

The Economist

NOVEMBER 19TH–25TH 2016

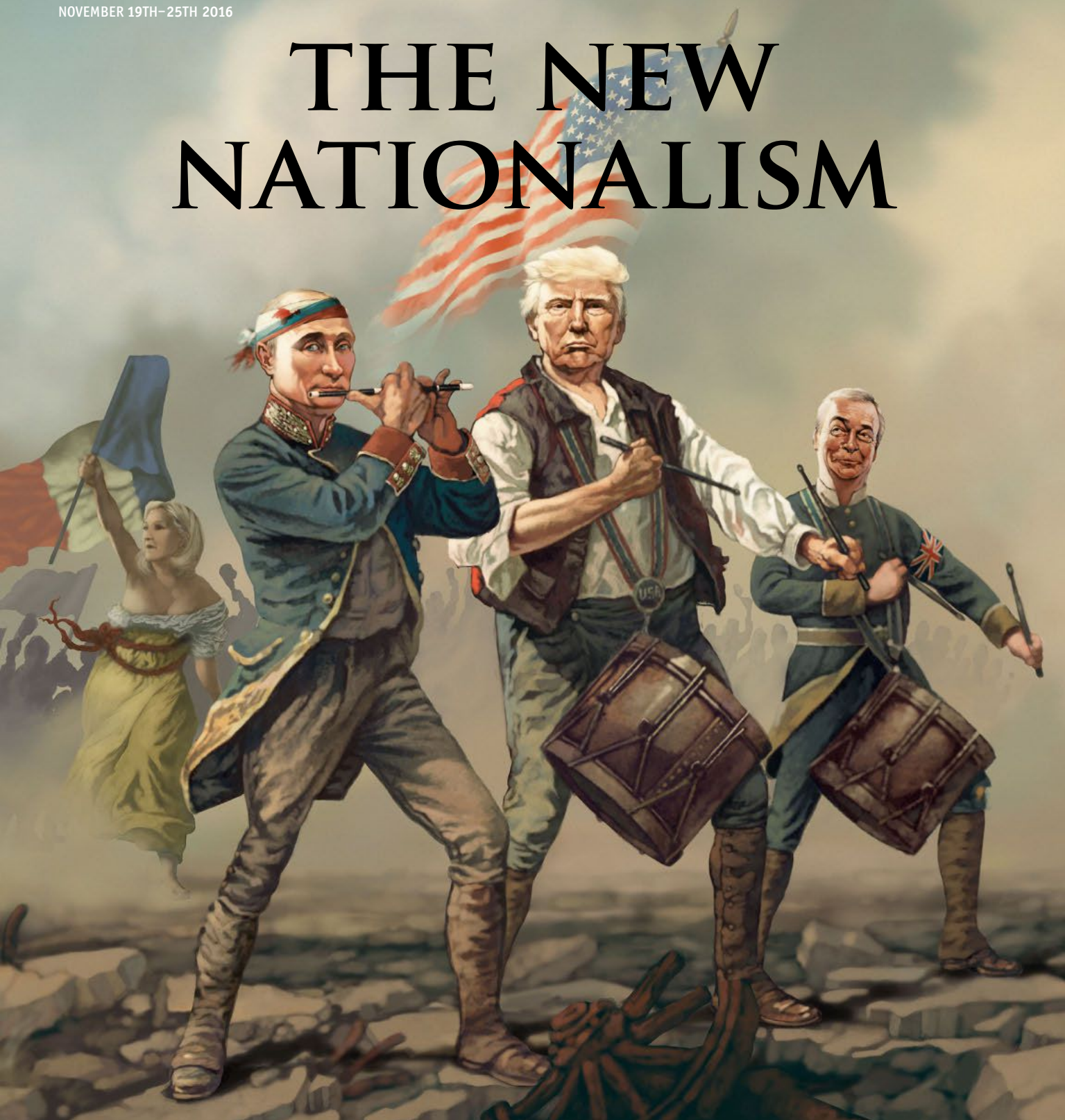
Trumponomics: back to the 1980s

Who are the Chinese?

Turmoil at Tata

How to print your own magnet

THE NEW NATIONALISM





ROLEX HEADQUARTERS IN SWITZERLAND



WATERPROOF TRIPLOCK CROWN



ASSEMBLY OF THE MOVEMENT BY HAND



SUPERLATIVE WATCHMAKING IS A NEVER-ENDING JOURNEY.

The Rolex vision has always been a singular one: to create the most perfect wristwatch. Every Rolex is conceived, designed, manufactured and tested in Switzerland by Rolex. Building watches the Rolex Way is the only way to meet the superlative standards of precision, performance and reliability that are Rolex hallmarks. Today, these superlative standards continue to redefine the possible in mechanical watchmaking. It doesn't just tell time. It tells history.



OYSTER PERPETUAL DAY-DATE 40



DON'T BE A CHRISTMAS SINGLE



GRAY & FARRAR

THE MATCHMAKING SERVICE

Global Headquarters: 68 Brook Street ▪ Mayfair ▪ London ▪ W1K 5DZ ▪ +44 (0)20 7290 9585

▪ WORLDWIDE ▪

www.grayandfarrar.com



On the cover
With his call to put "America First", Donald Trump is the latest recruit to a pessimistic and dangerously zero-sum nationalism: leader, page 11. All around the world, nationalists are gaining ground. Why? Page 51. China has a particular vision of ethnicity and nationhood that carries big implications at home and abroad, pages 20-22

The Economist online

Daily analysis and opinion to supplement the print edition, plus audio and video, and a daily chart Economist.com

E-mail: newsletters and mobile edition
Economist.com/email

Print edition: available online by 7pm London time each Thursday
Economist.com/print

Audio edition: available online to download each Friday
Economist.com/audioedition

The
Economist

Volume 421 Number 9016

Published since September 1843
to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

Editorial offices in London and also:
Atlanta, Beijing, Berlin, Brussels, Cairo, Chicago, Lima, Mexico City, Moscow, Mumbai, Nairobi, New Delhi, New York, Paris, San Francisco, São Paulo, Seoul, Shanghai, Singapore, Tokyo, Washington DC

8 The world this week

Leaders

- 11 **Trump's world**
The new nationalism
- 12 **Obamacare**
And a pony for everyone
- 12 **The French election**
Europe's populist danger
- 13 **Pacific trade**
Try, Persist, Persevere!
- 14 **Tata Group**
Ratantrum

Letters

- 16 **On the American election**

Briefing

- 20 **Who are the Chinese?**
The upper Han

Asia

- 23 **The collapse of TPP**
Trading down
- 24 **South Korean politics**
Talking impeachment
- 25 **Indonesian politics**
Tolerance on trial
- 25 **Malaysia's 1MDB scandal**
Nothing to see here
- 26 **Islamic State in Pakistan**
Lethal partners
- 26 **Australia and asylum-seekers**
The American solution

China

- 27 **Coping with America**
Weighing up Trump
- 28 **Hong Kong's legislature**
Localists disbarred
- 28 **The Communist Party**
Call me comrade
- 29 **Banyan**
A China-America romance?

United States

- 30 **The Trump administration**
Tower of silence
- 31 **American health care**
Obamasnare
- 32 **Trump and the Supreme Court**
Listing right

- 32 **Voter registration**
Oregon lets it ride
- 33 **Capital punishment**
Death has less dominion
- 33 **Conflicts of interest**
Trusts unverified
- 34 **Election data**
Illness as indicator
- 35 **Lexington**
Democrats on the brink

The Americas

- 36 **Latin America and China**
A golden opportunity
- 37 **Haiti after the hurricane**
Voting in a ravaged land
- 38 **Bello**
Colombia's new, improved peace deal

Middle East and Africa

- 39 **The nuclear deal with Iran**
On borrowed time
- 40 **Sex scandals in Iran**
Theocratic trouble
- 40 **War in Syria**
The next push
- 41 **Ghana's election**
Heirs to Nkrumah
- 42 **Corruption in Sierra Leone**
Call it in

Europe

- 43 **France's Republican primary**
The veterans
- 44 **The Balkans return**
End of the Clinton era
- 45 **Russian intrigues**
Arresting developments
- 45 **Procurement spending**
Rigging the bids
- 47 **Charlemagne**
Merkel, iron waffler

Britain

- 48 **Online shopping**
Solid melts into air
- 49 **Brexit and public opinion**
Fifty-fifty nation
- 50 **Bagehot**
The special relationship



What will Trump do? The president-elect appears to be unsure whether or not to govern as he campaigned, page 30. On Obamacare, he has made a promise he cannot keep: leader, page 12. The Republican Congress scrambles to find an alternative to the Affordable Care Act, page 31. Mr Trump's attempt at Reaganomics will prove costlier than the original: Free exchange, page 66. The next administration may slow America's clean-energy transition, but it will not derail it, page 56



French politics The centre-right's nominee will probably face Marine Le Pen for the presidency, page 43. Who can beat her? Leader, page 12



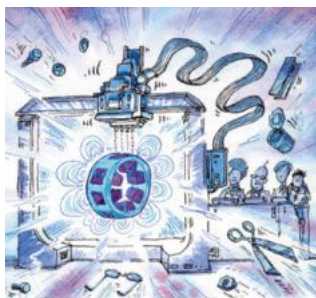
Iran The nuclear deal is unlikely to survive, page 39. A Koranic reciter has threatened the clerics' moral authority, page 40



Trade deals in Asia America's participation in TPP is over. But don't give up efforts to liberalise trade and harmonise standards in Asia: leader, page 13. The pact's demise leaves a worrying void in Asia, page 23. A China-America romance is not as unlikely as many pundits think, but nor could it last: Banyan, page 29



Turmoil at Tata One of Asia's most important firms has descended into chaos. Its patriarch, Ratan Tata, is largely to blame: leader, page 14. India's biggest company adds internal strife to its long list of problems, page 55



Magnetic moments 3D printers promise better, cheaper and more powerful magnets, page 68

International

- 51 Global politics**
League of nationalists

Business

- 55 Tata Group**
Clash of the Tatas
- 56 Donald Trump and American energy**
Polluting the outlook
- 57 Mining**
Vein hope
- 57 Samsung and Harman**
Amp my ride
- 58 Corporate Italy**
Seize the day
- 59 Consumer goods**
Pot of gold
- 60 Schumpeter**
Uncertain business

Finance and economics

- 61 Emerging markets**
Reversal of fortune
- 62 Buttonwood**
Underfunded pensions
- 63 Iceland's economy**
Bubbling again
- 63 Agricultural Bank of China**
Sanctions with Chinese characteristics
- 64 Banks and "too big to fail"**
Kash call
- 64 China's corporate debt**
State of grace
- 65 Credit in China**
Just spend
- 66 Free exchange**
Reaganomics, Trump-style

Science and technology

- 68 Additive manufacturing**
Magnetic moments
- 69 Oceans in space**
Not so lonely sea in the sky
- 69 Malaria**
The bitter bit
- 70 Censusing fisheries**
Where's the catch?

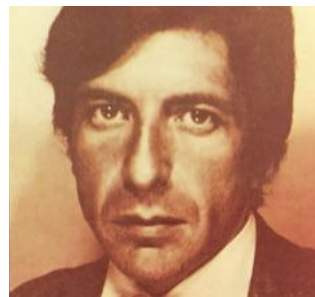
Books and arts

- 71 Globalisation**
The third wave
- 72 Somalia**
Hope among the horror
- 72 Campaign strategists**
The art of political war
- 73 New fiction**
Rhythm of life
- 73 Physics**
Empty space, the final frontier
- 74 Classical music**
West meets East

- 78 Economic and financial indicators**
Statistics on 42 economies, plus a closer look at access to electricity

Obituary

- 80 Leonard Cohen**
Raising the song



Leonard Cohen The novelist, poet and singer died on November 7th, aged 82: Obituary, page 80

Subscription service

For our full range of subscription offers, including digital only or print and digital combined visit

Economist.com/offers

You can subscribe or renew your subscription by mail, telephone or fax at the details below:

Telephone: +65 6534 5166

Facsimile: +65 6534 5066

Web: Economist.com/offers

E-mail: Asia@subscriptions.economist.com

Post: The Economist
Subscription Centre,
Tanjong Pagar Post Office
PO Box 671
Singapore 910817

Subscription for 1 year (51 issues) Print only

Australia	A\$425
China	CNY 2,300
Hong Kong & Macau	HK\$2,300
India	INR 7,500
Japan	Yen 41,000
Korea	KRW 344,000
Malaysia	RM 780
New Zealand	NZ\$460
Singapore & Brunei	S\$425
Taiwan	NT\$8,625
Thailand	US\$288
Other countries	Contact us as above

Principal commercial offices:

25 St James's Street, London SW1A 1HG
Tel: +44 20 7830 7000

Rue de l'Athénée 32
1206 Geneva, Switzerland
Tel: +41 22 566 2470

750 3rd Avenue, 5th Floor, New York, NY 10017
Tel: +1 212 541 0500

1301 Cityplaza Four,
12 Taikoo Wan Road, Taikoo Shing, Hong Kong
Tel: +852 2585 3888

Other commercial offices:

Chicago, Dubai, Frankfurt, Los Angeles,
Paris, San Francisco and Singapore



PEFC certified

This copy of *The Economist* is printed on paper sourced from sustainably managed forests, recycled and controlled sources certified by PEFC www.pefc.org



IN A CHANGING WORLD,
WHATEVER THE DISTANCE,
RELATIONSHIPS MATTER.

New
opportunities
for you

SEAMLESS ACCESSIBILITY

We can achieve great things even when geographically apart. By serving you globally and locally, in person, online, and on the move, your wealth has a voice. Let it be heard.

**MOST INNOVATIVE DIGITAL OFFERING - PRIVATE BANKER INTERNATIONAL
GLOBAL AWARDS 2015**



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

This advertisement is for informational purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument, investment product or service. No representation or warranty or recommendation, express or implied, is made or given with respect to the information, products or services referred to in this advertisement and it should not be relied upon as such. BNP Paribas assumes no responsibility or liability for the information contained herein. Please also note that some products or services described herein may not be available in your jurisdiction. ©BNP Paribas (2016). All rights reserved.

Politics



Emmanuel Macron, a former economy minister in **France's** Socialist government, announced that he would run for the French presidency next year. Mr Macron has set up his own political party, *En Marche!* ("On the Move!"), and will run as an independent. This has riled many Socialists, who worry that by entering the race Mr Macron will hinder their chances of getting to the second round of the election.

Russia withdrew its signature from the founding statute of the International Criminal Court. Though Russia had never ratified the ICC treaty, the move by Vladimir Putin carried symbolic weight, and came a day after the court released a report describing the annexation of Crimea by Russia as an occupation and armed conflict.

Bulgaria's presidential election was won by Rumen Radev of the Socialist Party. He wants to boost ties with Russia, which he says is not incompatible with Bulgaria's membership of the EU. Boyko Borisov, the centre-right prime minister, resigned; a general election will be held early next year. **Moldova** also held a presidential election which was won by Igor Dodon, another pro-Russian Socialist.

After saying it did not recognise a leaked memo that claimed there was division in the cabinet over Brexit, the **British** government denied it had prepared a short "bomb-proof" piece of legislation for triggering Article 50, the formal process for leaving the EU. A

bill just three lines long was apparently drafted in an effort to avoid any delay in the event that the Supreme Court decides that Parliament must be consulted to approve the start of the process.

China is watching

Hong Kong's High Court barred two politicians from taking up their posts in the territory's Legislative Council. A judge ruled that the pair had failed to take their oaths "faithfully and truthfully" during their swearing-in. They had displayed banners saying "Hong Kong is not China" and used derogatory language.

A suicide-bomber killed 52 people at a Sufi shrine in the province of Balochistan in **Pakistan**. Islamic State claimed responsibility.

Police investigating complaints of blasphemy against Basuki Tjahaja Purnama, the governor of **Jakarta**, formally declared him a suspect. Mr Basuki, a Christian, is the leading candidate in next year's gubernatorial election in the Indonesian capital.



In **South Korea** perhaps 1m people protested in Seoul against Park Geun-hye, the president. Ms Park's approval rating has fallen to 5% after a close friend was implicated in an influence-peddling scandal.

The American government abandoned its efforts to get Congress to ratify the **Trans-Pacific Partnership**, a trade deal among 12 countries in Asia and North and South America. Donald Trump had signalled strong opposition to the pact, which already faced an uphill battle in Congress.

Australia said it had struck a deal to send refugees held in detention centres in Nauru and Papua New Guinea to America. Many of the refugees are Muslims, and may therefore fall foul of Mr Trump's proposal to curb Muslim migration to America.

Peace on again

Colombia's president, Juan Manuel Santos, announced that the government had renegotiated its agreement with the FARC guerrilla army to end a 52-year war. Colombian voters had narrowly rejected an earlier version of the accord in a plebiscite in October. The new version requires the FARC to pay all their assets as reparations to victims of the group's crimes. It defines more clearly restrictions on the freedom of guerrillas convicted of war crimes by a tribunal.

The three countries in **Central America's** "northern triangle"—El Salvador, Guatemala and Honduras—launched a joint force to fight organised crime in the region. Gangs in the area operate across borders, committing crimes in one country and taking refuge in a neighbouring one. The new force brings together police, border guards, soldiers and intelligence officers.

Measuring up the West Wing

Donald Trump began naming his White House team, selecting Reince Priebus, the chairman of the Republican National Committee, as his chief of staff, a nod to the party's establishment. But Mr Trump's choice of Steve Bannon to be his main political strategist perturbed many. During the campaign Mr Bannon cultivated the support of the "alt-right", a loose collection of far-right groups.

Republicans in the **House of Representatives** unanimously backed Paul Ryan to continue as Speaker. Mr Ryan has had a tetchy relationship with Mr Trump, which could be severely tested again if Mr Trump's budget proposals swell the deficit. Meanwhile, Democrats in the House postponed a vote

to choose their leader until the end of the month. Nancy Pelosi has led the party since 2003, but her colleagues want more time to reflect on what one of them described as their "shellacking" at the election.

In the **Senate** Mitch McConnell was re-elected as the Republicans' leader. Chuck Schumer replaced Harry Reid on the Democratic side.

The FBI reported that **hate crimes** in America rose by 7% in 2015. The number of hate crimes targeting Muslims rose sharply, though more than half the total crimes that were of a religious nature were aimed at Jewish people and centres.

The new world order

The heavy bombardment of three rebel-held cities in **Syria**, Aleppo, Homs and Idlib, resumed, a day after a telephone call between Donald Trump and Vladimir Putin. For the first time ever, Russian planes flew combat sorties from an aircraft-carrier.

A court reversed the death sentence given to **Egypt's** former president, Muhammad Morsi. He remains in prison on other charges.

A militant group in southern **Nigeria** said it had blown up three oil pipelines.

Send in the clowns

Oxford Dictionaries selected "**post-truth**" as its word of the year. It was first used in 1992 by Steve Tesich in an essay, but has spiked this year in the context of Brexit and the American election. Other words that made the shortlist included "alt-right", "Brexit-eer" and "coulrophobia" (an extreme fear of clowns).

Business

S&P 500 banks
January 1st 2016=100



Source: Thomson Reuters

Markets continued to readjust their bearings after the election of Donald Trump. America's president-elect has promised to increase infrastructure spending and cut taxes, leading many investors to raise forecasts for growth and inflation and, subsequently, interest rates. The **yields** on ten-year US Treasury bonds and other government debt, especially in emerging markets and the euro-zone periphery, chalked up some of their biggest gains since the financial crisis. The share prices of **American banks** and health-care companies also jumped in anticipation that Mr Trump would loosen regulations introduced under the Obama administration.

Surging exports in the third quarter boosted **Japan's** economy, which grew by an annualised 2.2%. However, domestic consumption remained weak, a problem for a government that has been trying to rebalance the economy to become less reliant on foreign trade for growth and more on investment at home.

Defying the consensus

Britain's annual **inflation rate** fell to 0.9% in October. That surprised many, since the depreciation of the pound following the vote in June on Brexit should make imported goods more expensive. Retailers may not be passing that cost on to consumers. But the figures indicated that manufacturers are having to pay more for imported raw materials, which should eventually drive up prices. Britain's **unemployment rate** in the three months ending September 30th fell to

4.8%, the lowest for 11 years. October's **retail sales** grew at the fastest pace in 14 years.

Mark Carney, the governor of the Bank of England, was on the defensive again, criticising politicians who have implied that the policies of **central banks**, particularly low interest rates, are geared towards big investors and are thus to blame for rising inequality. Mr Carney said the causes of the economic malaise run much deeper and that central bankers are in fact "keeping the patient alive".

Google made a significant post-Brexit commitment to Britain, announcing that it will expand its technical hub in London, potentially creating thousands of jobs. Sundar Pichai, Google's CEO, said he was optimistic about Britain's future as an open and connected economy, but acknowledged that the vote to leave the EU was breeding uncertainty.

Mistry theatre

Frictions intensified at **Tata Group** over the removal of Cyrus Mistry as chairman. The Indian conglomerate has been rocked by the sudden move by Ratan Tata, the 78-year-old former chairman, to regain control. This week indepen-

dent directors at Tata Motors, one of the group's subsidiaries, reaffirmed their confidence in the company's management under Mr Mistry (without naming him directly). The holding company has called a meeting to strip him of his remaining powers.

The **Indian government** urged people not to panic after the withdrawal of 500- and 1,000-rupee banknotes (\$7.50 and \$15) from circulation in an effort to clamp down on the black market. The bills accounted for 85% of the banknotes circulating in India. Cash machines have to be adjusted to dispense new notes, disrupting the flow of money into consumers' pockets.

With the global **shipping industry** facing its worst slump in three decades because of a glut in capacity and declining trade volumes, the government of Taiwan extended a \$2bn rescue package to the country's biggest container lines. Its support for the industry contrasts with South Korea's decision to allow one of its biggest shipping companies to declare bankruptcy.

Samsung Electronics accelerated its business in smartcar technology by agreeing to buy

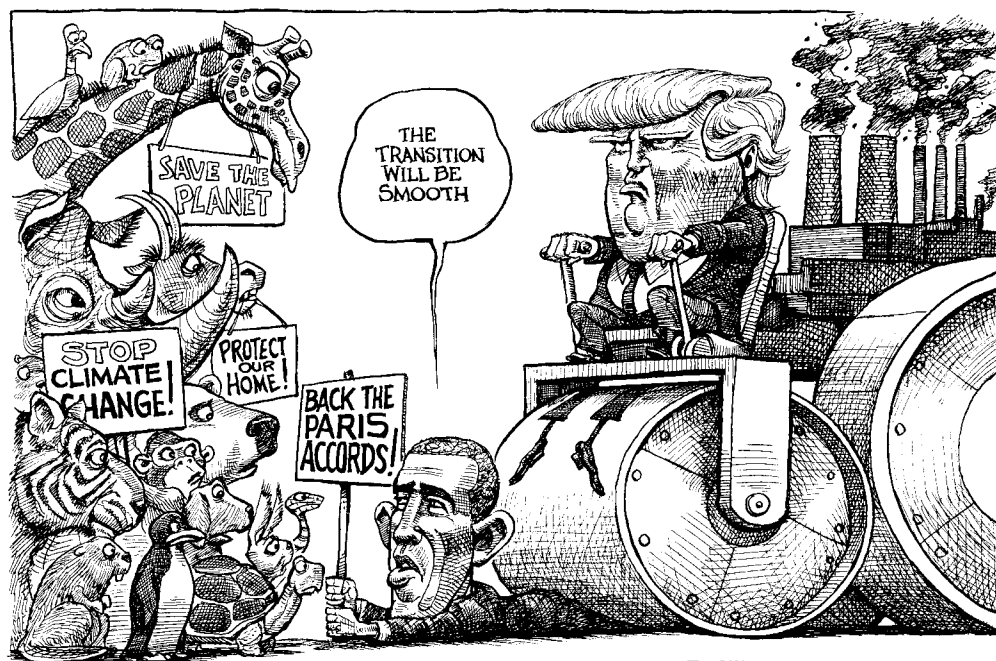
Harman, which supplies visual screen and navigation systems to carmakers. The \$8bn deal is the biggest foreign acquisition by a South Korean company to date.

Verifying the facts

Facebook followed Google in limiting advertisements on platforms that carry **fake news**, which has become a thorny issue in the aftermath of Donald Trump's unexpected win. However, the social network is not changing the algorithms that have prompted criticism from some for promoting false articles on news-feed websites. Mark Zuckerberg has warned that Facebook should not become one of the "arbiters of truth".

After a legal fight that lasted a decade, the authorities in China suddenly approved a trademark for **Donald Trump** that will allow his business empire to trade officially under the Trump name. As with many other high-profile enterprises, the Trump brand has been widely used in China without permission. More than a dozen firms have applied for the Trump trademark over the past year.

Other economic data and news can be found on pages 78-79



EMBARK ON GLOBAL SUCCESS, **RIGHT IN THE HEART OF ASIA.**

Lead the future of global business with The NUS Executive MBA

Immerse in this highly rewarding programme with multinational C-suite executives among your peers. Be empowered by a cross-cultural exchange of management practices from around the world, and engage in the forward-looking curriculum that will give you an edge in the ever-changing business landscape. This is the only EMBA that takes you into six cities across the fast-growing Asia-Pacific region, giving you first-hand insights that will position you for a greater leadership role in global business.

Visit <http://apexe.nus.edu/EC> to learn more. **LEADING FROM ASIA**



The new nationalism

With his call to put “America First”, Donald Trump is the latest recruit to a dangerous nationalism



WHEN Donald Trump vowed to “Make America Great Again!” he was echoing the campaign of Ronald Reagan in 1980. Back then voters sought renewal after the failures of the Carter presidency. This month they elected Mr Trump because he, too, promised them a “historic once-in-a-lifetime” change.

But there is a difference. On the eve of the vote, Reagan described America as a shining “city on a hill”. Listing all that America could contribute to keep the world safe, he dreamed of a country that “is not turned inward, but outward—toward others”. Mr Trump, by contrast, has sworn to put America First. Demanding respect from a freeloading world that takes leaders in Washington for fools, he says he will “no longer surrender this country or its people to the false song of globalism”. Reagan’s America was optimistic: Mr Trump’s is angry.

Welcome to the new nationalism. For the first time since the second world war, the great and rising powers are simultaneously in thrall to various sorts of chauvinism. Like Mr Trump, leaders of countries such as Russia, China and Turkey embrace a pessimistic view that foreign affairs are often a zero-sum game in which global interests compete with national ones. It is a big change that makes for a more dangerous world.

My country right or left

Nationalism is a slippery concept, which is why politicians find it so easy to manipulate. At its best, it unites the country around common values to accomplish things that people could never manage alone. This “civic nationalism” is conciliatory and forward-looking—the nationalism of the Peace Corps, say, or Canada’s inclusive patriotism or German support for the home team as hosts of the 2006 World Cup. Civic nationalism appeals to universal values, such as freedom and equality. It contrasts with “ethnic nationalism”, which is zero-sum, aggressive and nostalgic and which draws on race or history to set the nation apart. In its darkest hour in the first half of the 20th century ethnic nationalism led to war.

Mr Trump’s populism is a blow to civic nationalism (see pages 51-54). Nobody could doubt the patriotism of his post-war predecessors, yet every one of them endorsed America’s universal values and promoted them abroad. Even if a sense of exceptionalism stopped presidents signing up to outfits like the International Criminal Court (ICC) and the UN Convention on the Law of the Sea (UNCLOS), America has supported the rules-based order. By backing global institutions that staved off a dog-eat-dog world, the United States has made itself and the world safer and more prosperous.

Mr Trump threatens to weaken that commitment even as ethnic nationalism is strengthening elsewhere. In Russia Vladimir Putin has shunned cosmopolitan liberal values for a distinctly Russian mix of Slavic tradition and Orthodox Christianity. In Turkey Recep Tayyip Erdogan has turned away from the European Union and from peace talks with the Kurdish minority, in favour of a strident, Islamic nationalism that is quick

to detect insults and threats from abroad. In India Narendra Modi remains outward-looking and modernising, but he has ties to radical ethnic-nationalist Hindu groups that preach chauvinism and intolerance.

Meanwhile, Chinese nationalism has become so angry and vengeful that the party struggles to control it. True, the country depends upon open markets, embraces some global institutions and wants to be close to America (see Banyan). But from the 1990s onwards schoolchildren have received a daily dose of “patriotic” education setting out the mission to erase a century of humiliating occupation. And, to count as properly Chinese you have in practice to belong to the Han people: everyone else is a second-class citizen (see pages 20-22).

Even as ethnic nationalism has prospered, the world’s greatest experiment in “post-nationalism” has foundered. The architects of what was to become the EU believed that nationalism, which had dragged Europe into two ruinous world wars, would wither and die. The EU would transcend national rivalries with a series of nested identities in which you could be Catholic, Alsatian, French and European all at once.

However, in large parts of the EU this never happened. The British have voted to leave and in former communist countries, such as Poland and Hungary, power has passed to xenophobic ultranationalists. There is even a small but growing threat that France might quit—and so destroy—the EU.

The last time America turned inward was after the first world war and the consequences were calamitous. You do not have to foresee anything so dire to fear Mr Trump’s new nationalism today. At home it tends to produce intolerance and to feed doubts about the virtue and loyalties of minorities. It is no accident that allegations of anti-Semitism have infected the bloodstream of American politics for the first time in decades.

Abroad, as other countries take their cue from a more inward-looking United States, regional and global problems will become harder to solve. The ICC’s annual assembly this week was overshadowed by the departure of three African countries. China’s territorial claims in the South China Sea are incompatible with UNCLOS. If Mr Trump enacts even a fraction of his mercantilist rhetoric, he risks neutering the World Trade Organisation. If he thinks that America’s allies are failing to pay for the security they receive, he has threatened to walk away from them. The result—especially for small countries that today are protected by global rules—will be a harsher and more unstable world.

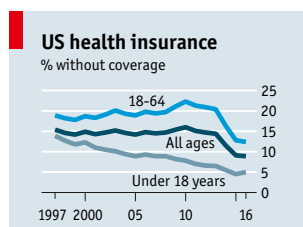
Isolationists unite

Mr Trump needs to realise that his policies will unfold in the context of other countries’ jealous nationalism. Disengaging will not cut America off from the world so much as leave it vulnerable to the turmoil and strife that the new nationalism engenders. As global politics is poisoned, America will be impoverished and its own anger will grow, which risks trapping Mr Trump in a vicious circle of reprisals and hostility. It is not too late for him to abandon his dark vision. For the sake of his country and the world he urgently needs to reclaim the enlightened patriotism of the presidents who went before him. ■

Obamacare

And a pony for everyone

The president-elect has made a promise he cannot keep



WHEN trying to answer a big question without much information, it is tempting to assign great significance to the few facts that can be found. So it is with Donald Trump and the Republican Congress that will be sworn in next year. Mr

Trump's proposed cabinet is being scrutinised for signs of how he will govern, but no one yet knows whether the president-elect will let his team run their fiefs or take all the decisions himself. No one knows what will be the balance of power between the White House, the vice-president, the Senate and the House. Nor does anyone know if Mr Trump will stick to the promises he made while campaigning or whether he will abandon them. It is probable that he himself does not know.

One available fact is that Mr Trump has announced he would like to keep the parts of the Affordable Care Act, better known as Obamacare, that are popular and ditch the bits that are not (see page 31). This has been taken as evidence of a new-found moderation. It is not. Instead it is a sign that, faced with difficult trade-offs, the president-elect likes to ignore them and promise that, yes, everyone can indeed have a pony.

