetime employee who has worked across the bank. It is unlikely that he will dissolve the institution he owes his career to. But he should, at a minimum, halve the size of the investment bank, push the authorities for a new supervisory board and attempt to merge the retail operation with Commerzbank. He should find new shareholders—one option would be to persuade a good bank, such as BNP, to buy a stake, in order to provide a credible force on Deutsche's board.

The danger is that Deutsche just staggers on, cloaked in patriotism and paying only lip service to making an adequate ROE. Germany's politicians protest that they will never bail out Deutsche but they probably want one big German bank that is active abroad, just as they did back in 1870. That is a slippery slope. The world's best-run lenders, such as JPMorgan Chase, are safe because they are disciplined enough to crank out high and stable profits. A bank that cannot pay its way is no champion at all. ■



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China's economy

# Life after digging

WUHAN

## After a good run of growth, China braces for bumps

JUST a few years ago Wuhan, a sprawling metropolis in the middle reaches of the Yangtze River, exemplified China's economic woes. Municipal debt had soared. The most senior local official was known as "Mr Dig Up The City", a reference to his zeal for grandiose construction projects. A movie theme park, intended as a landmark, closed after failing to draw crowds. It would take nearly a decade, it was estimated, to sell all of Wuhan's vacant homes.

These days, the city of 11m stands as a monument to China's resilience. Its economy has accelerated even as the government has controlled debt more strictly. Five subway lines were opened or extended in the past two years alone; they are jammed in rush hour. Investment is pouring into semiconductor production, biotech research and internet-security companies. The glut of unsold homes is almost cleared.

China's economy, like Wuhan's, is in much better shape than it was in late 2015. Then, the country was reeling from a stock-market crash, suffering from capital outflows and accumulating debt at an alarming rate. But figures reported on April 17th showed growth of 6.8% in the first three months of 2018 compared with the same period a year ago. In nominal terms growth was above 10%. China's total debt-to-GDP ratio has stabilised, a sign that the risk of financial crisis has faded (see chart).

The improvement in China's fortunes can be traced to three factors. First, the gov-

ernment has started to tackle several ingrained problems. After a long period of overproduction of steel and coal, a campaign to close unused capacity restrained output and pushed up prices. To reduce the property overhang, local governments bought millions of unsold homes from developers and gave them to poorer citizens.

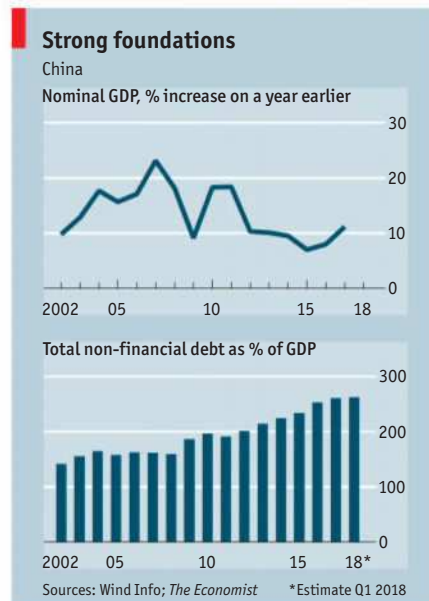
Financial regulators have taken aim at banks' murky off-balance-sheet loans, and at heavily indebted borrowers such as

property developers. Wang Tao of UBS, a Swiss bank, notes that these efforts have given investors more confidence. Chinese shares listed in Hong Kong have risen in value by a third over the past two years. The government has also helped arrange behind-the-scenes rescues of troubled firms. One was in Wuhan. The big local steel company, bleeding cash, merged with its much stronger counterpart in Shanghai in 2016. The combined entity is profitable.

A second factor is that China's economy is maturing. Growth is bound to slow as China gets richer, but structural changes are also making growth more stable. Thanks in part to a falling working-age population, which peaked in 2011, incomes are growing faster than the overall economy. This, in turn, is rebalancing the economy. Excessive reliance on investment is giving way to consumption. And heavy industry is yielding to services, which now account for more than half of GDP, up from a third two decades ago.

At the same time, China is reaping returns on some big investments of the past decade, such as high-speed rail in densely populated areas. Qin Zunwen, a government economist in Wuhan, says that although local debt shot up, it was almost all tied to infrastructure—half a dozen subway lines, bridges spanning the Yangtze River, elevated expressways—that is now being used. "Yes, it's much more than we had in the past," he says. "Has it exceeded our needs? No."

The final factor has been luck. Robust growth in America and Europe has given Chinese firms a lift. After falling in 2016, exports have rebounded. The rise in global commodity prices has filtered into stronger industrial revenues in China, boosting miners and metal producers. That has helped them service their debts. And it has made the task of deleveraging for the wid- ▶▶





er economy less daunting. Outflows of hot money have been curbed by tighter capital controls. China has also benefited from a weak dollar since the start of 2017, which has increased the yuan's appeal.

The coming few quarters are likely to be bumpier, however. The biggest immediate worry is President Donald Trump. The American administration has announced tariffs on about \$50bn of Chinese exports and may soon triple that. Exports to America are only a fraction of Chinese GDP, but a trade war between the world's two biggest economies could wreak havoc on sentiment and supply chains.

The downsides of the campaign to control debt might also become more apparent. Last year regulators focused on the financial system, clamping down, for instance, on borrowing to buy bonds. This year their focus has shifted to government funding. That will have a more direct impact on the economy. China has tried before to rein in profligate local officials, but they have found ways around the rules. A popular recent trick has been to disguise debt in public-private partnerships. Policy this time seems stricter. Subway construction has been halted in cities whose finances were too weak. Tighter liquidity

could also weigh on investment. Credit growth is the weakest since 2015.

Over the past decade China's leaders have revved up investment whenever the economy has slowed beyond their comfort zone. But Xi Jinping, the powerful president, has often said that the quality of growth matters more than the quantity. Officials in Wuhan seem to be getting the message. At recent meetings they have stressed the importance of fostering innovation, cleaning up the environment and keeping a lid on debt. The test is whether they will still be singing that same tune as growth turns down. ■

## Buttonwood | Christie, Cats and copious chaps

### A Victorian survivor in fund management

WHEN the Foreign & Colonial Government Trust was launched in 1868, *The Economist* had its doubts. "The shape is very peculiar," we worried, adding that "the exact idea upon which it starts has never been used before." Some of the trust's promises were "far too sanguine to ever be performed". Nevertheless, we concluded that: "In our judgment, the idea is very good."

That turned out to be one of this newspaper's more successful forecasts. One hundred and fifty years later, the trust is still going strong, having delivered a compound annual return of 8.1%. It now looks after a portfolio of £4bn (\$5.7bn), rather than the £588,300 it raised at launch.

In its own way, the trust is an example of how much the financial sector has changed—and how much it has stayed the same. The idea of a pooled portfolio seems commonplace now, but at the time it was revolutionary.

This was the 19th century, when Britain was confident of its worldwide role. The first portfolio comprised 18 overseas bonds, some in markets, such as Argentina and Peru, not ruled by Britain (the foreign element) and some that were, such as New South Wales and Nova Scotia (the colonial). This diversity allowed the trust to offer an initial dividend yield of 6%; not bad given that the prevailing yield on British government bonds was 3.3%.

The 20th century saw not just the decline of empires but the rise of inflation, which made a bond portfolio hazardous to investors' health. The fund moved into equities in the 1920s; its first holding was in Shell, the oil giant, and the shares are still in the portfolio today. A century after its formation, the fund was almost entirely invested in equities.

The most recent shift has been into private equity, with the hope that a long-



term focus can deliver superior returns. The approach is more systematic than the fund's occasional forays into unquoted investments in the past. A stake in a musical, "Cats", bought in the 1970s, is still paying royalties today.

If the portfolio has changed hugely, one feature of the fund has stayed the same. It is an investment trust, or closed-end fund. Unlike a mutual fund, assets under management do not rise and fall in line with customer demand. Shares can be bought and sold only on a quoted exchange.

At times this structure has been unfashionable. In the 1970s and early 1980s the trust's share price traded at a big discount to its asset value. Other trusts succumbed to takeovers and the sector seemed doomed to disappear. F&C was the first trust to introduce a savings scheme and the first to advertise in the press, and it gradually lured back private investors. The discount is now a modest 2%.

The investment-trust format has also given managers flexibility, as in the aftermath of the crash of 1987, when the fund was able to borrow money to buy shares on the cheap. Neither mutual funds nor the

trendy modern alternative of exchange-traded funds (ETFs) can do this.

F&C has also favoured continuity. Between 1969 and 2014, just two managers (Michael Hart and Jeremy Tighe) were in overall charge of the fund. That must have allowed them to take a long-term view. Another incident in the fund's history illustrates the theme. The only time the trust's offices were raided by police was in 1926. They were looking for evidence about the disappearance of Agatha Christie, the crime novelist. Her husband at the time, Archibald, was a fund manager for the group. Mrs Christie turned up safe and well in a Harrogate hotel. Her soon-to-be ex-husband remained an F&C director until his death in 1962. Even at that date the group had on its staff one person who had served in the Boer War and another who had fought in the Battle of Omdurman of 1898.

Less happily, this sense of tradition meant the trust was an old boys' club. The first female director was not appointed until 1988, 120 years after its foundation. And the group is only now dropping the word "colonial" from its company name, and adopting the shorter F&C. That should have been done long ago.

After 150 years the trust is now one of the better adverts for active management. It has beaten its benchmark over the past five years and increased its dividend for a remarkable 47 straight years. It has a modest annual fee of 0.37%.

There is another way in which things have changed, yet stayed the same. Given current high valuations, an equity portfolio will not deliver the same returns as in the past, but it will still beat bonds and cash. And, as we said in 1868, diversifying globally is a very good idea.

## American banks

## Spring in their step

**Tax cuts, higher interest rates and revived trading help banks to their best quarter since the crisis**

SO THIS is how normality feels. Between April 13th and April 18th America's biggest banks reported a strong set of first-quarter earnings, with a helping hand from the taxman. Some are more profitable than they have been for years. They are paying billions to shareholders; regulatory reins are being loosened. Yet the stock market shrugged. On April 18th the S&P 500 index of banks' share prices was 4.1% lower than at the start of reporting season.

Banks expected three main effects from the corporate-tax cut signed into law by President Donald Trump in December. The first was a write-down of deferred tax assets—past losses that could be set against future bills—which clobbered most lenders' bottom lines in the fourth quarter but did no real damage. (Some, including Wells Fargo, carried deferred liabilities and hence recorded a gain.) The second was a permanent reduction in their tax bills. The third was a boost to business from a more lightly taxed America Inc.

The direct benefits of lower taxes are plain. Although pre-tax profits at the six biggest banks rose by \$4.3bn, compared with the first quarter of 2017, taxes fell at five of them. (At the sixth, Goldman Sachs, the bill was unusually low a year ago because of a change in the treatment of employees' shares and options.) Of a total increase in net profit of \$5.4bn at those five, lower taxes accounted for \$2.1bn. The ratio of tax to gross profit dropped by as much as nine percentage points (see chart).

Conclusive evidence on whether tax cuts will ginger up the whole economy will take longer to appear, although some bankers detect it already. Even so, the strong showing indicated more than merely a stroke of the presidential pen. JPMorgan Chase, America's biggest bank, would have claimed a record profit even without lower taxes. Higher interest rates pushed its net interest income (the gap between lending revenues and borrowing costs) up by \$1.1bn, or 9%. As the Federal Reserve raises rates further, banks can expect more of that. Perky loan growth helped, too.

In investment banking, the brightest spot was in buying and selling shares. Choppy markets meant livelier trading after a quiet 2017. Revenues leapt by 38%, year on year, at Bank of America, Citigroup and Goldman Sachs and 25% plus at JPMorgan Chase and Morgan Stanley. Trading of bonds, currencies and commodities was flatter—except at Goldman, where



business rebounded by 23% after a poor start to last year. Revenues from advice and from underwriting new bond and share issues were mixed.

All this leaves America's largest banks in rude health—the rudest, arguably, since the financial crisis a decade ago. The unweighted average return on equity for the biggest six in the first quarter was 13.1%. According to data from Bloomberg, it is at its highest since the crisis. Only Citigroup, at 9.7%, was below the 10% mark that investors regard as par. Bank of America cleared that hurdle for the first time in six and a half years. Goldman's 15.4% was its best for five. Morgan Stanley's 14.9% easily beat its self-effacing target.

Moreover, those returns are built on a much thicker equity base. The average ratio of common equity to risk-weighted assets, a key regulatory gauge of banks' strength, is 12.5%, more than three times as high as at the end of 2007 (using an estimate by Autonomous Research). Lately, in fact, the ratio has declined slightly, as banks have returned money to shareholders and the Federal Reserve has felt confident enough to let them. Last June the Fed approved the big six's plans to spend \$72bn buying back shares over the next year, as well as increasing dividends.