Obamacare has become shorthand for how health care works for the minority of Americans who do not receive insurance through their employers. Parts of it are popular, such as the ban on insurers denying people coverage just because they are already ill. Other parts are not, such as the compulsion to buy insurance or face a fine. The popular and unpopular parts work together: forcing healthy people to buy insurance makes the business of insuring sick people profitable. The only way to get around this trade-off is with a bigger government subsidy.

If what Mr Trump has promised is unfeasible, what is likely to happen to the outgoing president's main domestic achieve-

ment? Beginning early next year, Republicans will chip away at the things that make Obamacare just about work now, by putting someone in charge of the relevant government department who will issue directives to undo it. One move would be to change the rules that say insurance must cover paediatrics, mental illness, prescription drugs and other things besides. Insurers are locked in until the end of 2017, but at that point, facing uncertainty, they would probably withdraw.

By then there may already be a new health-care law passed by Congress. It will probably be based on a plan devised by the Speaker of the House, Paul Ryan, which eases rules on what health-insurers are allowed to charge and which conditions they must cover. This will make many insurance plans cheaper. But the sickest people will see their premiums soar and the cheapest plans will have such high out-of-pocket costs that they may not be of much practical value to their holders. Mr Ryan wants to replace Obamacare's tax credits, which vary with income, with a universal tax credit linked to age. Such a system would redistribute less to poorer Americans.

Kick the tough stuff to the states

The most important change, though, may be to another part of the law. The expansion of Medicaid—the programme for those deemed too poor to afford insurance—is the biggest reason why the share of Americans without any health coverage dropped from 15% in 2008 to 9% in 2015. Republicans in Congress would like to let states devise their own schemes for these people and cut overall federal funding. Mr Trump has yet to say anything on the matter.

Obamacare is far from perfect: premiums shot up last year because insurers lost money in the previous one. But it contains a sensible aspiration. In America, as in other rich countries, health care ought to cover the greatest number of people possible. That idea is once again now up for discussion. ■

The French presidential election

Europe's biggest populist danger

Who can beat Marine Le Pen?



ONE by one, liberal democracies are waking up to find their certainties trampled by the march of close-the-borders populism. First came the vote for Brexit, then Donald Trump's election as America's next president. Now France is bracing itself

for a momentous presidential vote in 2017 in which the stakes could not be higher—not just for the well-being of France, but for the future of Europe itself.

Of the two spots in the run-off next May, one will almost certainly go to Marine Le Pen, leader of the National Front (FN).

That is turning the French primaries campaign into a nerve-racking contest: a race for the candidate best placed to defeat Ms Le Pen (see page 43). She has vowed to pull France out of the euro and to hold a "Frexit" referendum on the country's membership of the European Union. The EU can survive, however creakily, the loss of Britain. But were France to abandon the club, it would spell the chaotic end of a project that, with its single market and its day-to-day political engagement, has sustained prosperity and undergirded peace. It is essential that French voters have a decent alternative to Ms Le Pen.

The good news is that several are on offer. On the left, Emmanuel Macron, the young former Socialist economy minister, said on November 16th that he is running for the presiden- ►►

cy. He has thought harder than most about France's need to adapt if it is to cope with technological disruption. His pitch is to voters on both the left and the right who share an unapologetically pro-European, liberal outlook. But his chances of getting to the second round are not great. He is standing as an independent, and thus will have to fight for the left's vote against the official Socialist candidate: probably either François Hollande, if the spectacularly unpopular president decides to seek re-election, or Manuel Valls, his more centrist prime minister.

The centre-right's options are more plausible. Seven Republican candidates are standing in their party's two-round primary on November 20th and 27th, among them a former president (Nicolas Sarkozy) and two former prime ministers (Alain Juppé and François Fillon). Astonishingly, the three leading candidates all agree with Mr Macron on the need for a liberalising fix to France's struggling economy. They promise to loosen rules on working time, modernise the welfare system, raise the retirement age and curb public spending, which consumes 57% of GDP, second only to Finland among OECD countries.

A reason such ideas are circulating is that, within Europe, France has consistently pursued statist and at times protectionist drawbridge-up policies—and has hence suffered low growth and high unemployment. But liberalisation is not popular. France's Socialist government struggled to push through even a modest labour reform this year and was crippled in the process. For the leading Republicans to promise to keep people at their desks until the age of 65, give up the 35-hour week or abolish the wealth tax risks antagonising the very voters they will need to win over if they are to defeat the FN.

This is why any candidate aspiring to beat Ms Le Pen must evince trustworthiness. That rules out Mr Sarkozy, with his record of a volatile presidency, troublesome cases of alleged cor-

ruption and opportunist moves to steal Ms Le Pen's anti-immigration ideas. The front-runner, Mr Juppé, brings a more measured temperament and a greater appeal to voters on the left—polls suggest that both he and Mr Sarkozy could beat Ms Le Pen, but that his margin of victory would be ten points greater. Mr Fillon, whose economic programme is the most ambitious among Republicans, is making a late charge.

The trouble is that none of them answers the country's yearning for political renewal. Mr Sarkozy and Mr Fillon, who served for five years as his prime minister, are both open to the charge that they did not do last time what each promises to do next. Meanwhile, a Juppé-Le Pen run-off, pitting the establishment insider against the populist insurgent, would carry the haunting echo of the battle between Hillary Clinton and Mr Trump. The 71-year-old Mr Juppé first went into politics when the Oval Office belonged to Jimmy Carter.

Le Penned-in

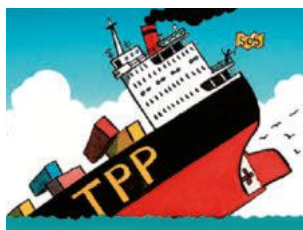
In such a high-stakes race, the readiness of leading candidates to promote liberal policies is laudable. They are surely right in believing that the best antidote to populism is not to pander to it, but to offer an explicit and full-blooded defence of open trade, Europe and ethnic diversity.

Who has the best chance of defeating Ms Le Pen will depend in large part on who can credibly offer rejuvenation—if not in person then at least in policies that harness globalisation as a force for prosperity while dealing with its problems. That mainstream parties have no space for the likes of Mr Macron says much about the ossification of French politics. It will be a tragedy if Ms Le Pen turns out to be the freshest candidate on offer. France, the country that gave birth to modern European integration, should not be the one to destroy it. ■

Pacific trade

Try, Persist, Persevere!

America's participation in TPP is over. But don't give up efforts to free trade and harmonise standards in Asia



ONE of the first casualties of Donald Trump's victory on November 8th has been the Trans-Pacific Partnership (TPP), a free-trade deal with 11 Pacific Rim countries that Barack Obama saw as central to one of his defining foreign policies—the “pivot”, or “rebalance”, to Asia. White House officials this week made clear that they will now not try to push TPP through the lame-duck session of Congress before the inauguration of president-elect Trump in January.

On the face of it, that also kills TPP for the 11 other Pacific Rim countries that signed it in February (see page 23). Yet, as the leaders of the TPP countries gather in Lima on November 19th to join their colleagues at the Asia-Pacific Economic Co-operation (APEC) chat-fest, instead of burying TPP, they should try to salvage what they can from the wreckage. One job is to pursue TPP even without American participation; the other, complementary, task is for seven of the TPP countries to conclude another trade agreement they are negotiating, the so-called Regional Comprehensive Economic Partnership (RCEP).

With TPP, the temptation will be to junk it. Since improved access to the American market was its main attraction, few of the other countries will want to amend the deal so that it can proceed without America. In many places, powerful forces would celebrate its demise. In Malaysia Najib Razak, a prime minister treading water in a swamp of financial scandal, may be relieved if an unrelated but unpopular policy is magicked away (see page 25). In communist Vietnam conservatives would cheer the removal of a powerful external impetus for reform. In Japan the vested interests that resisted TPP would be comforted. Even in open countries such as Australia and Canada governments may welcome the death of a controversial scheme that voters have seen (when they have noticed it at all) as typical of the arrogance of the global elite, ploughing ahead with its secretive dealmaking.

TPP, not RIP

Yet the 11 should fight to keep TPP alive. Officials toiled for a decade to produce the 6,000-page agreement. That deal is worth retaining even if, without America, its economic impact is far more modest. One reason is that the signatories of TPP have won hard-fought political battles for reforms in their own ►►

► countries that are beneficial in themselves, whether America joins in or not. Vietnam has reformed labour standards, for example; in Japan TPP promises to serve as a bowstring for what Shinzo Abe, the prime minister, calls the “third arrow” of reform—the structural sort (the others are fiscal and monetary). Now that he has won parliamentary ratification, it would be a tragedy to let TPP lapse.

It is also worth keeping TPP alive in the hope that America will one day change its mind. The United States has even more reason to regret the pact's failure than the other countries, and not just because it was designed to be the economic underpinning of America's strategic role in Asia. Far more than other trade agreements, TPP's focus is on removing “behind the border” barriers to trade, and harmonising standards—in intellectual-property protection, labour, the environment and so on. Since these are often the most pernicious barriers to commerce in 21st-century economies, enacting TPP will establish a

healthy template for trade in Asia that could one day bind in China and America, too.

As for RCEP, it encompasses even more of the world's population: the ten South-East Asian countries, Australia, China, India, Japan, New Zealand and South Korea. It, too, faces big obstacles—notably deep Indian suspicion of Chinese mercantilism. But its immediate benefits are more obvious than TPP's because it is a traditional agreement covering tariff reduction; and trade between RCEP countries is subject to higher tariffs.

China's involvement (and exclusion so far from TPP) means the two pacts are sometimes portrayed as a facet of its global competition with America. But RCEP's limited ambitions mean it is neither an alternative nor, necessarily, a rival to TPP. Both should proceed—indeed, the plan has always been that they would one day merge into a vast Asia-Pacific free-trade area. TPP's travails are no reason to abandon that dream, even if that day has just moved even further away. ■

Tata Group

Ratantrium

One of Asia's most important firms has descended into chaos. Its patriarch, Ratan Tata, is largely to blame



WHEN the management of a giant company engages in a civil war, everyone gets hurt. That is the sorry situation at Tata Group. It is India's most important firm, with \$100bn of sales, tens of millions of customers and products that range from salt to software. Tata is also one of the emerging world's largest multinationals, spanning technology services, steel in Europe and carmaking in China. And until a few months ago it was a rare beacon of good governance in Asia.

That reputation has now been shredded owing to a brutal fight for control between Ratan Tata, the group's 78-year-old patriarch, and Cyrus Mistry, his successor. The battle is bad for Tata, rotten for its outside investors who have tens of billions of dollars at risk, and damaging to India. Mr Tata needs to get a grip before his legacy and the company are destroyed.

Origins of the Mistry

The seeds of the crisis were sown in 2012 when Mr Tata, who has no children, stood down after decades at the helm and handed over to Mr Mistry, whose family has long-standing links to the Tatas and is also a big investor in the group.

Since then Mr Mistry has been grappling with two problems (see page 55). One is that Tata Group is worryingly flabby. During Mr Tata's reign it went on an expansion binge at home and abroad. Some projects, such as the acquisition of JLR, a British carmaker, have been roaring successes. But vast chunks of the group are not making enough money: 60% of its capital employed makes a return of less than 10%. Dealing with this requires closing, selling or restructuring loss-making businesses, including its European steel arm and its telecoms unit. Mr Mistry is keenly aware of what is wrong but has not dealt with it.

That may have something to do with Tata's other headache: its Byzantine structure. There are a dozen big operating companies, some of which are listed. These are controlled by a priv-

ate holding company which owns stakes in them of 20-75%. That holding company is in turn controlled by murky and secretive charitable trusts set up in 1919 and 1932. Until recently they were widely viewed as benign and passive, but they now appear to be under Mr Tata's sway.

Mr Mistry may have thought he had a free hand. Far from it. Mr Tata was breathing down his neck from the start. On October 24th Mr Tata, through the trusts, orchestrated the firing of Mr Mistry from the holding company. But Mr Mistry has the support of some of the operating companies, so the supervision of this giant conglomerate is split. That is farcical and dangerous. The value of Tata's listed firms has dropped by \$17bn since September. As accusations fly over dodgy accounting and unethical deals, the odds are rising of an investigation by regulators. And if Tata drifts, its numerous weak and loss-making firms could eventually pull the entire group under.

Mr Tata created the mess and it is up to him to resolve it, in four steps. First, he needs to assert outright control. Ideally he would make peace with Mr Mistry, but if this is not possible the younger man will need to be ejected from the operating companies. Mr Mistry has been treated shabbily but he no longer has the authority, nor the legal power, to run the group.

Second, Mr Tata needs a plan to deal with Tata's zombie businesses. When he was in power he shirked this task. Third, he needs to reform the group's structure. He should list Tata's main holding company, so that it is subject to outside scrutiny. The trusts at the top of the pyramid must then gradually sell down their stake in the holding company to below 50% and diversify their assets. The result would be a streamlined group that is accountable to investors, instead of a rickety legal pyramid designed before India won independence in 1947.

Last, while Mr Tata says that his new stint at the firm will be brief, he must also put a time limit of, say, 12 months on his role at the trusts. After that he must renounce all control. Not long ago he was among the most revered figures in the past half century of Indian public life. Now he is flirting with disgrace. He has a year to put things right, for his own sake—and India's. ■

RICHARD MILLE

A RACING MACHINE ON THE WRIST



CALIBER RM 016

RICHARD MILLE BOUTIQUES

HONG KONG
852 2918 9696

MACAU
853 2855 5595

SHANGHAI
86 21 5885 8608

SEOUL
82 2 2230 1288

SINGAPORE
65 6733 1313

KUALA LUMPUR
603 2144 0669

JAKARTA
6221 2992 4033

HANOI
84 4 3266 9356

www.richardmille.com

FIND
MORE
FREE
MAGAZINES

FREEMAGS.CC

Trump's triumph



"The Trump era" (November 12th) asserts that poor American consumers gain more from cheap imports than they would if competition in trade were suppressed and America produced the same goods. Being able to buy a Chinese-made 50-inch TV when you work by flipping hamburgers for the minimum wage may be more efficient than working in a factory on wages where you can only afford the 30-inch American-made model. But Donald Trump's voters weighed up factors that many economists and your newspaper often downplay: the marginal utility of consumer goods in a rich society, the distribution of wealth and a sense of self-worth.

The medium through which they channelled their anxiety may be flawed, but their message is clear.
PROFESSOR DIOMIDIS SPINELLIS
Athens University of Economics and Business

Since the second world war America has occupied a leadership role in world affairs. We have been successful in large part because of the support of our friends and allies. The post-war network of bilateral and multilateral agreements has benefited both the United States and our partners. Some of Mr Trump's statements imply a retreat from those proactive policies.

If we move towards a more isolationist position we cast doubt on our commitment to lead the world on issues of mutual concern. Traditional allies may opt to act independently or look to alternative leadership. North Korea, Russia and China may be encour-

aged to take advantage.

Although some of our international agreements may benefit from a review, the fundamental principle supported by every president since Harry Truman remains valid. The new administration should reaffirm our commitments to our allies quickly and without ambiguity.

ROBERT MORLEY
Former staff member on the National Security Council
Loudon, Tennessee

Your articles about Mr Trump were founded on baseless fears and disconnected from reality. Your leader endorsing Hillary Clinton ("America's best hope", November 5th) was full of this stock-in-trade derision, even though many see Mrs Clinton as the queen of a corrupt consortium of big government, unions, media, academic and Hollywood interests. It was Barack Obama and his radical disregard for American leadership that began the unravelling of the post-1989 liberal order that you rightly seek to defend. Mr Trump wants to reverse that erosion and get America back on track. A true liberal order is one in which the people, not governments, get to choose the direction of their lives.

IAN HUME
Millsboro, Delaware

Your endorsement of Mrs Clinton was published on a day when 35% of voters had already cast their ballots. It is not Election Day in America anymore, it's election season. If you want your endorsements to matter, you need to pick up the pace a little.

LLOYD TAYLOR
Portland, Oregon

I belong to what George Wallace once described as the "exotic ultraliberal left" of the Democratic Party. I am not surprised by this election. For the past 30 years the Democratic establishment has pursued my agenda, but has gone the extra mile to scorn white, working-class Christians. Because it doesn't take a professional pollster to recognise that this is the biggest group in

the electorate, one must conclude that the Democrats alienated them on purpose. It was this strategic blunder, rather than a sinister nativist conspiracy, that handed the White House to Mr Trump.

EMMETT GRINER
Potomac, Maryland

I have compulsively considered the dire consequences of America's election, from the catastrophic to the apocalyptic. As a longtime reader, I'm glad that your rational, sober voice is intact, with a focus on the tangible consequences. I hope *The Economist* continues to bear the torch of integrity as we enter what may be a very dark period of history.

OLIVIER SHERMAN
Berlin

Politics isn't being dumbed down. Quite the opposite. Trump, Putin, Brexit: these are highly effective campaigns that are all built on the same fundamental truth. Pattern-match the audience and use psychology to get you over the winning line. Political strategists have worked out that little psychological nudges online and in headlines are all that is needed to secure victory.

SARAH OWEN
London

This year's electoral surprises show that we need to persuade people through proper arguments rather than shutting down debate and hurling labels. On the right, this means no longer screaming "lock her up". On the left, this means recognising that simply shouting "racist!" at someone who supports Brexit/Trump prevents a productive exchange of often legitimate views. The worry is that reasoned fact-based debate is no longer trickling down from the top.

CHRIS KENNEDY
Munich

Mr Trump may be all that you say, but until now our message wasn't being heard. The timid messengers we sent to Washington before were often less than feckless. Now maybe we'll get more than platitudes and incessant fund-raising

calls. By the way I love *The Economist*. The quality of your elitism knocks the socks off your competitors.

JEROME LIPPERT
Marshfield, Wisconsin

The idea seems to be that white Trump supporters are somehow victims who have been "left behind" by the system. The implication is that Mr Obama somehow engineered the economic recovery towards people of colour. I'm sure if you asked most African-Americans or Latinos they would say otherwise.

DANIEL HART
Boston

This is the second time in the past five elections where the electoral college has ended up giving us a president who didn't win the popular vote. In the "Federalist Papers" Alexander Hamilton wrote that "the process of election affords a moral certainty, that the office of president will never fall to the lot of any man who is not in an eminent degree endowed with the requisite qualifications." The electoral college was designed precisely to ensure that people like Mr Trump do not get elected.

ALEX BROLEY
Berkeley, California

Mr Trump's election transfers joy, hope and optimism away from us coastal liberals to America's geographic and economic middle. Therapists and serotonin boosts will flourish in this new depression. But we progressives pledge to rediscover the common man. We will buy at Walmart, not Amazon, get coffee at McDonald's, not Starbucks, shop at Piggly Wiggly, not Whole Foods, listen to AM radio, not NPR. Soon we will become reacquainted with our fellow Americans.
STEVE KROPPER
Lexington, Massachusetts ■

Letters are welcome and should be addressed to the Editor at The Economist, 25 St James's Street, London SW1A 1HG
E-mail: letters@economist.com
More letters are available at: Economist.com/letters

Lead and Innovate in Global Health



Executive Director, Geneva

The Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) intends to appoint a new Executive Director to lead its work. The scale of the Global Fund's work, its impact and ambition make this a challenging leadership role of the highest importance in the wider global development world.

The Global Fund is a 21st century financing institution and public-private partnership organization designed to accelerate the end of AIDS, tuberculosis and malaria as epidemics. Its mission is to attract, leverage and invest resources to end the three epidemics and to support attainment of the Sustainable Development Goals (SDGs). The Global Fund is agile, responsive, continuously improving and committed to serving affected communities, putting implementing countries in the lead to deliver healthier, productive and stable families, communities and nations. Since its inception in 2002, the Global Fund has saved more than 20 million lives through its innovative partnerships and has disbursed more than US\$30 billion to support programs in more than 150 countries. Programs supported by the Global Fund have provided antiretroviral therapy for HIV for 9.2 million people, anti-tuberculosis treatment for 15.1 million people and 659 million long lasting insecticidal nets for the prevention of malaria.

The Global Fund's 2017-2022 strategy is to invest for maximum impact, supporting the implementation of programs in the most effective way possible. It is aligned fully with

partner plans and with the SDGs, and will contribute to the 2030 agenda. The Executive Director will bring exceptional ambassadorial and partnership building skills and the suppleness of style to work with a range of partners in the global South and North. S/he will demonstrate exceptional leadership skills and cultivate and sustain an empowered team at the Secretariat to ensure the fulfilment of the mission of the Global Fund as a joint responsibility. Reporting to the Board, the Executive Director will carry responsibility for the Global Fund's effective use of its resources. This will require proactive anticipation and management of diverse risks. A gifted communicator and relationship builder, s/he will be a role model leader who can effectively carry authority based on relevant, substantive expertise and experience. This will include a track record of working with implementing partners in the global South and funding partners worldwide, as well as substantive experience in working in the areas of international development and/or global public health.

The Global Fund is committed to diversity in its workforce, and strives for excellence in the way it interacts with grant implementers and its broad range of partners. The woman or man selected to lead the Global Fund in its next phase of achievements will be an accomplished and respected contributor to the global development community, from the global South or global North, who can grow the organization in a way that moves its goals and vision forward.

The Global Fund has retained Russell Reynolds Associates to assist with this appointment.

For further information on the position and additional details on qualifications, requirements, terms and conditions of service and how to apply, please visit: www.rrresponses.com

The closing date for applications is 5 December 2016

All appropriately qualified people regardless of sex, sexual orientation and/or gender identities, and individuals who are living with HIV are encouraged to apply. The Global Fund Board is highly committed to diversity.



FINANCING AFRICA'S INFRASTRUCTURE
POUR LES INFRASTRUCTURES EN AFRIQUE

Africa50 is a specialized international financial institution created at the initiative of the African Development Bank (AfDB) and capitalized so far by the AfDB, 23 African countries and two African Central Banks. Subsequent funding is expected to come from African countries that are not yet investors in Africa50, but also from non-sovereign investors both in Africa and outside Africa. Africa50 aims to help accelerate infrastructure development in Africa leveraging the strong support of its government shareholders and the AfDB and has a mandate to operate commercially. Africa50's committed capitalization is expected to reach \$1 billion in the next few months. The target is to raise \$3 billion over the medium term to invest in commercially viable infrastructure projects across Africa. Africa50 has its headquarters in Casablanca. It enjoys all immunities and privileges recognized to International Financial Institutions.

COO

Africa50 is seeking a Chief Operating Officer ("COO") who will collaborate with the CEO and support the Senior Leadership Team, and oversee several non-investment functions of the organization. The COO will be an integral part of the executive management team and oversee human resources, investor relations, ESG management, strategy setting, corporate communications and IT.

The ideal candidate will be dynamic and results driven with a proven record delivering effective multi-functional leadership in first class organizations in the public or private sector. The successful candidate for the COO position will be an accomplished executive with unquestioned integrity as well as a track record of success.

This role reports to the CEO and requires a minimum of 15 years of proven leadership and relevant experience; an advanced degree in a related field of study or a relevant bachelor degree with considerable experience in senior management levels in public/private/multilateral sectors is also required. Fluency in English and/or French is required.

Russell Reynolds Associates are assisting Africa50 with this appointment. For further information about any of these roles and details of how to apply, please visit Russell Reynolds Associates website at www.rrresponses.com. **The closing date for applications 27th of November 2016.**





Islamic Development Bank Group

TOGETHER WE BUILD A BETTER FUTURE

Vice President (Finance) & CFO

The Islamic Development Bank (IDB) Group strives to become a significant partner in the socio-economic development of its member countries in conformity with its own principles of alleviating poverty, promoting human development, science and technology, Islamic economics, banking and finance and strengthening cooperation among its member countries in collaboration with other development partners.

The IDB Group is seeking suitable candidates for the position of the **Vice President (Finance) & CFO**.

The **Vice President (Finance) & CFO** is a senior management position that reports to the President of the IDB Group. The **Vice President (Finance) & CFO** is responsible for the financial management of the Bank to ensure the stable and sound financial growth commensurate with the Bank's premier credit rating. The role is responsible for developing and implementing the financial strategies of the Bank and ensuring its long term financial sustainability. It has direct line responsibility for following departments: Treasury Department, Islamic Financial Services Department, Financial Control Department, Budget & Corporate Performance Management Department, and the Financial Policies & Planning Office.

The position holder should contribute to the achievement of the Vision and Mission of IDB in line with the overall IDB Group Strategic objectives whilst adhering to the corporate values of the institution. Responsibilities involve supervision of the corporate plans of the Finance Complex and its implementation, ensuring the proper management and provision of financial resources to fund the developmental mandate of the institution. The position requires good knowledge and exposure to financial and risk management, particularly in the areas of asset liability management, treasury, investments and Islamic Finance. The role entails chairmanship of important committees of the Bank such as ALCO and Investment Committee amongst others.

The required attributes of **Vice President (Finance) & CFO** entail teamwork, strong interpersonal skills along with building and sustaining trust among the Senior Management team in particular, and the staff in general.

From time to time, the role will assume the role of other Vice-Presidencies in their absence and therefore, broad knowledge and experience in leadership and management in conjunction with requisite skills in organizational development, innovation and development of human capital is essential.

The **Vice President (Finance) & CFO** position requires direct interaction with the Board of Governors, the Board of Executive Directors, senior officials from member countries, central bank officials, international credit rating agencies, external clients, multi-lateral development institutions, the OIC, public and private sector organizations, and non-governmental organizations. Experience in Arab countries will be an added advantage.

The candidate must have the following profile:

1. Postgraduate academic qualification preferably in the area of economics, banking & finance, or other similar subjects.
2. Proven track record of at least 5 years at very senior leadership level with excellent people management skills.
3. Experience at management level in asset liability management, treasury, investments and finance is essential whilst knowledge in Islamic finance is preferable.
4. Exposure and experience in reform, I.T. modernization and change management in areas related to finance complex is preferable.
5. Fluency and public speaking skills in English language and good knowledge of Arabic language. Knowledge of French is an added benefit.

Applicants must be nationals of one of the IDBG member countries.
The IDB Group offers an internationally competitive remuneration package.
The applicant is required to send his/her curriculum vitae together with a statement highlighting his/her experience and competencies in relation to the requirements of the position to:
executives@isdb.org or apply to <http://www.isdbcareers.com>
The deadline for receiving applications is 10th December 2016.
Only shortlisted candidates will be contacted.



Regional directors

Europe (based in London) and Latin America (based in New York)

We are the leading provider of country, industry and management analysis, delivering information that helps organisations stay on top of market opportunities around the world.

Managing a team of analysts based in London and New York, you will maintain and develop the quality and range of coverage of our services, combining outstanding editorial standards and intellectual leadership with an ability to represent the company both externally and internally.

With management experience, strong editorial and macroeconomic forecasting skills and extensive analytical experience, you will ensure that the team is deployed in the best way to further the EIU strategy.

Excellent written English and editorial skills, PC literacy, including Excel, and a thorough knowledge of the region, its economics and politics are all essential.

The Europe role will be based in London and the Latin America role will be based in New York. We offer a competitive salary plus excellent benefits.

If you would like to apply, please submit your CV and cover letter detailing your suitability and interest in the role to emmaclifton@economist.com.

Non-EEA applicants will need to obtain a UK work permit. Closing date for all applications is Friday December 9th 2016.

The Economist Group values diversity. We are committed to equal opportunities and creating an inclusive environment for all our employees. We welcome applicants regardless of ethnic origin, gender, religious beliefs, disability, sexual orientation or age.

The Economist Group

Prepare for opportunity.



United Nations Climate Change Secretariat

Deputy Executive Secretary

Assistant Secretary-General

Bonn, Germany

This senior-level visionary leader will support the Executive Secretary in managing the secretariat and shaping the programme of the organization for the future.

The ideal candidate will have...

- ✓ 20 years of senior leadership experience
- ✓ Experience in managing large multicultural institutions at the international level
- ✓ Advanced university degree in public or business administration, environment, sustainable development, social science, law, or related field.
- ✓ Fluency in oral and written English

To apply...

Visit our website at unfccc.int/recruitment for further information and instructions on applying.

Deadline for applications: **6 December 2016**

UNFCCC is committed to promoting diversity and gender equality. Women candidates are strongly encouraged to apply. Further information on UNFCCC may be found at unfccc.int.



This appointment will be made to ensure a smooth handover by the present incumbent, who is due to retire in the not too distant future. Listed on the Malawi Stock Exchange, NBS Bank has a large geographical footprint with 32 online-real-time service centres strategically placed throughout the country.

Chief Executive Officer

Blantyre

The incumbent will be responsible for the overall direction and leadership of the Bank, with responsibilities that include: Management of strategic risks; Ensuring a structured management approach; Developing long term, sustainable strategic plans; Executing decisions of The Board; Compliance and performance monitoring. The ideal candidate is a leader who is a seasoned banker with career achievements in the various areas of banking including retail banking.

The successful candidate will **hold an MBA or Masters' degree** in Banking, Finance or Economics, complemented with at least **10 years' senior management experience in the banking industry**. A comprehensive knowledge of banking compliance regulations, bank operational policies, processes, procedures, products and services is of paramount importance.

Also sought is the ability to clearly set objectives, develop strategies and budgets.

Here is the opportunity to grow and lead a great Bank, with great people in a great country. The prospects will be complemented with a high degree of interest, challenge and an attractive and incentivised remuneration package.

Candidates are invited to submit their expressions of interest, including a comprehensive letter of motivation, by email to nbsceo.recruitment@nicomw.com or by mail to The Board Chairperson, Nico Holdings Limited, PO Box 501, Blantyre.

Closing date for applications is the 15th December, 2016.



The upper Han

QINGHAI, KASHGAR, HONG KONG

The world's rising superpower has a particular vision of ethnicity and nationhood that has implications at home and abroad

FIVE men who ran a bookshop in Hong Kong disappeared in mysterious circumstances in late 2015. One was apparently spirited away from the territory by agents from the mainland; another was abducted from Thailand. All later turned up in Chinese jails, accused of selling salacious works about the country's leaders. One bookseller had a British passport and another a Swedish one but the two suffered the same disregard for legal process as Chinese citizens who anger the regime. Their embassies were denied access for weeks. The government considered both these men as intrinsically "Chinese". This is indicative of a far broader attitude. China lays claim not just to booksellers in Hong Kong but, to a degree, an entire diaspora.

China's foreign minister declared that Lee Bo, the British passport-holder, was "first and foremost a Chinese citizen". The government may have reckoned that his "home-return permit", issued to permanent residents of Hong Kong, trumped his foreign papers. Since the territory returned to mainland rule in 1997, China considers that Hong Kongers of Chinese descent are its nationals. Gui Minhai, the Swede taken from Thailand, said on Chinese television, in what was probably a forced confession: "I truly feel that I am Chinese."

China felt it could act this way because it does not accept dual nationality. The law

is ambiguous, however. It stipulates first that a person taking a foreign passport "automatically" loses their Chinese nationality and then, contradictorily, that an individual has to "renounce" their nationality (hand in their household-registration documents and passport) and that the renunciation must be approved. According to Mr Gui's daughter, he went through the process of relinquishing his citizenship. Yet the Chinese authorities considered that his foreign passport was superseded by birth and ethnicity: both Mr Gui and Mr Lee are Han, the ethnic group that makes up 92% of mainland China's population.

Ethnicity is central to China's national identity. It is the Han, 1.2bn of them in mainland China alone, that most people refer to as "Chinese", rather than the country's minorities, numbering 110m people. Ethnicity and nationality have become almost interchangeable for China's Han, says James Leibold of La Trobe University in Melbourne, Australia. That conflation is of fundamental importance. It defines the relations between the Han and other ethnic groups. By narrowing its legal labour market almost entirely to people of Han descent, ethnicity is shaping the country's economy and development. And it strains foreign relations, too. Even ethnic Han whose families left for other countries generations ago are often regarded as part of a

coherent national group, both by China's government and people.