The sky is not unblemished blue. Legal clouds linger over Wells Fargo, which may have to revise its earnings. Its net profit was the slowest-growing among the six. Regulators have offered to settle investigations of its sales of car insurance and some mortgages for \$1bn. And a trade war would help no one. But big banks are once again getting used to sunshine. ■

## "Coco" bonds

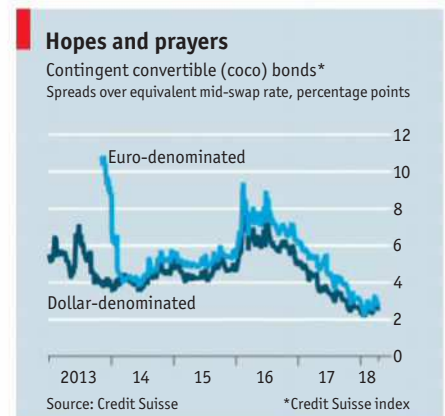
## Lost in conversion

**A risky form of bank debt fails to live up to its promise**

DURING the financial crisis, Western governments poured hundreds of billions of dollars into their banks to avert collapse. The search for ways to avoid future bail-outs started before the turmoil ended. One of the niftiest proposals was the "contingent convertible" (coco) bond, which turns into equity when the ratio of a bank's equity to risk-weighted assets falls below a predetermined danger point (since set at a minimum of 5.125% for cocos, although it can be up to around 7%). The ambition was grand. As the Squam Lake Group, composed of mostly American academics, put it in 2009, the automatic conversion of cocos would "transform an undercapitalised or insolvent bank into a well-capitalised bank at no cost to taxpayers".

At first, regulators were keen. In 2010 Mervyn King, then the governor of the Bank of England, said he wanted contingent capital to be a "major part of the liability structure of the banking system". Swiss regulators, too, pushed for coco issuance. The hybrid nature of cocos seemed a way to satisfy both regulators, who wanted banks to have bigger safety buffers, and bankers, who were reluctant to issue new shares because of the high cost of capital. The hope was that investors, too, might see the appeal of an asset that offered a higher yield than bank bonds but lower risk than bank shares.

Nine years after the first cocos were issued by Lloyds Banking Group in Britain, they have not fulfilled this promise. To be sure, they are now an established asset class, with around \$155bn of issuance in 2017 in dollars, euros and pounds. But this is a fraction of more than \$1trn in bank debt issued that year. Cocos are issued by only around 50 banks in a dozen countries, ▶▶



▶ mostly in Europe (American banks, barred from issuing cocos by regulatory and tax constraints, instead use preferred equity, an established asset class with similar traits). Although cocos are held by the world's largest asset managers, including BlackRock and PIMCO, few specialise in them. Exceptions include niche funds run by Algebris Investment and Old Mutual Global Investors (OMGI).

The main reason is that, despite early enthusiasm, regulators did not throw their weight behind cocos. In 2011 the Financial Stability Board, a global grouping of regulators, decided that they would not count towards the capital "surcharge" the biggest banks would be required to hold. Only equity would do. Rules on "total loss absorption capacity" finalised in 2015 require banks to have liabilities that can take a haircut or be wiped out if they are liquidated or restructured. But a wide range of liabilities, from shares to subordinated and even senior debt, is included. Cocos became part of a spectrum of at-risk liabilities, rather than a neat, catch-all solution.

The result is that cocos are a specialised investment proposition. They still offer fairly high yields—currently 5.3% for dollar cocos and 3% for those in euros, according to indices compiled by Credit Suisse, a bank. And they offer a premium over junior debt. They have appealing technical characteristics, too. Unlike bonds with a fixed maturity, they are perpetual, but redeemable after five years. If not redeemed, their coupon resets with reference to the mid-swap rate, a widely used rate related to interbank lending rates (so a bond issued at 8% when the swap rate was 2% would reset to 11% if rates rose to 5%). That offers some protection against inflation. In 2016 investor jitters caused a spike in coco yields. But since then, nerves have calmed and spreads have narrowed (see chart on previous page).

But the idea that cocos would help struggling banks recapitalise seems far-fetched. Without a regulatory requirement to issue lots of them, the banks that are least likely to need them are the ones best able to find buyers. Rob James, who co-manages the coco fund at OMGI, emphasises the importance of looking at the strength of banks, and rules out investing in "stressed" ones. For investors already exposed to distressed banks, it generally makes sense either to buy equity—and lots of it—to recapitalise the bank, or to lend to it in the form of safer senior debt.

Last June Banco Popular, a Spanish bank, was forced into a restructuring and sale under the European Union's new bank-resolution framework. It was a test for both cocos and the regulator. The bank had already had trouble selling cocos, demonstrating investors' lack of interest in the asset class. In the restructuring, cocos were wiped out, alongside junior bond-

holders and shareholders. (At least coco investors in the stricken bank could console themselves that they had been paid an 11.5% coupon. Junior debt investors got just 5%, even right at the end.)

Coco bonds' technical characteristics, and their premium over other forms of junior debt, mean that they will remain an attractive niche investment. But this is quite a comedown for an asset class once touted as an elegant, almost automatic, way to return struggling banks to health. ■

## Financial markets

# Jitterbugs

### Indicators that signal financial-market trouble are flashing

WATCHING financial markets can be like watching a horror film. A character walks into the darkness alone. A floorboard creaks. The latest spooky sign is the spread between the three-month dollar London interbank offered rate (LIBOR) and the overnight index swap (OIS) rate. It usually hovers at around 0.1%, but has recently climbed to 0.6% (see chart). As it widens, bankers are bracing for a jump scare.

To see why, consider what each rate represents. LIBOR is the rate that banks charge other banks for unsecured loans. The OIS rate measures expectations for the federal funds rate, which is set by the central bank. As LIBOR rises above the OIS rate, that suggests banks fear it is getting riskier to lend to each other. (The gap was 3.65 percentage points in the depths of the crisis, after Lehman Brothers filed for bankruptcy.)

Market-watchers were already twitchy. Last November they shuddered as the

yield curve, which plots the yields of Treasury bonds of different maturities, abruptly flattened. When that happens, it may be because expectations for growth and inflation—and hence for interest rates—have slumped. Then in February, as the stock-market dropped, the VIX, an index of volatility dubbed the "fear gauge", spiked.

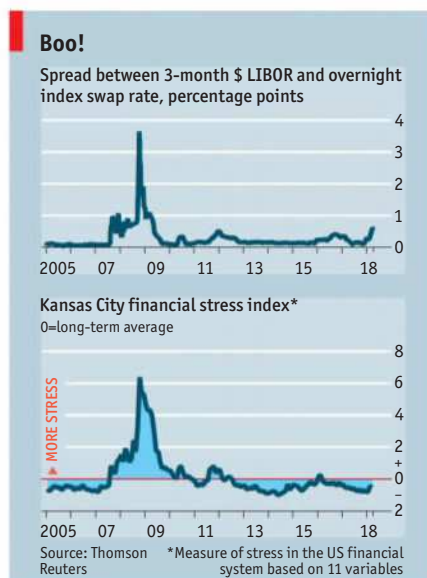
Sometimes, though, an eerie sound is just the wind. Non-threatening explanations are possible for all three measures. Start with the yield curve. It can also be flattened by a central bank raising rates in response to buoyant growth today, while long-term expectations are unchanged. America's recent tax cuts may be stimulating the economy now. But their long-term impact, most analysts agree, is less certain.

Likewise, the volatility reflected in the VIX can have a variety of causes. Volatility rises when a shock hits markets. Traders might be surprised by bad news about economic growth and future profits. Equally, they might be caught off-guard by good news, such as rising wages, that portends higher interest rates. Because higher rates depress the present value of future earnings, they are bad for stocks.

As for the LIBOR-OIS spread, one reassuring sign is that the price of credit-default swaps, which shows the premium investors must pay to insure against bank default, has barely risen. Some observers think the spread has widened because increased Treasury issuance, a consequence of tax cuts and higher government spending, is drawing short-term funding away from banks. A second possibility is that corporate-tax cuts have encouraged firms to invest or make acquisitions when they would previously have bought banks' bonds, forcing banks to borrow more in LIBOR markets. On top of that, market jitters earlier in the year encouraged investors into low-risk funds, which buy more Treasuries than bank debt. This raises the funding costs of banks relative to Treasuries.

All three of the metrics that have had traders fretting are signs that financial conditions, more broadly, are tightening. That can be worrying; it means less lending and slower growth. But it may be intentional. The Fed has been raising rates for over two years precisely because it is trying to apply the brakes, gently, to the economy. Yet for most of that time, markets have boomed defiantly, leading hawks to warn that the central bank was letting a bubble inflate—ie, that financial conditions were too loose, the opposite worry.

The biggest risk has always been that the Fed might have to act abruptly to see off inflation. On April 18th the IMF warned that markets look exposed to a sudden tightening in financial conditions, perhaps triggered by an unexpected rise in interest rates. Threats to the economy can lurk in obscure corners of financial markets. They can also be found in Washington, D.C. ■





## Currency wars

# Tweeting the dollar down

America's president, but not its Treasury, names currency manipulators

**M**OST governments are happy when foreigners want their bonds, especially when those foreigners are long-term holders, like central banks. But America is different. It worries that some foreign governments buy its debt to keep the dollar pricey and their own currencies cheap. This "currency manipulation" gives other countries a competitive edge, raising their own trade surpluses and America's deficit.

Brad Setser of the Council on Foreign Relations, a think-tank, sees an "arc of intervention" across Thailand, Singapore, Taiwan and South Korea that has slowed the dollar's decline over the past nine



months. America has reportedly persuaded South Korea to forswear currency manipulation in a "side-agreement" to their revised trade deal. And on April 16th President Donald Trump tweeted that "Russia and China are playing the Currency Devaluation game...Not acceptable!"

Mr Trump's tweet was at odds with his Treasury Department's assessment. Every six months it must tell Congress if any big trading partner is manipulating its currency. (Offending governments are scolded, followed by other chastisements if they do not mend their ways.) But its latest report, published on April 13th, refrained from branding anyone a manipulator.

The report did admonish China for its persistently large trade surplus in goods with America. But Russia was barely mentioned. The recent decline in its currency was, after all, prompted by the Treasury's decision to strengthen sanctions.

Instead the report paid customary attention to India, pointing out that it has a large trade surplus in goods with America and that its central bank has intervened heavily in currency markets, with net foreign-exchange purchases worth 2.2% of its GDP. It was added to a "monitoring list" of countries warranting closer scrutiny.

The list itself does not bear much scrutiny, however. As well as India, it comprises China, Germany, Japan, South Korea and Switzerland. But India has no overall trade surplus and Germany has no currency of its own to manipulate. The list also ignores Thailand and Singapore, which have intervened over the past year to curb the rise in their currencies, according to Mr Setser.

These oddities are not entirely the Treasury's fault. It is required to assess a country against three criteria: its trade surplus with America, its current-account surplus with the world and its intervention in currency markets. The first measure makes little sense, point out Fred Bergsten and Joseph Gagnon of the Peterson Institute for International Economics. In today's global supply chains, countries like Singapore can sell materials to China that end up in products bought by America. Their direct exports to America may seem modest. But their indirect exports, embedded in goods sold by China, may be large.

The Treasury is also required to consider only America's "major" trading partners. It thus limits its analysis to the largest dozen (plus Switzerland, the 15th-largest). That gives small, interventionist economies a free pass, notes Stephanie Segal of the Centre for Strategic and International Studies, another think-tank.

Within these broad limits the report's authors enjoy substantial discretion. And the Treasury is considering broadening the definition of a "major" trading partner. It thus had leeway to prepare a more rigorous report if it had wished to do so. Instead, says Mr Setser, it wrote this report to be ignored. Perhaps Treasury officials do not want to be drawn into Mr Trump's tariff tit-for-tat, suggests Mr Gagnon. The report waves the flag (invoking "fair and reciprocal" trade) but fires no bullets. It may be hard to cheapen the dollar, but it is easy to depreciate a report. ■

## The Hong Kong dollar peg

## Reserve power

Hong Kong keeps a long-standing promise about its currency

**T**HE Hong Kong dollar is one of the most and least manipulated monies in the world. For over 34 years the territory's monetary authority, the HKMA, has kept it pegged to America's currency at around HK\$7.80 to the dollar, resisting all temptations to let it fall or rise. In 2005 it refined the peg with two promises: to buy dollars at the price of HK\$7.75 and to sell them for HK\$7.85.

The strength of the Hong Kong dollar has obliged the HKMA to keep the first promise many times since. Its purchases of American dollars have even drawn the accusation that it manipulates its currency for competitive advantage.

In fact, the HKMA has always been ready to manipulate its currency upwards, too. But since 2005 it has had no occasion to, until last week. On April 12th the Hong Kong dollar weakened to HK\$7.85, forcing the authority to buy HK\$51bn over the next few days in exchange for American dollars.

The Hong Kong dollar's weakness reflects the gap between rising American interest rates and Hong Kong's low borrowing costs. In other places, investors might worry that the central bank's efforts to defend its currency would exhaust its dollar reserves. But the HKMA has enough foreign assets to buy its entire money supply (strictly defined) with plenty to spare.