The Han take their label from the dynasty of that name in the third century BC. Yet the people labelled Han today are a construct of the early 20th century, says Frank Dikötter of the University of Hong Kong. For well over half of the past 650 years, the bulk of territory now called China was occupied by foreign powers (by Mongols from the north, then Manchus from the north-east). Chinese history paints the (foreign) Manchus who ran China's last dynasty, the Qing, as "Sinicised", yet recent research suggests that they kept their own language and culture, and that Qing China was part of a larger, multi-ethnic empire.

Great Wall

Under Western imperialism race was often used to divide people. But after the Qing fell in 1911, the new elite sought to create an overarching rationale for the Chinese nation state—its subjects spoke mutually incomprehensible languages and had diverse traditions and beliefs. Patrilineage was already strong in much of China: clans believed they could trace their line to a group of common ancestors. That helped Chinese nationalists develop the idea that all Han were descended from Huangdi, the "Yellow Emperor", 5,000 years ago.

Race became a central organising principle in Republican China. Sun Yat-sen, who founded the Kuomintang, China's nationalist party, and is widely seen as a "father" of the Chinese nation, promoted the idea of "common blood". A century on President Xi Jinping continues to do so. One reason for his claim that Taiwan is part of China is that "blood is thicker than wa- ►►

ter". In a speech in 2014 he set his sights even wider: "Generations of overseas Chinese never forget their home country, their origins or the blood of the Chinese nation flowing in their veins."

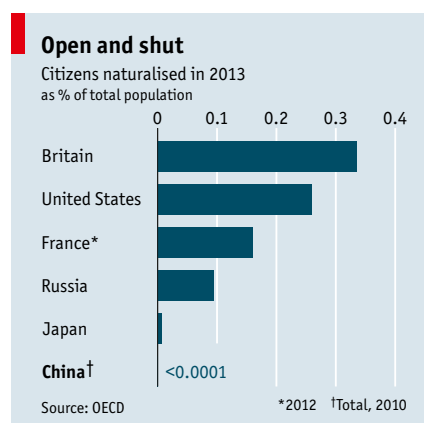
Many Chinese today share the idea that a Chinese person is instantly recognisable—and that an ethnic Han must, in essence, be one of them. A young child in Beijing will openly point at someone with white or black skin and declare them a foreigner (or "person from outside country", to translate literally). Foreign-born Han living in China are routinely told that their Mandarin should be better (in contrast to non-Han, who are praised even if they only mangle an occasional pleasantry).

China today is extraordinarily homogeneous. It sustains that by remaining almost entirely closed to new entrants except by birth. Unless someone is the child of a Chinese national, no matter how long they live there, how much money they make or tax they pay, it is virtually impossible to become a citizen. Someone who marries a Chinese person can theoretically gain citizenship; in practice few do. As a result, the most populous nation on Earth has only 1,448 naturalised Chinese in total, according to the 2010 census. Even Japan, better known for hostility to immigration, naturalises around 10,000 new citizens each year; in America the figure is some 700,000 (see chart).

The conflation of Han and national identity underlies the uneasy relationship between that majority and China's ethnic-minority citizens. Officialdom theoretically treats minorities as equal and even grants them certain privileges. Yet in practice ethnic groups, particularly those from China's borderlands, who are visually distinctive, are discriminated against and increasingly marginalised as ethnic Han have moved into their home regions. Through state-sponsored resettlement the Han population of Xinjiang rose from 4% in 1949 to 42% today; Mongols now make up only 17% of Inner Mongolia (see map).

At best non-Han groups within China are patronised as "charming and colourful" curiosities. Yunnan province has built a thriving tourist industry around its minority cultures. Minorities are routinely presented as delighting in folkish customs in contrast with the technologically superior Han. In an exhibition of "Xinjiang's nationalities" in a museum in Urumqi, the provincial capital, the only person in modern clothes is Han; signs note that Chinese Uzbeks "have a special liking for all kinds of little caps" and Chinese Kazakh life is "full of songs and rhythms".

China risks turning cultural insensitivity into ethnic clashes. Ordinary manifestations of local culture in border regions have been criminalised. In Xinjiang, Uighur men may not grow long beards and Muslims are sometimes prevented from



fasting during Ramadan. Inner Mongolian and Tibetan nomads have been forcibly settled. In Tibet and Xinjiang, many schools teach mostly in Mandarin, even if they lack enough Mandarin-speakers.

That legitimises prejudice in daily life. "They think of us as wild, as savage" says a Tibetan guide in Xining, the Han-dominated capital of Qinghai province on the Tibetan plateau; only one of his Han neighbours even says hello to him. Tibetans and Uighurs are routinely rejected from hotels elsewhere in China (Chinese ID cards state ethnicity). Reza Hasmath of the University of Alberta found that minority employees in Beijing were typically better educated but paid less than Han counterparts. The best jobs in minority areas go to Hans.

Chinese are now organising in small ways to fight for labour rights, gay rights and environmental concerns but there is little indication that Han are gathering to defend their ethnic peers—perhaps unsurprisingly, given that to do so could be seen as supporting separatism. If anything, the opposite is true: the government's rhetoric,

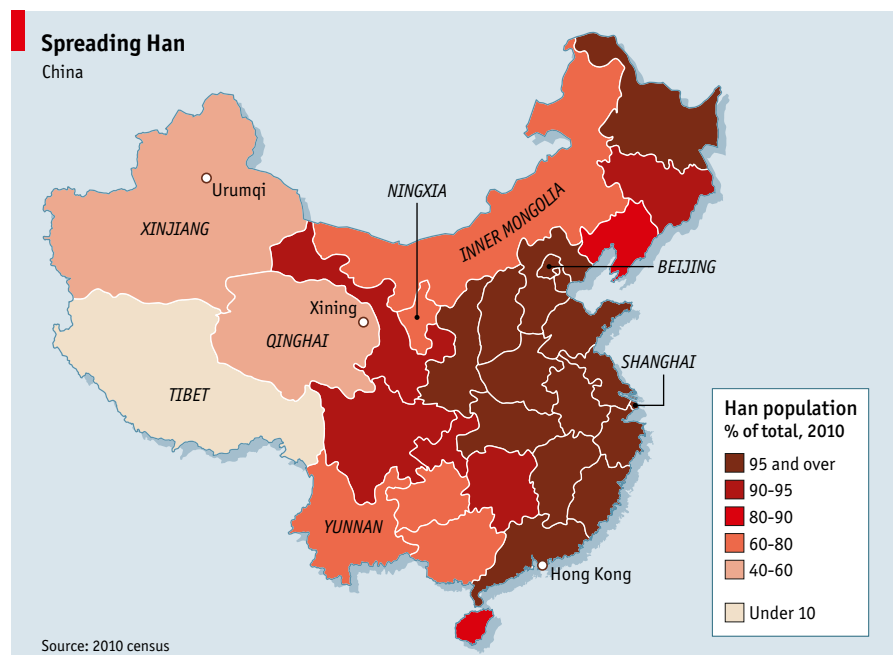
particularly on the dangers of Islam, has exacerbated existing divisions.

Hui Muslims have long been the successful face of Chinese multiculturalism: they are better integrated into Han culture and widely dispersed (importantly they speak Mandarin and often look less distinct). Yet Islamophobia is rising, particularly online; social-media posts call for Hui Muslims to "go back to the Middle East". In July, Mr Xi used a trip to Ningxia province, the Hui heartland, to warn Chinese Muslims to resist "illegal religious infiltration activities" and "carry forward the patriotic tradition", a sign that he views this group with suspicion, as well as those on China's fringe with a history of separatism.

Although many of China's citizens are not treated as equals, Han Chinese with foreign passports are welcomed and accorded a special status. Anyone with Chinese ancestry has legal advantages in getting a work visa; foreign-born children of Chinese nationals get a leg-up in applying to universities.

This attitude has helped the Chinese economy. Over the past decade much of the inward investment has come from overseas Chinese. Many second-generation Chinese-Americans have started up firms in China. Yet being a member of the "Chinese family", as Mr Xi puts it, carries expectations too. At a reception in San Francisco last December for American families who had adopted Chinese children, China's consul reminded them that "you are Chinese", citing their "black eyes, black hair and dark skin"; he encouraged them to develop a "Chinese spirit".

In the eyes of the Chinese government, these responsibilities extend beyond cultural ties to a demand for loyalty, not just to China but to the Communist Party. Many ▶▶



foreign Han say they are made to feel it is their duty to speak up on China's behalf. Earlier this year Chinese immigrants to Australia were urged to take "the correct attitude" to support "the motherland" in its claims to disputed rocks in the South China Sea. A former Australian ambassador to China recently wrote that China's sway in the country extends to "surveillance, direction and at times coercion" of Chinese students and attempts to enlist Australian Han businessmen to causes serving China's interests. Chinese-language media in Australia, which was almost universally critical of China in the early 1990s, is mostly positive today and eschews sensitive topics such as Tibet and Falun Gong.

China struggles to accept that descendants of Chinese emigrants may feel no obligation to reflect China's interests. Gary Locke, the first Chinese-American ambassador to Beijing in 2011-14, was repeatedly criticised by state media for doing his job—representing American interests, even if they conflicted with China's. Foreign Han journalists in China report accusations of disloyalty by the Public Security Bureau and reminders of their "Chinese blood".

There is a strong ethnic component to China's tense relationship with Hong Kong (which it rules) and Taiwan (which it claims). Each is dominated by Han, but increasingly they prize a local rather than "Chinese" identity. A poll by the Chinese University of Hong Kong found that 9% of respondents identified themselves solely as "Chinese", down from 32% in 1997, when the territory returned to Chinese rule; the trend is similar in Taiwan.

The Peking order

The Chinese government even risks clashing with foreign governments by claiming some form of jurisdiction over their ethnic-Han citizens. Last year the government of Malaysia (where the Han population is 25%) censured the Chinese ambassador when he declared that China "would not sit idly by" if its "national interests" and the "interests of Chinese citizens" were violated. The threat he saw was a potentially violent pro-Malay rally, planned in an area where almost all traders were Han but few were Chinese nationals. In isolated cases it goes further. The arrest and detention of naturalised American citizens born in China has long been an irritant in relations between the countries.

China's Han-centred worldview extends to refugees. In a series of conflicts since 2009 between ethnic militias and government forces in Myanmar the Chinese government has consistently done more to help the thousands escaping into China from Kokang in Myanmar, where 90% of the population is Han, than it has to aid those leaving Kachin, who are not Han. Non-Chinese seem just as beguiled by the purity of Han China as the government in

Beijing. Governments and NGOs never suggest that China take refugees from trouble spots elsewhere in the world. The only large influx China has accepted since 1949 were also Han: some 300,000 Vietnamese fled across the border in 1978-79, fearing persecution for being "Chinese". China has almost completely closed its doors to any others. Aside from the group from Vietnam, China has only 583 refugees on its books. The country has more billionaires.

China's iron immigration and refugee policy attracts little attention probably because few have sought to immigrate. Victor Ochoa from Venezuela describes himself as "red-diaper baby", the child of foreign experts who went to China in the 1960s to help build a Socialist Utopia. He studied architecture in Beijing and has remained in China. Yet he has had to apply for a work visa annually for 40 years to stay; now he wants to retire, he has no means to stay: "I've built hospitals here, now I just want to sit in my apartment and read. But I am not allowed," he laments.

Many outsiders see China as a land of opportunity. Some seek to settle. Yet the government is becoming more draconian towards such groups. Tens of thousands of Chinese men have undocumented marriages with women from Vietnam, Myanmar and Laos, often of the same (non-Han) ethnic group. After years of officialdom turning a blind eye, many of these women are now being sent back and their ID cards confiscated. Guangzhou's government has launched a three-year plan to tackle illegal immigration. It named no target but may have its eye on up to 500,000 Africans, many of them overstaying their visas, in part of Guangzhou known by locals as "Chocolate City".

Decades ago China's government might have argued that the country was too populous or too poor to accept new entrants. Now Chinese women have fewer than 1.6 children on average, well below

the replacement rate, and in 2012 the working-age population shrunk for the first time. Yet China is already succumbing to problems many countries face as they grow richer and their workforce better educated. It has a severe shortage of social workers, care staff and nurses, jobs that most Chinese are unwilling to fill. That deficit will grow over the next decade as China's population ages. Most rich countries attract immigrants to perform such roles, yet in September China's government reiterated that visas for unskilled or service-industry workers would be "strictly limited".

A closed China wilfully narrows its access to the global pool of professional talent. The government grants surprisingly few work visas. Foreigners made up 0.05% of the population in 2010, according to the World Bank, compared with 13% in America. A "green card" scheme was launched over a decade ago to attract overseas talent but only around 8,000 people qualified for one before 2013, the latest date for which figures exist. Many of these were former citizens with overseas passports, says Wang Huiyao of the Centre for China and Globalisation, a think-tank in Beijing.

Land of silk and money

At the same time its own citizens are heading overseas. Hundreds of thousands of Chinese leave every year to study or work abroad. Many have returned to China to work and are a driving force of innovation and high-tech development. Far more do not come back: of the 4m Chinese who have left to study abroad since 1978, half have not returned, according to the Ministry of Education. Yet because China bans dual nationality those who become eligible for a foreign passport, by birth, wealth or residency, face a choice. The result is that the brain-drain is mostly one-way. Thousands of Chinese renounce their citizenship every year, but because it is so difficult for foreigners to become Chinese, no counterbalancing group opts in.

China's Han-centred worldview is not just a historical curiosity. It is a decisive force in the way it wields its growing power in the world—a state that respects neither equality nor civil liberties at home and may ignore them abroad too. In economic terms, China will cut itself off from an important source of economic growth, waste resources in discriminating against ethnic minorities and fail to use its human talent to better effect. Exacerbating ethnic tensions may spur the separatism it fears. And by sorting citizens abroad by their ethnic identity rather than their national one—whether by claiming to defend "its own" or punish them for disloyalty—China risks clashing with other countries. Over the past century, China's founding myth has been a source of strength. But as it looks forwards, China risks being borne back ceaselessly into its own past. ■



Uighurs, keep your beards trimmed



The collapse of TPP

Trading down

SHANGHAI

A big free-trade deal's demise leaves a worrying void in Asia

DEPENDING on who is talking, the Trans-Pacific Partnership (TPP) is either the world's most ambitious trade deal or the most dangerous. But these days a simpler description suffices: it is dead. With Donald Trump's victory, America has abandoned TPP, in effect killing the trade pact that was a decade in the works and nearly complete. Amid all the unknowns about what Mr Trump's presidency might mean, this is one of the few certainties.

The consequences are far-reaching. TPP's collapse removes the main economic plank of Barack Obama's much-hyped, largely abortive "pivot" to Asia. It leaves a gaping hole in the architecture of Asian commerce. And it adds to the strong headwinds that are buffeting global trade.

The chances that America would ratify TPP had already been dwindling because of growing opposition. If Hillary Clinton had won the election, Mr Obama might have made a last-ditch push during the lame-duck session of the outgoing Congress, which started this week. With the triumph of Mr Trump, who has called TPP a "terrible deal", even that faint hope has vanished.

On the basis of size alone, TPP would have been important, the largest regional trade deal in history. It encompassed 12 Pacific countries, including America, Japan and Canada (see chart). Together, they account for two-fifths of the world economy.

But what made it all the more significant was its strategic intent. Notably absent from the membership was China. Economically, this made little sense. Studies indicated that including China, the world's biggest exporter, would have substantially expanded the benefits of TPP. But America wanted to show that it could set Asia's economic agenda. China might eventually have been invited to join TPP, but only after America had written "the rules of the road", as its negotiators liked to say.

Rather than a conventional focus on

cutting tariffs, TPP emphasised stronger safeguards for intellectual property, the environment and labour rights (detractors felt it went too far on the first and not far enough on the other two). Matthew Goodman of the Centre for Strategic and International Studies, a think-tank, considers its collapse a "body blow" to American economic policy in Asia.

It is also a blow to the global economy. Over the years rich countries have cut tariffs to the point where the main obstacles to commerce now lie in regulations that discriminate against foreign companies. TPP took aim at barriers hidden in government-procurement guidelines and investment restrictions. It would have raised the bar for future trade deals, says Jayant Menon of the Asian Development Bank: "That's where the biggest loss lies."

Global trade is on track to expand more slowly than world GDP this year for the first time in 15 years, according to the World Trade Organisation. In Asia exports are set to grow just 0.3% this year in volume terms, well below the 8% average of the past 20 years. For poorer countries, exports have long been the most reliable way to kick-start development. That route now looks less accessible. If Mr Trump keeps his threat to slap fearsome tariffs on Chinese goods, the fallout could easily tip global trade into outright contraction.

There are a few candidates to fill the ►►

Also in this section

24 Talking impeachment in South Korea

25 Tolerance on trial in Indonesia

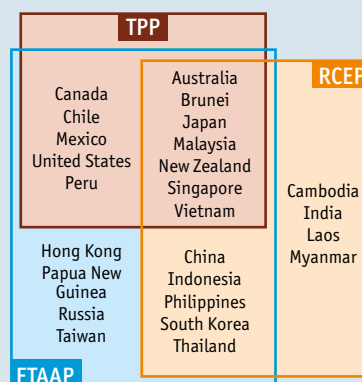
25 Malaysia jails the wrong man

26 Islamic State comes to Pakistan

26 Australia sends refugees to America

Overlapping, underwhelming

Proposed Asia-Pacific trade agreements, 2016



Source: The Economist

void left by TPP. One possibility is that the 11 remaining governments forge on, minus America. Having agreed to the deal in February, they were on the cusp of ratifying it (Japan did so this month). But the withdrawal of America is likely to prove fatal. When countries made difficult concessions—for instance, Japan's opening to more foreign rice and beef—it was with a view to expanding their access to America's vaunted consumer market. Take that out and the incentive to give ground in other areas quickly dissipates.

The focus is shifting to whether China might step in with an alternative trade deal. Chinese officials have vowed to push for an even larger regional pact called the Free Trade Area of the Asia-Pacific (FTAAP), tying together 21 countries including America. It will, however, go nowhere. Opposition in America to an American-led deal was already fierce enough; it would be even fiercer to a China-led one.

Optimists can at least point to one trade pact that is close to completion. The Regional Comprehensive Economic Partnership (RCEP) includes China, India, Japan and South-East Asian countries. It covers nearly a third of the world economy and a much bigger share of its population than TPP. But RCEP is far less ambitious, focusing on the basic business of cutting tariffs, rather than more complex regulations. Tariffs are still high in Asia, so lowering them would help. But He Ping of Fudan University in Shanghai, who has monitored the talks, expects few breakthroughs. India, a perennial sceptic on free trade, has been dragging its feet and others are wary of China's export juggernaut. A weak RCEP will do little for Asia, even if China relishes the opportunity to show that, unlike America, it can bring deals to fruition.

For Asia's reformers, there is thus no getting around the disappointment of TPP's demise. Vu Thanh Tu Anh, a Vietnamese economist, says that Vietnam had hoped to use the deal to pressure sluggish state-owned companies to shape up. Shinzo Abe, Japan's prime minister, viewed it as part of his programme of structural reforms, since it would have exposed coddled Japanese industries such as health care and agriculture to more competition. Even in China, liberal officials thought TPP might prompt the government to loosen its grip on markets in order to join one day.

Big regional trade deals are, mercifully, not the only show in town. There has been a bewildering array of smaller, often bilateral, pacts in recent years. Asia now has 147 free-trade agreements in force, up from 82 a decade ago. A further 68 are under negotiation. From the perspective of trade theory, these are suboptimal: a jumbled, overlapping mess. In practice, they may well be Asia's best hope for getting more goods and services to flow across borders. ■

South Korean politics

The i-word

SEOUL

Talk about impeaching the president grows louder

THE numbers make for grim reading. For the past fortnight Park Geun-hye has been South Korea's most unloved president ever. Her approval rating stands at 5%; among the young it is nil. As many as 1m people rallied for hours in Seoul, the capital, on November 12th to demand her resignation—the biggest demonstration since 1987, when mass protests against the military regime of the day led to the country's first democratic elections. Ms Park acknowledged the “seriousness” of the situation, but said she would continue to “fulfil her duty as president”.

For weeks Ms Park's conservative administration has been besieged by accusations of influence-peddling involving Choi Soon-sil, a confidante. The president turned to her for advice on state affairs, although she held no official position. South Koreans are incensed by rumours that Ms Choi swayed policy and orchestrated cabinet reshuffles, exploiting her clout to win favours. She has been arrested on suspicion of manipulating conglomerates into funnelling 80bn won (\$70m) to two foundations that she controls. Prosecutors have detained two former presidential aides who are thought to have relayed state secrets to her and helped her raise funds.

Ms Park, who has 15 months remaining of her single five-year term, has apologised twice to the nation, and accepted an investigation into her actions, a first for a sitting

South Korean president. Prosecutors want to question her as a witness this week. In other efforts to cool tempers, she fired aides and, in an overture to the opposition, nominated a new prime minister who used to work for Roh Moo-hyun, a liberal former president. But the opposition-dominated parliament refused to approve him. Ms Park was forced to drop him, and is now letting parliament pick a substitute.

Calls for Ms Park's departure have only grown. A day after the protest some MPs from her Saenuri party held an emergency meeting to discuss a presidential exit. On November 15th Moon Jae-in, former head of the main opposition Minju party and a presidential hopeful, vowed to run a “nationwide movement to drive Ms Park out”. The two parties, along with a minor opposition group called the People's Party, this week agreed to set up an investigation by an independent counsel into the allegations of wrongdoing against Ms Choi, in parallel with that of the public prosecutor.

Ms Park's political opponents have reason to hesitate: if she quits, a successor must be elected within two months. But the president's rock-bottom approval rating has not led to clear gains for Minju. It has no consensus candidate, and left-leaning voters might be split among several contenders. Saenuri, meanwhile, has no strong candidate at all, though it probably hopes to woo Ban Ki-moon, a soon-to-be former UN secretary-general.

Ms Park could instead defer to the prime minister that parliament picks, committing to sign off on all his decisions. But Ha Tae-kyung, a Saenuri MP, says popular anger is running too high for that. Even a stage-managed resignation, which both main parties would prefer—Ms Park would negotiate a date for her departure, perhaps months down the road—would be too little too late, he says.

For a growing number of people, impeachment is the answer. Kim Moo-sung, a former leader of Saenuri, says it is “the only way”. Realmeter, a pollster, says popular support for her resignation or impeachment has risen from 42% to 74% in the past three weeks. Mr Ha, who says few think Ms Park will quit, began to call for impeachment last week. It has been tried only once before, in 2004, when two-thirds of MPs voted to impeach Roh for minor election-law breaches. Such a vote suspends the president from office (the prime minister takes over) and sends him or her for trial before the constitutional court (which dismissed the charges in Roh's case). Some MPs think an impeachment vote could take place before the year is out. Shin Gi-wook of Stanford University says the option may be especially attractive to MPs because they would be seen to have acted decisively, but would have time to regroup during the six months the court would have to mull its decision. ■



Million-man sit-in

Indonesian politics

Tolerance on trial

JAKARTA

An accusation of blasphemy upends an election campaign

THE campaign to be Jakarta's next governor was set to be a showcase of Indonesia's vibrant democracy. Now it may become an affront to it. On November 16th police investigating complaints of blasphemy against the incumbent and front-runner, Basuki Tjahaja Purnama, known as Ahok, said they were formally declaring him a suspect. Ahok, a Christian, is said to have insulted the Koran—a grave charge in overwhelmingly Muslim Indonesia. Although Ahok insists he will remain a candidate and will not step down, the case is certain to dominate the rest of the campaign (the election is on February 15th) and could have far-reaching implications for Indonesian democracy beyond it.

As vice-governor, Ahok became governor automatically when Joko Widodo, known as Jokowi, was elected president in 2014. His rise to one of the country's most prominent political posts and his lead in voting polls had been touted as proof of Indonesia's tolerance. But a speech he gave to fishermen in late September has set off a sectarian furore. Ahok appeared to suggest that any attempt to dissuade Muslims from voting for him by citing a verse in the Koran that warns Muslims against taking Christians and Jews as allies was deceitful. He has apologised for his comments, insisting—not unreasonably—that he was criticising not the verse itself, but the use to which it was being put.

Muslim protest groups, however, accused him of denigrating the word of God. They stirred up outrage through social media and filed complaints with the police. The Islamic Defenders Front, or FPI, a Muslim vigilante outfit, organised an unusually large protest—of more than 100,000 people—in Jakarta on November 4th. Many carried placards calling for the governor to be jailed, or worse.

Hitherto, Indonesian Muslims have not been easily swayed by sectarian arguments. Hardline groups such as FPI have staged rallies against Ahok for years, but they have rarely drawn much of a crowd or done much to reduce his popularity. Yet Ahok's comments about the Koran seem to have offended many. The most recent opinion polls suggest that his lead in the race for governor may be slipping.

The fuss is not all, or even mostly, about religion. Ahok's political opponents have been eager to exploit mounting tensions. Moderate Muslim groups such as Nahdlatul Ulama told their supporters to stay

Malaysia's 1MDB scandal

Nothing to see here

Billions are stolen; only a whistle-blower goes to jail

IT IS more than two years since Malaysians began asking awkward questions about 1MDB, a state-owned investment firm from which billions of dollars are missing. But Malaysia has yet to prosecute anyone in connection with the scandal, perhaps the gravest in its history. Instead, on November 14th a local court handed a prison sentence to Rafizi Ramli, an outspoken opposition politician who has done much to educate the public about the affair. If Mr Rafizi's appeal is rejected he will spend 18 months in jail.

Mr Rafizi's offence was to leak details from a report into 1MDB's dealings which had been produced by Malaysia's auditor-general, but which the government had declared classified. Mr Rafizi had publicised a brief passage from the report to support speculation that the state firm's massive losses could have delayed certain payments to Malaysian veterans (the organisations involved reject this claim). The government had initially

promised that the auditor-general's report would be released to the public in full, as is the convention. Now it is using the Official Secrets Act to silence those who refer to it.

Mr Rafizi's conviction may prevent him from defending his parliamentary seat at the next general election. It adds to a string of legal battles hampering the opposition, which is readying for polls that may be called next year. Anwar Ibrahim, the opposition leader, has been imprisoned since 2015 on flimsy sodomy charges. A corruption case is presently being pressed against Lim Guan Eng, the chief minister of Penang (an opposition stronghold).

The whitewash in Malaysia contrasts with dogged investigations continuing abroad. On November 11th a banker who had handled some of 1MDB's money was convicted in Singapore of forgery and of failing to report suspicious transactions; he was sentenced to 18 weeks in jail. In July investigators from America's Department of Justice alleged that more

than \$3.5bn had been "misappropriated" from 1MDB, and that hundreds of millions of dollars had been paid to Malaysia's prime minister, Najib Razak.

Mr Najib denies wrongdoing.

Having last year purged critics from his party, his position looks secure; an aide boasts that the prime minister is matey with Donald Trump, America's president-elect.

In a typically brazen response to questions from the *Nikkei Asian Review*, published the day after Mr Rafizi's sentencing, the prime minister said that Malaysian authorities had "led the way" in investigating allegations of wrongdoing linked to 1MDB. His answers were submitted in writing; Mr Najib might have struggled to say such things in person with a straight face.



away from the protest, but politicians associated with the campaigns of Ahok's two rivals in the election attended, all the same, along with tens of thousands of people based in from outside the capital.

Being named a suspect need not lead to formal charges, but usually does. Indonesia's blasphemy law is worryingly woolly, allowing courts to punish words or actions deemed "hostile" to religion by up to five

years in prison. Andreas Harsono of Human Rights Watch reckons it is "very likely" that Ahok would be found guilty, based on precedent. In the dozens of blasphemy cases to go to trial since 2004 the defendant has always been convicted, Mr Harsono notes. Even if the courts were to clear Ahok, Indonesia's reputation for successfully combining Islam and democracy is unlikely to escape unharmed. ■

Islamic State in Pakistan

Lethal partners

ISLAMABAD

A famous name joins the long list of militant groups creating havoc

SECURITY officials in Pakistan used to insist the country was immune to the threat of Islamic State (IS). Doctrinal differences, they said, would stop Pakistanis falling under the sway of the Syria-based militant group, which has demanded the fealty of the world's Muslims ever since its leader, Abu Bakr al-Baghdadi, declared himself "caliph" in 2014. But IS's presence in Pakistan can no longer be denied. The group appears to be responsible for two atrocities in recent weeks.

On November 12th IS dispatched a suicide-bomber to the Shah Noorani shrine in a remote area of Balochistan province. The blast took the lives of more than 50 people who had come from far and wide to watch its Sufi mystics dance. Just over two weeks earlier, three IS gunmen had stormed a police training centre on the outskirts of the provincial capital, Quetta, killing 61. IS's media arm released photographs of the attackers in both incidents, giving credence to its claims of responsibility.

IS considers Afghanistan and Pakistan to be part of its province of Khorasan—an ancient name for the region. It is thought to have some hideouts in eastern Afghanistan, beyond the control of the government in Kabul, and has mounted several bloodthirsty attacks on civilians in that country too. It seems to have managed to gain its presence in Pakistan by teaming up with long-established local militant groups. Branches of both Tehreek-e-Taliban Pakistan (TTP) and Lashkar-e-Jhangvi (Lej) claimed to have been involved in providing men, logistics and safe houses for the attack on the police academy, for instance. The Pakistani army announced on September 1st that it had arrested 309 alleged IS operatives and sympathisers, but that does not seem to have reduced its capacity to wreak havoc.

The TTP, Lej and IS are united in their pathological loathing of Shias, who make up an estimated 20% of Pakistan's population. They also regard the relatively gentle, folksy version of Islam practised by many Sunnis in Pakistan, with its Sufi shrines and saints, as blasphemous.

The two local jihadist outfits are, in part, creatures of Pakistan's disastrous policy of attempting to harness Sunni militancy to advance its own domestic and regional agenda. The TTP sees itself as a sister organisation of the Afghan Taliban, a group long patronised by Pakistan as a tool to influence the internal affairs of its neighbour.

Australia and asylum-seekers

The American solution

SYDNEY

A deal to relocate refugees may spare Australia further blushes

AT ITS inception in 2001, it was seen as a neat answer to a thorny question: how to screen asylum-seekers intercepted at sea on their way to Australia in a manner forbidding enough to deter more from coming? But over time the "Pacific solution", of packing the would-be refugees off to camps in Nauru and Papua New Guinea (PNG) to await their fate, itself became a problem.

Ever more unwelcoming Australian governments declared that even those found to be legitimate refugees would never be admitted to the country, yet few other states could be persuaded to take them, and few of the asylum-seekers could be persuaded to settle in the countries that would, such as Cambodia. Some 2,000 people have mouldered for years in the island camps, earning Australia rebukes from human-rights groups at home and abroad. This week, however, a solution to the solution may perhaps have been found. America has offered to take many of the stranded migrants. (Australia previously offered to admit some Central American refugees in what is being seen as a quid pro quo.)

Many Australians have an atavistic fear of an uncontrolled flood of Asian

migrants, and no government wants to look lax on "border security". But keeping the camps running was becoming increasingly difficult. The supreme court in PNG recently declared the camp there illegal and ordered it closed. They are also expensive: UNICEF estimates a bill of A\$3.6bn (\$2.7bn) for the past three fiscal years alone. And then there was the international opprobrium: Amnesty International's latest report says Australia is "brazenly flouting international law" and subjecting detainees to an "elaborate and cruel system of abuse".

The deal had taken "months and months of very careful planning", says Malcolm Turnbull, Australia's prime minister. But many Americans are as twitchy about immigration as their counterparts in Australia, as indicated by Donald Trump's election victory. Mr Trump has pledged to bar Muslim migrants from America, and many of the refugees in Nauru and PNG are Muslim. Mr Turnbull seems not to have raised the resettlement plan with Mr Trump when they spoke soon after his election win. "We deal with one administration at a time," he says breezily. After years of inaction, Australia had better move fast.

Lej's parent organisation, Sipah-e-Sahaba, was backed by the state in the 1980s as a counter to Pakistani Shias who sympathised with the Iranian revolution. More recently the state allied itself with Shafiq Mengal, among Lej's current crop of leaders, in an effort to suppress the 12-year-old separatist insurgency in Balochistan.

Lej was banned in 2002 and its upper ranks have been gutted over the past year in "police encounters"—scarcely concealed extra-judicial killings. But with chapters all over the country it remains one of the most dangerous of Pakistan's many militant groups, particularly in Balochistan. The Ahle Sunnat-Wal-Jamaat, successor to Sipah-e-Sahaba, was supposedly banned in 2012 but remains influential and active. Its leader, Muhammad Ahmed Ludhianvi, was photographed meeting the interior minister on October 21st and was allowed to take part in a recent rally in the capital with other hardliners at which anti-Shia rhetoric flowed freely.

It is unclear whether the new ties with IS bring local militants more resources and manpower, or simply more publicity and ambition. But unless Pakistan cracks down on home-grown terror, it will remain fertile ground for IS to launch more attacks. ■



Murdered for dancing



Also in this section

28 Hong Kong's new battle lines

28 Call me comrade

29 Banyan: A China-America romance?

For daily analysis and debate on China, visit

Economist.com/china

China and American democracy

Weighing up Telangpu

BEIJING

Among ordinary Chinese, Mr Trump has plenty of supporters

THE relationship between China and America, as diplomats often intone, is more important than any other between two countries. But that did not help China understand the election of Donald Trump any better than anyone else. The government's initial reaction was one of confusion, verging on denial. Many ordinary citizens expressed horror, but even more voiced admiration. Mr Trump, it seems, has a remarkable following in a country he blames for America's malaise.

When news broke of Mr Trump's victory, official media buried it. That evening, the flagship news programme on state television informed viewers of events in America in the final four minutes of a half-hour broadcast. While the rest of the world was glued to Mr Trump's victory speech, Chinese viewers had to make do with Xi Jinping, China's president, talking to Chinese astronauts orbiting the planet.

Chinese officials pay obsessive attention to ensuring the Communist Party's line is reflected accurately by the country's main media. But Mr Trump's victory caught them in a muddle. Several outlets said Mr Xi had telephoned his compliments to Mr Trump. But Mr Trump said he had spoken to or heard from most foreign leaders—except Mr Xi. The phone call did not take place until six days after the vote. In most countries such a mistake would be insignificant, the result of sloppy reporting or ambiguous phrasing (in Mandarin, the phrase “sent a congratulatory note” can

also mean “congratulate by phone”). In China it suggested that media overlords were not sure what line to take.

They had hoped the message from the election would be clear: that American democracy is in disarray and that “socialism with Chinese characteristics” is the best choice for China. For the first time, an American election was given extensive coverage (the third presidential debate was broadcast in its entirety). The authorities may have made the right call, as they would see it. “Thank God we don't use this voting system,” said one blogger.

Unlikely hero

But if some netizens disliked what they saw of the process, many more were captivated by the electoral drama and, especially, by one of the candidates. Ordinary citizens followed the campaign with unprecedented interest. Online, 20 times more posts referred to Mr Trump in the past year than to Barack Obama in the past eight years. One blogger compared Telangpu, as Mr Trump's name is commonly rendered in Chinese, to the late Deng Xiaoping. Both, apparently, are visionary deal-makers. In China's online world, wrote another netizen, “Trump has this almost untouchable presence.”

Having digested the news of the victory, Chinese officials have begun to see possible benefits in a Trump presidency (see Banyan). But Ma Tianjie, who runs a website called Chublic Opinion, argues

that support for the president-elect is based on culture and values, not calculation. This suggests it has three significant things to say about Chinese society.

First, younger Chinese are not so dissimilar to Mr Trump's American supporters. As one user wrote on Zhihu, a question and answer site: “Most Chinese born after the 1980s are from a working-class background, who can still sympathise with the uneducated ignorance demonstrated by the less refined.” Anti-elitism retains a broad appeal. “Trump won because he truly spoke in the people's voice,” wrote one microblogger.

Next, decades of unbridled economic growth have created a Trump-like worship of money and winners. As Lao Lingmin argued on the *Financial Times's* Chinese-language website, support for Mr Trump reflected China's “law of the jungle”. Chinese society, he wrote, “does not exist for the protection of vulnerable groups”.

Thirdly, says Mr Ma, pro-Trump sentiments in China show how far views can be swayed by zealotry, fanned by social media. On Zhihu, a supporter of Mr Trump repeated the president-elect's falsehood that “there are towns in Britain that are completely under the control of Muslim extremists, who are openly using white girls as sex slaves.” The post got 18,000 likes.

Yet online reactions also showed that Chinese opinions are sharply divided. A well-known blogger on Weibo called Chinese Trump supporters “spiritual red-necks”. Another pointed out that China may suffer: “Don't they know his policies will give China a really hard time?” Intellectuals were aghast.

A news website in Shanghai, however, published an article by an academic who said Mr Trump's win revealed America's “ever greater decline”. Official opinion is closer to this view than to Mr Trump's Chinese cheerleaders. ■

Hong Kong's legislature

Nipped in the bud

HONG KONG

A court disbars two pro-independence legislators. Trouble could loom for more

IN THEIR brief time as lawmakers, Sixtus Leung and Yau Wai-ching have voted on no laws. Their careers as members of Hong Kong's Legislative Council, or Legco, ended just 12 days after they began. Yet their impact was huge. In that short time they managed to stall the workings of government, inspire a riot and provoke the Communist Party in Beijing to meddle with the territory's judiciary. Their legacy will be long-lasting and contentious.

It was no surprise that the High Court ruled on November 15th that Mr Leung and Ms Yau, from a party called Youngspiration, were unfit to take up their posts in Legco. While taking their oaths last month the pair swore, referred to China in a derogatory way and displayed banners saying "Hong Kong is not China". A judge declared they had not acted "faithfully and truthfully" and had forfeited their seats.

Many people in Hong Kong say the two behaved offensively. But many are also upset by the response both of their own government and of the central one in Beijing. Legislators critical of the Communist Party's influence in Hong Kong often use gestures or statements to undermine the impact of their mandatory oaths when being sworn in. Sometimes such antics are ignored; at other times legislators are allowed to try again. The local government gave Mr Leung and Ms Yau no second chance, turning to the High Court to get them disbarred. The central authorities, fearful that the pair's admission to Legco might encourage the spread of pro-independence views, issued a directive through the national parliament that was clearly aimed at persuading the court to rule against them. The judge denied he had taken the instruction into account, but many lawyers saw it as a blow to the territory's judicial independence.

Within hours of the court's verdict the nameplates of Ms Yau and Mr Leung had been removed from their offices. Legco's president warned that they may be asked to return to Legco some of over HK\$1.8m (\$232,000) they spent on salaries and staff expenses. After a series of stormy meetings and disruptions as the pair attempted to re-take their oaths and join the proceedings, a measure of calm now prevails. For the first time since the swearing-in ceremonies, a council session ran its course without fist-cuffs. But the calm is superficial. The two are appealing against the ruling. And as many as ten other pro-democracy law-

makers now face similar cases in court. These have been filed by ordinary citizens, some with the backing of pro-Communist groups. In retaliation, a democrat even filed a case against the chief executive, Leung Chun-ying, who inadvertently fluffed his lines at his swearing-in in 2012.

No date has yet been set for by-elections, but they will be fiercely contested. Two days before the court's ruling, tens of thousands of people joined a protest against those who support Hong Kong's independence from China (which Chinese officials say must be "nipped in the bud"). The battle lines are drawn.

One beneficiary of Hong Kong's growing tensions may be the chief executive. Mr

Leung is not liked. His five-year term expires next year, and he has not said whether he wants to run again. Should he do so, the choice will be made by an electoral college packed with the Communist Party's local supporters. Mr Leung's tough stand against the recent rise of pro-independence sentiment has fuelled resentment of him among the government's critics. Perhaps the central government likes him better for that. Xinhua, a central-government news agency, this week published an interview with him in which he expressed his wish to "rise to the challenges" his administration faces. It may mean he wants to stand again. Discontent in Hong Kong is likely only to grow. ■

Communists

Pride in the party

BEIJING

Would a comrade by any other name be as lovable?

CHINA'S president, Xi Jinping, has a dream: that his country will experience a "great rejuvenation", that its smoggy skies will clear, and that Communist Party members will call each other "comrade" once more. A recent directive said a revival of the form of address would promote "equality and democracy" among the party's 88m members. This lofty ambition has drawn laughter and scorn online. In fact the word *tongzhi*, literally meaning "same aspirations", is still in common use. These days, however, it is a synonym for gay.

Mr Xi has already tried (and failed) to reclaim comrade for the party. Even when officials discarded many obsolete rules in 2014, they said comrade should still be used instead of popular terms like "boss" or "brother". Comrade reflects a "virtuous tradition", according to *Study Times*, a party journal. Mr Xi appears blind to the word's more recently acquired sense. Gay people in Hong Kong claimed comrade for themselves in the

1980s (the first character in *tongzhi* is the same as the one used in *tongxinglian*, or homosexual). From there the new meaning spread to the mainland.

Mr Xi's campaign for comrade-use is part of a broader one to instil discipline among party members. This also involves more rigorous collection of membership fees (amounting to between 0.5% and 2% of annual salary). Payment of them is being described as a "concrete" means to "affirm loyalty". Defaulters have been asked to cough up dues going as far back as 2008.

In a similar vein, *People's Daily*, a party newspaper, launched a campaign earlier this year encouraging people to write out the party's 15,000-character constitution by hand (another publication said it would "awaken" them). A story about newly-weds who apparently took it seriously enough to spend their wedding night doing just that went viral (though it was probably faked). Mr Xi's ideas are attracting jeers, not cheers.



Banyan | A China-America romance?

It is not as unlikely as many pundits think—but nor could it last



AFTER the wildest political upsets this year, here's a prediction for next: China will deem its relations with America to be entering something of a golden period. The prediction is no more outlandish than others that have recently come true. But is it madness? On the campaign trail, Donald Trump singled out China as the prime culprit ripping jobs and business out of the United States "like candy from a baby". Mr Trump threatened a trade war. He promised that, on day one as president, he would label China a currency manipulator. He said he would slap a punitive tariff of 45% on Chinese imports. For good measure, he also promised to tear up the climate agreement that President Barack Obama signed with his counterpart, Xi Jinping, in September—a rare bright point in the bilateral relationship.

Throw in, too, amid all the disarray inside Mr Trump's transition team, the names being bandied about for those who will be in charge of dealings with China. They hardly reassure leaders in Beijing. Possibles for secretary of state, for instance, are Rudy Giuliani, New York's former mayor, who has little experience of China, and John Bolton, a hawk who is actively hostile to it.

And yet China is starting to look on the bright side. Driving the growing optimism in Beijing is a calculation that, if Mr Trump is serious about jobs and growth at home, he will end up in favour of engagement and trade. Put simply, protectionism is inconsistent with "Make America Great Again". From that it flows, or so Chinese officials hope, that Mr Trump's campaign threats are mainly bluster. Yes, he is likely formally to label China a currency manipulator. But that will trigger investigations that will not be published until a year later. Even after that, there may be few immediate practical consequences.

What is more, China's leaders may divine in Mr Trump someone in their mould—not delicate about democratic niceties and concerned above all about development and growth. Reporting on the first phone conversation earlier this week between Mr Xi and Mr Trump, the normally rabid *Global Times*, a newspaper in Beijing, was gushing. After Mr Xi urged co-operation, Mr Trump's contribution to the phone call was "diplomatically impeccable"; it bolstered "optimism", the paper said, in the two powers' relationship over the next four years. Indeed, thanks to his "business and grass-roots angles", and because he has not been "kid-

napped by Washington's political elites", Mr Trump "is probably the very American leader who will make strides in reshaping major-power relations in a pragmatic manner."

No doubt optimism among more hawkish Chinese is based upon calculations that Mr Trump's administration will prove chaotic and incompetent, harming America first and playing to China's advantage in the long game of America's decline and China's rise. "We may as well...see what chaos he can create," the same newspaper was saying only a week ago. And Chinese leaders are delighted to see the back of Barack Obama. They hate his "pivot" to Asia. They are bitter that Mr Obama's "zero-sum mindset" never allowed him to accept Mr Xi's brilliant proposal in 2013 for a "new type of great-power relations" involving "win-win" co-operation. How could Mr Obama possibly think that the doctrine boils down to ceding hegemony in East Asia to China?

And so, it is not hard to imagine what gets discussed in the first meeting between the two leaders, after Mr Trump's inauguration. In his victory speech, the builder-in-chief promised a lot of concrete-pouring: "highways, bridges, tunnels, airports, schools, hospitals". Mr Xi will point out that he has a fair amount of expertise in construction, too. It comes from running a vast country with more than 12,000 miles (18,400km) of bullet-train track where America has none, and a dam at the Yangzi river's Three Gorges which is nearly as tall as the Hoover Dam and six times its length. Mr Xi will offer money and expertise for the president-elect's building efforts, emphasising that China's help will generate American jobs. In return, it would be an easy goodwill gesture for Mr Trump to reverse Mr Obama's opposition to American membership of the Chinese-led Asian Infrastructure Investment Bank, and to lend more support to Mr Xi's "Belt and Road" plans for building infrastructure across Asia and Europe. Advisers to Mr Trump suggest that is already on the cards.

The other leadership transition

A honeymoon, then, that few predicted. China certainly wills it. A calm external environment is critical for Mr Xi right now. He is preparing to carry out a sweeping reshuffle of the party's leadership in the coming year or so. His aim is to consolidate his own power and ensure that he will have control over the choice of his eventual successors. That will demand much of his attention.

But don't expect the honeymoon to last. For one, China may well have underestimated the strength of Mr Trump's mercantilist instincts. It may also have second thoughts should a sustained dollar rally complicate management of its own currency. And even though America's panicked friends have been this week, as the *New York Times* put it, "blindly dialling in to Trump Tower to try to reach the soon-to-be leader of the free world", Trumpian assurances of support have been growing for the alliances that China resents but that have reinforced American power in East Asia since the second world war. (As *The Economist* went to press, Japan's prime minister, Shinzo Abe, was about to become the first national leader to meet the president-elect; he will reassure Mr Trump that Japan is taking on a bigger role in defending itself.)

And then who knows what might roil the world's most important relationship? No crisis has recently challenged the two countries' leaders like the mid-air collision in 2001 of a Chinese fighter jet and an American spy plane. Yet some similar incident is all too thinkable in the crowded, and contested, South and East China Seas. Remember, it is not just Mr Trump who is wholly untested in a foreign-policy crisis of that scale. Mr Xi is, too. ■



Also in this section

- 31 Obamasnare
- 32 A right-leaning court
- 32 Driven to vote
- 33 Death has less dominion
- 33 A family affair
- 34 Illness as indicator
- 35 Lexington: Democrats on the brink

For daily analysis and debate on America, visit

Economist.com/unitedstates

Economist.com/blogs/democracynamerica

The Trump administration

The tower of silence

WASHINGTON, DC

Donald Trump appears to be unsure whether or not to govern as he campaigned

AT THE close of “The Candidate”, an Oscar-winning movie released in 1972, the protagonist, played by Robert Redford, marks his surprise election to the Senate by turning to his campaign chief and asking: “What do we do now?” Donald Trump, the state of the president-elect’s transition effort suggests, has had a few such moments since his victory over Hillary Clinton on November 8th.

To assume control of an administrative machine that employs 4m people, he and his advisers must select, vet and hire around 4,100 people, over 1,000 of whom require confirmation by the Senate, and several hundred of whom—including his White House staff and the heads of around 100 federal departments and agencies—must be in place by the time of his inauguration on January 20th. Mr Trump’s immediate predecessors set a high bar for readiness. Mitt Romney, the losing candidate in 2012, assembled around 700 people to work on his transition—including “agency-review teams”, snooper squads ready to be deployed across the government so that Mr Romney could hit the ground running. Mr Trump, despite public assistance for the transition afforded to him and Mrs Clinton by Congress, and counsel from Romney campaign veterans, is less ready. On election day he had assembled a transition team of around 100, whose leadership he has since purged, throwing many of its existing preparations into disarray.

He replaced the former head of his transition team, Chris Christie, the governor of New Jersey, on November 11th with his vice-president elect, Governor Mike Pence. He also announced a new committee of senior transition advisers, including three of his adult children and his son-in-law, Jared Kushner. Further purges of people close to Mr Christie, including Mike Rogers, a former congressman, and Matthew Freedman, a lobbyist, both of whom were working on national security, have ensued. This is believed to be either because Mr Christie is dogged by an abuse-of-power scandal back home, or at the personal behest of Mr Kushner. One of Mr Trump’s closest advisers, the 35-year-old property heir is alleged to have an animus against Mr Christie who, as a federal prosecutor in New Jersey, was instrumental in sending his father, Charles Kushner, a property developer, to jail for making illegal campaign contributions and other crimes. Mr Pence has also launched a separate purge of some 20 corporate lobbyists assembled by Mr Christie, whose presence seemed at odds with Mr Trump’s pledge to “drain the swamp” of government corruption.

Transitions are always chaotic; even Mr Romney’s would have been. And Mr Trump, who campaigned as an outsider with disdain for his fellow Republicans, started his with obvious disadvantages. Some are now being corrected; Mr Pence, for example, has the confidence of many of

the mainstream Republican policy wonks Mr Trump will need to hire. Indeed, compared with many earlier transitions, his effort doesn’t look too bad. According to Max Stier of the Partnership for Public Service, a non-partisan NGO that advised the Trump and Clinton campaigns on their transition groundwork, both started it early and, by historical standards, made fair progress. So Mr Trump has time to get back on track. Yet his quirks, including a highly informal and personalised management style and seemingly little interest in the details of the vast, complicated system he has sworn to overhaul, are causing alarm.

Foreign governments have been getting to the president-elect through the switchboard at Trump Tower in Manhattan, where Mr Trump (above, with Reince Priebus), holed up with his family and aides, has been chatting to them, seemingly in random order, without the customary benefit of a State Department briefing. During a meeting with Barack Obama to discuss the presidency, on November 10th, he was reported by the *Wall Street Journal* to have been surprised at the extent of its scope. The president-elect’s Twitter habit is also causing disquiet. “Very organised process taking place as I decide cabinet and many other positions. I am the only one who knows who the finalists are!” he tweeted on November 15th, which seemed to recall his former life as a reality-TV star.

In the days after the election, some anti-Trump Republicans declared themselves willing to get off their high horse and serve. But some are already changing their mind. Eliot Cohen, a former national-security official for George W. Bush, tweeted on November 15th that he had “changed my recommendation” to muck in after being contacted by Trump transition officials, whom he called “angry, arrogant”.

As *The Economist* went to press, Mr ▶▶

▶ Trump had made only two senior hires: Steve Bannon, his former campaign chief executive, as chief strategist, and Reince Priebus, the chairman of the Republican National Committee, as his chief of staff. This seemed an obvious expression of Mr Trump's Janus-faced political persona. Mr Bannon, a maverick, tear-up-the-system right-winger, and former boss of a news website, Breitbart News, known for its offensively chauvinistic headlines, reflects his bomb-throwing on the trail. Mr Priebus, a plain-vanilla conservative, whose embrace of Mr Trump arguably did more to get him elected, reflects the pragmatism of the successful businessman Mr Obama claimed to have encountered in his meeting with Mr Trump.

Some of Mr Trump's post-election pronouncements reinforce that impression. He no longer means to eject 11m illegal immigrants and their offspring, as he once promised to. He says he will merely deport two or three million criminals among them (it is not clear there are so many). He also says he no longer plans to wall off America's southern border; some parts of it, he says, will be fenced. Yet even if Mr Trump were to drop all his outrageous promises, which his appointment of Mr Bannon does not augur, he must still run a competent administration. And the state of his additional hiring plans does not seem to promise that.

Most of the people mooted for his main cabinet positions, including Rudy Giuliani and John Bolton as possibilities for secretary of state, Senator Jeff Sessions as a possible defence secretary and Myron Ebell as a possible Environmental Protection Agency boss, have in common loyalty to Mr Trump, reputations for being deeply divisive and little experience of running a federal agency. Since Senate confirmation can be obtained for cabinet posts by a simple majority, which the Republicans have, the Democrats could not block such appointments. But they might well try to delay them, which is within their power, and that would risk making a messy transition even worse.

Paradoxically, this also casts doubt on the seriousness of Mr Trump's ambition to bring the disruptive change he promises. Even with a willingness to rewrite Mr Obama's executive orders and the powers of a unified government, he would still need to win the confidence of the bureaucracy and, to some degree, the forbearance of Democrats to pull that off. This argues for at least some degree of bipartisanship and institutional care. Stocking his cabinet with Mr Giuliani, who has no diplomatic experience, Mr Bolton, who failed to get confirmed as Mr Bush's ambassador to the UN by a Republican-controlled Senate, and Mr Ebell, a climate-change denier with no scientific background, would not provide much of either. ■

The Affordable Care Act

Obamasnare

NEW YORK AND WASHINGTON, DC

The Republican Congress scrambles to find an alternative to Obamacare

THE last time President Barack Obama counted, congressional Republicans had tried to repeal parts of the Affordable Care Act (ACA), his health-care law, more than 60 times. Donald Trump's election victory means their efforts will no longer be in vain. Yet despite Republicans' confidence in Obamacare's shortcomings, what exactly will happen to the law when Mr Trump takes office remains something of a mystery.

Because Republicans lack the 60 votes necessary to overcome a filibuster in the Senate, they will be unable to pass a comprehensive health-care bill without Democratic votes. Instead, they must rely on a process dubbed "budget reconciliation", which allows a simple majority to pass tax-and-spending measures. Republicans used this process to send a law repealing parts of Obamacare to the president's desk. Mr Obama vetoed it early this year. Next year, President Trump will probably sign it.

That will be the beginning, rather than the end, of the Republicans' task. On its own, the reconciliation bill is best described as a wrecking effort. It would remove the subsidies currently available to poor buyers on the ACA's insurance exchanges. It would nix the individual mandate, which fines Americans who can afford health insurance but go without it. Both moves would reduce the number of

healthy people buying coverage. But a rule banning insurers from turning away those with pre-existing medical conditions would remain. As a result, premiums, already up by an average of 22% this year, would rise further, deterring yet more healthy customers. The "death spiral" that some say already afflicts the exchanges would thus accelerate.

Eventually, there would be no market left to serve those who are not covered through their employers or by other government programmes. This includes 12m people who currently buy on the exchanges, and 9m who purchase directly from insurers. As well as killing the individual market, the bill would also undo the expansion of Medicaid, government-provided insurance for the poorest, which was largely responsible for the fall in the number of uninsured Americans after the ACA was passed. Such a painful death for Obamacare would not reflect well on the executioners.

But congressional Republicans are betting that, with the individual market likely to crumble, Democrats would have no choice but to support a full replacement. The best guess as to what that might look like is a somewhat vague plan penned by Paul Ryan, Speaker of the House. This includes replacing Obamacare's targeted subsidies for the poor with a universal tax credit increasing with age.

You might think that replacing means-tested help for poor buyers with a universal benefit would raise costs for the government. But Republicans insist that with enough deregulation, premiums will fall dramatically. For instance, the ACA forces all plans to include certain benefits, such as preventive care, and limits the extent to which insurers can vary prices with risk.

Freed from regulation, insurers are likely to design plans which appeal only to healthy buyers. Mr Ryan's fix is to put unhealthy people into "high-risk pools" with higher premiums and big subsidies. States have tried high-risk pools in the past, notes Gary Claxton of the Kaiser Family Foundation, a think-tank. Typically, premiums were capped at 150-200% of standard rates. But because that was too expensive for many folk, only the very sickest people—say, those with HIV—bought coverage. This pushed up the average subsidy per enrollee. Mr Claxton says big subsidies concentrated on few people could sap the political will to support the pools.

Whatever Congress decides to do, it must move quickly. Few insurers will want to remain in a wobbly market with an uncertain future. Mr Trump's changeable views complicate matters. He now says that he wants to retain the rules on pre-existing conditions, which Mr Ryan would phase out. Having spent so long diagnosing the ills of the ACA, the Republicans must now agree on a cure. ■



Loved, soon to be lost

Donald Trump and the Supreme Court

Listing right

NEW YORK

The president-elect looks set to extend the court's conservative majority

WHEN Antonin Scalia, the intellectual anchor of the Supreme Court's conservative wing, died in February, Senate Republicans rushed to declare, in defiance of centuries of precedent, that Barack Obama's successor should choose his replacement. The risky and ungentelemanly gambit—stonewalling Merrick Garland, a moderate, highly respected appeals-court judge nominated by Mr Obama on March 16th—bordered on constitutional malfeasance. But politically it has paid off. Donald Trump, America's president-elect, will have the opportunity to preserve and perhaps even expand the conservative majority that has reigned at the Supreme Court for five decades.

On the campaign trail, under pressure to display conservative bona fides, Mr Trump shared more about his plans for the nation's highest court than any presidential candidate has ever divulged: not one list of potential nominees, but two, totaling 21 people, who, he says, deserve a shot at one of the court's nine seats.

The first list, released in May, comprised 11 white judges: six sitting on federal circuit courts and five on state supreme courts. In keeping with his promise to “drain the swamp”, none came from inside the Beltway. That is a slight to the District of Columbia Circuit Court of Appeals, perhaps the country's most important appellate court (save the Supreme Court itself), and an institution where many presidents have fished for nominees; three sitting justices once served there. Late in September, Mr Trump revealed another ten potential picks. They included another woman (taking the total to four) and three judges from minority groups.

Mr Trump seems to have two priorities: protecting gun rights and curbing abortion. In a television interview aired on November 13th, he pledged that his court picks will be both “very pro-Second Amendment” and “pro-life”. In his third debate with Hillary Clinton he promised that *Roe v Wade*, the ruling of 1973 that established abortion rights on the contentious ground of privacy, would be overturned “automatically” once his justices are seated. But if the issue is handed back to the states, noted Lesley Stahl, Mr Trump's interviewer, some women “won't be able to get an abortion” anywhere near their homes. Mr Trump responded with a shrug: “Yeah, well, they'll perhaps have to go...to another state.” Ms Stahl sounded sceptical: “And

Voter registration

Oregon lets it ride

LOS ANGELES

The Beaver State bucks a trend

NOT since 2000 has a lower share of the American electorate turned out to vote in a presidential election. That may be because of voters' lack of enthusiasm for either candidate. But many suspect restrictive laws also played a part. Since 2012 several states have passed laws requiring prospective voters to show state-issued identification at the polls—documents which poorer and minority voters, who mostly lean Democratic, are less likely to possess.

Oregon bucks this trend. This year's election was the first since its legislature passed the Oregon Motor Voter Act in March 2015. Federal law already allows citizens to register to vote at their local motor-vehicle department. Oregon's law makes this process automatic: whenever eligible citizens apply for, renew, or replace an Oregon driving licence, permit or ID card, they are registered to vote. Those who do not choose a particular

party are considered unaffiliated; Oregonians who do not wish to be registered at all are given 21 days to opt out of the programme.

Oregon was one of just two states, along with Connecticut, that had such measures in place for the election (similar initiatives have been passed in four other states and Washington, DC). Results were mixed. About 230,000 new voters were registered thanks to the law—an impressive share of Oregon's 2.5m registered voters. Those motor-voters who chose a party voted at similar rates to traditionally registered Oregonians. But most motor-voters did not choose a party, and only 35% of those voted.

That partly explains why statewide voter turnout decreased to 77.8% (at the time *The Economist* went to press) from 83% in 2012. Although 180,000 more votes were cast in this election, the wider voter pool contained a larger share of registered non-voters.

Jim Moore, a political scientist at Pacific University, says one way to boost engagement would be to ask motor voters to affirm that they wish to register. That would, he believes, make them take the process more seriously than the current default method does.

Liz Kennedy, a voting-rights expert at the Centre for American Progress, a think-tank, says Oregon's law has the potential to be “absolutely transformative”. She advocates expanding the programme, perhaps by automatically registering voters when they use social services. Such citizens tend to vote less often than wealthier ones. “We want people to feel invited into our democratic system of government,” Ms Kennedy says.



Driven to vote

that's OK?” “Well, we'll see what happens,” he said. “It's got a long way to go, just so you understand.” He repeated, for emphasis: “That has a long, long way to go.”

Indeed, replacing Scalia with a justice who hates *Roe* will not immediately endanger abortion rights. In June the court's four liberals and Anthony Kennedy ruled that Texan regulations, cynically designed to close down many of the state's abortion clinics, were unconstitutional. But if Mr Trump gets the opportunity to replace not only Mr Scalia but Stephen Breyer (aged 78), Ruth Bader Ginsburg (83) or Mr Kennedy (80) over the next few years, abortion rights will probably be whittled down. Bills banning abortion at the point in pregnancy where fetuses purportedly feel pain

will push the boundaries of *Roe*. Measures like the Texas regulations will get a friendlier reception. And bans on specific procedures will find stronger legal footing.

With Republicans in control of Congress and the White House, there is only one barrier to Mr Trump seating a justice of his choice: the Senate filibuster, a manoeuvre that allows the minority party to prolong debate and block votes as long as the majority is weaker than 60 votes. But the filibuster's days appear numbered. Triumphant Republicans will have no reason to bow to a Senate rule that hamstringing their new president. Expect the filibuster to disappear and Mr Trump to have his way with the Supreme Court's empty chair—one way or another. ■



Capital punishment

Death has less dominion

LOS ANGELES

The death penalty is going, but not quite gone yet

FEW people have had a more tumultuous 18 months than Nebraska's ten death-row inmates. In May 2015 the Nebraska legislature voted to abolish capital punishment, which would have converted their sentences to life imprisonment. The governor, Pete Ricketts, vetoed the legislation but was overridden. He then poured \$400,000 of his family's money into financing a referendum to reinstate the death penalty, which appeared on the ballot on November 8th and passed with 61% of Nebraskans' support.

The proposition was one of three pro-death-penalty measures on state ballots. Two passed with ample margins, and prospects for the third look promising. In Oklahoma, a state that attracted fierce criticism for botching a lethal injection in 2014, voters backed a measure to give capital punishment constitutional protection. Progressive California has more condemned inmates than any other state; voters there rejected a proposition to repeal capital punishment. Though it has yet to be certified, another measure that aims to speed up executions seems likely to triumph. According to Mike Ramos, the district attorney for San Bernardino County who championed that bill, "Even in a deep blue state like California, most people still feel the only justice for the worst of the worst is the death penalty."

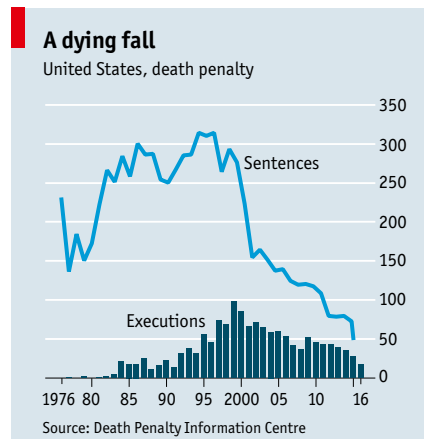
Yet polls show that capital punishment currently enjoys its lowest levels of support in four decades. Actual executions have also declined nationally (see chart). In 1999, 98 convicted criminals were executed. Last year just 28 were. Nebraska has

not actually executed anyone since 1997, while California last did so in 2006.