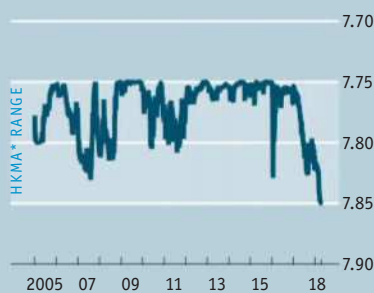
Long before that point its purchases of

Hong Kong dollars, which withdraw them from circulation, would reduce the money supply enough to force up interest rates, making the currency more attractive and arresting its weakness. The only worry—for homeowners—is that higher interest rates would weigh on Hong Kong's property prices, which have risen by 30% in the past two years.

Hong Kong's peg to the dollar has survived three global slowdowns, several stockmarket crashes, an Asian financial crisis, a global one, an epidemic and the handover from one of the world's first capitalist countries to its largest communist one. It has little to fear from several further hikes in America's benchmark interest rate.

### Bouncing off the walls

Hong Kong dollar per \$, inverted scale



Source: Thomson Reuters \*Hong Kong Monetary Authority

# Free exchange | Diminished expectations

The business cycle is misunderstood. The second in our series on the shortcomings of economics



**T**HE aftermath of the 2007-08 financial crisis ought to have been a moment of triumph for economics. Lessons learned from the 1930s prevented the collapse of global finance and trade, and resulted in a downturn far shorter and less severe than the Depression. But even as the policy remedies were helpful, the crisis exposed the economic profession's continued ignorance of the business cycle. That is bad news not just for the discipline, but for everyone.

The aim of those studying the macroeconomy has always been to understand the economy's wobbles, and to work out when governments should intervene. That is not easy. Downturns come often enough to be a serious irritant, but not often enough to give economists sufficient data for rigorous statistical analysis. It is hard to distinguish between short-run swings and structural economic changes resulting from demography or technology. Most classical economists were sceptical of the idea that the macroeconomy needed much oversight at all.

By the early 20th century some thinkers were groping their way towards a better understanding of money in the economy, and how its mismanagement could cause problems. The Depression forced non-interventionists to concede ground. John Maynard Keynes blamed recessions on a shortfall of demand linked to changes in saving and investment behaviour. Governments used both monetary and fiscal policy with gusto in the years after the second world war to maintain full employment.

Yet the Keynesians' heavy-handed approach never sat well with classically minded economists. In 1963 Milton Friedman and Anna Schwartz published their "Monetary History of the United States", which resurrected the pre-Depression "monetarist" view that monetary stability can mend all macroeconomic ills. Other economists, including Edmund Phelps and Robert Lucas, recognised that people learn to anticipate policy changes and adjust their behaviour in response. They predicted that sustained stimulus would eventually cause inflation to accelerate and were vindicated by runaway price growth in the 1970s.

In the years that followed, Keynesians regrouped, borrowed ideas from their critics and built "New Keynesian" models (on which much modern forecasting is based). The synthesis of Keynesian and neoclassical ideas informed a new approach to man-

aging the business cycle. The job was outsourced to central bankers, who promised to keep a lid on inflation. Adopted around the world, this approach seemed to work. Downturns became less frequent and less severe; inflation was low and stable; expansions became longer.

But all was not well. Many neoclassical economists rejected the "New Keynesian consensus" and worked along separate lines. Some followed their models back to the classical idea that fluctuations were natural and required no intervention. That occasionally led to absurd conclusions, for instance that falling inflation in the early 1980s had almost nothing to do with monetary policy. Although central banks largely ignored this work, its leading theorists retained influence within the profession—winning Nobel prizes, for example—and with conservative politicians.

The New Keynesians had their own troubles. To satisfy critics they built more mathematical models, which aimed to show how decisions by rational, forward-looking people could, in aggregate, cause downturns. The project was quixotic. People are often irrational. Their behaviour in groups is not as predicted by models that treat the economy as a mass of identical individuals. These models were complex enough to be fitted to almost any story. They could replicate features of the economy, but that did not amount to understanding why those features occurred.

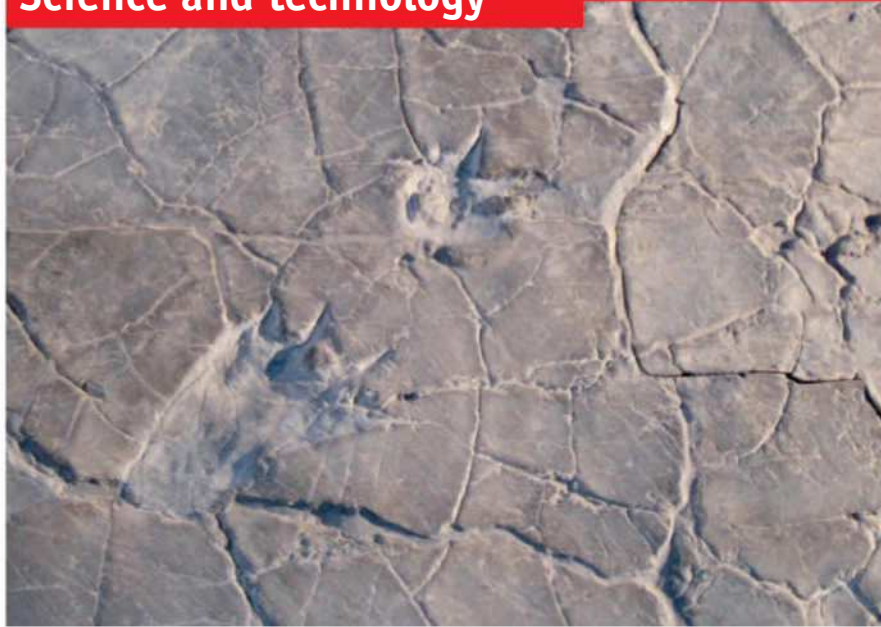
The gap between many neoclassical economists and the New Keynesians running central banks remained unbridgeable. As Paul Romer has pointed out in some scathing recent papers, the rival camps were unable to settle their arguments by appealing to facts, or even to debate politely. You might suppose that the existence of wildly different business-cycle theories would make macroeconomists more humble, but no. Improbably, both groups argued that, in the words of Professor Lucas, the "central problem of depression-prevention has been solved".

## The return of depressing economics

Where consensus did prevail, it proved to be misguided. Economists of all ideological stripes cheered on the financial deregulation of the 1980s and 1990s. The work of thinkers like Hyman Minsky and Charles Kindleberger, whose writings on financial excess were rediscovered after the financial crisis, gathered dust. In a speech in 2005 to central bankers, Raghuram Rajan, an academic who later ran India's central bank, warned of the risks building within the financial system. He got a chilly reception.

There has been progress since the crisis. New research questions the old orthodoxy on matters from the appropriate role of fiscal policy and the risks associated with large-scale financial flows to the relationship between unemployment and inflation. But the profession remains in a dangerous and unsustainable position. The macroeconomic approach favoured by economists within central banks, regulatory agencies and finance ministries has erred repeatedly in its prognostications over the past decade, predicting that labour markets would heal quickly, for example, while underestimating the risks of targeting a low rate of inflation. A compelling new paradigm seems a distant prospect. Nor is it clear economists are capable of sorting out their disagreements. Macroeconomics must get to grips with its epistemological woes if it hopes to maintain its influence and limit the damage done by the next crisis. Because economists have learned one thing: there is always another crisis. ■






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**Palaeontology**

## Tracking down the truth

### Dinosaur evolution has an intriguingly circular aspect to it

**T**HAT the dinosaurs went out with a bang is well known. About 66m years ago a large space rock hit what is now southern Mexico. As a consequence, and with the assistance of some enormous volcanic eruptions on the other side of the planet, the terrible lizards were consigned to history. That left the world open for the rise of mammals. What is less well known is that the dinosaurs themselves rose in circumstances similar to those that felled them. The animals' long reign through the Jurassic and Cretaceous periods was enabled by another, albeit smaller, period of mass extinction, which happened between 234m and 232m years ago during the Triassic period.

This extinction is thought to have been caused by a period of unstable climate called the Carnian Pluvial Episode (CPE), in which the climate went from dry, to wet, to dry again four times over the course of 2m years. As is often the case in matters palaeontological, the effects of such changes are easiest to see at sea, because most sedimentary rocks (the sort that the bulk of fossils are found in) are marine, and also because the composition of such rocks reflects that of seawater at the time, which in turn reflects matters such as temperature, rainfall and carbon-dioxide levels. Marine rocks laid down at this time show a huge turnover of species, and that this coincides with the CPE.

Connecting events on land to the CPE is

harder, though. And it is this that the authors of a study just published in *Nature Communications* have done. Massimo Bernardi of the Museum of Sciences in Trento, Italy, and his colleagues looked in particular at fossil animal tracks (see picture above) in the Dolomite mountains, a part of the Alps to the north-east of Trento. This part of the world is rich in such tracks, and Dr Bernardi has been able to use them, together with details of the Dolomites' geology, to paint a precise picture of the dinosaurs' emergence.

### Footprints in the mud of time

Dinosaurs were one of many groups that evolved after the greatest mass extinction in history, which happened 252m years ago between the Permian and Triassic periods. This extinction emptied both the land and the oceans, leaving a blank canvas for evolution to work on.

The earliest fossil remains that are widely (though not universally) agreed to be those of a dinosaur come from Tanzania and date from about 245m years ago. For the next 10m years or so, however, dinosaurs are nothing special. In assemblages of the bones of land animals they form about 5% of the total. But then the fraction starts to rise and within 5m years or less (the dates are a bit uncertain) they dominate such assemblages, while other, better-established groups of creatures, such as dicynodonts and rhyndosaurs, dwindle

and eventually vanish.

The bone evidence, however, is restricted mainly to what are now Argentina and Brazil. Dr Bernardi and his colleagues sought to corroborate it elsewhere, and with a different type of evidence—not animals' bones but the tracks they left behind.

Dr Bernardi and his colleagues identified more than 20 sets of such tracks, called ichno-associations, in Dolomite rocks laid down during the relevant part of the Triassic. They studied descriptions of them by previous researchers and also visited several of the sites themselves to make their own observations. The Dolomite ichno-associations, they found, fall into three groups. The oldest show no signs of dinosaur tracks. In those of middling age, about 40% of the tracks have been laid down by dinosaurs. In the most recent, that proportion is 90%.

The relative ages of rock strata are easy to see. Unless a rock formation has been turned upside down by movement of Earth's crust, young layers will be at the top and old ones at the bottom. That is how Dr Bernardi knew which tracks were older and which younger. Working out absolute ages, though, is harder. But the Alps are well studied, and he and his colleagues were able to assemble a chronology for their ichno-associations by looking at research that had been carried out on the layers in between them.

The Dolomites' rocks were formed at a time when the sea's level, relative to the land, was going up and down like a yo-yo. This was partly because of rises and falls in the sea itself, and partly because of the land rising and falling in response to tectonic shifts. Such transgressions and regressions mean that marine and terrestrial sediments are interleaved in these mountains, and the marine sediments provided the information needed. ▶▶



▶ Most obviously, those sediments show how far, at the time they were laid down, the turnover of species had proceeded at sea. On top of this, some of them contain layers of volcanic ash that can be dated from radioactive isotopes within. And some of them also preserve evidence of the reversals in Earth's magnetic field that happen from time to time, and which act as useful date markers.

The upshot was that Dr Bernardi and his colleagues were able to establish accurate dates for the various ichno-associations they had catalogued, confirming, as they had suspected, that those associations precisely straddle the Carnian Pluvial Episode, thus matching the bone evidence from South America. The oldest tracks date from 236m years ago, before the CPE began. The middling ones were laid down 234m years ago, during it. The youngest are 230m years old, dating from after it was over. That is clear evidence the dinosaurs were indeed the beneficiaries of the CPE, though why they did better than other groups is not yet understood.

As to what caused this climatic hiatus,

the best guess is that it was a consequence of vast volcanic eruptions, similar to those at the end of the Cretaceous, that were going on at the time in what is now Alaska and western Canada. And that, in itself, is interesting. The extinction at the end of the Permian also happened at the same time as a huge outpouring of lava (in what is now Siberia). Although the Cretaceous extinction is usually blamed on the extraterrestrial collision that left its mark in the Yucatan, with the coincidental eruptions (which happened in what is now India) relegated to a supporting role, some geologists wonder if the importance of those roles should be reversed.

There is no reason, of course, why all mass extinctions should have the same cause. Besides cosmic collisions, both nearby stellar explosions and climate-changing burps of methane released from the ocean depths have been suggested as possible biosphere-killers. But the geological record shows that sub-continental-sized eruptions do happen quite frequently. It is humanity's luck not, thus far at least, to be living at the same time as one. ■

must have evolved to do its job within the past 50 years.

*I. sakaiensis* digests PET far too slowly, however, to be of much use for industrial recycling of the plastic. To make it so requires understanding how the enzymes do their work. This is what Dr McGeehan and his colleagues set out to do. As MHET is far easier to break down by standard chemical means than PET, they focused on PETase.

They compared the DNA sequence of the PETase gene with that of cutinases from thousands of bacterial species, looking for differences. They then created new versions of PETase, each with one or more of its amino-acid building blocks changed to resemble those of ancestral cutinases.

As many of the differences between PETase and cutinases were, presumably, what allowed PETase to do its job, they expected these new enzymes to digest the plastic less efficiently. To their surprise, however, one of the engineered enzymes (with two amino acids mutated to be more cutinase-like) was able to digest PET about 20% faster than the natural one. That is a modest increase, but one that came about by accident rather than design. This, Dr McGeehan argues, shows there is plenty of scope for further improvement.

The team determined the structures of their enzymes by protein crystallography, a technique that takes detailed pictures of a molecule by bombarding crystals of it with x-rays (in this case, at the Diamond Light Source, a machine in Oxfordshire that produces particularly strong x-rays for such purposes). They then used computer modelling to look at how a molecule of PET might dock with the enzyme's active site—the region where the chemical reaction that breaks down the plastic actually occurs. The more-efficient enzyme they engineered appears to hold the plastic molecule more snugly in the active site than the naturally occurring version.

Interesting though all this is, there is still much to do before PETase can become a useful enzyme. At the moment, a litre of a solution of even the improved enzyme would break down just a few milligrams of plastic per day. Its plastic-digesting ability must therefore be improved by a hundred-fold or more to be commercially useful.

This the team hopes to do, in part, by using clues from the enzyme's structure. Further improvements could come by designing the enzyme to work at temperatures above 70°C, when PET becomes rubbery, and thus more easily digestible. Bacteria that live in hot springs, and that have cutinases that function at such temperatures, might be pressed into service here. The gene for the enzyme would also have to be transplanted into bacteria that can be grown easily at industrial scales. If these hurdles can be surmounted, though, PETase might make a dent in the scourge of plastic waste. ■

## Greenery

# Auf Wiedersehen, PET

## An enzyme that digests plastic could boost recycling

A MILLION plastic bottles are sold every minute. Many are not recycled and of those that are, only a small fraction become bottles again. That is, in part, because recycling polyethylene terephthalate (PET), the polymer used to make such bottles, back into material robust enough to hold, say, a fizzy drink, is hard. What would be helpful is a way to break down PET into the chemicals that made it in the first place. These could then be used to make new high-grade PET.

This week John McGeehan of the University of Portsmouth, in Britain, and his colleagues report details of a bacterial enzyme called "PETase" that can do just that. Furthermore, they have engineered a version of this enzyme that can digest plastic faster than the natural variety. Their work is published in the *Proceedings of the National Academy of Sciences*.

PETase is secreted by a plastic-munching bacterium called *Ideonella sakaiensis* 201-F6. This bug was discovered in 2016 at a PET-bottle recycling plant in Sakai, Japan. The researchers behind its discovery showed that the enzyme degrades PET into mono(2-hydroxyethyl) terephthalic acid (MHET). A second enzyme then breaks MHET down further, into terephthalic acid

and ethylene glycol. The bacterium then uses these chemicals as food sources. The discoverers of PETase also suggested that it may have evolved from bacterial enzymes used to break down cutin, a waxy polymer that coats leaves. That is, in itself, remarkable—for PET has been used widely only since the 1970s, meaning that the enzyme



For bacteria, lunch



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### Human evolution

## Born to dive

### A group of people with an amphibious life have evolved traits to match

THE Bajau, a people of the Malay Archipelago, spend almost all of their lives at sea. They live either on boats or in huts perched on stilts on shallow reefs, and they migrate from place to place in flotillas that carry entire clans. They survive on a diet composed almost entirely of seafood. And to gather this they spend 60% of their working day underwater.

Unsurprisingly, their diving abilities are prodigious. They sometimes descend more than 70 metres, and can stay submerged for up to five minutes, using nothing more than a set of weights to reduce buoyancy and a pair of wooden goggles fitted with lenses fashioned from scrap glass that are resistant to distortion by the pressure at such depth. Since the Bajau have lived like this for a long time (historical evidence suggests at least 1,000 years), many researchers have speculated that they carry genetic traits which adapt them to their remarkable lifestyle. Now, as they report in *Cell*, Melissa Ilardo and Rasmus Nielsen of the University of California, Berkeley have shown that this is so.

Immersing someone's face in cold water and thus requiring him to hold his breath triggers what is known as the diving response. This involves a lowering of the heart rate to conserve oxygen; the redirection of blood from surface tissues to the most oxygen-sensitive organs, such as the brain, the heart and the lungs; and contraction of the spleen, an organ that acts as an emergency reserve of oxygenated red blood cells, so that an increased supply of these cells is released into the bloodstream. Ms Ilardo and Dr Nielsen decided to investigate whether the genetics and anatomy of the Bajau promote these responses.

To do so, Ms Ilardo travelled to Indonesia and recruited 59 Bajau who were willing to give her samples of saliva for DNA analysis and also to have their spleens measured ultrasonically. To act as controls, she also recruited 34 members of the Saluan, a group of landlubbing but closely related neighbours of the Bajau. The spleen scans showed that the Bajau's are 50% larger than those of the Saluan—a difference unconnected with whether an individual was a prolific diver or one who spent most of his time working above the waves on a boat. This suggests that it is Bajau lineage, rather than the actual activity of diving, which is responsible for a larger spleen.

DNA analysis told a similar story. One intriguing result was a mutation in part of the Bajau genome that regulates the activity of a gene known to be involved in controlling blood flow, such that blood can be sent preferentially to oxygen-hungry vital organs. Another was a mutation in a gene responsible for the production of carbonic anhydrase, an enzyme that slows the build up of carbon dioxide in the bloodstream, a phenomenon that is associated with extreme diving. Changes in genes associated with muscle contractions around the spleen and with responses to low oxygen levels also turned up.

Putting these results together, Ms Ilardo and Dr Nielsen argue that the need to collect food by diving has indeed led to the evolution, in the case of the Bajau, of a group who are literally born to dive. Whether that evolution was driven by the failure of those who could not dive well to collect enough food to sustain a large family, or rather, of their dying in the attempt to do so, remains to be determined. ■

### Astronomy

## Hello, neighbours

### The search for exoplanets moves to Earth's back yard

BEFORE 1992 astronomers could only presume that alien planets existed. That was the year the discovery of the first such worlds, orbiting a pulsar called PSR 1257+12, about 2,300 light-years from Earth, was announced. These days, astronomers have more exoplanets than they know what to do with. The Extrasolar Planets Encyclopaedia lists 3,767 confirmed worlds as of April 18th, with thousands more detections awaiting confirmation.

This torrent of discovery has made exoplanetology one of the most exciting fields in astronomy. But it is also frustrating, for the majority of those planets are so far away that, besides the fact of their existence, little can be learned about them. Data on most are limited to the orbits they trace around their parent stars, and estimates of their sizes and masses.

That is about to change. On April 18th a space telescope called the Transiting Exoplanet Survey Satellite (TESS), blasted into orbit from Cape Canaveral in Florida. TESS is designed to examine almost the entire sky, looking for evidence of planets around the nearest (and thus brightest stars)—those, in other words, that are easiest to study in more detail.

Over the course of its two-year mission, TESS will stare at around 200,000 of the stars closest to Earth, watching for telltale dips in brightness caused by a planet crossing in front of its star. The transit method, as this is known, relies on the orbital plane of a planet being aligned with the instrument doing the observing, so only a small fraction of any planets orbiting the stars in question will be detectable. Nevertheless, assuming Earth's cosmic neighbourhood is similar to the galactic average, TESS should turn up around 3,000 planets.

The idea is to provide a target list of the most interesting worlds for follow-up observations by other instruments using other methods. One such method (the one by which PSR 1257+12's planets were detected) is to measure the wobble that the planet's gravity causes in its parent star as it orbits. Such measurements reveal a planet's mass. Since TESS's transit method reveals a planet's size, the two together give enough information to calculate its density, and therefore to deduce whether it is made of rock or gas. Several telescopes around the world are being upgraded with just such TESS-assisted observations in mind.

Based on existing data, around 500 of the 3,000 planets that TESS is expected to





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▶ find are likely to be rocky worlds with radii up to twice that of Earth. Of those, a couple of dozen might orbit in the habitable zone of their parent stars, where temperatures are right for liquid water to exist on their surfaces.

Since liquid water is required by all forms of terrestrial life, looking for it in the cosmos makes a good starting-point in the quest for life of the non-terrestrial sort. And because TESS's planets will be so close to Earth, it should be possible to check whether they do in fact possess water, not merely whether they might.

A new generation of instruments, including ultra-large ground-based telescopes and the delayed, over-budget James Webb Space Telescope, scheduled to launch in 2020, will be able to observe starlight that has passed through an alien plan-

et's atmosphere on its way to Earth, and from that infer the chemical composition of the exoplanet's air. The presence of certain gases would be tantalising hints that the planets in question might play host to life. The simultaneous presence of methane and oxygen, for example, would excite interest because these two gases react together quickly, and would thus need constant renewal to coexist.

It may eventually be possible, for the closest worlds, to take photographs of the planets. That could show general details of geography, such as how much of the surface of a rocky body is covered by liquid and how much by land. Going, in the space of less than 30 years, from knowing nothing at all about alien planets to making rough maps of them would be a feat of extraordinary proportions. ■

## Sewage

# Build a better bog roll

**And the world may make a beaten path to your door**

A REPORT published last year by Water UK, an industry body, said that more than 90% of sewer-pipe blockages in Britain were caused by “non-flushable wipes”. Accumulations of these can clog up pumps. Worse, when they are gathered together by the adhesive power of kitchen grease, they can form giant “fatbergs” that choke the passage of effluent.

Some of the wipes in question were for cleaning surfaces or removing cosmetics. Most of those that could be identified, though, were for wiping babies' bottoms. And probably not only those of babies. As people grow richer, they can afford more comfortable means of personal hygiene, so many adult nether regions are probably being tended to in this way as well.

Ordinary toilet paper is not a problem for sewers. It disintegrates rapidly, after being flushed, into the fibres from which it is made. Wet-wipes are different. To keep them intact while damp, before and during use, their fibres are held together by resins. But these resins also hold them together after use, meaning they do not disintegrate. Deng Chao and his colleagues at Donghua University, in Shanghai, therefore wondered if it might be possible to make resin-free wipes. And, as they report in *Royal Society Open Science*, they think they have managed to do so.

Instead of using resin to hold the fibres together, Dr Deng and his colleague have been experimenting with a technique called hydroentanglement. This involves bombarding the web of fibres destined to become a wipe with jets of water. The jiggling thus induced shifts the fibres around in a process that is, in effect, the opposite of combing. As with uncombed hair, the result is strongly knitted together—so strongly that in Dr Deng's experiments the effect was as good as with a conventional wipe. Those experiments also showed, though, that unlike a conventional, resin-bound wipe, the hydroentangled version disintegrated in the same way as toilet paper does when it was put into water and agitated.

Hydroentanglement is, as a bonus, an established industrial process, employed to make fabrics without weaving. (The result is known as spunlace.) Adapting it to make wet-wipes should not, therefore, be that difficult. And if it can be so adapted, then the days of the fatberg should be numbered—meaning that one of the most vital, if hidden, parts of any society's infrastructure, its drains, can run free. ■

## Artificial intelligence

# Some assembly needed

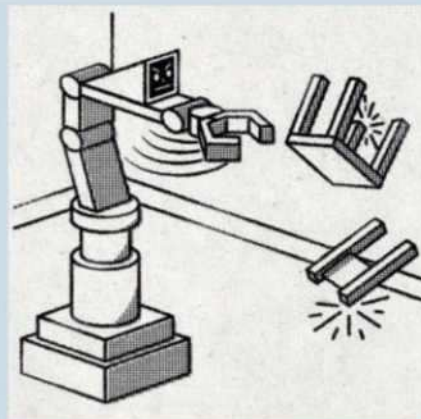
**Robots can now put flat-pack furniture together**

IN 1997 it was chess. In 2016 it was the ancient game of Go. Now it seems computers have mastered a task that stretches the human brain to its limit. In a paper just published in *Science Robotics*, a group of researchers at Nanyang Technological University, in Singapore, report having managed to get a pair of ordinary industrial robots to assemble most of a piece of flat-pack IKEA furniture.

The chair in question was a model called STEFAN. The robots' job was to assemble the frame. This requires several pieces of dowelling to be inserted into pre-drilled holes before the parts are pressed together. In total, says Pham Quang Cuong, one of the paper's authors, 19 components are involved.

The robots were off-the-shelf arm-shaped machines of the sort found in factories around the world, combined with a stereoscopic camera that can produce three-dimensional images. A pair of videos released by the researchers show the robot arms making various mistakes, dropping dowelling on the floor or misaligning components, before succeeding at their task after almost nine minutes of slow, careful work.