Robert Dunham at the Death Penalty Information Centre, a non-profit organisation, does not interpret the success of pro-death penalty propositions as a sign that attitudes are hardening again. "During periods of climate change, there are extreme storms," he points out. "But when you step back and look at general patterns—despite those isolated storms—the direction of change is clear."

Carol Steiker, a professor at Harvard Law School and co-author of a new book entitled "Courting Death: The Supreme Court and Capital Punishment", says people rarely take the time to understand ballot initiatives (one voter in Palo Alto says it took him hours to educate himself about the 17 measures on California's ballot). A better bellwether of what will happen to the death penalty, Ms Steiker says, is sentencing. In 1996, 315 convicts were given death sentences. In 2015 only 49 were. This suggests that prosecutors, jurors and judges have all grown warier of capital punishment.

Beyond Nebraska, Oklahoma and California, local election results refute the idea that Americans are rediscovering their enthusiasm for capital punishment. Voters in Washington and Oregon stuck with governors who had enforced moratoriums on capital punishment. Jefferson County sentences more criminals to death than any other county in Alabama, but the incumbent Republican district attorney lost to Charles Todd Henderson, a Democrat who says he is "personally opposed" to executions. Similar upsets occurred in district-attorney races in Hillsborough County, Florida and Harris County, Texas—both among the most prolific death-sentencing counties in the country. Ms Steiker believes that if you ask people whether they support capital punishment in the abstract, they tend to say yes. But abstract approval does not always translate into concrete backing. Unless there is a sustained rise in violent crime, she believes support for capital punishment will continue to wane. ■



Conflicts of interest

Dynasty

WASHINGTON, DC

The incoming administration has an inbuilt problem

DURING the presidential campaign there was much discussion about how the norms that govern American democracy were being ignored or rewritten. Those discussions have not stopped since Donald Trump became president-elect. His decision to put three of his children and one of their spouses on his presidential transition team, and the story, later denied, that he sought top-secret security clearances for them, has provoked concerns about what the roles of the president's children and their spouses will be once Mr Trump takes office.

His mixing of public and private endeavours looks like a reversion to the way conflicts of interest worked at the presidential level before civil-service reform in the 20th century. Before then presidents frequently dabbled in business on the side. There are few laws governing what a president must do to manage such conflicts, but from the mid-century presidency of Dwight Eisenhower onwards most presidents have placed their assets in blind trusts. So far Mr Trump has declined to do any such thing.

The worry is not so much that Mr Trump's children will be running his businesses while he is in the White House, or that Trump companies will find ways to profit from their association with the president—though both of those things could well happen. Ivanka Trump gave a small demonstration of what this will look like when her jewellery company used her appearance in the first televised interview with her father after the election to sell copies of the bracelet she wore.

Mr Trump's companies do not have the market share or political importance that, say, Silvio Berlusconi's television empire had when he came to power in Italy. Nor is America about to go the way of Ukraine, where oligarchs-turned-politicians manipulate laws to favour their companies.

Instead, one concern should be that people will conclude that doing business with Trump companies is a good way to buy influence, or at least the appearance of it—exactly the problem that dogged the Clinton Foundation and which Mr Trump denounced as crooked. A second concern is that Mr Trump depends heavily on his children for advice. When it comes to running the country, as opposed to a presidential campaign, they are not well-qualified to give it. Americans should be more worried about competence than nepotism. ■

The presidential election

Illness as indicator

NEW YORK

Local health outcomes predict Trumpward swings

THE first piece of news Americans woke up to on November 9th was that Donald Trump had been elected president. The second was that he owed his victory to a massive swing towards Republicans by white voters without college degrees across the north of the country, who delivered him the rustbelt states of Michigan, Wisconsin and Pennsylvania—all by one percentage point or less. Pundits had scoffed at Mr Trump's plan to transform the Wall Street-friendly Republicans into a "workers' party", and flip the long-Democratic industrial Midwest: Hillary Clinton had led virtually every poll in these states, mostly by comfortable margins. But it was the plutocratic Donald who enjoyed the last laugh.

In the aftermath of the stunning result, statistical analysts homed in on blue-collar whites as never before. Although pre-election polls showed Mr Trump with a 30-percentage-point advantage among whites without a college degree, exit polls revealed he actually won them by almost 40 points. Unsurprisingly, the single best predictor identified so far of the change from 2012 to 2016 in the share of each county's eligible voters that voted Republican—in other words, the swing from Mitt Romney to Mr Trump—is the percentage of potential voters who are non-college whites. The impact of this bloc was so large that on November 15th Patrick Ruffini, a well-known pollster, offered a "challenge for data nerds" on Twitter: "Find the variable that can beat % of non-college whites in the electorate as a predictor of county swing to Trump."

With no shortage of nerds, *The Economist* has taken Mr Ruffini up on his challenge. Although we could not find a single factor whose explanatory power was greater than that of non-college whites, we did identify a group of them that did so collectively: an index of public-health statistics. The Institute for Health Metrics and Evaluation at the University of Washington has compiled county-level data on life expectancy and the prevalence of obesity, diabetes, heavy drinking and regular physical activity (or lack thereof). Together, these variables explain 43% of Mr Trump's gains over Mr Romney, just edging out the 41% accounted for by the share of non-college whites (see chart).

The two categories significantly overlap: counties with a large proportion of whites without a degree also tend to fare

poorly when it comes to public health. However, even after controlling for race, education, age, sex, income, marital status, immigration and employment, these figures remain highly statistically significant. Holding all other factors constant—including the share of non-college whites—the better physical shape a county's residents are in, the worse Mr Trump did relative to Mr Romney.

For example, in Knox County, Ohio, just north-east of Columbus, Mr Trump's margin of victory was 14 percentage points greater than Mr Romney's. One hundred miles (161 km) to the east, in Jefferson County, the Republican vote share climbed by 30 percentage points. The share of non-college whites in Knox is actually slightly higher than in Jefferson, 82% to 79%. But Knox residents are much healthier: they are 8% less likely to have diabetes, 30% less likely to be heavy drinkers and 21% more likely to be physically active. Holding all else equal, our model finds that those differences account for around a six-percentage-point difference in the change in Republican vote share from 2012.

The data suggest that the ill may have been particularly susceptible to Mr Trump's message. According to our model, if diabetes were just 7% less prevalent in Michigan, Mr Trump would have gained

0.3 fewer percentage points there, enough to swing the state back to the Democrats. Similarly, if an additional 8% of people in Pennsylvania engaged in regular physical activity, and heavy drinking in Wisconsin were 5% lower, Mrs Clinton would be set to enter the White House. But such counterfactual predictions are always impossible to test. There is no way to rerun the election with healthier voters and compare the results.

The public-health crisis unfolding across white working-class America is hardly a secret. Last year Angus Deaton, a Nobel-prize-winning economist, found that the death rate among the country's middle-aged, less-educated white citizens had climbed since the 1990s, even as the rate for Hispanics and blacks of the same age had fallen. Drinking, suicide and a burgeoning epidemic of opioid abuse are widely seen as the most likely causes. Some argue that deteriorating health outcomes are linked to deindustrialisation: higher unemployment rates predict both lower life expectancy and support for Mr Trump, even after controlling for a bevy of demographic variables.

Polling data suggests that on the whole, Mr Trump's supporters are not particularly down on their luck: within any given level of educational attainment, higher-income respondents are more likely to vote Republican. But what the geographic numbers do show is that the specific subset of Mr Trump's voters that won him the election—those in counties where he outperformed Mr Romney by large margins—live in communities that are literally dying. Even if Mr Trump's policies are unlikely to alleviate their plight, it is not hard to understand why they voted for change. ■

Vitality and the vote

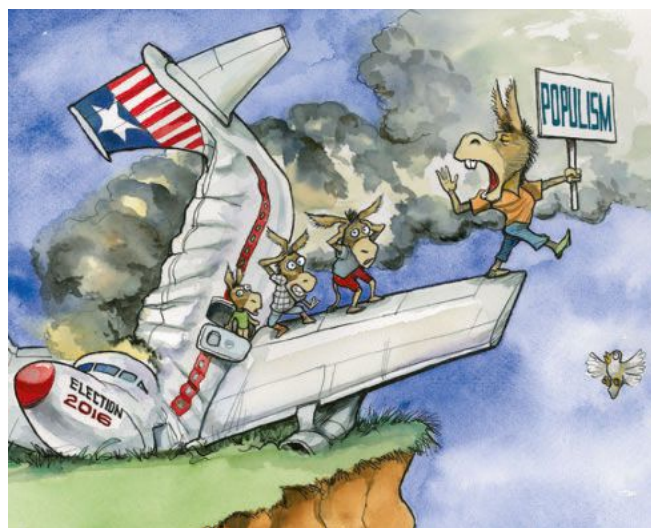
United States, health metrics against swing to Donald Trump, by county

Sources: Atlas of US Presidential Elections; Census Bureau; IPUMS, University of Minnesota; Institute for Health Metrics and Evaluation; *The Economist*

*Weighted index of obesity, diabetes, heavy drinking, physical exercise and life expectancy, 2010-12

Lexington | Democrats on the brink

The American left is in danger of learning precisely the wrong lesson from defeat



AGHAst at the defection of millions who voted for Barack Obama in 2012 but for Donald Trump in 2016—notably working-class whites in the Midwest—the left wants the Democratic Party to snatch up the banner of economic populism and declare war on Wall Street, big business and other global elites. At post-election gatherings like the Democracy Alliance conference in Washington, DC, it is an article of faith that Senator Bernie Sanders of Vermont, the snowy-haired, finger-jabbing scold who lost the Democratic presidential primary to Hillary Clinton, would have trounced Mr Trump in the general election.

Such Democrats are making a mistake. It is as if America's political classes are bent on copying every part of Britain's current flirtation with who-needs-experts populism. Not content with holding an election that saw voters sharply divided by education, age, geography and attitudes to social change—as happened with the Brexit referendum—American leftists seem ready to follow Britain's Labour Party down the path of self-righteous irrelevance. On November 14th protesters were arrested after a sit-in in the office of the Democratic leader in the Senate, Charles Schumer of New York, blaming him and other “Wall Street Democrats” for Mr Trump's victory and demanding that he step aside in favour of Mr Sanders or another leftist icon, Senator Elizabeth Warren of Massachusetts.

Sanders-boosters point to polls, taken months ago, that showed him beating Mr Trump in a head-to-head contest. His “the system is rigged” rhetoric made him the Republican's equal when it came to indignation, supporters note, while his rumpled asceticism (he is one of the poorest members of the Senate) and plain-spoken integrity made him a more convincing anti-establishment champion than Mrs Clinton. Because the election was so close, decided in just a few battleground states, Mr Sanders could have won by convincing a few hundred thousand workers angry about globalisation and free trade.

The Democratic left is missing a crucial detail: those surveys were taken when most Americans knew little about Mr Sanders. When Lexington conducted an unscientific straw poll of prominent Democrats in Washington this week, they were strikingly cautious about declaring the Vermont senator a national champion. For every Trump vote that Bernie Sanders would have won,

his positions could have cost Democrats support from other voter blocs, suggests Representative Steve Israel, a centrist from Long Island who is retiring this year. Mr Sanders never faced the “scouring light” of media scrutiny, notes Senator Cory Booker of New Jersey, delicately: “we don't know” how he would have done.

Had Democrats owned a crystal ball and known in advance that Mr Trump would be their opponent they might have beaten him by picking a different mainstream candidate, for instance Vice-President Joe Biden. But Mr Sanders would have faced months of attack ads, running something like this. “Radical Bernie Sanders doesn't like America. That's why he backs tyrants who hate our freedoms [the screen shows old quotes from Mr Sanders praising Fidel Castro of Cuba]. It's why he wants to make us like bankrupt, failed Europe, with open borders and amnesty for illegal aliens [images of refugees in the Mediterranean, terror attacks in Belgium and France, then Sanders quotes comparing America unfavourably with Denmark]. He wants government-run health care [viewers see a shabby hospital], abortion on demand and welfare for all. Who'd pay for this? You would, with some of the biggest tax hikes in our history. Bernie Sanders, a danger to America.” A third senior Democrat succinctly calls talk of Mr Sanders winning a general election “insane”.

Populist politicians are gaining ground across the democratic West. But in Britain, France, Germany, Poland, Hungary and the Nordic countries so admired by Mr Sanders, the most successful anti-elite movements are broadly of the right, not the left. Even in Greece, where radical leftists hold power, soak-the-rich populism is allied to nationalist resentment at foreigners causing austerity.

This is no accident. To simplify, populists of the left talk about fairness: an abstract idea. They call for government to break up big banks, make sure the rich pay taxes or erect tariff or regulatory barriers to keep globalisation at bay. Populists of the right happily borrow leftist lines about putting domestic workers first, and curbing the might of international finance. But then instead of talking about fairness, they talk of safety and control, of defending precious values that are under assault, and of keeping The Other at bay. Rather than fixing the system, they talk of taking their country back. If it suits their needs, populists of the right will present government itself as an agent of tyranny. Those are potent slogans that appeal to the gut, not the head—and in America just helped Republicans to elect a billionaire who calls tax-avoidance “smart”. They are reasons why the centre-left should beware of choosing to fight the right on populist ground.

If you can't beat 'em, don't join 'em

The hard lesson of 2016 is that mainstream politicians do not yet have a perfect answer to the demagogues sweeping the West. Mrs Clinton was a clunking candidate who—disastrously—took the Midwest for granted. But her larger problem was that she could not match Mr Trump's willingness to tell angry workers whatever they wanted to hear, as when he promised to bring back coal-mining jobs, or manufacturing from Asia. Every rich-world politician knows what voters want: to be shielded from competition that they feel is unfair or unbearable, whether from machines or foreigners. But no responsible leader knows how to do that without harming the economy. As Mr Booker says: “You can't create policy against a microchip.” As they enter a spell in the wilderness, Democrats cannot out-promise Mr Trump. They need to out-think him, by finding policies that work in the real world, in ways that voters can touch and feel. They have four years. ■



Latin America and China

A golden opportunity

BEIJING, BUENOS AIRES, SANTIAGO AND SÃO PAULO

China's president ventures into Donald Trump's backyard

GEOPOLITICS waits for no man, not even the United States' president-elect. Little more than a week after Donald Trump's victory, Xi Jinping, president of the world's second-largest economy, set off for Latin America—his third trip there since 2013—clutching a sheaf of trade deals. They were proposed long before the change of government in Washington. But at a time when the image of the big, bad *yanqui* seems to be making a comeback, Mr Xi may find himself with an opportunity to boost Chinese influence in the American backyard.

China's aims in the region are expansive. In 2015 it signed a slew of agreements with Latin American countries promising to double bilateral trade to \$500bn within ten years and to increase the total stock of investment between them from \$85bn-100bn to \$250bn. China also wants good relations in order to diversify its sources of energy, to find new markets for its infrastructure companies and to project power, both soft and military, in the western hemisphere.

But Mr Xi, whose itinerary takes him to Ecuador, Peru and Chile, will have to work hard for these gains. After a long period of rising trade and closer relations, many Latin American countries are having second thoughts about their embrace of China. Exports from the region (plus the Caribbean) shrank last year, largely because Chinese economic growth slowed. China's exports

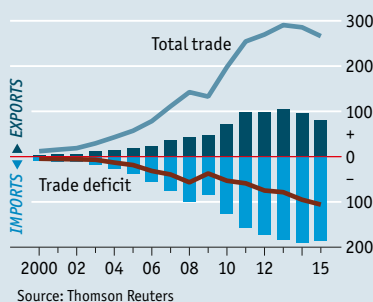
fell by less, so Latin America's trade deficit with the country increased (see chart).

Four raw materials—copper, iron, oil and soyabeans—account for three-quarters of the region's exports to China, a greater share than they do of trade with the rest of the world. But the impact on employment is slight. A study by Boston University found that trade with China generated 17% fewer jobs per dollar's-worth of exports than did trade with other countries.

Almost all imports from China are cheap manufactures. Some Latin American economists argue that Chinese subsidies to their producers undermine domestic industries. A new study published by the Atlantic Council, a think-tank in Washington, concludes that Chinese exports

Partners in decline

Latin America and the Caribbean, merchandise trade with China, \$bn



Also in this section

37 Haiti's post-hurricane election

38 Bello: Colombia's new, improved peace accord

“have had an effect on the region's deindustrialisation”. As for China's push to invest in infrastructure and natural resources, “that won't give us the quality jobs we need,” said Rebecca Grynspan, the secretary-general of the Ibero-American Community, which comprises Spain, Portugal and Latin America, at a seminar in Santiago last week.

As Latin American expectations are changing, so too is the pattern of Chinese investment. In 2010-13, 90% of it went to natural resources. Recent investments have branched out. In September this year China's State Grid bought a 23% stake in CPFL, a Brazilian energy utility, for \$1.8bn. WTorre, a Brazilian construction company, signed a deal with China Communications and Construction Company International to build a port in Maranhão, a northeastern state. Chinese financial firms are getting involved. Fosun, an investment company, recently bought a controlling stake in Rio Bravo, an asset manager in São Paulo. Last year Bank of Communications bought 80% of BBM, a Brazilian lender, for 525m reais (\$174m).

China has its own reasons for wanting change. Many of its biggest trade deals have been with left-wing governments, which initially saw China as an anti-imperialist sugar daddy. Chinese loans over the past decade have fed that expectation. They went mainly to four countries that had left-leaning governments for most of the period: Venezuela, Brazil, Argentina and Ecuador. Now China worries that bankrupt Venezuela, which hews doggedly to self-destructive populism, may not repay its debts. And it wants to improve its standing with new, business-friendly governments in Argentina and Brazil.

To dispel the notion that it is mainly a friend of the left, China is offering free-trade agreements (FTAs) with more open ►►

▶ economies. It already has such deals with Peru, Chile and Costa Rica. Last year China's prime minister, Li Keqiang, went to Colombia to talk about one. On his trip this month Mr Xi wants to expand the FTA that China signed with Chile in 2005. In October Uruguay's president, Tabaré Vázquez, went to China to talk about an FTA. That prompted the other members of Mercosur, a four-nation trading block led by Brazil, to consider joint efforts to reach a group-wide trade agreement with China.

The death of the Trans-Pacific Partnership (TPP), from which Mr Trump has said he will withdraw, may also prove an opportunity. China is hoping to use a meeting in Peru of 21 Pacific Rim economies to boost the prospects of its TPP-alternative, the Regional Comprehensive Economic Partnership, which includes India and Japan, but not the United States.

Luckily for China, Latin America's recent turn to the political centre implies greater pragmatism rather than hostility to the People's Republic. It has made Brazil and Argentina more open to trade and investment, reckons Alicia Bárcena, the head of the UN's Economic Commission for Latin America. "So if the Chinese are ready to invest, it should be easier for them."

Mr Xi is not just interested in commerce. In his speech to Brazil's congress in 2014 he talked about a new "strategic partnership". This time, says Oliver Stuenkel of Fundação Getúlio Vargas, a Brazilian university, Mr Xi "will project himself as a stabiliser", which will do no harm when many leaders are fearful about what a Trump presidency might bring.

Chinese experts on Latin America scoff at the notion that China has geopolitical interests there. But it is hard to believe that it does not welcome the idea of having friends in the United States' historical sphere of influence to match America's allies in East and South-East Asia. A bonus is that 12 of Taiwan's 22 allies are in Latin America and the Caribbean. So good relations between China and the region could chip away at Taiwan's claim to some form of independent status.

In 2015, the government of Cristina Fernández de Kirchner, then president of Argentina, signed a \$1bn agreement to buy Chinese fighter jets and ocean-going patrol vessels. The agreement took China's arms sales on the continent into a new league (until then, except in Venezuela, they had been mostly small scale). She also approved a deal giving the Chinese the right to build a satellite-tracking station in Argentina. After criticising the arrangement before his election in November 2015, the new president, Mauricio Macri, has given it the go-ahead.

The base is in Neuquén province in Patagonia. Yu Xueming, the project's manager, says the site has no military purpose and is designed as part of a lunar mission to be

launched in 2017. But satellite experts say its parabolic antennae could have military uses, too. The facility's operator is a unit of the People's Liberation Army, the name for all of China's military services. The site is due to become operational next March.

China, it seems, is in Latin America for the long haul. And while it is there, it can keep one eye on the neighbouring giant to the north. ■

Haiti after the hurricane

Weaker than the storm

JÉRÉMIE

A ravaged land prepares for a long-delayed election

ON A cloud-dampened morning in Jérémie, the capital of the department of Grand'Anse in south-west Haiti, André Tham walks along a muddy road with a loudhailer, urging passers-by to get vaccinations against cholera. Farther on, a colleague empties a small vial into the mouth of a motorcyclist.

More than 3,700 people are thought to have contracted the waterborne disease since Hurricane Matthew washed over Haiti on October 4th, felling trees, destroying houses, schools and clinics, and polluting sources of clean water. More than 1,000 people died and 1.4m still need immediate assistance. Farms and fisheries, the main source of livelihood, were ruined. Some families remain in their derelict homes, trying to keep out the rain as best they can; about 140,000 are living in government-run shelters. Mr Tham and his wife, who has suffered a broken leg, are among them. "I lost everything," he says.

Recovery is slow. Aid agencies say it is

difficult to deliver food to many of the hurricane's victims, in part because roads remain impassable. Rebuilding has barely begun. Jobless refugees are crowding into Port-au-Prince, Haiti's capital.

The country's presidential and legislative elections, scheduled for November 20th, are the last thing on the minds of the inhabitants of Grand'Anse, one of the worst-hit areas, on the tip of Haiti's southern peninsula, where about 15% of voters live. Many of the 20-odd candidates running for president have visited the region, bringing aid (often in packages emblazoned with their names) and promises of reconstruction. But it is not clear that valid elections can be held, or that they will result in a government better able to cope with the hurricane's aftermath.

"You can't speak of elections to people living in the open, who are hungry and protesting for food," says Marie Roselore Aubourg, minister for commerce and industry in Grand'Anse. Many have lost their voting cards. As *The Economist* went to press, there was still a possibility that the election might be postponed.

Haiti has not had a proper government since Michel Martelly, the last duly elected president, stepped down in February. Since then the country has been governed by a caretaker, Jocelerme Privert. Haiti held the first round of presidential elections and some legislative elections in October 2015, but the results were annulled after suspicions of fraud provoked widespread protests. Hurricane Matthew forced a postponement of the re-run, which had been scheduled for the weekend after it struck. Assuming the rescheduled votes go ahead this month, run-off elections, if necessary, will be held on January 29th.

The misery in Grand'Anse shows why a stable and effective government is needed. Mr Privert contends it will do a better job of coping with the post-hurricane ►



Their'd rather eat than vote

► emergency. "It is not a provisional government in a few weeks that will bring the responses to all these evils," he said in a statement. But his confidence that new leaders will do a better job may be misplaced. When Haiti was struck in 2010 by an earthquake, a much bigger disaster, its elected government was overwhelmed.

A greater hope is that a new government will take steps to make Haiti more prosperous and resilient in the face of future disasters. The next president will be in a better position than Mr Privert to work with foreign donors, which provide aid worth more than 5% of GDP, and to drum

up foreign investment. To promote growth in the long term, argues Gilles Damais of the Inter-American Development Bank, the next government should concentrate on three tasks: upgrading energy and transport infrastructure; creating a trustworthy registry of land ownership to encourage investment; and making dispute resolution more transparent and less corrupt by reforming the justice system.

The conduct of the election campaign has not given voters much reason to expect such changes. Polls suggest that the re-run of the first round will produce the same two figures to go through to a second

round: Jovenel Moïse, a protégé of Mr Martelly, and the left-leaning Jude Célestin. Other candidates with a chance are Moïse Jean-Charles, a populist ex-senator, and Maryse Narcisse of Fanmi Lavalas, the party of Jean-Bertrand Aristide, a popular two-time president.

None of the possible winners has offered a credible programme of economic reforms. A low turnout in the south-west could give losing candidates an excuse to contest the result yet again, says Jake Johnston, of the Centre for Economic and Policy Research in Washington. That would only add to the wretchedness of Jérémie. ■

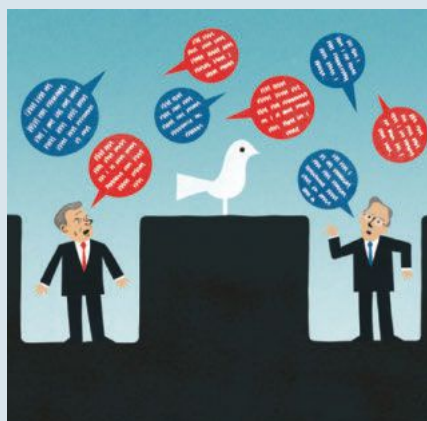
Bello | If at first you don't succeed...

Peace and political trench warfare in Colombia

WHEN on October 2nd a narrow majority of Colombian voters rejected a peace agreement under which the FARC guerrillas were to disarm, it was not just a pollster-confounding shock. It was also a rebuke to the government of Juan Manuel Santos, to negotiators who spent four tough years working on the accord and to the international establishment, which had praised the accord. Thus stung, Mr Santos's people and the FARC's leaders went back to the table. On November 12th they came up with a revised agreement. Will it command wider public support?

According to Mr Santos, the result is a "renovated, adjusted, more precise and clarified" accord that takes account of many of the objections of the critics, led by Álvaro Uribe, his predecessor and now his chief foe. It is even longer—310 pages instead of 297—but its essence remains the same. The FARC will disarm and become a civilian political party. FARC leaders found guilty of war crimes will not be sent to jail; instead, they will face alternative penalties involving "effective restrictions of liberty", provided they confess their deeds before a special tribunal.

The new agreement tidies up loose ends, and involves a few significant concessions from the FARC. Their new political party will get less public money. The tribunal will now be composed only of Colombian judges, with foreign magistrates reduced to the status of observers. The time limit for implementing the agreement has been extended from ten to 15 years, to lessen the fiscal strain caused by spending billions of dollars on rural development. Importantly, only the provisions regarding international humanitarian law, and not the whole agreement, will be written into Colombia's constitution. That would have made the constitution unwieldy, and risked making policy



choices, such as land reform, irrevocable.

Many of the other changes spell out matters implied in the original accord. For example, the tribunal will define the place to which convicted FARC leaders will be confined, and this will be not much bigger than a village. The tribunal's decisions will be subject to review by Colombia's constitutional court. The FARC must declare their assets, and the details of their involvement in drug-trafficking—something prosecutors were likely to winkle out of them anyway. Land reform will not affect the right to private property. The government can use aerial spraying of coca crops if manual eradication fails. Another raft of changes, aimed at mollifying the churches, removes much of the original politically correct language concerning "gender equity" and the rights of gays and transsexuals.

The FARC may have accepted such changes because they have at last understood that most Colombians abhor them and that political support for peace matters more than legal guarantees. They may fear that Donald Trump will look less kindly on the peace process than Barack Obama has.

But the FARC have insisted that leaders

guilty of war crimes be eligible for election to congress and as mayors. On that there is an unbridgeable divide. Mr Uribe sees the FARC as "narcoterrorists" deserving of jail. Many Colombians, who recall the FARC's kidnappings and bombings, agree. For Mr Santos, the guerrillas have "a political origin" and the *raison d'être* of all peace processes is to facilitate a transition from armed rebellion to peaceful democratic politics.

The president, rightly, insisted on a speedy renegotiation because the ceasefire between the FARC and the army is "fragile". (The army killed two guerrillas this week, it said accidentally.) Even so, it was hard to see why Mr Santos rushed to announce the new accord on a Saturday night in the middle of a long holiday weekend. Perhaps the reason was that, as it now transpires, this week he faces tests to see whether the prostate cancer he suffered in 2012 has returned.

Mr Santos has called the bluff of the No campaigners in the plebiscite who claimed they wanted peace, but not on the previous terms. He insists this is the last word. Mr Uribe, who wants further consultation, is taking his time before pronouncing on the new agreement. He must judge whether it is so unacceptable as to merit blocking peace altogether.

Many outsiders will expect Mr Santos to call a fresh plebiscite. But he is unlikely to do so. A second loss would be definitive. Instead, he will seek approval in congress, where he has a solid majority. But that route may mean forgoing consensus and a fast track for legislative approval of the constitutional changes that the agreement requires. With a presidential election due in 2018 the risk is that peace will be subject to political trench warfare. That, Mr Santos has decided, will be better than the military kind.



Also in this section

40 Clerical abuse in Iran

40 The battle for Aleppo resumes

41 Ghana's election

42 Corruption in Sierra Leone

For daily analysis and debate on the Middle East and Africa, visit

Economist.com/world/middle-east-africa

The nuclear deal with Iran

On borrowed time

The outgoing American president's biggest foreign-policy achievement now looks unlikely to survive

BARACK OBAMA is trying to console himself with the possibility that Donald Trump may not after all lay waste to every aspect of his legacy. Perhaps the president-elect's suggestion that he might preserve some features of his predecessor's health-care legislation offers a sliver of hope that what Mr Obama regards as his greatest foreign-policy achievement will not necessarily be thrown into the dustbin after January 20th. In reality, the likelihood that the deal with Iran to roll back and constrain its nuclear programme survives the first year of Mr Trump's presidency now seems extremely small. But if Mr Trump does decide to abrogate it, or sabotage it in some other way, the diplomatic and strategic consequences will be dire.

Guessing what Mr Trump will do is fraught with difficulty because his statements have been so inconsistent. Unlike some of his rivals for the Republican nomination, he did not (quite) promise to tear up the Joint Comprehensive Plan of Action (JCPOA), as the nuclear deal is formally known, on the first day of his presidency. But he has variously described it as "the worst deal ever negotiated" that he would regard as his "number-one priority" to "dismantle"; as something he might accept but police much more aggressively; or that he would renegotiate to make much tougher. He has even complained that one defect of the deal is that it gives other coun-

tries access to the Iranian market that American firms are denied (in fact, by Washington).

Whether the Iran deal, which went into effect at the start of this year, will really be a priority when other more urgent and less technical issues are jostling for Mr Trump's attention next year is also questionable. Those responsible for monitoring the JCPOA say that it is working well despite a couple of minor incidents coming to light of Iranian non-compliance (exceeding the cap on the production of heavy water, a material that can be used to make weapons-grade plutonium).

Waiting for Team Trump

Much will depend on Mr Trump's choice for secretary of state, according to Robert Einhorn, a former State Department official who helped to shape the Obama administration's strategy on Iran. Three of the four men who are thought to be in the frame, John Bolton, Newt Gingrich and Rudy Giuliani, have all said that they would simply scrap the deal; the fourth, Bob Corker, the chairman of the Senate Foreign Relations Committee, takes a more pragmatic view. Mr Bolton, in particular, believes that the only reliable way to stop Iran from getting a nuclear weapon is to bomb its nuclear infrastructure.

What is not in doubt is that Mr Trump can easily wreck the deal if he is so mind-

ed. Although it is between Iran and seven other parties (the UN Security Council's five permanent members plus Germany and the EU), it depends on all the signatories living up to their obligations. Mark Fitzpatrick, a nuclear-policy expert at the International Institute for Strategic Studies, says it can be killed by simple neglect.

For example, the American sanctions reliefs agreed to by Mr Obama require renewal by presidential waiver every 120 or 180 days, depending on the statutes involved. Mr Trump could just sit on his hands. Or he could impose, by executive order or legislation, a new set of sanctions, perhaps relating to Iran's provocative missile-development programme, which might be technically possible under the JCPOA but which would soon cause it to unravel. On the other hand, reckons Richard Nephew, a former adviser on sanctions policy at the State Department who served on the Iran negotiating team, if Mr Trump opts for renegotiation, he could set a time limit on his waivers of sanctions to force a harder bargain with the Iranians.