Even with that abundance of caution, though, the robots needed quite a bit of hand-holding. They were given precise instructions before they started (along the lines of, “Arm 1: take the side piece. Arm 2: grab a dowel. Arm 1: rotate side piece so that hole is pointing up. Arm 2: insert dowel into top-left hole.” And so on.). Before the nine minutes of assembly began, the robots spent a further 11 minutes scanning their environments and



planning the movements needed to carry out these instructions, before they tried to execute them. Moreover, though the larger components of the chair were scattered around at random, meaning the robots had to use the camera to identify them by comparing them with electronic representations loaded into a database, the dowels were gathered together and placed upright in a container.

The result is, nevertheless, sufficiently impressive, says Dr Pham, for his research group to have received considerable interest from industry. In future he and his colleagues hope, gradually, to remove the robots' training wheels. One idea is to get the machines to learn what to do for themselves by watching a human being assemble the chair. Given the difficulties that many people apparently have with IKEA's products, that may, however, also teach them how to toss the whole thing aside in frustration.





Suffragism, 100 years on

## Persuasion and the broken pane

The fight for women's right to vote offers many lessons for modern campaigners

SHE is a picture of peaceful protest. Milliscent Fawcett's clothes are unruffled, her gaze fixed, her mouth shut. She holds a placard at her waist: "Courage Calls to Courage Everywhere". The statue, made by Gillian Wearing, will be unveiled in London's Parliament Square on April 24th; Fawcett will be the first female figure among the statesmen in bronze. It celebrates the centenaries of two laws that enfranchised some British women and gave those over 21 the right to stand for Parliament. These were the culmination of decades of polite lobbying—and of a ten-year campaign of militant protests. Both strategies hold lessons for reformers today.

Fawcett, the president of the National Union of Women's Suffrage Societies (NUWSS), was the leader of the moderate "suffragist" wing of the movement, which believed in "constitutional agitation" and "law-abiding propaganda". From the 1870s she oversaw lobbying and the delivery of thousands of petitions and letters to Parliament. At the start of the 20th century such decorous tactics were the preference of feminists around the world, from America's Susan B. Anthony to France's Jeanne Schmahl and New Zealand's Kate Sheppard. Their fortunes varied. Women in New Zealand were granted the vote in 1893. French women got it only in 1944.

Yet posterity's view of the British movement focuses on the disorder fomented by the militant "suffragettes". The archetypal

images are of a diminutive Emmeline Pankhurst being accosted by a policeman at the gates of Buckingham Palace, or of one of her imprisoned supporters having a dirty force-feeding tube thrust into her nose. The organisation that Pankhurst (pictured above) founded in 1903, the Women's Social and Political Union (WSPU), operated for a little over a decade. In that time it pioneered the use of shock tactics such as hunger strikes, borrowed from Russia and emulated elsewhere. In "Rise Up Women!", a history of the suffragettes that is among several books on the period published this year, Diane Atkinson writes that "women's political campaigning would never be the same again".

### Rise Up Women! The Remarkable Lives of the Suffragettes.

By Diane Atkinson. Bloomsbury Publishing; 650 pages; \$40 and £30

### The Stalled Revolution: Is Equality for Women an Impossible Dream?

By Eva Tutchell and John Edmonds. Emerald Publishing; 320 pages; £26.99

### Equal Power: And How You Can Make It Happen.

By Jo Swinson. Atlantic Books; 383 pages; £16.99

### Deeds Not Words: The Story of Women's Rights, Then and Now.

By Helen Pankhurst. Sceptre; 376 pages; £25

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The rumbustious suffragettes are relegated to small etchings on the new statue's plinth, a marginalisation that hints at lingering unease with their methods. Some historians think the new rights were won solely by the suffragists, and that the suffragettes' outrages were a distraction from the cause or even—by alienating some wavering supporters—actively damaging to it. Others argue that hearts and minds would have proved more intransigent without their pyrotechnics. "Twenty years of peaceful propaganda had not produced such an effect, nor had fifty years of patient pleading which had gone before," one woman wrote at the time.

### Soldiers in petticoats

This is a false dichotomy. Pitting one group against the other obscures the fact that they operated in tandem. Fawcett—who hosted a banquet at the Savoy for a group of suffragettes on their release from prison—acknowledged that "the successful conduct of every great change needs the combination of the spirit of order with the spirit of audacity." The order and the audacity are equally instructive.

Order was essential for effective organisation. Fundraising paid for grassroots campaigners, who drummed up support, co-ordinated events, sold suffrage literature and wrote reports. They were energetic and incorrigible. In 1913 Helena Swanwick, one NUWSS organiser, spoke at nearly 80 public meetings and wrote "50,000 words on the future of the women's movement". By-elections provided opportunities for targeted campaigns. In 1912 the NUWSS established a fund to assail candidates who opposed suffrage. Two anti-suffrage Liberals duly lost their seats.

The suffragists' sense of order also provides a good leadership model. Fawcett was an elected leader who inspired respect ►►



▶ and loyalty and encouraged debate. By contrast Pankhurst and her daughters were bold, impressive orators who led by example. But they governed as tyrants and cast out dissenters. They also spent long, disruptive stretches in prison and exile.

Yet though the suffragists did make waves, particularly with their “Mud March” through London’s boggy streets in 1907, it was the suffragettes’ audacity that secured publicity. Their exploits cleverly reflected their demands. Smashing windows and setting fires were comments on women’s lack of property rights. Emily Wilding Davison, best known for being fatally trampled by the king’s horse at the Epsom Derby in 1913, hid in a broom cupboard in the Houses of Parliament during the census of 1911, so that a woman could list the House of Commons as her address.

The suffragettes were witty. Guards at Parliament were wary of well-dressed women, so Muriel Matters—“one of their youngest but more determined warriors”, according to the *Daily Express*—hired an air balloon emblazoned with “Votes for Women” and tried to rain WSPU pamphlets over Westminster. Adverse weather threw her off-course, but the madcap stunt made headlines across the world.

### The shackles of yesterday

Their willingness to suffer engendered sympathy as well as havoc. Some, such as Kitty Marion, were force-fed over 200 times. Plenty were sexually assaulted by policemen or agitated crowds. This fiery approach consumed the suffragettes’ livelihoods and health—inevitably making it harder to sustain than the constitutional one. The WSPU suspended its militant activities in 1914, out of deference to the war effort; the NUWSS persisted. Fawcett described the suffragist campaign as “like a glacier; slow moving but unstoppable”.

As Helen Pankhurst, Emmeline’s great-granddaughter, outlines in “Deeds Not Words”, modern feminists’ aims are less straightforward than those of 100 years ago. Then campaigners cared about many causes, from access to the professions to sexual double standards, but they were galvanised by a single, simple goal: the right to vote. Today, write Eva Tutchell and John Edmonds in “The Stalled Revolution”, discrimination “is much less obvious than the blatant injustice that was prevalent a generation ago”, but it still blights lives. Now, though, no specific issue supersedes all others, within countries let alone between them. Moreover, though some problems can be fixed by laws, such as paid parental leave and subsidised child care, others, such as the gender pay gap and harassment, endure despite prohibitions (albeit often shabbily enforced).

Different and varying as these modern challenges are, together the suffragists and suffragettes offer a road-map. Ordered

campaigning remains the main way of changing the law. In “Equal Power”, Jo Swinson, deputy leader of Britain’s Liberal Democrats, encourages women to “keep the pressure on” their political representatives by raising uncomfortable issues, even outside election season. Internet petitions have already scored some victories (an average of 70% of signatories on change.org, a petitions website, are female). In Britain a call for the sales tax on menstrual products to be lifted was signed by more than 320,000 people, nudging Parliament to pass an amendment in 2016.

These days women’s organisations tend to lack the financial heft needed to emulate the suffragists’ election fund. But they can make a difference in other ways. International research by Mala Htun and S. Laurel Weldon, two political scientists, found that by influencing trade unions and other power-brokers, such groups played a vital role in workplace reform. In India and Latin America women’s movements have helped secure gains for rural and domestic labourers. Meanwhile the British government recently enforced a law obliging firms with more than 250 employees to publish data about the average earnings of men and women. The Fawcett Society, a charity named after Millicent, pushed for that transparency.

Cultural change is trickier to orchestrate than the legislative kind. For that, making as much noise as possible is often the best strategy. A century ago women resorted to the “argument of the broken pane” because they had no other way of making themselves heard. They chained themselves to railings, set buildings on fire and put bombs in post-boxes. Today’s campaigners can harness more effective megaphones, such as social media and journalistic exposés. One of their forebears’ lessons is that shocking the public into changing its mind may not be achieved in a year or even ten. But it can be done. ■



Their daughters’ daughters

### Motherhood and literature

## Medea’s shadow

**Writers and Their Mothers.** Edited by Dale Salwak. *Palgrave Macmillan*; 257 pages; \$34.99 and £19.50

**Mothers: An Essay on Love and Cruelty.** By Jacqueline Rose. *Farrar, Straus and Giroux*; 256 pages; \$26. *Faber & Faber*; £12.99

A SHIVER of anxiety may strike female readers who pick up “Writers and Their Mothers”. On top of everything else, are mothers to be blamed for creativity skewed or thwarted in the cradle, at the breast or on the potty? Open this book of essays, and sure enough, there is William Golding’s mum apologising on her deathbed for having been a “bad mother”. “Too little cuddling” was what she meant, the author himself thought; “too much bottle ... too little bosom”.

These details come in a wonderful piece by Golding’s daughter, Judy Carver. Mildred Golding was not a “bad” mother, but several others fit the description. John Ruskin’s made him interpret the Bible, from Genesis to Revelation, again and again, as soon as he could read. Robert Lowell’s never allowed him onto her lap for fear of creasing her dress. True, Mrs Golding was physically remote, but her imagination was alive, and her son acknowledged his debt to her. “She was, as I am, a fantasist,” he wrote, with a “tumultuous ... torrid, complex” inner life.

Predictably, some of the collection’s best essays are in its autobiographical section, in which the writers themselves cast their minds back, reinterpreting things seen or guessed at in childhood. Many remember noticing their mothers’ unspoken marital frustrations. Ian McEwan’s was silenced by her military husband’s “iron certainties”; Andrew Motion’s escaped into a world of books at odds with her spouse’s guns and fishing rods. Lyndall Gordon’s endured a “boredom that deadens the air around my father”.

As a child, Ms Gordon determined never to “settle for a blocked-off man like husbands of my mother’s generation”. This post-war generation features repeatedly, as it does in Jacqueline Rose’s “Mothers: An Essay on Love and Cruelty”. These were the mothers, writes Ms Rose, “who found themselves, after a devastating war, under the harshest obligation to be happy and fulfilled in that role”—as though their function, as mothers, was to kiss the world better, wipe away its tears and smile.

“Mothers” is a passionate polemic, not just against that obligation—bound as it is to fail—but against its personal and politi- ▶▶

## Apocalyptic fiction

## Planet of the apes

**Theory of Bastards.** By Audrey Schulman. Europa Editions; 416 pages; \$18 and £12.99

IN “Three Weeks in December”, Audrey Schulman’s novel of 2012, an American ethno-botanist heads to Rwanda in search of a potentially life-saving vine. She befriends a family of gorillas, but their bond is threatened by a group of Congolese child soldiers. Ms Schulman’s new novel, “Theory of Bastards”, also revolves around a female scientist who interacts with an endangered great ape—in this case the bonobo, or pygmy chimpanzee. What begins as a fascinating study of evolution turns into a taut battle for survival.

This time the setting is not Africa but a futuristic Midwest. Francine (“Frankie”) Burk—Canadian like the author—takes a placement at a research institute outside Kansas City. There she observes the mating behaviour of bonobos, to verify



her controversial theory about the “Benefits of Bastards”. She also begins to walk again after an operation for endometriosis. Aiding her little steps and scientific leaps is an ex-soldier, David Stotts.

Gradually the pair develop a common language, he no longer “Kansas-polite”, she no longer “Manhattan-rude”. More important for Frankie, though, is the ability to communicate with the bonobos. But just as she begins to make progress, a dust storm approaches—“Like death or anaesthesia, an inching thief”—and wreaks havoc. Days later, with supplies exhausted and rescue elusive, Frankie, Stotts and 14 apes, all hungry, thirsty and dirty, take their chances outside.

The main section of the book, chronicling Frankie’s initial spell at the Foundation, is devoted to relationship-building and fact-finding. Occasionally those facts, evolutionary and psychological, are intrusive. Fortunately, Ms Schulman’s imagined future is intriguing, an all-too-credible realm of self-driving cars, talking fridges, printable food and data-accessing BodyWare, plagued by extreme weather and cyber-attacks. Her cast, human and simian, is compelling, particularly her heroine, who rebounds from one cruel blow after another.

The novel changes gear when the storm sweeps in, disabling technology and bringing Frankie and Stotts closer. Their final, desperate trek across a treacherous, post-apocalyptic landscape is expertly rendered. The reader’s mounting dread proves that the characters’ fates have come to matter. Ms Schulman’s finest novel yet is an examination of sexual relations, the “careful theatre” of civilisation, and humanity’s responsibilities in a rapidly changing world. It is both an edifying read and an exhilarating one.

cal implications. “What are we doing to mothers,” Ms Rose asks, when they are expected to carry the burden “of everything that is hardest to contemplate about our society and ourselves?” It is a big question with many layers, and she pursues it through a huge variety of texts, settings and experiences, from the *Sun* newspaper to Euripides, North America to South Africa, feminist critique to psychoanalysis, poetry, fiction and personal history.

Ms Rose’s intellectual range is dazzling; perhaps, for some readers, exhausting. Yet woven through her analysis is a simple proposition. Motherhood is messy, physical and emotionally. Like nothing else, it

acquaints women with extremes of feeling. It reaches parts most never thought they had. “There is nobody in the world I love as much as my child, nobody in the world who makes me as angry,” Ms Rose confesses. “Instead of maternal goodness welling up”, says another mother she quotes, “the situation seemed to open up new areas of badness in my character”.

The spectre of bad mothering, of Medea and her descendants, haunts this book, as do “blood, guts, misery and lust”. Ms Rose’s point is that pain is the qualification mothers bring to the world: the fact that “they are not in flight from the anguish of what it means to be human.” ■



## Rethinking death

## The only end of age

**Natural Causes.** By Barbara Ehrenreich. Twelve; 210 pages; \$27. Granta; £16.99

A FEW years ago Barbara Ehrenreich stopped going for check-ups. The decision to forgo cancer screenings and physical exams has set her apart from her friends, whose calendars are full of doctors’ appointments and whose cupboards are crammed with supplements and medicines. But as the American writer, who is 76, explains in “Natural Causes”, once she realised she was “old enough to die”, there was no good reason to live a “medicalised life”. Her remaining time is “too precious to spend in windowless waiting rooms”.

Ms Ehrenreich is no anti-science hippy. She will go to the doctor in an emergency. The author of over 20 books of social commentary, including “Nickel and Dimed”, an acclaimed account of poverty in America, she has a PhD in cellular immunology.

What angers her is the “illusion of control” sold by the “medical-industrial complex”. She skewers the fads that promise eternal youthfulness, such as celebrity-endorsed “radio-frequency skin-tightening”, and bossy books on “successful ageing”. But she argues that mainstream procedures such as cancer-screening are oversold as well. One study published in 2012 by the *New England Journal of Medicine* estimated that from 1976 to 2008 over 1m American women received a diagnosis—plus painful treatment—for tumours that would not have led to clinical symptoms.

Yet “Natural Causes” is more than a rant ►►



▶ about snake-oil salesmen. It is an eclectic, if scattershot, musing on attitudes to life and death. These have changed hugely since the pre-modern era, as other writers have noted. In a seminal book about Western attitudes to mortality published in 1974, Philippe Ariès, a French historian, argued that before the 18th century death was rarely resisted. Life expectancy at birth hovered at around 30. Since Christianity taught that time on Earth was preparation for the afterlife, and that God decided death's moment, you might as well do good works in the meantime.

Thanks to the wonders of science and economic growth, life expectancy in rich countries is now more than 80. Death is generally less capricious and sudden. Concomitantly humans are far less likely to see themselves as helpless against the grim reaper. Doctors have ousted priests as the anointed experts in mortality. Spin classes have replaced the sacraments.

For Ms Ehrenreich, the notion that humans can master their bodies is flawed and dangerous. Disease will strike everyone eventually. As Philip Roth wrote in his novel "Everyman", "Old age is a massacre." Equating health with virtue, she adds, means that the rich, who may spend \$100 per hour on fitness regimes, look down on obese people as incapable of self-control, when they may instead lack education.

In one of the book's more interesting digressions, Ms Ehrenreich argues that the idea of self-mastery is misguided since it stems from a misreading of biology. Articulating her "dystopian view of the body", she rejects the concept of it as a well-oiled machine. Instead it is a battleground. She emphasises new research in immunology that suggests different cells are often in conflict with each other rather than working in concert. Macrophages, often seen as biochemical binmen which circulate gobbling pathogens, can help cancer cells spread—"cheerleaders on the side of death", she calls them.

It is just one logical step from Ms Ehrenreich's dystopian view to believing that control over our health is illusory. She urges readers to spend less time self-medicating. "Many people will find this perspective disappointing, even defeatist," she concedes.

She does go too far. For all the false positives, screening programmes still save lives. Other tenets of preventative medicine, such as vaccines, sanitation and anti-smoking initiatives, save many more. And for most of the world, including America, a lack of health care is a bigger problem than a surplus of it. It may be easy for a well-heeled American to feel over-medicalised; less so a single mother without insurance.

Nevertheless there is a profound message buried in this survey. It is that real choice in health care must involve the freedom to refuse it. ■

## Contemporary art in Italy

# The new Medicis

FLORENCE

**The supreme Renaissance city is learning to love contemporary art**

WHEN Arturo Galansino returned to his native Italy from a post at the Royal Academy of Arts in London in 2015, he soon realised that the zeitgeist "was exactly the opposite of what was happening in New York and London: the art of the past was having more success than contemporary art". Italy could boast some of the most influential cutting-edge artists and collectors. Yet enthusiasm for their efforts was confined to a small minority.

Nowhere was that truer than Florence, where Mr Galansino had just become director general of Palazzo Strozzi, a prime exhibition space. Though his reputation as a curator had been built on shows of Old Masters at the Louvre and Britain's National Gallery, he set about lending the Palazzo's substantial reputation and resources to a fledgling movement that is turning the supreme Renaissance city into Italy's liveliest arena for contemporary art. Since 2016 Palazzo Strozzi has hosted ambitious shows by Ai Weiwei and Bill Viola.

On April 19th Mr Galansino will take a more provocative step when the latest installation—or is it an experiment?—from a German scientist-turned-artist, Carsten Höller, opens at Palazzo Strozzi. Devised with help from an Italian neuro-biologist, Stefano Mancuso, it involves one of Mr Höller's trademark spiralling chutes, two cinemas and some bean plants (it would spoil the fun to say why).

Two days later, the new director of the Museo Novecento, Sergio Risaliti, will unveil an exhibition of sculptural designs, including sketches by Louise Bourgeois and Rachel Whiteread—the first in a string of new initiatives at the only museum in Florence earmarked for modern art. Among other ideas, Mr Risaliti hopes to put large contemporary sculptures in the magnificent square separating the museum from the Basilica of Santa Maria Novella. Not long ago, such a suggestion would have provoked outrage. "But the city has finally understood that it can't just look back at the glorious past," says Mr Risaliti.

For that, he himself must take much of the credit, along with two imaginative mayors: Matteo Renzi, who went on to become prime minister, and Dario Nardella. It was Mr Risaliti who in 2014 used the Forte di Belvedere overlooking the south bank of the River Arno for a ground-breaking exhibition of work by Giuseppe Penone, an *Arte Povera* maestro. Antony Gormley and Jan Fabre soon followed Mr

Penone into the 16th-century fortress.

In 2015 Mr Risaliti—in collaboration with a public-private partnership, Mus.e—set a gilded Jeff Koons statue alongside the copy of Michelangelo's David in Piazza della Signoria (see picture). He compares his activities to "prodding a dormant body". This jabbed a finger at the most inert bit: a square in which the last original statue was installed five centuries earlier.


The metallic surface of the Koons statue reflected the works around it, capturing a special quality of Florence's contemporary boom—its opportunities for interaction between the creativity of past and present. "It can seem as if artists cancel what went before them," says Mr Risaliti. "But in fact they never do." Mr Galansino aims to "put together the two things and see how much of the contemporary is old and how much of the old is contemporary".

The show dedicated to Mr Viola, who lived in Florence in his 20s, was a striking attempt to do that. Some of his best-known videos were set alongside the Renaissance masterpieces that inspired them, by Masolino, Pontormo and Uccello. Mr Galansino says one factor that encouraged him to gamble on contemporary art was that he could count on the foreigners who visit the city as tourists or students. It speaks volumes about the success of Florence's new departure that 85% of tickets for the Viola show reportedly went to Italians. ■



Roll over, Michelangelo



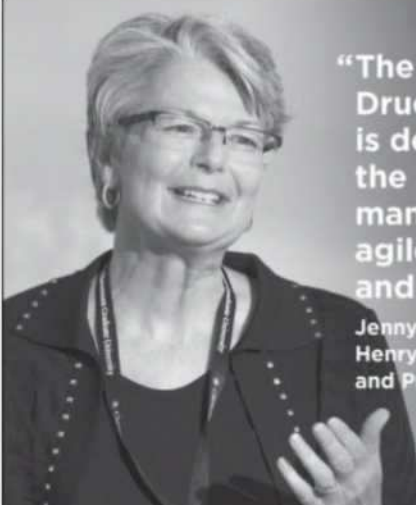


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# RETHINK CITIES

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The LSE Executive MSc in Cities fuses the latest cities research with the necessary leadership skills to improve the way we analyse, strategise and deliver urban projects and policies. The programme is provided in five intensive learning and networking weeks spread over 12 months followed by a six month consultation project in the participant's organisation.

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## The Green Climate Fund is seeking to select and appoint its Permanent Trustee



The Green Climate Fund (GCF) is inviting proposals from eligible public international financial institutions to become its permanent trustee. The selected institution will establish the GCF Trust Fund in accordance with the Terms of Reference of the Permanent Trustee.

The GCF was established in 2010 by the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) and was designated as an operating entity of the Financial Mechanism of the UNFCCC in 2011. The Financial Mechanism of the UNFCCC also serves the Paris Agreement, and in 2015 the Parties to the UNFCCC decided that the GCF, as an operating entity of the Financial Mechanism of the UNFCCC, shall also serve the Paris Agreement.

The objective of the GCF is to promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.

The GCF is governed by a Board, comprising 24 members equally divided between developed and developing country parties to the UNFCCC. It is served by an independent secretariat located in Songdo, Republic of South Korea. The World Bank serves as the interim Trustee of the GCF.

The GCF became fully operational in 2015, and now has agreements with 59 international and national entities to implement projects and programmes. It has committed more than USD 3 billion for mitigation and adaptation activities in 79 developing countries. It has received over USD 5.5 billion in contributions to date from more than USD 10 billion in pledges for its initial resource mobilization period (2015 - 2018).

The selected public international financial institution will be appointed as the permanent Trustee of the GCF. The Trustee *inter alia*, will receive, hold in trust, and invest the financial contributions from contributors, as well as transfer of such resources to beneficiaries, pursuant to GCF instruction. The Trustee will submit periodic financial reports to the GCF.

Potential applicants are invited to consider the Terms of Reference of the Permanent Trustee at [www.greenclimate.fund/trustee-selection](http://www.greenclimate.fund/trustee-selection), and to gain more information on the GCF at [www.greenclimate.fund](http://www.greenclimate.fund).

**Applications / letters of intent along with associated questions should be sent to [procurement@gcfund.org](mailto:procurement@gcfund.org) before the application deadline of 17:00 hours 14th May 2018 Korean Standard Time (Seoul Time).**

### The Economist

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## HYDROCARBON POLLUTION REMEDIATION PROJECT [HYPREP] FEDERAL MINISTRY OF ENVIRONMENT

PLOT 280, PETER ODILI ROAD, TRANS AMADI, PORT HARCOURT, RIVERS STATE, NIGERIA

### CLARIFICATION TO INVITATION FOR PREQUALIFICATION OF CONTRACTORS FOR REMEDIATION OF HYDROCARBON IMPACTED SITES IN Ogoniland, NIGERIA

The Hydrocarbon Pollution Remediation Project [HYPREP] wishes to issue the following additional information/clarification to its earlier advertisement published in The Guardian, Daily Trust, Ogoni Star & The Tide of Friday 30<sup>th</sup> March 2018; The Economist of Saturday 31<sup>st</sup> March 2018; and the Federal Tenders Journal of Monday 2<sup>nd</sup> April 2018, entitled "Invitation for Prequalification of Contractors for Remediation of Hydrocarbon Impacted Sites in Ogoniland, Nigeria":

1. **Scope of Work:** The works shall be executed in lots, each of which shall involve the remediation of 5,000m<sup>3</sup> to 100,000m<sup>3</sup> hydrocarbon polluted soil, and an indeterminate volume of similarly polluted groundwater.
2. **Tender:** All references to "tender", "tender documents" and "tenderers" in the advertisement shall respectively mean "prequalification" "prequalification documents" and "prequalification applicants".
3. **Submission Date:** The time and date for submission of prequalification documents is hereby extended to no later than 1200 hours (UTC+1:00) of Monday 30<sup>th</sup> April 2018.
4. **Mandatory Requirements:** The third paragraph of this section is amended to read as follows: "Non-Nigerian companies wishing to respond to this advertisement may, in lieu of Items 3g, 3h, 3i, 3j, 3k & 3l, provide evidence of compliance with statutory requirements to participate in public procurements in their country of domicile".

All other information in and requirements of the above referenced advertisement remain unchanged.

Contractors and consortia intending to respond to the above referenced invitation for prequalification are therefore advised to take notice of the above listed additional information/clarification in preparing prequalification documents.