What responsible advisers should be telling Mr Trump is that simply walking away from the JCPOA would lead to the worst of all worlds. There would be little chance of persuading the Europeans, let alone Russia or China, to reimpose their sanctions in the absence of any serious violation by Iran, and when they are happy with the way the deal is working out, both politically and commercially. In October the EU lifted its ban on Saderat, one of Iran's largest banks. Online travel agents now list and accept payment for Iranian carriers. Last week, a consortium led by France's Total signed a \$4.8bn agreement with Iran to develop a big gasfield; and Russia is lining up lucrative arms deals. Mr Trump could threaten the Europeans with ►►

Iran

Theocratic troubles

A Koranic reciter has threatened the clerics' moral authority

FOR years, the victims say, he touched boys memorising holy texts at the Supreme Koran Council in Tehran. On trips abroad, the Koranic reciter would allegedly lure Islam's equivalent of choir-boys, some as young as 12, to his hotel room. But Saeed Tousi had a mellifluous voice. Grand Ayatollah Ali Khamenei, Iran's Supreme Leader, called him a "model to be followed". His clerics knew of the complaints, but let him chant on. He continued to sing for the Supreme Leader, won a prize and opened a session of parliament.

Convinced the clerics would never punish a favourite for a crime that in Iran carries a death sentence, last month his accusers spoke out on Voice of America. But the judiciary ruled out a public trial—except for those who dared speak to the Voice of the Great Satan. The chief justice, Sadegh Larijani, warned that anyone talking to a foreign news outlet "in opposition to the values of the Islamic Republic" could face charges for "abetting a crime". Mr Tousi remains at liberty.

Iran is a schizophrenic country. It has a rambunctious parliament and an elected president, but above that an unaccountable theocracy, led by Mr Khamenei. His clerics approve the candidates who stand for election, run the various security services and the judiciary, and control the media. For much of the 37 years of the Islamic Republic, the relationship between the representatives of heaven and earth has been troubled. If the latter hoped the abuse scandal might finally

shatter the moral authority of the former, they have now been disabused.

Still, in the perennial struggle between hardliners and reformists, the reformists seem in some ways to be gaining the upper hand. Buoyed by gains in the parliament elected in the spring, President Hassan Rouhani has emerged from the hardliners' clutches. On November 4th he publicly denounced Mr Larijani's muzzling measures, and called for greater press freedom. He defied powerful ayatollahs in Iran's holy cities of Mashhad and Qom, insisting scheduled concerts (of traditional music) should go ahead despite their threats. "None of my ministers should give up in the face of pressure," he said.

Hardliners recently sought to arrest Abdol Rasul Dori Esfahani, an advisor to the team that negotiated last year's nuclear deal, for spying, but were quickly over-ruled. And the economy is showing signs of improvement as (non-American) foreign companies start to invest. Oil exports in October were up almost three-fold on the previous year. Iran needs to generate 1.2m jobs a year to employ the young who join the workforce and manages only half of that. But at least now there is some hope.

The hardliners, by contrast, seem to be in disarray. Presidential elections are due in May, but they have yet to agree on a presidential candidate. Mr Khamenei has barred the former president, Mahmoud Ahmadinejad, from standing, knocking out Mr Rouhani's strongest competitor.

▶ secondary sanctions, but the EU, says Mr Fitzpatrick, could use blocking legislation to thwart him.

Walking away would also serve the interests of hardliners in Iran, who, like their counterparts in Washington, have always hated the deal. Iran could put all the blame on America for the collapse of the agreement and cautiously resume parts of its nuclear programme. It would not have to worry about sanctions, other than American ones, snapping back so long as it remained within the Treaty on the Non-Proliferation of Nuclear Weapons (NPT).

Mr Einhorn thinks that Mr Trump is therefore more likely to try to win European support for a better deal, perhaps one that restricts research and development on new centrifuges until much later and lengthens expiry dates on centrifuge numbers. But he thinks the chances of success would be minimal because it would be

seen as a wrecking manoeuvre by the other parties to the deal, and Iran would surely never agree. The only leverage that Mr Trump would then have left would be to threaten Iran with the military option. That might please the likes of Mr Bolton, and perhaps Israel's prime minister, Benjamin Netanyahu, a vehement critic of the deal. But even the bullish Mr Bolton accepts that air strikes would only put Iran's nuclear programme back by a few years. For their part, Iran's most belligerent hardliners would be similarly delighted to test Mr Trump's resolve. Iran could then quit the NPT and rebuild its nuclear infrastructure deep underground. Many experts believe that unilateral military action would indeed virtually guarantee Iran deciding, come what may, to become a nuclear-weapons state—with all that would mean for America's interests and those of its allies in the region. ■



Syria

The next push

BEIRUT

After a pause, battle resumes

FOR weeks, the Syrian regime has been sending text messages warning residents of the rebel-held eastern half of Aleppo that they face "annihilation" unless they leave the city. Sceptical, with ample reason, of the regime's promise of safe passage, few have done so. Instead, they have been bracing themselves for the next wave of bombing.

Their wait came to an end on November 15th as Syrian warplanes, attack helicopters and heavy artillery pounded neighbourhoods in the east of the city for the first time in weeks. The renewed onslaught on Aleppo came the day after a telephone conversation between Donald Trump, America's president-elect, and Vladimir Putin, Russia's president. Russia's defence minister, Sergei Shoigu, announced the start of an operation to "deliver massive strikes" against terrorist targets in the provinces of Homs and Idlib. Activists in the city say that Russian warplanes are also now back in action over Aleppo, although the Russian government denies this. It is possible that the renewed assault on Aleppo is being conducted only by the Syrian regime's planes.

The resumption of bombing comes a week after Russia's only aircraft-carrier, the *Admiral Kuznetsov*, arrived in the eastern Mediterranean as part of a flotilla that includes the country's largest battle cruiser, several submarines and a frigate. Russia's defence ministry said that its jets flew bombing runs from the ageing carrier as part of the opening salvo of the operation, marking the first carrier-based combat sorties in Russian military history. The frigate also launched Kalibr cruise missiles at tar- ▶▶

gets inside Syria. “We carried out exhaustive advance research on all targets,” says Mr Shoigu. “We are talking about warehouses with ammunition, terrorist training centres...and factories.”

The latest Russian offensive aims to break a grisly stalemate. Neither side has made significant territorial gains since regime forces cut off the rebels’ only supply route into Aleppo in July. The almost immediate collapse of a short-lived ceasefire, negotiated between the Russians and the Americans in September, unleashed one of the bloodiest phases of the conflict. Weeks of Russian and Syrian air strikes and artillery fire killed hundreds of civilians, and destroyed hospitals and schools. But they failed to dislodge the rebels from their last big urban stronghold.

As Western leaders lined up to condemn Russian atrocities, Moscow again decided to pause its strikes on the city. The Syrian government offered rebels the chance to lay down their weapons. Instead, they seized on the relative calm to launch a counterattack at the end of October to break the siege. That assault fizzled out as Syrian forces, backed by Shia militias from Lebanon, Iran and Iraq, swiftly reclaimed their lost territory.

Bashar al-Assad, Syria’s president, has long vowed to crush the opposing forces in Aleppo. With Syrian warplanes back in the skies above the city, troops allied to the regime have begun to mass along the front line in preparation for a ground offensive. The rebels, whom the UN says number about 8,000, are confident they have enough firepower to withstand a ground attack. Regardless, the fighting will unleash yet more death and destruction on a city that has already suffered some of the most intense violence of the war.

The renewed aerial bombardment will make it even harder for the rebels to break a siege that has strangled life in the city. Residents are down to their last food rations, the UN says. Supplies of water, medicine and fuel are running dangerously low as winter approaches. Riots have already broken out over the distribution of what little aid is left. “They don’t fear the regime or the Russians,” says Dr Hatem, one of the few paediatricians left in eastern Aleppo. “The only thing that makes them scared is wondering where they will get the next meal from for their children. They don’t care about anything else.” In the absence of any pause in hostilities, no aid is getting into the eastern part of the city, where the UN estimates that 250,000-300,000 civilians still live.

Siege warfare has become an essential part of Mr Assad’s approach. It has allowed him to isolate and then eliminate pockets of rebellion without using up too much manpower. For now, the rebels believe they can cling on militarily. Surviving the siege may prove a great deal harder. ■

Ghana

Nkrumah’s heirs

ACCRA

A country that should be a beacon of African democracy is ailing

FLAGS coloured with the red, black and green of Ghana’s ruling party flutter feebly in the still, hot air that barely stirs above Independence Avenue as it bends down towards the sea. There it ends abruptly before the sweeping curves of grey Italian marble meant to resemble, depending on whom one asks, the stump of a tree or the buried hilt of a sword. Beneath it lies the body of Kwame Nkrumah, the country’s first president and, for many millions of people, a man synonymous with Africa’s liberation from colonialism. Ghana, in 1957, was the first African country to win its independence.

Yet here, at the birthplace of democracy in Africa, are portents of its fragility. On what was once the whites-only polo ground where Nkrumah declared the new state, his headless statue stands as a reminder of how a once-promising flame guttered. After declaring a one-party state and mismanaging the economy, Nkrumah was overthrown in a violent coup in 1966. It took more than a quarter of a century before the restoration of multiparty democracy in 1992 ushered in the start of what many now call Africa’s second liberation, and put an end to a cycle of military coups in Ghana interspersed only by brief periods of civilian government.

More worrying than reminders of de-

mocracy’s past corruption are the whiffs of its current decay. A presidential election is to be held on December 7th. But apart from a few billboards, most of them hailing the accomplishments of the incumbent, John Mahama, there are few visible signs that either the ruling National Democratic Congress (NDC) or the opposition New Patriotic Party (NPP) are campaigning vigorously for the support of voters.

The NPP’s muted campaign is easily explained: it last formed a government eight years ago and its coffers are almost empty. Without a victory this year it will struggle to finance another serious bid for the presidency in four years’ time.

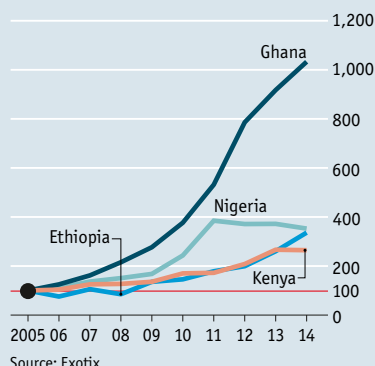
The NDC’s lackadaisical drive for votes, by contrast, reflects the insouciance of Mr Mahama. Instead of trying to win over voters through a battle of ideas, his party relies on patronage, and on spending money it does not have. Since the NDC came to power eight years ago, spending on civil servants has exploded (see chart on next page), pushing Ghana precipitously close to a debt crisis so severe that it was forced to turn to the IMF for a bail-out last year. Under strict supervision the government has grudgingly brought its spending under control. However, with public debt hovering at about 70% of GDP (and debt repayments accounting for a third of govern- ▶▶



More passion please

Nice work, if you can get it

Real public-sector wages, 2005=100



ment revenue), its finances are precarious. Worse, it has already squandered the windfalls it expects from the development of large offshore oilfields. The roads are full of potholes, there are regular power cuts and big companies talk openly about moving across the border into Ivory Coast.

The opposition, led by Nana Akufo-Addo, a genteel lawyer and economist, would probably make a better fist of running the country with a mix of market- and investment-friendly policies. But it seems unlikely to be given the chance. "We have one party that is good at winning elections but can't run the country and another that is good in government but not at winning elections," laments one businessman. Although the NPP's instincts are relatively liberal, it has tacked in a populist direction, with slogans such as "one district, one factory" and "one village, one dam", in a bid to broaden its appeal.

Polling data are scarce but few reckon the NPP stands much of a chance. It seems to be preparing for defeat by complaining that the election will be rigged. Charlotte Osei, the head of the electoral commission, insists that this will be the cleanest vote in Ghana's history, but she will face a tough task convincing voters of that. Many complain that the electoral roll has been stuffed with supporters of the ruling party who are ineligible to vote, because they are too young or are not citizens.

And politics in Ghana can be a grubby business at the best of times. "The 2012 election was won because of me," boasted one government minister to your correspondent. "I'm the one who did the gerrymandering." More recently a video has circulated showing Mr Mahama's motorcade driving through a market with him leaning out of the sunroof of his car handing out wads of cash. At first his spokesman said he was handing out pamphlets, though he was at a loss to explain why they were palm-sized and tightly rolled. He later said the money was compensation for damage to some of the market stalls.

Such antics might be brushed off as the-

Corruption in Sierra Leone

Call it in

FREETOWN

Putting technology to work to root out graft

AT A busy intersection in downtown Freetown, motorbike-taxi drivers wait for customers. They pass the time telling tales of petty corruption. "Yesterday I was chased by two policemen," says a young man, slouching forward on his bike seat. "They told me I was violating a law when I wasn't, and confiscated my motorbike. I had to pay 100,000 leones (\$18) to get it back." Two other drivers butt in, eager to trump his story with their own.

It is not hard to find a Sierra Leonean who has experienced corruption. A survey carried out in 2013 by Transparency International, an advocacy group, shows the country to have the highest rates of bribery in the world. Some 84% of respondents admitted to having paid a bribe. Corruption runs so deep that it is hard to eliminate.

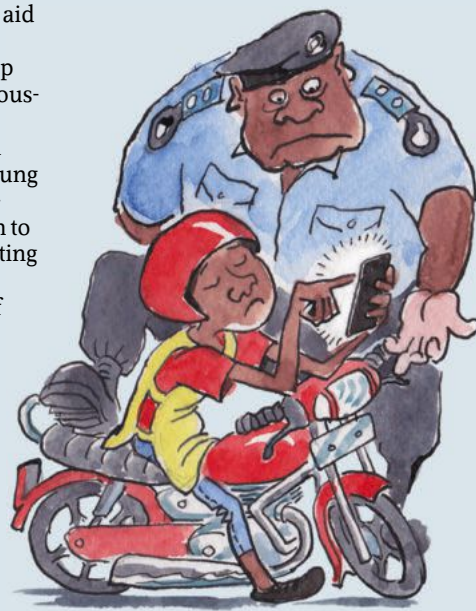
But at least some are trying. In September the country's Anti-Corruption Commission (ACC) launched a scheme, in partnership with Britain's overseas aid ministry, called "Pay No Bribe". The project provides a hotline, a phone app and a web portal for citizens anonymously to report everyday corruption. The toll-free number goes through to a call centre staffed by two softly spoken young women, Lucy and Jeneba. They sit patiently in front of computers and listen to tinny jazz on their headsets while waiting for calls to come in.

One afternoon, after 20 minutes of rusty clarinet sounds, Lucy receives a call. It is the piping voice of a ten-year-old girl saying "My teacher locked us in the classroom because we refused to buy soup from her." When the call is over and the details have been logged, Lucy explains that this kind of complaint is not uncommon: "The teachers bring in foods to sell to the children at lunch and if they don't have money to buy them then

they are made to stay in the classroom and miss their breaks."

The girl calling in doesn't have to give the name of her teacher, just the district in which her school is. This is because the scheme aims to identify areas of high corruption instead of individuals. At the end of each month, complaints go out to relevant ministries and agencies, who then have a further month to come back and describe what action they are taking to improve matters. In the first month 712 reports were filed, half relating to the police. Almost all demands were for cash, though 5% were for sex.

Though it is encouraging to see that efforts are being made, it will take more than this scheme to have any real impact. Pay No Bribe has yet to create a culture of accountability: few policemen, for example, seem even to have heard of it so far. Sierra Leone looks likely to stay high in the corruption ratings for a while yet.



atre, but elections in Ghana are usually closely fought affairs. The winning margin will probably not be more than a few percentage points, increasing the incentive to cheat or disrupt the vote. If the result is indeed that close it will probably be contested in the courts, making it harder for Ms Osei to convince the losing side that the vote and count were fair. Many in Ghana fret that violence could break out.

Whichever party wins will have its work cut out, not only in trying to stabilise the economy, but also in tackling some of

Ghana's deeper problems. Foremost among these will be to unpick a highly centralised state in which the president wields almost untrammelled power to make appointments to thousands of important posts. These include municipal and district chief executives (the equivalent of mayors and governors) and heads of supposedly independent institutions, such as the electoral commission and the anti-corruption agency. If Ghana is to live up to its reputation as a beacon of democracy in Africa, it needs to clean itself up. ■



France's Republican primary

The veterans

PARIS

The centre-right's nominee will probably face Marine Le Pen for the presidency

WEDGED up against the capital's ring road, the concert hall was packed, even on a weekday evening. As supporters waved French *tricolore* flags, a thumping bass beat accompanied their champion onto the stage. But the crowd was warm, rather than electrified. At the souvenir stands, there were few takers for the posters of the 71-year-old candidate. Alain Juppé, the front-runner in the centre-right Republican party's presidential primary, is not a politician to set pulses racing. As France prepares for its toughest election in over a decade, voters crave something different—but wonder if he is it.

"I'm here out of curiosity," says Camille, an 18-year-old law student who will vote next spring for the first time. Mr Juppé seems "calm and reassuring", she reflects, but she has not yet decided whether she will turn out to vote at the primary, held in two rounds on November 20th and 27th. Jean-Marie Campana, a retired civil servant, prefers Mr Juppé's unifying message to the "excesses" of Nicolas Sarkozy, a former president and rival candidate. But he says he will probably vote for François Fillon, an ex-prime minister, at the first round.

France's Republican primary is unusually important, since the nominee could well end up facing Marine Le Pen, leader of the populist National Front (FN), in the presidential run-off next May. Polls consistently suggest that she will beat whomever the Socialists choose to field on the left. The

Republican race is unusually close. Until recently, Mr Juppé was the clear favourite, marking an improbable political comeback. Mayor of Bordeaux, Mr Juppé has recovered from both a conviction for corruption, for which he was struck off the electoral register for a year, and a reputation for arrogance during his time as prime minister in 1995-97. Today, after a well-regarded spell as foreign minister, he fulfils a desire for competence in troubled times.

Yet this is the first time the Republicans have held an "open" primary, in which any French citizen is allowed to vote. Nobody knows how many will, and pollsters are struggling to measure voting intentions. Mr Juppé's lead over Mr Sarkozy has begun to narrow. And Mr Fillon has suddenly closed in on both of them; one poll suggests that he would beat either of the others in the second round. "It's now impossible to say who the two second-round candidates will be," says Bruno Jeanbart of OpinionWay, a polling group. The candidates are close on economic policy as well as in the polls. Each promises to curb public spending by about €100bn (\$107bn) over five years, trim the civil service, end the 35-hour working week and abolish the wealth tax. Of the three leading candidates, Mr Fillon's programme is the most economically liberal, according to a study by *Génération Libre*, a think-tank. Among other things, he wants to tear up the labour code—which at 3,280 pages is longer than

Also in this section

44 The post-Clinton Balkans

45 Russia arrests a minister

45 Corruption and procurement

47 Charlemagne: Germany's iron waffler

For daily analysis and debate on Europe, visit

Economist.com/europe

the Bible. He wants to limit labour law to basic norms and protections, which could be covered in a mere 150 pages.

The greatest divergence, though, is over how to face the threat from the anti-immigration FN. Mr Sarkozy's tactic has been to try to chase FN voters onto their own territory. He has threatened to ban the "burkini", outlaw the Muslim veil at universities and stop state schools serving special pork-free meals. Mr Juppé, by contrast, has struck a calmer, more inclusive note, vowing at his rally in Paris this week "to reconcile the French with the diversity of France". He has explicitly called on voters disappointed with François Hollande's Socialist presidency to turn out and back him at the Republican primary.

The chase for votes on the centre ground, however, is looking increasingly crowded. On November 16th Emmanuel Macron, the 38-year-old former Socialist economy minister, declared that he, too, was running for the presidency. He will not contest the Socialist Party primary in January, but will stand as an independent, under the banner of *En Marche!* ("On the Move!"), the political movement he launched in April. A former adviser to Mr Hollande, Mr Macron became frustrated that his reform ideas, such as an overhaul of the labour market, were shelved by his own government. This week he promised to "unblock" a country paralysed by "obsolete rules", and rally "not the left or the right, but the French".

Mr Macron's decision, although expected, has unleashed fury and panic on the left. By dividing the left, said one Socialist deputy, he would bear the "historic responsibility" of preventing it from reaching the second round. His candidacy puts a particular squeeze on Mr Hollande, his former mentor. With an approval rating that has sunk to 4% in one poll, the president's ►►

▶ chances of seeking re-election are fading fast. It also makes things difficult for Manuel Valls, the centre-left prime minister once close to Mr Macron, who will run if Mr Hollande bows out.

All of this raises the rather improbable prospect of a number of serious contenders campaigning for the French presidency on the centre ground, fighting over moderate voters disappointed by both Mr Hollande and Mr Sarkozy, but repelled by Ms Le Pen. In this space, each candidate is a threat to the other. Mr Juppé and Mr Fillon would each constrict Macron's ability to draw votes from the centre-right. Both would doubtless dismiss him as an upstart lightweight. Yet Mr Macron, who was born in 1977—the year Mr Juppé first entered politics—could yet make him and Mr Fillon look like political relics. ■

The Balkans

Clinton-lands

The end of an era in Kosovo, Bosnia, Serbia and beyond

PRISTINA, the capital of Kosovo, is one of very few places that can boast a statue of Bill Clinton. The gold-painted monument depicts the former American president raising his arm in a gesture meant to evoke leadership, but which more closely resembles hailing a taxi. Ethnic-Albanian Kosovars venerate Mr Clinton for his role in the war that freed their country from Serbian rule and established a UN-administered protectorate in 1999, and led to independence in 2008. But the statue's gleam has faded and its veneer is beginning to chip—much like the legacy of the Clinton

era in the Balkans.

Just as Mr Clinton shaped the western Balkans during the wars of the 1990s, those wars shaped his foreign-policy views—and those of his wife. The liberal interventionism espoused by Hillary Clinton was forged in the American efforts to bring peace to Bosnia and Kosovo. When backing military action in Libya in 2011, Mrs Clinton invoked the memory of the massacre at Srebrenica in 1995. Balkan countries expected Mrs Clinton to continue her muscular efforts to build an international liberal order if she were elected president.

Mrs Clinton's defeat and the victory of Donald Trump herald difficult times for Kosovo and uncertainty in the Balkans at large. Mr Trump's win has emboldened Russia's authoritarian president, Vladimir Putin, a friend to Serbia and Serb nationalists in neighbouring Bosnia, and an implacable enemy of Kosovo's very existence. That in turn may encourage Turkey to wield its influence among Muslims in Bosnia, Kosovo and Albania. Balkan countries' dreams of becoming fully fledged members of a prosperous and united European Union are beginning to fade.

In Belgrade a candidate in Serbia's presidential election celebrated Mr Trump's victory in America by playing a song in parliament urging the president-elect to expel Muslims and join forces with Mr Putin. In Moldova, Igor Dodon won the presidency on November 13th by boasting of his closeness to Mr Putin and to the Orthodox church, defeating a pro-European, anti-corruption rival. A candidate campaigning on a Russia-friendly ticket won Bulgaria's presidency on the same day.

Montenegro's government has accused Russian and Serbian nationalists of plotting to murder its outgoing prime minister, Milo Djukanovic, on October 16th, the day of its elections. The aim, says the government, was to stop Montenegro's accession



to NATO, which is nearly complete. (Some think Mr Djukanovic's allies made up the story to win votes for his party.)

Alarmed by Russian muscle-flexing, the region's Muslims are looking to Turkey's authoritarian leader, Recep Tayyip Erdogan. On November 14th the new Turkish ambassador to Bosnia delivered a speech emphasising the "common history of our peoples", an appeal sure to conjure up historical memories of the Ottoman "yoke" among Serbs and Croats.

Yet those hoping that America's change of regime will allow them to upset the balance of power bloodily established in the break-up of Yugoslavia in the 1990s may be disappointed. Nationalist Serbs had hopes that George W. Bush, Mr Clinton's successor, would help them reverse some of their losses in the Balkan wars. Instead, Kosovo declared independence with full American backing during his term.

One diplomat in the region speculates that the effect of a Trump-Putin friendship will be the reverse of the one that Serbs hope for, causing Russia to lose interest in the region. Mr Putin's main reason for meddling in the Balkans has been to strike back at Western countries for supporting sanctions against Russia and helping Ukraine. With Mr Trump in the White House, he may have much less cause to retaliate.

Dimitar Bechev, a Bulgarian academic and author of a recent book on Russian influence in the Balkans, warns against exaggerating the role of outsiders. Bulgarian and other Balkan politicians exploit networks extending into Russia as sources of influence and cash, especially in the energy business. But for the most part they make decisions based on their own interests, not those of outsiders.

The problem is that playing pro-Russian cards—or pro-Turkish ones—is generally intended as a distraction from the failure to deal with the urgent tasks of boosting employment and improving schools and health care. It leads countries away from the efforts to build democracy that have been a priority of the EU and, until now, America.

“From a governance point of view we ▶▶



Kosovo's American friend

are falling apart," says Alida Vracic, a Bosnian analyst at swp, a German think-tank. Balkan countries' slow progress towards joining the EU has made matters worse. In their annual reports on western Balkan countries that have yet to join, published on November 9th, the European Commission said none had made much progress towards adhering to the EU's membership standards. Macedonia is going backwards.

Unsurprisingly, the populations of the Balkan countries are shrinking. Young people are migrating when they can to more prosperous European countries with brighter prospects. Those who remain are in danger of adopting Mr Putin, Mr Trump or Mr Erdogan as their role models. As Mr Clinton's statue flakes, so does the allure of the EU and the Western example. ■

Russian intrigues

Arresting developments

MOSCOW

Corruption charges against a minister signal rising tensions in Russia's elite

THEY came for him in the middle of the night. "He was caught red-handed," said Svetlana Petrenko, deputy head of Russia's federal anti-corruption agency, as she announced charges against the country's economy minister. Alexey Ulyukaev is the highest-ranking sitting minister to have been arrested in Russia since Soviet times. Investigators claim he tried to extort a \$2m bribe from Rosneft, the state oil company, in exchange for approving its purchase last month of the government's controlling stake in Bashneft, a mid-sized oil producer. Mr Ulyukaev was placed under house arrest; he pleaded not guilty.

The minister's arrest on November 15th, evoking Stalin's midnight purges, sent shockwaves through Russia's ruling class. Although regional governors have been arrested in recent months senior federal offi-

cials caught in the purge have, so far, only been fired. "Ulyukaev's arrest creates a new level of tension," says Kirill Rogov, an independent political analyst.

Mr Ulyukaev is a technocrat who once served as an aide to Yegor Gaidar, the architect of Russia's transition to a market economy. He has occupied senior posts in the government and at the central bank since 2000. He was among several Russian officials who at first opposed the sale of Bashneft to Rosneft on the ground that it failed to reduce the share of the economy controlled by the state, which has reached 75%. After Mr Putin approved the sale, Mr Ulyukaev fell into line.

Rosneft eventually purchased the state's controlling stake in Bashneft for \$5bn. Now the government is discussing plans to "privatise" 19.5% of its shares in Rosneft, which are owned by an umbrella holding company called Rosneftegaz. Rosneft is chaired by Igor Sechin, a confidant of Mr Putin and an influential figure among those in government who are former or present members of the security services, known as siloviki. The company hopes to acquire the shares itself.

Mr Ulyukaev was arrested in the offices of Rosneft in what appears to have been a sting operation set up by the Federal Security Service (FSB), the secret police. State-run news agencies reported that the FSB had been watching Mr Ulyukaev for more than a year, tracking his electronic communications. In Russia's centralised governing system, the arrest would almost certainly have needed Mr Putin's approval.

Allies and acquaintances were dumbfounded. "This is a complete shock," wrote Anatoly Chubais, another economic reformer of the 1990s, on his Facebook page. On November 16th security services raided the offices of Rosnano, a state technology company headed by Mr Chubais.

Vedomosti, a business daily, reports that the security services had also been spying on other liberal-leaning officials, including Andrei Belousov, a presidential economic adviser, and Arkady Dvorkovich, a deputy prime minister and close ally of Dmitry Medvedev, the prime minister. Like Mr Ulyukaev, they opposed selling the government's stake in Bashneft to Rosneft. The FSB is increasingly becoming the main lever of economic and political power in the country. Oleg Feoktistov, a senior FSB officer known as "General Fix", initially oversaw the investigation into Mr Ulyukaev. Earlier this year Mr Feoktistov was seconded to Rosneft to oversee its internal security service. Some see the operation as Mr Sechin's revenge for Mr Ulyukaev's resistance to the Bashneft takeover. When Vladimir Yevtushenkov, a former owner of Bashneft, refused to sell his firm to Rosneft in 2014, he was put under house arrest until he relented.

Mr Sechin and the siloviki seem to have

been emboldened by the victory of Donald Trump in America's elections. Dmitry Kiselev, Russia's propagandist-in-chief, cheered in his weekly news programme: "Words such as 'democracy' and 'human rights' are absent from Donald Trump's lexicon." He contrasted Mr Trump's stance towards Russia with that of Hillary Clinton, who called some of Russia's actions in Syria a war crime. Shortly after a telephone conversation between Mr Trump and Mr Putin, Russia relaunched its air strikes against Syria and rescinded its signature of the International Criminal Court's founding treaty (which it had never ratified).

Yet recent events in Russia suggest a lack of both strategy and co-ordination. While scorning international norms on the one hand, Russia's Supreme Court obeyed the ruling of the European Court of Human Rights and dropped criminal charges against Alexei Navalny, Russia's leading opposition politician and anti-corruption blogger. His case has been resubmitted to a lower court, but for now he is eligible to take part in the presidential elections in 2018. If the Kremlin allows Mr Navalny to run (and lose) against Mr Putin, it could boost the legitimacy of the president.

Most clearly, Mr Ulyukaev's arrest demonstrates how insecure even the most senior members of the Russian ruling class have become. Anyone, even a minister, can fall foul of the powers-that-be "at any moment", says Mr Rogov. Mr Ulyukaev, who is also a prolific poet, may have put it best in one of his verses: "God is a long way off. The bosses are close." ■

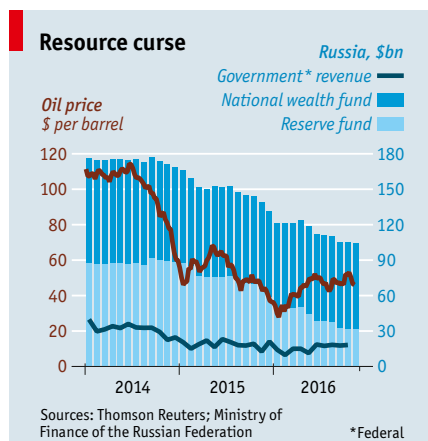
Procurement spending

Rigging the bids

Government contracting is growing less competitive, and often more corrupt

IT IS Spain's biggest corruption case in decades. Last month 37 businessmen and former politicians, including members of the ruling Popular Party (PP), went on trial on charges of fixing the government procurement system to steer construction contracts to their buddies. Frances Correa, the prime suspect, went by the nickname Don Vito, a character in the "Godfather" films. His alleged partners in crime dubbed themselves El Bigotes ("The Moustache") and El Albondiguilla ("The Little Meatball"). Caribbean holidays and call girls were used as kickbacks, prosecutors say. The PP even produced a PowerPoint presentation to help mayors channel their gains. The cost to the public is estimated at €120m (\$130m).

This kind of corruption is one reason ►



Europeans are growing angry at governing elites. It is also a disturbing indicator of rot at the heart of European governance: all across the European Union, competition for government contracts is falling. According to the Tenders Electronic Daily (TED) database, an archive of 4m purchases by European governments during the past decade, 17% of calls for tender in 2006 received only one bid. By 2015 that figure had risen to 30%. The median number of offers per tender fell from five to three.