Signed:

Project Coordinator, HYPREP, Port Harcourt, Nigeria



REPUBLIKA E SHQIPËRIË

MINISTRY OF INFRASTRUCTURE AND ENERGY

### NOTIFICATION OF THE CONTRACT

**Name and address of the contracting authority:** Ministry of Infrastructure and Energy, Abdi Toptani No. 1

**Name and address of the person responsible:**

Teuta Balili, Ministry of Infrastructure and Energy,  
(e-mail: teuta.balili@infrastruktura.gov.al, cc etleva.kondi@infrastruktura.gov.al)

**Type of contracting authority:** Central Institution

**The form, object and type of contract:** The form: Concession/PPP; The object: Construction and Maintenance of the Thumanë – Fushe-Kruje – Vorë – Kashar Road and the type of contract is "Work"

**Project Forecast Value:** The estimated value of the project based on the feasibility study is: 245,750,755 Euros

**Contract duration:** 13 years

**The location of the contract:** The layout of this road starts from the roundabout in the axis Milot-Fushe Kruje (Thumana) and ends with an interchange intersection in the road axis of Tirana-Durres (approximately at km 12 near Kashar at the Limuthi Bridge)

**Legal, economic, financial and technical information and Criteria for the selection of the winner:** In accordance with Appendix 9 of ToR

**Deadline for submission of bids:** Within and not later than: 11th of June 2018, 12:00 CEST

**Deadline for opening of bids:** Within and not later than: 11th of June 2018, 12:00 CEST

**Period of validity of bids:** 180 days

HEAD OF CONTRACTING AUTHORITY

Gentian Këri

## INVITATION FOR PRE-QUALIFICATION ELECTRO-MECHANICAL WORKS OF LOWARI TUNNEL PROJECT, PAKISTAN

1. National Highway Authority (NHA), Ministry of Communications, Government of Pakistan has undertaken the Project of Lowari Tunnel including Two (02) number of Two Lane road tunnels of 8.5 Km and 1.9 Km at an altitude of about 8000 ft. in the northern part of Pakistan between Dir and Chitral. The Civil Works of 8.5 Km tunnel and 1.9 Km tunnel are complete including Concrete lining, Intermediate Ceiling and Road.
2. National Highway Authority (NHA) invites applications from the eligible National and International firms for pre-qualification for the Works "Electro-Mechanical Works of Lowari Tunnel Project" on Design-Build Basis which include inter alia the following:

a. Tunnel Ventilation Lighting System	f. Traffic Management System & Toll Station
b. Air Quality Measurement System	g. Fire Detection & Fire Fighting System
c. Closed Circuit Telephone System	h. SCADA and Tele Control System
d. Emergency Call, Telephone and Radio System	i. Power Generation, Emergency Power & Earthing
e. Public Address System & Tunnel Fittings	j. E&M Portal Buildings and Associated Civil Works

3. Pre-qualification documents, containing detailed terms and conditions are available at address mentioned below. Price of the pre-qualification documents is Rs. 1000/- in the form of Demand Draft/Pay Order in favor of National Highway Authority, Islamabad. Pre-qualification documents can also be downloaded from NHA website free of cost.
4. Bidding Process with reference to advertisement published on 31st December 2016 for the above said Works, has been annulled.
5. "Pre-qualification Applications", prepared in accordance with the instructions provided in the Pre-qualification Documents, must reach at address mentioned below on or before 21st May, 2018 until 1100 hours. Pre-qualification Application will be opened on 21st May, 2018 at 1130 hours in NHA Auditorium. Addendum(s)/Corrigendum(s), if any, will be uploaded on NHA website mentioned below. This advertisement is also available on PPRA website at [www.ppra.org.pk](http://www.ppra.org.pk).



General Manager (P&CA)

National Highway Authority, Ministry of Communications  
28-Mauve Area, G-9/1, Islamabad/Pakistan  
Phone: +92-51-9032727, Fax: +92-51-9260419  
Email: [gmpca.nha@gmail.com](mailto:gmpca.nha@gmail.com) Website: [www.nha.gov.pk](http://www.nha.gov.pk)



## Economic data

% change on year ago

	Gross domestic product			Industrial production	Consumer prices		Unemployment rate, %	Current-account balance		Budget balance % of GDP	Interest rates, %	Currency units, per \$	
	latest	qtr* 2018 <sup>†</sup>	2018 <sup>†</sup>		latest	latest		2018 <sup>†</sup>	latest 12 months, \$bn			% of GDP 2018 <sup>†</sup>	% of GDP 2018 <sup>†</sup>
United States	+2.6 Q4	+2.9	+2.8	+4.3 Mar	+2.4 Mar	+2.4	4.1 Mar	-466.2 Q4	-2.7	-4.6	2.84	-	-
China	+6.8 Q1	+5.7	+6.6	+6.0 Mar	+2.1 Mar	+2.3	3.9 Q1 <sup>§</sup>	+164.9 Q4	+1.3	-3.5	3.33 <sup>§§</sup>	6.29	6.89
Japan	+2.0 Q4	+1.6	+1.5	+1.6 Feb	+1.5 Feb	+1.0	2.5 Feb	+194.1 Feb	+3.7	-4.9	0.02	107	109
Britain	+1.4 Q4	+1.6	+1.5	+2.2 Feb	+2.5 Mar	+2.5	4.2 Jan <sup>††</sup>	-106.7 Q4	-3.9	-2.7	1.53	0.70	0.78
Canada	+2.9 Q4	+1.7	+2.2	+2.4 Jan	+2.2 Feb	+2.0	5.8 Mar	-49.4 Q4	-2.6	-1.9	2.29	1.26	1.34
Euro area	+2.8 Q4	+2.7	+2.4	+2.9 Feb	+1.3 Mar	+1.5	8.5 Feb	+462.4 Jan	+3.1	-1.0	0.53	0.81	0.93
Austria	+2.9 Q4	+1.6	+2.7	+6.1 Jan	+1.9 Mar	+2.0	5.2 Feb	+7.7 Q4	+2.4	-0.7	0.62	0.81	0.93
Belgium	+1.9 Q4	+2.1	+1.9	+6.6 Jan	+1.4 Mar	+1.8	6.4 Feb	-0.8 Dec	-0.2	-1.1	0.76	0.81	0.93
France	+2.5 Q4	+2.8	+2.2	+4.0 Feb	+1.6 Mar	+1.5	8.9 Feb	-14.4 Feb	-1.0	-2.4	0.75	0.81	0.93
Germany	+2.9 Q4	+2.4	+2.5	+2.4 Feb	+1.6 Mar	+1.6	3.5 Feb <sup>†</sup>	+310.4 Feb	+7.8	+0.8	0.53	0.81	0.93
Greece	+1.8 Q4	+0.4	+1.6	-1.9 Feb	-0.2 Mar	+0.8	20.8 Dec	-1.7 Jan	-1.4	-0.2	4.00	0.81	0.93
Italy	+1.6 Q4	+1.3	+1.5	+2.5 Feb	+0.8 Mar	+1.2	10.9 Feb	+53.9 Jan	+2.7	-2.0	1.72	0.81	0.93
Netherlands	+2.9 Q4	+3.1	+2.8	+4.1 Feb	+1.0 Mar	+1.5	5.0 Feb	+84.9 Q4	+9.5	+0.7	0.65	0.81	0.93
Spain	+3.1 Q4	+2.7	+2.8	+3.1 Feb	+1.2 Mar	+1.4	16.1 Feb	+25.5 Jan	+1.7	-2.6	1.17	0.81	0.93
Czech Republic	+5.5 Q4	+3.2	+3.3	+2.7 Feb	+1.7 Mar	+2.2	2.4 Feb <sup>†</sup>	+1.9 Q4	+0.7	+0.8	1.73	20.4	25.0
Denmark	+1.3 Q4	+3.7	+1.9	+0.5 Feb	+0.5 Mar	+1.3	4.1 Feb	+24.3 Feb	+7.7	-0.7	0.55	6.02	6.95
Norway	+1.4 Q4	-1.1	+1.8	-1.3 Feb	+2.2 Mar	+2.0	4.0 Jan <sup>††</sup>	+20.2 Q4	+5.5	+4.9	1.92	7.75	8.52
Poland	+4.3 Q4	+4.1	+4.2	+7.4 Feb	+1.3 Mar	+1.9	6.8 Feb <sup>§</sup>	+0.3 Feb	-0.2	-2.2	3.01	3.36	3.96
Russia	+0.9 Q4	na	+1.9	+0.9 Mar	+2.4 Mar	+3.1	5.0 Mar <sup>§</sup>	+41.7 Q1	+2.9	-1.0	8.13	61.2	56.1
Sweden	+3.3 Q4	+3.5	+2.7	+6.7 Feb	+1.9 Mar	+1.8	6.3 Feb <sup>§</sup>	+17.1 Q4	+4.2	+0.6	0.67	8.39	8.99
Switzerland	+1.9 Q4	+2.4	+2.1	+8.7 Q4	+0.8 Mar	+0.6	2.9 Mar	+66.6 Q4	+8.6	+0.8	0.05	0.97	1.00
Turkey	+7.3 Q4	na	+4.2	+9.9 Feb	+10.2 Mar	+9.9	10.8 Jan <sup>§</sup>	-53.3 Feb	-5.5	-2.8	12.83	4.02	3.67
Australia	+2.4 Q4	+1.5	+2.8	+1.6 Q4	+1.9 Q4	+2.1	5.5 Mar	-32.3 Q4	-2.2	-1.2	2.76	1.28	1.33
Hong Kong	+3.4 Q4	+3.3	+2.8	+0.6 Q4	+3.1 Feb	+2.0	2.9 Feb <sup>††</sup>	+14.3 Q4	+4.5	+0.8	2.10	7.85	7.77
India	+7.2 Q4	+6.6	+7.2	+7.1 Feb	+4.3 Mar	+4.8	6.2 Mar	-39.1 Q4	-2.1	-3.5	7.54	65.6	64.6
Indonesia	+5.2 Q4	na	+5.4	-3.5 Feb	+3.4 Mar	+3.7	5.5 Q3 <sup>§</sup>	-17.3 Q4	-2.0	-2.6	6.63	13,775	13,297
Malaysia	+5.9 Q4	na	+5.5	+3.0 Feb	+1.3 Mar	+2.9	3.3 Feb <sup>§</sup>	+9.4 Q4	+2.8	-2.8	4.01	3.89	4.41
Pakistan	+5.4 2018**	na	+5.4	+5.5 Feb	+3.2 Mar	+5.7	5.9 2015	-15.7 Q4	-5.0	-5.5	9.00 <sup>†††</sup>	116	105
Philippines	+6.5 Q4	+6.1	+6.1	+24.8 Feb	+4.3 Mar	+4.5	5.3 Q1 <sup>§</sup>	-2.5 Dec	-0.2	-1.9	6.22	52.1	49.6
Singapore	+4.3 Q1	+1.4	+3.0	+8.9 Feb	+0.5 Feb	+0.9	2.1 Q4	+61.0 Q4	+21.2	-0.7	2.37	1.31	1.40
South Korea	+2.8 Q4	-0.8	+2.9	-6.4 Feb	+1.3 Mar	+1.8	4.5 Mar <sup>§</sup>	+71.7 Feb	+5.0	+0.7	2.66	1,069	1,143
Taiwan	+3.3 Q4	+4.3	+2.5	-1.9 Feb	+1.6 Mar	+1.3	3.7 Feb	+84.1 Q4	+14.2	-0.8	1.01	29.4	30.4
Thailand	+4.0 Q4	+1.8	+4.0	+4.6 Feb	+0.8 Mar	+1.1	1.3 Feb <sup>§</sup>	+49.3 Q4	+10.4	-2.3	2.43	31.2	34.4
Argentina	+3.9 Q4	+3.9	+2.9	+4.2 Feb	+25.6 Mar	+21.1	7.2 Q4 <sup>§</sup>	-30.8 Q4	-5.0	-5.6	4.19	20.1	15.2
Brazil	+2.1 Q4	+0.2	+2.7	+2.8 Feb	+2.7 Mar	+3.4	12.6 Feb <sup>§</sup>	-7.8 Feb	-1.2	-7.0	7.76	3.38	3.09
Chile	+3.3 Q4	+2.6	+3.2	+8.9 Feb	+1.8 Mar	+2.4	6.7 Feb <sup>§††</sup>	-4.1 Q4	-0.6	-2.1	4.37	594	649
Colombia	+1.6 Q4	+1.1	+2.5	+1.5 Feb	+3.1 Mar	+3.3	10.8 Feb <sup>§</sup>	-10.4 Q4	-2.9	-2.0	6.42	2,699	2,837
Mexico	+1.5 Q4	+3.2	+2.1	+0.7 Feb	+5.0 Mar	+4.3	3.3 Feb	-18.8 Q4	-1.8	-2.3	7.38	18.0	18.5
Peru	+2.2 Q4	-1.3	+3.7	+0.2 Jan	+0.4 Mar	+1.5	8.7 Feb <sup>§</sup>	-2.7 Q4	-1.8	-3.5	na	3.21	3.25
Egypt	nil Q4	na	+5.1	+12.3 Feb	+13.3 Mar	+16.9	11.3 Q4 <sup>§</sup>	-9.3 Q4	-4.0	-9.8	na	17.7	18.1
Israel	+3.0 Q4	+4.1	+3.9	+6.9 Jan	+0.2 Mar	+0.9	3.8 Feb	+10.5 Q4	+3.5	-2.4	1.76	3.52	3.67
Saudi Arabia	-0.7 2017	na	+1.0	na	+3.0 Feb	+4.4	5.8 Q3	+15.2 Q4	+4.0	-7.2	na	3.75	3.75
South Africa	+1.5 Q4	+3.1	+1.9	+0.8 Feb	+3.8 Mar	+5.0	26.7 Q4 <sup>§</sup>	-8.6 Q4	-2.7	-3.6	8.03	11.9	13.3

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

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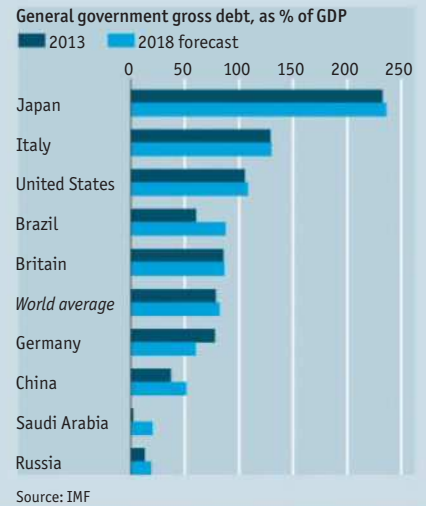
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Markets

	Index Apr 18th	% change on		
		one week	in local currency	in \$ terms
United States (DJIA)	24,748.1	+2.3	+0.1	+0.1
China (SSEA)	3,237.5	-3.6	-6.5	-3.2
Japan (Nikkei 225)	22,158.2	+2.2	-2.7	+2.2
Britain (FTSE 100)	7,317.3	+0.8	-4.8	+0.2
Canada (S&P TSX)	15,530.0	+1.8	-4.2	-4.7
Euro area (FTSE Euro 100)	1,216.1	+1.9	+0.5	+3.6
Euro area (EURO STOXX 50)	3,490.9	+2.1	-0.4	+2.7
Austria (ATX)	3,448.8	+2.5	+0.8	+3.9
Belgium (Bel 20)	3,910.5	+1.4	-1.7	+1.3
France (CAC 40)	5,380.2	+1.9	+1.3	+4.4
Germany (DAX)*	12,590.8	+2.4	-2.5	+0.5
Greece (Athex Comp)	842.3	+5.4	+5.0	+8.2
Italy (FTSE/MIB)	23,759.9	+3.2	+8.7	+12.1
Netherlands (AEX)	553.4	+1.6	+1.6	+4.7
Spain (IBEX 35)	9,857.3	+1.2	-1.9	+1.2
Czech Republic (PX)	1,129.0	+0.4	+4.7	+8.9
Denmark (OMXC20)	887.4	+0.4	-4.3	-1.4
Hungary (BUX)	38,766.5	+2.1	-1.6	+1.5
Norway (OSEAX)	959.6	+1.9	+5.8	+11.6
Poland (WIG)	60,517.1	+1.3	-5.1	-1.9
Russia (RTS, \$ terms)	1,154.6	+6.6	nil	nil
Sweden (OMXS30)	1,552.5	+3.2	-1.6	-4.0
Switzerland (SMI)	8,831.9	+1.4	-5.9	-5.1
Turkey (BIST)	112,099.0	+2.6	-2.8	-8.3
Australia (All Ord.)	5,956.3	+0.5	-3.4	-3.6
Hong Kong (Hang Seng)	30,284.3	-2.0	+1.2	+0.8
India (BSE)	34,331.7	+1.2	+0.8	-1.9
Indonesia (JSX)	6,320.0	-0.6	-0.6	-2.1
Malaysia (KLSE)	1,879.3	+0.5	+4.6	+8.8
Pakistan (KSE)	45,478.6	-2.2	+12.4	+7.3
Singapore (STI)	3,557.8	+2.2	+4.6	+6.7
South Korea (KOSPI)	2,480.0	+1.5	+0.5	+0.7
Taiwan (TWI)	10,847.9	-1.1	+1.9	+3.3
Thailand (SET)	1,771.6	+0.5	+1.0	+5.4
Argentina (MERV)	31,531.9	-1.6	+4.9	-2.0
Brazil (BVSP)	85,776.4	+0.6	+12.3	+10.1
Chile (IGPA)	28,408.7	+1.2	+1.5	+5.1
Colombia (IGBC)	12,331.6	+0.2	+7.4	+18.8
Mexico (IPC)	49,090.7	+1.2	-0.5	+8.2
Peru (S&P/BVL)*	21,362.0	+0.8	+6.9	+7.8
Egypt (EGX 30)	17,705.9	-1.3	+17.9	+18.3
Israel (TA-125)	1,346.4	+2.9	-1.3	-2.5
Saudi Arabia (Tadawul)	8,146.1	+4.4	+12.7	+12.7
South Africa (JSE AS)	57,713.3	+2.7	-3.0	+0.7

Government debt

Global gross public debt has risen in recent years and is set to stand at 82% of GDP in 2018, according to the International Monetary Fund. Japan's level of gross government debt is the highest in the world: it is likely to be 236% of GDP this year. Although Saudi Arabia has a smaller amount of public debt relative to output, it has rocketed in recent years, partly because of an oil-price slump. The average amount of government debt owed by low-income economies is set to be 46% of GDP this year, a 14-percentage-point increase since 2013. That still trails rich economies, where public debt has been about 105% of GDP on average since 2012, a level not seen since the second world war.



Other markets

	Index Apr 18th	% change on		
		one week	in local currency	in \$ terms
United States (S&P 500)	2,708.6	+2.5	+1.3	+1.3
United States (NASComp)	7,295.2	+3.2	+5.7	+5.7
China (SSEB, \$ terms)	320.4	-1.9	-6.3	-6.3
Japan (Topix)	1,749.7	+1.4	-3.7	+1.1
Europe (FTSEurofirst 300)	1,496.3	+1.4	-2.2	+0.8
World, dev'd (MSCI)	2,123.8	+2.0	+1.0	+1.0
Emerging markets (MSCI)	1,176.1	+0.1	+1.5	+1.5
World, all (MSCI)	518.3	+1.7	+1.0	+1.0
World bonds (Citigroup)	973.2	-0.3	+2.4	+2.4
EMBI+ (JPMorgan)	819.1	nil	-2.0	-2.0
Hedge funds (HFRX)	1,274.4 <sup>§</sup>	+0.6	-0.1	-0.1
Volatility, US (VIX)	15.6	+20.2	+11.0 (levels)	
CDSs, Eur (iTRAXX) <sup>†</sup>	53.4	-6.9	+18.3	+21.9
CDSs, N Am (CDX) <sup>†</sup>	59.3	-6.5	+20.7	+20.7
Carbon trading (EU ETS) €	13.9	+2.1	+70.8	+76.1

Sources: IHS Markit; Thomson Reuters. <sup>†</sup>Total return index. <sup>‡</sup>Credit-default-swap spreads, basis points. <sup>§</sup>Apr 17th.

Indicators for more countries and additional series, go to: [Economist.com/indicators](http://Economist.com/indicators)

The Economist commodity-price index 2005=100

	2005=100		% change on	
	Apr 10th	Apr 17th*	one month	one year
<b>Dollar Index</b>				
All Items	154.9	155.0	+3.4	+9.7
Food	159.5	157.7	+0.9	+4.4
Industrials				
All	150.1	152.2	+6.1	+16.0
Nfa <sup>†</sup>	141.1	141.0	+1.5	+3.4
Metals	154.0	157.0	+8.0	+21.7
<b>Sterling Index</b>				
All items	198.8	197.0	+1.2	-2.2
<b>Euro Index</b>				
All items	156.0	156.1	+2.7	-4.9
<b>Gold</b>				
\$ per oz	1,339.3	1,343.7	+2.4	+4.4
<b>West Texas Intermediate</b>				
\$ per barrel	65.5	66.5	+4.7	+26.9

Sources: Bloomberg; CME Group; Cotlook; Darmann & Curl; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thomson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. <sup>\*</sup>Provisional <sup>†</sup>Non-food agricultural.

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## Rebel yells

**Milos Forman, film director, died on April 13th, aged 86**

AT THE end of Milos Forman's "Amadeus", at the fade to black, a whinnying last laugh shrieks out of the dark. It is Mozart's laugh, which has plagued his Viennese patrons all through the film. But it is also R.P. McMurphy's laugh near the start of "One Flew Over the Cuckoo's Nest", when the petty crook, played by Jack Nicholson, sheds his handcuffs at the doors of the mental institution and prepares to make mayhem. Milos Forman, who saw "Cuckoo's Nest" take five Academy Awards in 1975 and "Amadeus" take eight in 1985, loved that sound: the disruptive, anarchic signal of creativity on the loose. It could triumph over death or incarceration; and it could explode the lying propaganda of the communist Czech regime under which he stifled until 1968 when, as the Soviet tanks rolled in, he got out.

For him show business had liberating power, whether in the shape of the brave little clown with a spanner, like Chaplin in "The Great Dictator", or of the fantasy operettas of his boyhood, with their backstage smells of make-up and sweaty tights, violets and beer. Barred from acting school because he was already disruptive, he went to the Prague film academy as a desperation move—only to find that film nourished his growing passion, to make something real. Not some ideological socialist

realism, but the day to day unprettified round of ordinary life.

From the purchase of his first movie camera in the 1960s he set out to capture reality. Streets or hospital wards or dance halls contained not crowds, but individuals. Each film he made dwelled on the details of those faces. When casting, the small roles were as important as the larger ones: the catatonic mental patients, the flunkeys at the emperor's court, the sulky girls lined up to be Miss Fireman in "The Firemen's Ball", white workers casually baiting the black hero of "Ragtime". He wanted to put on the screen credible, moving human beings. Much of the horror in "Amadeus" came from faces hidden by masks.

### The woman on the bus

Whenever he could, he picked non-professionals. The star of "Loves of a Blonde" was his former sister-in-law in her first film role; her "mother" was a woman he had heard laughing wildly (that laugh again) at a joke on a bus. Professional actors were too keen to act rather than be natural: Jim Carrey in "Man on the Moon", for example, who applied such belligerent method acting to his portrayal of a comedian, Andy Kaufman, that he had to beg him to stop. Non-professionals, by contrast, were oblivious to the camera. His trick during shoots was to mix

professionals and non-professionals and to use two cameras, so they never knew which one was tracking them. He could catch them off-guard then, for unrepeatable moments. He did not fraternise with the cast himself, let alone compliment them, but clamped a cigar or a pipe in his mouth and went about his work. The film was the thing. Only the film.

Scriptwriting was a labour, and he regarded it as half of his director's job. He weighed every word and how it should go. But ideally he would dispense with scripts altogether, leaving the cast to improvise in their own personalities and their own voices. The stories might be fairly unstructured, too. The plot for his second film to be noticed abroad, "Loves of a Blonde" in 1965, came when he saw a girl walking down the street with a suitcase at two in the morning. She had come to Prague to find a man she had slept with once, but the address he had given her did not exist. With this slim plotline he could make a film as real and compelling as the Italian and French new wave, which he adored.

At first his work was appreciated at home. The regime even felt a bit proud of him. But then "The Firemen's Ball" in 1967 succeeded in bugging them. It was just a comedy of errors, but the unacceptable part was the gradual pilfering of the raffle prizes. Because no one would admit who had done it, everyone in the hall became a suspect. The analogy with wholesale state kleptocracy was too sharp, and the film was banned for ever. This delighted him, but also sent him abroad. When he returned to Prague to make "Amadeus", about the sort of rebel he wished he might have been, it was under the cold eyes of secret police who hid among the extras.

For America he felt fervent admiration. His career there saw ups and downs, frustrations and thin audiences as well as triumphs. Commercial pressure meant that no big studio would touch either "Amadeus" or "Cuckoo's Nest". In 1971 he holed up in despair in the Chelsea Hotel, living on tinned chilli and beer, but after his first crop of Oscars he became professor of film at Columbia, a post he held for 40 years.

He loved America as the country where speech was free. In "The People vs Larry Flynt" in 1996 he celebrated the fact that the most disgusting speech, a smut-peddler's, had been ruled permissible by the Supreme Court. Democracy was either for everybody, or for nobody. It meant that even the most despised or sidelined person could make himself heard. In the course of "Cuckoo's Nest" Chief, a native American who begins the film as apparently deaf and dumb, gradually reveals that he can both hear and talk. By the end of the film, as he smashes his way out of the institution, he is talking freely. As he gains the mountains, he may even laugh. ■



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