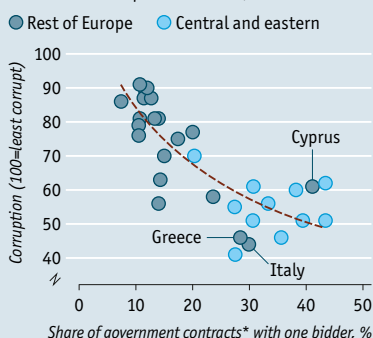
Governments use competitive bidding in procurement both to obtain the best service for the lowest price, and to prevent cronyism and graft. The fewer the bids, the higher the risk of bid-rigging, says Mihaly Fazekas, a corruption expert at Cambridge University. Single-bid contracts are the worst, but even a drop from eight bidders to four increases the risk of collusion. Experts see the drop in the number of bidders per tender as a worrying sign.

The risk is all the greater because of the vast size of Europe's government procurement market. Overall, EU countries spent €1.9 trillion on procurement in 2015, around a fifth of their GDP. States have been farming out more of their functions to private contractors for decades, partly in hopes of greater efficiency. That imperative has grown stronger in the budget crunches that followed the financial crisis of 2008-2009. Almost all European countries now contract out more than they did in 2007—roughly 20% more in Britain, France and the Netherlands. Yet a bigger share of those contracts is being harvested by just a few companies. According to the Spend Network, a British non-profit group, the top 20 firms' share of government contracts rose from 10% in 2012 to 14% last year.

Some of the causes of dwindling competition are innocent. Governments happen to spend a lot on sectors that have been growing more concentrated, such as health care. The total value of health-care mergers and acquisitions in Europe was 60% higher in 2015 than in 2009. Little won-

They go together

Corruption perceptions index and single-bid contracts in European countries, 2015



Sources: Tenders Electronic Daily; Transparency International; The Economist

*Only contracts over certain threshold included representing 26% of all procurement in the EU

der that the share of single-bid health-care contracts in rich European countries jumped by seven percentage points. Transport and IT show the same pattern.

Meanwhile, the European Commission has encouraged governments to have departments team up when buying similar goods. Italy is trying to slash the number of purchasing authorities from at least 8,000 to 35. But it takes a big company to fulfil a big contract. According to the TED, tenders worth less than €10m get an average of six bids in rich European countries, whereas those worth €40m-50m get only four. Governments are also giving bidders less time to respond to tenders, which cuts the number who participate.

I scratch your back

Other explanations for reduced competition are darker. Bid-rigging may be growing more common. Antonio Capobianco, a competition expert at the OECD, a club of mostly rich countries, thinks that with fewer legitimate opportunities for increasing revenues since the euro crisis, companies may be resorting to dodgy deals. Data compiled by John Connor of Purdue University show that the number of cartels detected in Europe rose from eight per year in the 1990s to 29 in the 2000s, a shift that can only partly be chalked up to better enforcement. Although many Europeans assume such problems are confined to eastern countries, some 60% of the price-fixing cartels discovered between 1990 and 2016 were in western Europe.

Another theory is a spread of so-called "soft corruption", where tenders are manipulated in order to award contracts to favoured bidders without technically breaking any laws. Governments may prefer a local firm to a foreign rival or set requirements so that only one supplier can meet them. This year Britain's Nuclear Decommissioning Authority (NDA) was found to have fudged numbers and shredded vital documents to block an American contrac-

tor from winning a £7bn (\$8.5bn) tender.

Other strategies abound. Associates can be alerted to upcoming contracts before the official announcement, or a tender can be issued at an inconvenient time: 50% of Slovenian contracts announced in the week of Christmas received only one bid. Rejecting offers because of typos and charging thousands of euros to download crucial documents work well, too.

To each according to his greed

In one egregious case in 2007, Slovakia's construction ministry issued a €120m tender to provide legal and advertising services, co-financed by EU funds. To ensure that a favoured company won, the ministry posted it only on a bulletin board in a corridor inside one of its own buildings.

Procurement problems are worst in the EU's newer members. In many ex-communist countries, single-bid contracts are not the exception, but the rule (see chart 2). In Transparency International's corruption-perceptions index, where higher scores are better, eastern European countries average 55 out of 100; the rest of Europe rates a 72. Nine Romanian politicians are accused of accepting \$50m in bribes for dishing out software contracts. Croatia's former prime minister and other members of his party are on trial for allegedly taking donations in exchange for state contracts. Indeed, the worst offender on single-bid tenders is Croatia. In 2015 43% of government contracts went uncontested.

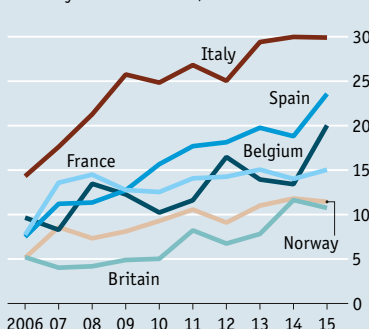
Hungary is worrying, too. Istvan Janos Toth of Corruption Research Centre Budapest (CRCB) scrutinised more than 120,000 calls for tender from 2010 to 2015. He used Benford's law, a mathematical rule that forensic accountants use to spot potentially suspicious patterns in large data sets. The patterns he found looked different from what would be expected if all was above-board. The effect has intensified since Viktor Orban, who proclaims himself a fan of "illiberal" governance, became Hungary's prime minister in 2010.

The overall impact of reduced competition in procurement is hard to calculate. One study by PwC, a consultancy, found that it increased costs by 2% to 15% depending on the sector. A study by Rand, another consultancy, calculated that the annual increase in contract costs due to corruption in the EU was \$5 billion.

Worse, the contracts most susceptible to corruption are those backed with EU funds, which make up about 15% of the total. A CRCB study in Hungary and Czech Republic found that they are significantly more likely to be abused. Governments seem less worried about mispending money from Brussels than that of their own taxpayers. European integration was intended to promote public integrity and competition. In some cases, it seems to be doing the opposite. ■

Sky's the limit

Share of government contracts* that only received one bid, % of total



Sources: Tenders Electronic Daily; The Economist

*Only contracts over certain threshold included representing 26% of all procurement in the EU

Charlemagne | Iron waffler

Germany and its chancellor are still too hesitant to be able to lead the free world



TO VISIT Berlin is to be confronted at every turn by reminders of the evils that Germans do. Memorials to the Holocaust and other wartime atrocities dot the city. In Kreuzberg, a scruffy-but-hip neighbourhood, posters and leaflets denounce milder German iniquities, from urban gentrification to the Transatlantic Trade and Investment Partnership (TTIP), a hated trade deal between the European Union and America that the election of Donald Trump may have killed for good.

Outside Germany, though, Mr Trump's victory has left disaffected liberals gasping for German benevolence. Brexit, the refugee crisis and the rise of drawbridge-up populists across Europe had already punctured the West's self-confidence. Now, after an election campaign in which Mr Trump trashed immigrants, vowed to rewrite trade deals and threatened to withdraw America's security guarantee, the West's indispensable nation appears to have dispensed with itself. Desperate for a candidate to accept the mantle of leader of the free world, some alighted on Angela Merkel, Germany's chancellor.

It is easy to see why. Unflappable and patient, dedicated to the freedom she had thrust upon her as a young East German physicist in 1989, Mrs Merkel is a beacon to those who fear the flickering of the liberal flame. She likes markets, trade and good governance. Her commitment to helping refugees fleeing strife in Syria contrasts with the anti-migrant turn elsewhere in Europe. Mr Trump's victory should extinguish any speculation that Mrs Merkel will not seek a fourth term as chancellor next year in Germany's federal election; expect an announcement soon.

Yet anyone expecting Germany to fill America's shoes will be disappointed. Consider Mrs Merkel's approach to crisis management, from the euro to Ukraine to refugees. Each played out differently, but Mrs Merkel's prevarication was consistent: humming and hawing over bail-outs for indebted governments; taking Vladimir Putin at his word before realising he was a liar; reacting to the refugee surge rather than trying to prevent it. For those seeking stability, Mrs Merkel's taste for hesitation may be a feature, not a bug, but it hardly makes for bold leadership.

Nor does German assertiveness inside Europe run smoothly. Seventy years after the second world war, protestors in Greece and Spain who resent Germany's strict approach to fiscal stew-

ardship still resort to Nazi tropes. The occasional attempt to form "anti-austerity" (read: anti-German) axes inside the EU elicits terror in Berlin. The world's progressives may have loved it, but some in Berlin were uneasy at the chiding tone of Mrs Merkel's letter of congratulation to Mr Trump, which pledged co-operation on the basis of a commitment to liberal values. "We are protected by our terrible history," says Joschka Fischer, a former foreign minister. "You cannot say, 'Make Germany Great Again'."

More importantly, Pax Americana has always required American bite. Germany, with a defence budget one-fifteenth that of the United States, no nuclear deterrent and an instinct for pacifism, has neither the ability nor the aspiration to act as the world's liberal hegemon. This is a country that went through agonies over whether to arm Iraqi Kurds battling Islamic State. Inside Europe, let alone elsewhere, only France and Britain have the ability to project power, and that suits Germans fine. Put bluntly, if Mr Putin's tanks roll into the Baltics it will not be the Bundeswehr that takes the lead in rolling them back.

Mrs Merkel's ambitions are altogether smaller. First among them is to hold together the fracturing EU, via a blend of prayer and policy. Germany is pinning its hopes on France, its eternal partner inside the EU, electing a sane president next year—ideally Alain Juppé, the centre-right front-runner. Franco-German comity should help EU governments find common ground on defence co-operation, the focus of their efforts over the next few months. (Mr Trump's questionable commitment to NATO should provide another spur.) Should the politics prove propitious, Germany may one day be open to more ambitious schemes, such as greater integration of the euro zone. But grand visions of EU institutional change, let alone a German-led reshaping of the world order, are off the menu in Berlin. The priority is stopping the rot.

Meanwhile Mrs Merkel, her political capital depleted by the refugee crisis, must hold the line at home. Owing in part to the rise of the anti-immigration Alternative for Germany (AfD) party, the coalition that emerges from next year's election will probably command a Bundestag majority far smaller than the one Mrs Merkel's centrist grand coalition enjoys today. That will limit the chancellor's room for manoeuvre, at home and in Europe. The political fragmentation is also disinterring old questions about Germany's geopolitical allegiance. The *Westbindung* (Western integration), a staple of German foreign policy since Adenauer, is fraying as extremist parties on the left and right cosy up to Russia.

Leading from the mittel

And what about Mr Trump? For now, Germany retains a touching faith in America's institutions to rein in the president-elect's worst impulses. But from his vicious campaign to the chaotic management of his transition, there is every sign that Mr Trump will prove to be another of the erratic politicians, like Silvio Berlusconi and Nicolas Sarkozy, who have tested Mrs Merkel's patience. Russia is a particular worry. If Mr Trump abandons Ukraine and allows America's sanctions to wither, Mrs Merkel's task of maintaining European unity will become almost impossible.

Germany's stake in the global liberal order is immense. Its export-led economic model relies on robust international trade; its political identity is inexorably linked to a strong EU; its westward orientation assumes a friendly and engaged America. All of these things may now be in jeopardy, and Germany would suffer more than most from their demise. But do not look to Mrs Merkel to save them, for she cannot do so alone. ■



Online shopping and business

All that is solid melts into air

Also in this section

49 Brexit and public opinion

50 Bagehot: The special relationship

Britons do more of their shopping online than almost anyone else. The move to cyberspace is shaking up retail—and many other industries besides

BRITAIN, Napoleon once supposedly scoffed, was “a nation of shopkeepers”. Nowadays it is a nation of online shoppers. The British do a greater share of their retail spending online than almost anyone (see chart). And, in spite of the prospect of Brexit, the industry has been growing fast this year. By 2020 online sales could rise by almost 50% to reach £63bn (\$74bn), according to one recent forecast. The transformation in the way households do their shopping is squeezing some industries, while creating whole new ones.

One reason for the take-off of e-commerce in Britain is its geography. Its 65m people are crammed into an area the size of Oregon. From warehouses in central England such as Amazon’s cavernous Peterborough site (pictured), lorries can deliver to almost any household within a day. Another is the penetration of smartphones, which account for a growing share of purchases. IMRG, an industry association for online retailers, reckons that sales through smartphones in Britain increased by 90% from January to September. “Black Friday”, an American pre-Christmas discounting frenzy which has crossed the Atlantic, is expected to see online orders reach new heights on November 25th.

To succeed in this new game, retail companies have had to become logistics com-

panies. E-commerce relies on parcel management. The number of packages dispatched around the country rose by 13% in just the first nine months of this year. IMRG says that this year British retailers will send out 1.2bn parcels; in 2014 the figure was 920m. The once-ailing Royal Mail, which delivers most of Britain’s post, has been saved largely by its parcel business.

For years the standard internet model for bricks-and-mortar retailers such as John Lewis has been to set up a giant distribution warehouse (or “fulfilment centre”) in the Midlands, from which fleets of lorries deliver online purchases. The growth

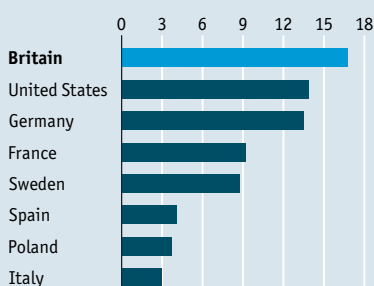
in e-commerce has contributed to a rise in the number of warehouses, which now cover 40m square metres (424m square feet) of the country. But the model is evolving. To stand out in a crowded market, e-retailers are competing aggressively on reducing delivery times and windows. On November 16th Morrisons announced that Amazon would begin delivering orders from its supermarkets to customers in and around London within the hour. The desire to provide rapid-delivery services like this is creating demand for warehouse space on the edges of big cities, to be nearer to customers.

Online retailers have other reasons for wanting to be close to cities. Graze, a snack-delivery firm set up in 2008, bought a unit in Hayes, west London, in 2012. Two million little punnets of food are made up on-site every week from imported ingredients and then shipped to customers in Britain and America. “We are really a tech company,” says Tom Carroll, the chief operating officer, so the company has to be within reach of the tech community in east London. He employs about 30 people to devise the algorithms that track his customers online, to anticipate demand and to ship the punnets out in the most efficient way.

One consequence of this, argues Kevin Mofid of Savills, an estate agent, is a mis-

Clicking with customers

Online share of retail trade, 2016*, %



Source: Centre for Retail Research

*Forecast

► match between the supply of and demand for warehouses like Graze's on the edge of London. The political priority is to build homes, which has limited the potential to increase warehouse capacity. Warehouse rents have risen by 17% over the past six years in London, and by 11% in the south-east more generally, squeezing the margins of e-retailers. One idea is to start building mixed developments of homes, industrial space and warehouses. Barratt, a house-builder, and Segro, an industrial-property developer, have proposed such a plan for another site in Hayes.

Margins are being pinched further by the legal requirement for online retailers to accept returns from customers within two weeks of sale (which high-street shops are under no obligation to observe, though many do anyway). Generally, about 6% of items are returned, but this can rise to as much as 40% in clothing. This adds further to firms' costs. But returns now constitute a booming logistics business in their own right. Companies such as iForce now run specialist returns services for retailers such as Tesco and B&Q. Returns make up about a quarter of iForce's overall logistics business (worth £60m a year), says Neil Weightman, a director.

With most of the big supermarkets now running successful home-delivery services, the roads are ever more clogged with delivery vans. The number of miles travelled by such vehicles rose by 4% last year, while overall traffic increased by only 1%. Such is the demand for deliveries that there is now a shortage of 45,000 drivers, according to the Road Haulage Association, a lobby group. The work is arduous and poorly paid, with delivery companies competing fiercely on cost. Trucking has thus become another bottleneck. The industry hopes that driverless lorries will one day transform the business. The government announced earlier this year that trials would start on Britain's roads in 2017.

As more people shop from home, physical stores are being closed and shop assistants laid off. The retail industry could shed as many as a third of its 3m or so jobs by 2025, according to the British Retail Consortium, a lobby group. Some shops have been reborn as "brand experiences", to excite people about a product rather than merely to sell it. M&M, a chocolatier, has opened a vast emporium in central London, for customers to sample the "world" of M&M. In a few cases, online retailers have set up bricks-and-mortar stores: last year Boden, a mainly online fashion brand, announced that it would open a string of new physical outlets in Britain and America.

As Andrew Mulcahy of IMRG says, this is just the beginning of the online shopping revolution. There will be plenty more surprises, and many of them will come to Britain's click-happy consumers first. ■

Brexit and public opinion

Fifty-fifty nation

A new poll finds the public split over Brexit's trade-offs

THE government is accused of having no plan and of being divided over whether to go for a "hard" or a "soft" Brexit. Yet this may just reflect a division in public opinion. That is the conclusion of a new survey, "What Do Voters Want from Brexit?", conducted by NatCen Social Research, drawing on a panel interviewed before and after the June 23rd referendum, which voted for Brexit by 52-48%. The panel itself was 51% for Leave and 49% for Remain.

The panel likes to have its cake and eat it. Large majorities of Leavers and Remainers back policies that seem soft, such as letting EU migrants stay in Britain, allowing banks to sell services across Europe or maximising free trade. But large majorities also support things that look hard, like tougher migration controls, bringing back customs checks and ending free health care for EU visitors. As John Curtice of Strathclyde University,

who ran the NatCen poll, puts it, voters want both a soft and a hard Brexit.

Yet the EU is clear that there must be a trade-off between fuller access to the single market and greater control over EU migrants. Asked if they would accept free movement of people to secure freer trade, the panel was 51-49% against. Differences between Remainers and Leavers were large: Remainers preferred market access to migration controls by 70-29%, but Leavers chose the reverse by 70-30%.

Other polls find enthusiasm for migration controls falls if it implies any financial loss. And the young are keener on market access and less opposed to migration than the old. Most crucially, Tory voters on the panel preferred migration controls to market access by 60-40%, whereas Labour voters chose the reverse by 65-35%. Since Theresa May is a Tory, this may explain why her government is leaning towards a hard Brexit.

"What do voters want from Brexit?"

Soft Brexit scenario

Allow the EU to sell goods and services freely in Britain and vice versa

EU citizens already living in Britain to remain here

British firms to comply with EU regulations on design and safety of the goods they make

Allow banks located in Britain to provide services to the EU and vice versa

Allow EU boats to fish in British waters and vice versa

Britain follows EU on the cost of mobile-phone calls abroad

Hard Brexit scenario

Treat people from the EU who want to come to live here like people from outside the EU

Limit the number from the EU who can come to Britain to live and work

Bring back customs checks on people and goods coming from the EU

No longer allow EU visitors to get free health care

Stop the EU deciding the maximum number of hours people work

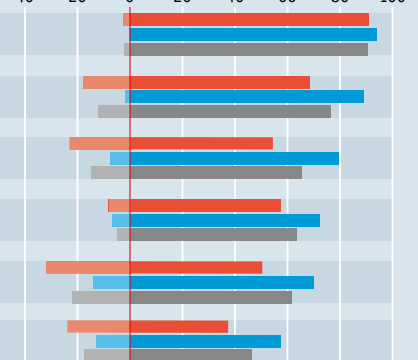
Introduce passport checks on travel between Britain and Ireland

The trade-off

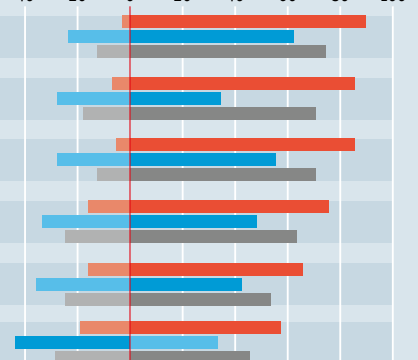
Allow freedom of movement in return for free trade

Those who voted: ■ Leave ■ Remain ■ All
% AGAINST ◀ ▶ FOR

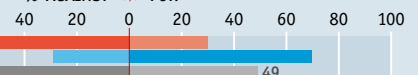
40 20 0 20 40 60 80 100



40 20 0 20 40 60 80 100



% AGAINST ◀ ▶ FOR



Source: NatCen Social Research

*Fieldwork: 2,594 people from two surveys, May-June and Sept-Oct 2016

Bagehot | The fourth pillar sways

Donald Trump's presidency will force Britain to grow up about the "special relationship"



“MMARGARET THATCHER here.” “If I were there, Margaret, I’d throw my hat in the door before I came in,” replied Ronald Reagan. It was October 26th 1983. The United States had just entered Grenada, a Commonwealth island-state in the Caribbean. The prime minister had opposed any action, but just woken to the news that American marines had invaded while London slept. In the now-public transcript of the ensuing call, the brutal architecture of what Britons like to call the “special relationship” is laid bare, Reagan’s polite superiority crackling and sparking on the phone line like a faraway thunder storm.

For America, the alliance has long rested on three pillars. One: the historical links and shared values between the two countries. Two: the chemistry between their political and cultural elites. Three: the case-by-case alignment of their interests. All of which puts Britain in an inner circle of American allies, along with Canada, Israel, Germany, Japan and Australia.

For some excitable politicians in London, however, that is not enough. For them, a fourth pillar exists: a common foreign-policy doctrine evolving in lockstep; a bubbling elixir of mutual admiration. This odd blend of chest-puffing arrogance and simmering insecurity is writ large in talk of Britain being “Greece to America’s Rome” (as a few old fossils still put it) and using its place in Washington to “punch above its weight”. Popular among those Euro-sceptics who cherish an “Anglosphere” of like-minded English-speaking nations, it imagines a Britain not just whispering to America at the summit table, but staying up late with it afterwards, sipping scotch in wing-backed chairs and surveying the geopolitical horizon.

The belief in this fourth pillar waxes and wanes, but is always present. It was there in Thatcher’s disappointment during her call with Reagan in 1983, in Tony Blair’s confidence in his ability to shape the Bush administration’s response to the September 11th attacks, in Gordon Brown’s humiliating dash through the basement kitchens of the UN in 2009 to buttonhole Barack Obama about the financial crisis. Yet every time the fourth pillar has crumbled before their eyes, British panjandrums have reacted with fresh shock. They did so when Bill Clinton granted a visa to Gerry Adams (a militant Irish Republican) in 1994, when George W. Bush ignored Mr Blair’s entreaties about Israel’s invasion of

Lebanon in 2006 and when Mr Obama upbraided David Cameron about the BP oil spill in the Gulf of Mexico during a visit to Washington in 2013.

Donald Trump’s election has exemplified this inability to learn lessons. Britain’s press responded with a symphony of British exceptionalism: Mr Trump would be sympathetic; Britain might even join NAFTA; the Trump administration would stand behind it in the coming Brexit talks. In a speech on November 14th Theresa May drew flattering comparisons between Britain’s vote to leave the EU and America’s election shock (both, she deduced, corroborated her argument that globalisation needs saving from itself). Meanwhile Boris Johnson skipped an emergency summit of EU foreign ministers to accuse them of a “whinge-o-rama” about a “liberal guy from New York”. When Nigel Farage, a prominent Brexiteer with close links to the American alt-right networks that helped propel Mr Trump to victory, met the president-elect on November 13th various mainstream British voices suggested that he might become a conduit between 10 Downing Street and the White House. American politics may have experienced its greatest earthquake in decades, but still Britain’s cocky-nervous delusions prevail.

Soon, reality will dawn. For it seems that the Trump era will be dominated by brute national interests. And it is far from clear why that should mean America doing a trade deal with Britain ahead of other countries, why the incoming administration might rein in its otherwise protectionist impulses to help Britain forge other trade agreements, why a White House led by Mr Trump would help London apply pressure on the continental Europeans, or what leverage Mrs May has to curb Mr Trump’s pro-Russian instincts. Or why—when the incoming president has long railed against Europeans freeloading on his country’s armed forces—the transatlantic partnership can satisfactorily substitute for Britain’s nascent defence partnerships in the EU.

All of which could shove Britain back into the arms of continental Europe. An impetuous, inward-focused Washington only makes Britain’s allies in Berlin, Brussels and Paris more important (witness the exaggerated horror in the press about a BBC television interview with Marine Le Pen, a far-right politician with a shot at becoming France’s next president). Mr Trump’s alarmingly conditional commitment to NATO makes the EU defence structures so maligned by Brexiteers look wiser. The flimsy talk of “Anglosphere” values will probably ebb away as the incoming American president makes Britain feel ever-more European. Brexit will come to look more, not less, short-sighted.

Don ask, Don tell

To be sure, Britain needs to do what it can to build links with the next White House. Britain’s military and intelligence complexes remain integrated with America’s. Pillar One of the alliance still matters—and is in jeopardy, Mr Trump having questioned the rules-based, institutional world order that has bound the two countries and their allies together for decades. So does Pillar Two: Mrs May, Mr Johnson and their advisers have all been rude about the president-elect and must now patch up the relationship. But the basic truth remains. Mr Trump will probably be an unabashed Pillar Three president, enraptured by the national interest and unmoved by transnational affinities. His presidency will thus expose Pillar Four as the sentimental chimera it has always been. If the next years do not teach Britons about the mercurial reality of the special relationship, it is hard to imagine what will. ■



Global politics

League of nationalists

BEIJING, BUDAPEST, CAIRO, DELHI, ISTANBUL, MARGATE AND PARIS

All around the world, nationalists are gaining ground. Why?

AFTER the *sans culottes* rose up against Louis XVI in 1789 they drew up a declaration of the universal rights of man and of the citizen. Napoleon's Grande Armée marched not just for the glory of France but for liberty, equality and fraternity. By contrast, the nationalism born with the unification of Germany decades later harked back to *Blut und Boden*—blood and soil—a romantic and exclusive belief in race and tradition as the wellspring of national belonging. The German legions were fighting for their *Volk* and against the world.

All societies draw on nationalism of one sort or another to define relations between the state, the citizen and the outside world. Craig Calhoun, an American sociologist, argues that cosmopolitan elites, who sometimes yearn for a post-nationalist order, underestimate “how central nationalist categories are to political and social theory—and to practical reasoning about democracy, political legitimacy and the nature of society itself.”

It is troubling, then, how many countries are shifting from the universal, civic nationalism towards the blood-and-soil, ethnic sort. As positive patriotism warps into negative nationalism, solidarity is mutating into distrust of minorities, who are present in growing numbers (see chart 1). A benign love of one's country—the spirit

that impels Americans to salute the Stars and Stripes, Nigerians to cheer the Super Eagles and Britons to buy Duchess of Cambridge teacups—is being replaced by an urge to look on the world with mistrust.

Some perspective is in order. Comparisons with the 1930s are fatuous. Totalitarian nationalism is extinct except in North Korea, where the ruling family preaches a weird mixture of Marxism and racial puri-

ty, enforced with slave-labour camps for dissidents. And perhaps you could add Eritrea, a hideous but tiny dictatorship. Nonetheless, it is clear that an exclusive, often ethnically based, form of nationalism is on the march. In rich democracies, it is a potent vote-winner. In autocracies, rulers espouse it to distract people from their lack of freedom and, sometimes, food. The question is: where is it surging, and why?

The most recent example is Donald Trump, who persuaded 61m Americans to vote for him by promising to build a wall on the Mexican border, deport illegal immigrants and “make America great again”. Noxious appeals to ethnic or racial solidarity are hardly new in American politics, or restricted to one party. Joe Biden, the vice-president, once told a black audience that Mitt Romney, a decent if dull Republican, was “gonna put y'all back in chains”. But no modern American president has matched Mr Trump's displays of chauvinism. That no one knows how much of it he believes is barely reassuring.

His victory will embolden like-minded leaders around the world. Nigel Farage of the UK Independence Party (UKIP), the politician most responsible for Brexit, has already visited Mr Trump, greeting him with a grin wide enough to see off the Cheshire cat. Viktor Orban, Hungary's immigrant- ▶▶

Strangers in a strange land

Foreign-born population as % of total

2000 2015



Source: UN

Stop the world

Attitudes towards globalisation, % responding

October–November 2016

Globalisation* is a force for:

good
bad
don't know

On trade, my country should:

import things it needs from other countries
be able to meet its own needs without imports

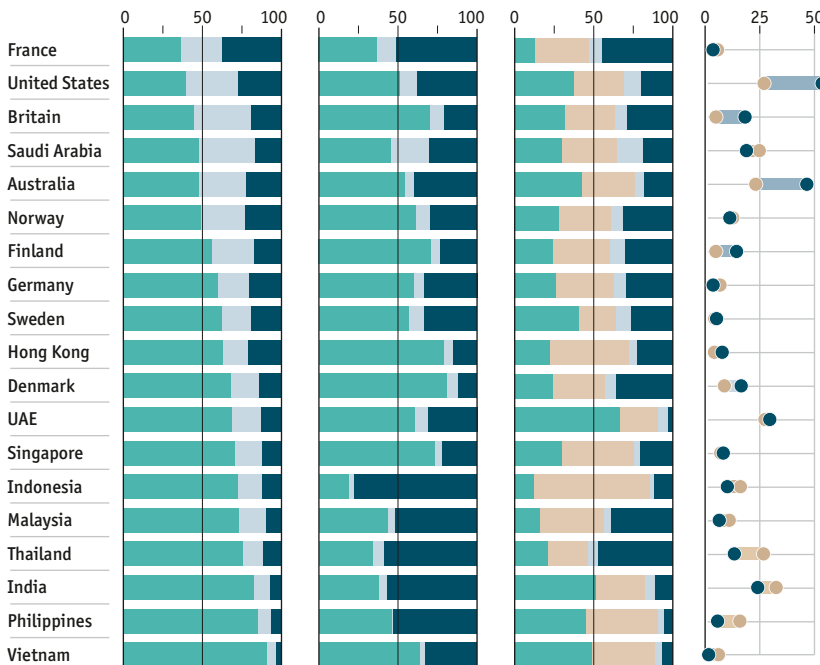
What effect do immigrants have on your country?

Positive
Neither positive nor negative
Negative

"My country is the best in the world"

% agreeing, by age group

18–34
55+



Source: YouGov/The Economist *The increasing movement of products, ideas, money, jobs, culture and people around the world

► bashing prime minister, rejoiced: "We can return to real democracy... what a wonderful world."

The consequences for the European Union could be disastrous. In France pollsters no longer dismiss the possibility that Marine Le Pen, the charismatic leader of the National Front (FN), could be elected president next year. Compared with other Europeans, French voters are strikingly opposed to globalisation and international trade, and few think immigrants have had a positive effect on their country (see chart 2). Ms Le Pen promises that she would pull France out of the euro and hold a "Frexit" referendum on membership of the EU. The single currency might not survive a French withdrawal. And if French voters were to back Frexit, the EU would surely fall apart.

The rush for the exit

European elites once assumed that national identities would eventually blend into a continental bouillabaisse. But the momentum is now with parties like the FN, including Hungary's Fidesz, Poland's Law and Justice party and Austria's Freedom Party (one of whose leaders, Norbert Hofer, could win Austria's largely ceremonial presidency next month). Ms Le Pen's lan-

guage is typical. She caters to nostalgia, anxiety and antipathy to the liberal international order. ("No to Brussels, yes to France", goes one slogan.) She laments the decline of a proud people and vows to make France great again.

Unlike Mr Trump, Ms Le Pen has never called for a ban on Muslims entering the country; rather, she talks about curbing the "gigantic wave" of immigration. A lawyer by training, she defends her arguments with reference to France's rules on keeping religion out of public life. Yet her voters are left in little doubt as to which sorts of immigrants she disapproves of, and whom she counts as French. An FN campaign poster for regional elections in 2015 showed two female faces: one with flowing hair and the French tricolour flag painted on her cheeks, the other wearing a burqa. "Choose your neighbourhood: vote for the Front", ran the text.

Ms Le Pen's popularity has dragged other politicians onto similar territory. Nicolas Sarkozy, a centre-right former president, wants the job again. As soon as you become French, he declared at a recent campaign rally, "your ancestors are Gauls." At another, Mr Sarkozy said that children who did not want to eat pork at school

should "take a second helping of chips"—in other words, that it was up to non-Christians whose religions impose dietary restrictions to make do with the food on offer, not up to schools to accommodate them. France is witnessing a "defensive nationalism", says Dominique Moïsi of the Institut Montaigne, a think-tank, "based on a lack of confidence and a negative jingoism: the idea that I have to defend myself against the threat of others."

Something similar is on the rise elsewhere in Europe, too. In 2010 the Sweden Democrats (SD), a nationalist party, put out a television ad that captured the popular fear that Sweden's generous welfare system might not survive a big influx of poor, fertile Muslim asylum-seekers. An elderly white woman with a Zimmer frame hobbles down a dark corridor towards her pension pot, but is overtaken by a crowd of burqa-clad women with prams, who beat her to the money. At least one channel refused to air it, but it spread online. Polls suggest the SD is now one of Sweden's most popular parties.

In the Netherlands Geert Wilders, the leader of the anti-Muslim, anti-immigrant Party for Freedom, is on trial for "hate speech" for goading his audience to chant that it wanted "fewer Moroccans" in the country. Polls put his party in first or second place in the run-up to the national election in March; its popularity has risen since the start of the trial.

Britain's vote in June to leave the EU was also the result of a nationalist turn. Campaign posters for "Brexit" depicted hordes of Middle Eastern migrants clamouring to come in. Activists rallied against bankers, migrants and rootless experts; one of their slogans was "We want our country back". After the vote David Cameron, a cosmopolitan prime minister, resigned and was replaced by Theresa May, who says: "If you believe you're a citizen of the world, you're a citizen of nowhere. You don't understand what the very word 'citizenship' means."

Even before Britain has left the EU, the mere prospect has made the country poorer: the currency is down 16% against the dollar. Still, few Brexiteers have regrets. In Margate, a seaside town full of pensioners, it is hard to find anyone who voted to remain. Tom Morrison, who runs a bookshop, says: "[We] should be allowed to make our own laws... At least our mistakes will be our own mistakes."

Clive, a taxi driver, is more trenchant. "All the Europeans do is leech off us. They can't even win their own wars," he says. He is glad that Mrs May has promised to reduce immigration: "We just physically haven't enough room for them... The schools are overfilled with foreigners." He adds that some of them are hard workers, but "in Cliftonville [next to Margate], you might as well be in Romania. A lot of them ►►

are gypsies.” Asked if being British is important to him, he declares a narrower identity: “It’s being English. *English*.”

Vladimir Putin, Russia’s president, is not sure what to make of Mr Trump. Though he doubtless welcomes Mr Trump’s promise to reset relations with Russia, if America ceases to be the enemy, he will need another one. Mr Putin’s core belief is in a strong state led by himself, but since he first took power in 2000 he has harnessed ethnic nationalism to that end. In 2011 he faced huge protests from an urban middle class angry about both corruption and uncontrolled immigration by non-Slavic people. He responded by whipping up imperial fervour. When Ukraine sought to move closer to the West, he then annexed Crimea and invaded Eastern Ukraine. State media portrayed him as saving ethnic Russians from (historical) “Ukrainian fascists”.

With oil prices low, and after a long spell in the economic doldrums, nationalism is Mr Putin’s way of remaining popular. His version involves rejecting the universal, liberal values that the West has long promoted. That is why he so eagerly supports illiberal nationalist parties in Western Europe, such as Ms Le Pen’s FN. “We see how many Euro-Atlantic countries are in effect turning away from their roots, including their Christian values,” he said in 2013. He contrasted this with an ethnically defined version of Russia as “a state civilisation held together by the Russian people, the Russian language, Russian culture and the Russian Orthodox Church”.

In China a similarly ethnic, non-universalist nationalism is being pressed into service by the Communist Party (see briefing). The party seeks to blur the distinction between itself and the nation, and to prop up

its legitimacy now that economic growth, long the main basis of its claim to power, has slowed. Soon after becoming president in 2012, Xi Jinping launched the “Chinese Dream” as a slogan to promote the country’s “great revival”. A “patriotic education” campaign extends from primary school all the way up to doctoral students.

The government often blames “hostile foreign forces” for things it does not like, including protests in Hong Kong or Xinjiang, a far-western province where Uighurs chafe against Han rule. State television tries to make other countries look stupid, dangerous or irrelevant. Anti-Western rhetoric has been stepped up. In 2015 China’s education minister called for a ban on “textbooks promoting Western values” in higher education.

China’s glorious victory over Japan has become central to history lessons (though in fact it was the communists’ rivals, the Kuomintang, who did most of the fighting). In 2014 three new national holidays were introduced: a memorial day for the Nanjing massacre, commemorating the 300,000 or so people killed by the Japanese there in 1937; a “Victory Day” to mark Japan’s surrender at the end of the second world war; and “Martyrs’ Day” dedicated to those who died fighting Japan.

My enemy’s enemy

Perhaps unsurprisingly, given the jingoism, many Chinese now see international affairs as a zero-sum game, believing that for China to rise, others must fall. A recent poll by Pew found that more than half of those asked reckoned that America is trying to prevent China from becoming an equal power; some 45% see American power and influence as the greatest international threat facing the country. Chinese

antipathy towards the Japanese has also increased considerably.

The propaganda has been so effective that the government is no longer sure that it can control the passions it has stoked. In 2012 protests erupted across China against Japan’s claims to islands in the East China Sea: shops were looted, Japanese cars destroyed and riot police deployed to protect the Japanese embassy in Beijing. The government now censors the angriest online posts about nationalist topics.

Abdel-Fattah al-Sisi, Egypt’s authoritarian president, uses all the resources of the state to promote the idea that he is the father of his country. His regime blames Islamists for everything: when heavy rains caused flooding in Alexandria last year, the interior ministry blamed the Muslim Brotherhood, a banned Islamist group, for blocking the drains. Last summer, after splurging \$8bn on expanding the Suez Canal, he declared a public holiday and sailed up the waterway in full military regalia, as warplanes flew overhead. State television broadcast shots of the new canal to the bombastic theme tune of “Game of Thrones”, a television show.

A similar story is playing out in Turkey, a country that only a few years ago appeared firmly on course to join the EU. Now its president, Recep Tayyip Erdogan, vows to build a “New Turkey”, bravely standing up to coup-plotters and their imaginary Western enablers. He recently attended a mass rally celebrating the conquest of Constantinople in 1453. He accuses Turkey’s duplicitous Western allies of trying to “pick up the slack of crusaders”. Such rhetoric is intended to justify the arrests of 36,000 people since a coup attempt in July.

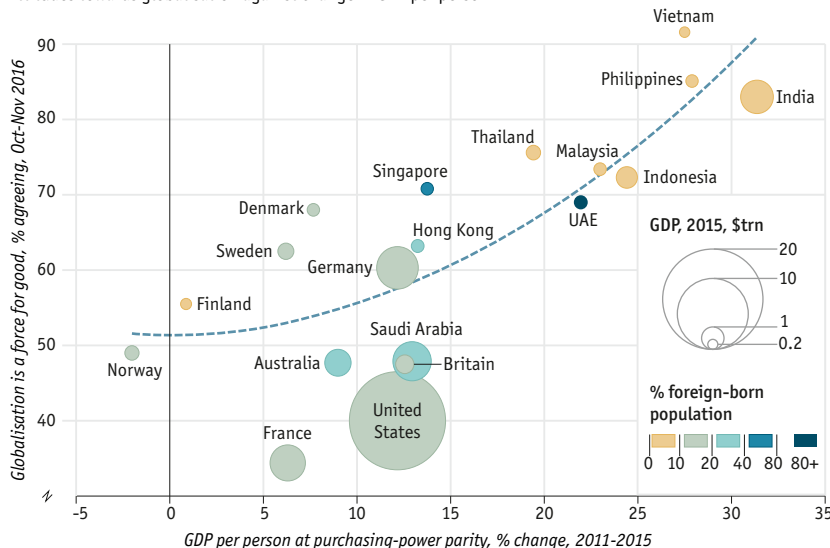
In India ethnic nationalism, never far beneath the surface, is worryingly resurgent. Since 2014 the country has been ruled by Narendra Modi of the Hindu-nationalist Bharatiya Janata Party (BJP). The party seeks to distance itself from radical *Hindutva* (Hindu nationalist) groups, which criticise it as “soft” on Pakistan, Muslims and those who harm cows (which are sacred to Hindus). And Mr Modi is urbane, pro-business and friendly towards the West. But he is also a lifelong member of the RSS (National Volunteer Organisation), a 5m-strong Hindu group founded in 1925 and modelled loosely on the Boy Scouts.

Members of the RSS parade in khaki uniforms, do physical jerks in the morning, help old ladies cross the street, pick up litter—and are occasional recruits for extremist groups that beat up left-wing students. And last year Mr Modi’s minister of culture, Mahesh Sharma, said that a former president was a patriot “despite being a Muslim”. The minister remains in his job.

Hindutva purports to represent all Hindus, who are four-fifths of India’s population. It promises a national rebirth, a return to an idealised past and the retrieval of ▶

Enough to go around?

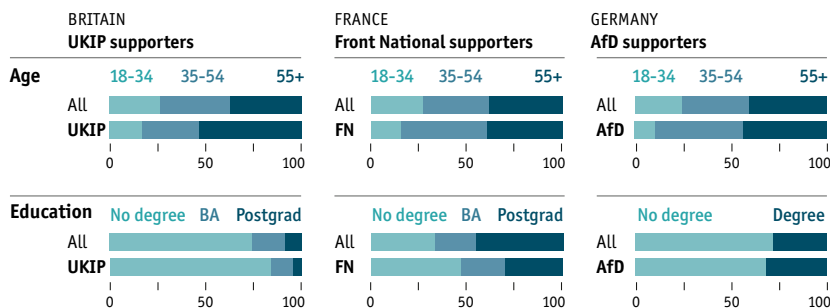
Attitudes towards globalisation against change in GDP per person



Sources: YouGov/The Economist; World Bank; UN

This island's mine

Countries' demography compared with supporters of nationalist parties, October–November 2016, %



Source: YouGov/The Economist

an “authentic” native identity. Its adherents see themselves as honest folk fighting corrupt cosmopolitans. They have changed India’s political language, deriding “political correctness”, and calling critical journalists “presstitutes” and political opponents “anti-national”. The RSS also exerts huge sway over education and the media. Some states and schools have adopted textbooks written by RSS scholars that play up the role of *Hindutva* leaders and marginalise more secular ones.

The BJP has made a big push to control the judiciary by changing rules for appointments, but has met strong resistance. It does not control most states in the east and south. Many of the educated elite despise it. And banging on too much about Hinduism and not enough about the economy is thought to have cost it a state election in Bihar last year.

So India will not slide easily into Turkish-style autocracy—but plenty of secular, liberal Indians are nervous. The police, especially, are thought to favour the ruling party. A reporter nabbed by cops for the “crime” of filming angry crowds outside a bank in Delhi this week says they threatened him with a beating and said: “Who gave you permission to film? Our government has changed; you can’t just take pictures anywhere you like any more.”

Nations once again

Inquiring after the roots of nationalism is like asking what makes people love their families or fear strangers. Scholars have suggested that nations are built around language, history, culture, territory and politics without being able to settle on any single cause. A better question is: what turns civic nationalism into the exclusive sort? There are several theories.

In rich countries, pessimism plays a role. As chart 3 shows, slower growth lowers support for globalisation. Inequality hurts, too. Educated people may be doing just fine, but blue-collar workers are often struggling. Mr Trump did remarkably well among blue-collar white voters. One of the best predictors of support for Brexit or Ms Le Pen is a belief that things were better in

the past.

In developing countries, growth is often faster and support for globalisation higher. But people still have woes, from rapacious officials to filthy air. For the new nationalist strongmen such as Mr Sisi and Mr Putin, nationalism is a cheap and easy way to generate enthusiasm for the state, and to deflect blame for what is wrong.

The new nationalism owes a lot to cultural factors, too. Many Westerners, particularly older ones, liked their countries as they were and never asked for the immigration that turned Europe more Muslim and America less white and Protestant. They object to their discomfort being dismissed as racism.

Elite liberals stress two sources of identity: being a good global citizen (who cares about climate change and sweatshops in Bangladesh) and belonging to an identity group that has nothing to do with the nation (Hispanic, gay, Buddhist, etc). Membership of certain identity groups can carry material as well as psychological benefits. Affirmative action of the sort practised in America gives even the richer members of the racial groups it favours advantages that are unavailable to the poorer members of unfavoured groups.

Nationalists dislike the balkanisation of their countries into identity groups, particularly when those groups are defined as virtuous only to the extent that they disagree with the nation’s previously dominant history. White Americans are starting to act as if they were themselves a minority pressure group.

Lastly, communication tools have accelerated the spread of the new nationalism. Facebook and Twitter allow people to bypass the mainstream media’s cosmopolitan filter to talk to each other, swap news, meet and organise rallies. Mr Trump’s tweets reached millions. His chief strategist, Steve Bannon, made his name running a white-nationalist website.

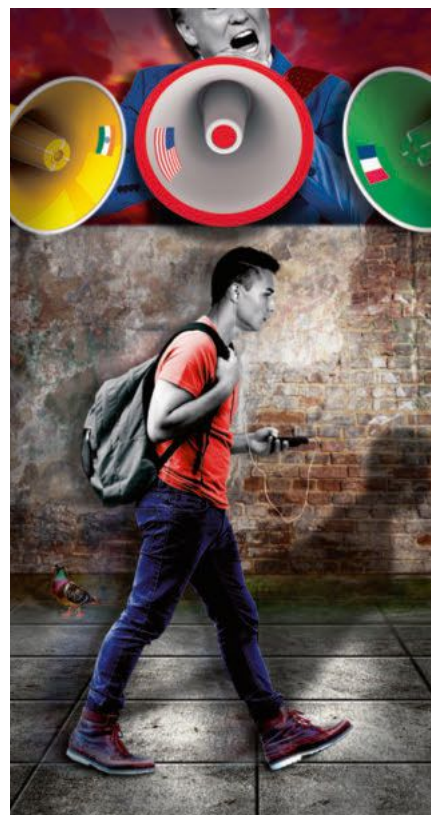
For Mrs May’s “citizens of nowhere”, all this is deeply worrying. But they should not despair. Liberals can use social media, too. Demagogues fall from favour when their policies fail to bring prosperity. And

demographic trends favour pluralism.

In many countries the university-educated population—typically cosmopolitan in instinct—is rising. In the post-war period about 5% of British adults had gone to university; today more than 40% of school-leavers are university-bound. In Germany 2m citizens were in tertiary education in 2005; a decade later that number had risen to 2.8m. The share of 18- to 24-year-old Americans in that category rose from 26% in 1970 to 40% in 2014.

And immigration, which has done much to fuel ethnic nationalism, could, as generations are born into diverse societies, start to counter that nationalism. The foreign-born population of America rose by almost 10m, to 40m in the decade to 2010. In Britain it rose by 2.9m, to 7.5m, in the decade to 2011. Western voters aged 60 and over—the most nationalist cohort—have lived through a faster cultural and economic overhaul than any previous generation, and seem to have had enough. Few supporters of UKIP and the FN are young; the same is true for Alternative for Germany, another anti-immigrant party (see chart 4).

But youngsters seem to find these changes less frightening. Although just 37% of French people believe that “globalisation is a force for good”, 77% of 18- to 24-year-olds do. The new nationalists are riding high on promises to close borders and restore societies to a past homogeneity. But if the next generation holds out, the future may once more be cosmopolitan. ■





Tata Group

Clash of the Tatas

MUMBAI

India's biggest firm adds internal strife to its long list of problems

COMPANY bosses who get the sack react in different ways: some quietly leave, others graciously wish their successor luck, most try to nurse hurt pride as best they can. Not Cyrus Mistry, who on October 24th was ousted as chairman of the Tata Group, India's biggest conglomerate. Bemused and angered at having his predecessor, Ratan Tata, suddenly seize back control, he has refused to go. The schism at the heart of Tata has drawn attention to what made it possible in the first place: an overly complex structure trying to oversee too many businesses, deficient corporate governance and a penchant for opacity. Whether these problems are addressed, and how, will shape the group and its reputation for decades to come.

Tata's reasons for sacking Mr Mistry are unclear. He is from a family that has had a nearly 20% shareholding in the group for decades (most of the other shares are controlled by charities that are chaired by Mr Tata). Allies say that after four years in the job, Mr Mistry had got to grips with the inner workings of the company. He was ready to start changing it.

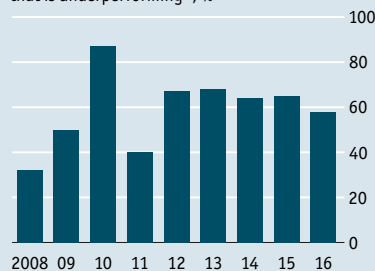
His critics, on the other hand, never believed that any executive could hope to turn around a conglomerate that has multiple misfiring subsidiaries in industries ranging from fertilisers to luxury hotels, cars and power generation. Mr Mistry had a team that many considered unimpressed.

Few who know Tata were surprised that he made only plodding progress.

Yet not even the firm itself seems to know exactly why it dumped him when it did. It has accused him of paying too little heed to Tata's reputation for doing business in a socially responsible fashion, but also of doing too little to change things to boost profits. He also stands charged with being overly controlling; yet Tata Group has briefed that he gave its subsidiaries too much freedom. Most Tata companies are independent, listed firms in which Tata has only a 25-30% shareholding. All of these allegations of various kinds of incompetence on the part of Mr Mistry sit awkwardly with glowing performance reviews

Low rate of Ratan

Tata Group, share of capital employed that is underperforming*, %



Sources: Company reports; *The Economist*

*Making a return on capital of less than 10%

Also in this section

- 56 Donald Trump and American energy
- 57 A post-election metals rally
- 57 Samsung buys Harman
- 58 Corporate Italy and the referendum
- 59 America's cannabis industry
- 60 Schumpeter: Uncertain business

For daily coverage of business, visit

Economist.com/business-finance

accepted by Tata Group's board in June, according to minutes seen by *The Economist*.

All sides now at least seem to agree about how the group is performing. Two businesses, Jaguar Land Rover (JLR), a maker of high-end cars, and Tata Consultancy Services (TCS), an IT services company, are generating enough profits and dividends to keep the group buoyant. But at least five businesses—steel, Tata's Indian-made cars and trucks, power generation, an upscale hotel group and a smallish mobile-telephony arm—either lose money or soak up capital without producing good returns.

Mr Mistry has a point when he says he inherited the problems from his expansion-minded predecessor. And some progress came on his watch. He sold part of the British steel business (to Tata old-timers' deep chagrin, apparently, despite its steep losses). The telecoms operation was overhauled, ready for some form of industry consolidation, new bosses were brought in and so on. But he shied away from a radical redrawing of the boundaries of a sprawling group. Still, it is plausible that Mr Tata and his allies would in any case have stopped him. Mr Tata is now only an interim boss—he has promised to find a successor to take over the chairmanship of the holding company by the end of February—but he will continue to wield sway from atop the charities that control it.

Regardless of the true reasons for his ousting, Mr Mistry has befuddled his adversaries. They had expected him to depart in "the Tata way": quietly and without fuss. He had not granted a single interview to the media during his time as chairman. Instead he wrote to the board alleging several instances of improper conduct around accounting and other matters. Three weeks on, none of the substantive charges Mr Mistry laid out has been conclusively

addressed. The securities regulator is reportedly taking an interest. Even though not formally announced, it is a humiliation for the company and for the business grandees on its various boards.

Broad failures of corporate governance emerge from Mr Mistry's claims. Mr Tata, who has no children and was the first Tata to have a non-family member succeed him, appears to have found a way to get more and more important decisions sent to the board. Here, his allies apparently agreed to do his bidding, including Mr Mistry's sacking. A cheap-car project that Mr Tata had launched, for example, would have been ended had it not been for his intervention, and it continued making losses. Most seriously, Mr Mistry has suggested that the company has avoided taking write-downs required by accounting rules, of a whopping \$18bn, notably in the steel business. The firms involved say that their numbers are correct.

Mr Mistry is trying to stay on as chairman of the operating companies even after his removal from the group. The boards of some of the large subsidiaries, such as Tata Motors (owner of JLR) and the hotels division, have defied Tata and given their support to Mr Mistry. The parent firm did manage to evict him from TCS's board, because it owns a majority of it, unlike most of its other big group companies.

The accidental activist

Some people would welcome his continued presence. "He's like an activist shareholder in a group that badly needs it, good luck to him," says a senior Mumbai banker. But he may not be able to hang on for much longer than a few weeks. Even if the various companies' directors have so far let him stay on as chairman, Tata can use its stakes in the firms, with the help of its allies, to boot him off boards entirely. There are plans to do just that in a series of extraordinary general meetings.

And Tata has plenty of levers to get its way. It could strip the subsidiaries of the right to use its valuable brand—it has done this at least once in the past. Although the group is loth to admit it, the central holding company implicitly guarantees the debts of the operating entities that are listed. The troubled ones, such as the telecoms or power-generation units, would pay far more to borrow without its support. In one of its letters, Tata alludes none too subtly to the extra creditworthiness it gives. But kicking out subsidiaries in a sort of break up would please no one but Tata's rivals.

A compromise is possible. Some businesspeople in Mumbai reckon that the government will not stand by idly for much longer, and that it could force a truce. Mr Mistry won't get his job back, but the group might agree to ease out Mr Tata not only from the chairmanship of the holding company but also from his position on top

of the charities through which he appears to control Tata Group.

No less may be necessary to attract a successor to the top job. Few in Mumbai expect that Tata will bring in an outsider to grapple with its problems. Many reckon that Natarajan Chandrasekaran, who is thought to have done well running TCS since 2009, is a likely candidate. Then Mr Tata will have to decide how to treat his successor. The experience of Mr Mistry's last weeks, during which the mild-mannered Indian executive turned into something like an American-style corporate raider, might just be enough to persuade him to let the new chairman lead. ■

Donald Trump and American energy

Polluting the outlook

Mr Trump may slow but not derail America's clean-energy transition

IT WAS on November 16th that the International Energy Agency (IEA), an organisation that represents oil- and gas-consuming countries, announced its prediction that over the next quarter of a century renewable energy, such as wind and solar, and natural gas will hugely eclipse the traditional role that coal and oil have played in satisfying the world's growing demand for energy (see chart on next page). That is the base case for what it says is a powerful shift in the global energy landscape towards cleaner fuels.

The trouble is that after the projections were calculated, Donald Trump, who is both a climate sceptic and a fossil-fuel fan, was elected as America's next president. As Fatih Birol, the IEA's executive director, pointed out this week, no one knows what

his energy policies will be. Yet he will run the world's biggest producer and consumer of oil and natural gas.

Many green-energy enthusiasts are bracing for the worst. Mr Trump has chided Barack Obama's administration for trying to "kill the coal industry" and tying up oil- and gas companies with environmental red tape. Though he supports renewables, he insists it will not be at the exclusion of dirtier forms of energy.

Whoever becomes his new secretary of the interior and his energy secretary, the incoming officials are expected to be strong advocates of further opening federal lands to oil, gas and coal production. Mr Trump has also suggested that TransCanada, an Alberta-based firm, renew an application to build the fourth phase of the Keystone XL pipeline project bringing Canadian crude across the border, which was blocked by Mr Obama last year.

On the campaign trail, he said one of his first energy priorities would be to rescind the current president's executive actions, such as the 2013 Climate Action Plan, which aims to regulate emissions from power plants. To cap it all, he wants to pull out of last year's Paris agreement to tackle global warming.

Though Mr Trump can unwind many domestic environmental regulations, analysts say he may find his hands tied by market forces, by the limits to federal power and by the fact that energy investments can take decades to pay, making it unwise for owners of power plants, oil- and gas fields, and pipelines in America to dismiss the clean-energy revolution. First, his desire to open up what he says may be \$50 trillion-worth of oil and gas reserves under federal lands will depend on oil prices. Even with lower regulatory costs, oil prices still need to rise well above \$50 a barrel to make most drilling in America economic. Now, there is too much oil, not too little.

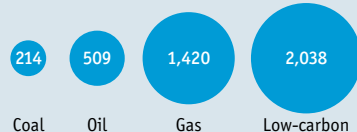
Low oil prices may also make the Keys- ►



So they hope

Fossil duel

Total worldwide primary energy demand
Forecast increase by 2040, m tonnes oil equivalent



Source: IEA

▶ tone pipeline a non-starter for commercial reasons, because crude from Canada's tar sands is fiendishly expensive to extract. Moreover, were Mr Trump to succeed in stimulating shale-gas production, his task of rescuing the coal industry would become harder. Utilities may find it cheaper to burn gas rather than coal.

Although Mr Trump can swiftly revoke Mr Obama's executive orders, it will take him longer to tackle rules that have been

laid down, such as the proposed Clean Power Plan, which is the president-elect's main bugbear as an example of climate-related overreach. It is stuck under review in the Supreme Court, but owes its authority to the Clean Air Act, so environmental groups may sue over efforts fully to repeal it. Moreover, new rules will need to replace the old ones, which could take years.

Third, Mr Trump is unlikely to seek to repeal tax credits for wind and solar energy, which were extended last year by Congress until 2020 and 2021, respectively. As it is, costs of renewable energy are plummeting, making them increasingly able to compete against gas and coal without subsidies in a few states. As a businessman, Mr Trump would surely see it as foolish to squander a part of America's energy bounty, however clean, that may soon be able to cover its costs. As a politician, he might also note that renewable energy now employs more people than oil and gas. ■

Samsung buys Harman

Amp my ride

SEOUL

In its biggest deal yet, Samsung bets on connected cars as a driving force

“THE car is the ultimate mobile device,” said Jeff Williams, an executive at Apple, last year. It was taken as another sign that the maker of iGadgets would be deepening its interest in the automotive sector (among other projects, it is developing an in-house smart car that is codenamed Project Titan). Now Samsung Electronics, its big rival in the smartphone world, is following. On November 14th the South Korean company said it would pay \$8bn for Harman, a firm based in Stamford, Connecticut, that makes internet-connected audio, information and security systems for cars. The deal is Samsung's largest ever, and the first big transaction for its vice-chairman and heir apparent, Lee Jae-yong, grandson of the firm's founder.

Though it is best known for its sound systems, Harman is one of the world's largest supplier of smart parts for “connected cars” that help owners to drive by linking to the internet and to chip-enabled devices. It made \$7bn in revenue in the year to September, two-thirds or so of it from the car sector, and has over three times that in new orders. Its products are the first step towards autonomous vehicles. Over 30m cars use Harman's audio and other kit, in offerings from real-time traffic reports to augmented-reality alerts on braking distances. By 2022 revenue from this “connectivity” will rise to \$155bn from \$45bn now, according to Strategy8, a consultancy.

The deal thus gives Samsung a firm foothold in the futuristic end of the automotive market. It had already edged into the sector with investments in Vinli and nuTonomy, two startups that make software for connected cars. Last year it set up a team to work on special parts for autonomous ones. Samsung SDI, a battery-making affiliate, already supplies lithium-ion batteries that power electric cars.

Harman's software skills and relationships with 30-odd global car brands opens doors for Samsung, says Kim Kyoung-you of the Korea Institute for Industrial Economics and Trade. It will be hoping to build a combined offering, of hardware parts and software know-how, that it will be able to sell directly to automakers.

But it joins some technology rivals that are already moving fast in an area where Samsung's record is minimal. In the late 1990s Samsung Motors, a foray into car-making, went bust (Renault of France bought it). Google has been testing self-▶

Mining

Vein hope

Even miners are pooh-poohing the post-election metals rally

DONALD TRUMP'S grandfather, Fred, got his start in the hotel industry at the turn of the 20th century supplying rooms, food, booze and female company to prospectors flocking to north-western Canada in the so-called Klondike gold rush. It may be part of this legacy that gave America's president-elect his taste for golden fixtures and fittings. But it may also make miners a bit wary of Mr Trump. After all, their pockets have been “mined” by a Trump once before.

So the world's biggest mining companies are downbeat about the rally in commodities prices that accompanied Mr Trump's election victory, which briefly pushed up prices of copper at their fastest rate in five years and sent iron-ore prices to two-year highs close to \$80 a tonne. On November 15th Rio Tinto, one of the world's biggest mining companies, told 440 workers at an iron-ore mine in Western Australia to take two weeks off at Christmas, not as a celebration, but as a precautionary measure to reduce supply. It expects conditions to get much tougher in 2017. Its main rival, BHP Billiton, is also nonplussed. It predicts economic uncertainty, political instability and a continuation of oversupplied markets next year.

Rio has internal reasons to be cautious. Last week, in the latest twist in a long-running saga, it fired Alan Davies, its head of energy and minerals, after alerting authorities to e-mails that disclosed a payment to an external consultant working on Rio's operations at the Simandou

iron-ore mine in Guinea. But broadly, the scepticism about the so-called reflation rally seems justified. Its main cause was probably rampant speculation in Chinese futures markets. Some think this reflects optimism about demand in China. More probably it is because China has curbed coal output, and the Philippines has throttled nickel exports, throwing the markets out of kilter.

Second, Mr Trump has sent mixed messages. His plan to splurge on American infrastructure may boost demand for copper and steel. But his “America First” policy on trade could raise protectionist barriers against foreign goods. That would hit demand for metals in China, which consumes more than six times as much copper as America does.

Many miners are now using their improved cash flows to strengthen balance-sheets that were badly overstretched earlier this year. In the longer term, their main source of optimism is copper. Juan Carlos Guajardo, of Plusmining, a Chilean consultancy, expects the copper market to remain in a state of oversupply for some years. But eventually a shortage of quality copper mines will curb supply as electrification of the world economy, from cars to heating and cooking, lifts demand. Mr Trump has provided only a temporary fillip. His plans for America's infrastructure sound “more like steel and concrete than copper”, Mr Guajardo says. And gold for the White House taps, perhaps.

▶ driving cars since 2009. As well as Project Titan, Apple has CarPlay, a connected-car app that it started selling in 2013. Xiaomi, a Chinese smartphone maker that is a direct rival of Samsung, filed nine patents on internet-connected cars last year.

For a firm that has resisted big acquisitions, the scale of the deal with Harman suggests Samsung is counting on it for its next growth spurt. The company's smartphone division, the crown jewel of its empire, is suffering: last month it killed a new line of Galaxy Note phones after dozens exploded due to faulty batteries, incurring billions of dollars in losses. Under Mr Lee's leadership, Samsung has been using part

of its cash pile (around \$70bn) to do overseas deals (though none as big as this one).

Whether his tenure at the firm is seen as a success will largely depend on the outcome of this week's deal. The car business may prove difficult to navigate once more. It is unclear which route to wholly connected vehicles the industry will take. Car firms may develop the technology alone (Ford, for example, has made purchases that suggest it is going down this road), in partnership with tech titans such as Google, or, as Samsung and Harman hope, they may buy it off-the-shelf. Mastery of one sort of mobile technology does not ensure success in others. ■

unambiguously positive signal to investors in Italy, says the boss of one of the country's big industrial firms. It would show that "we can change laws that for decades held back productivity," he adds.

Bringing more powers to the central government would reduce costly complexity for firms. Today there are different rules in each region of Italy on water use, waste recycling, pollution control, how to run energy installations and other areas where the authorities require permits, points out Mr Starace. It is costly to manage, especially for smaller companies.

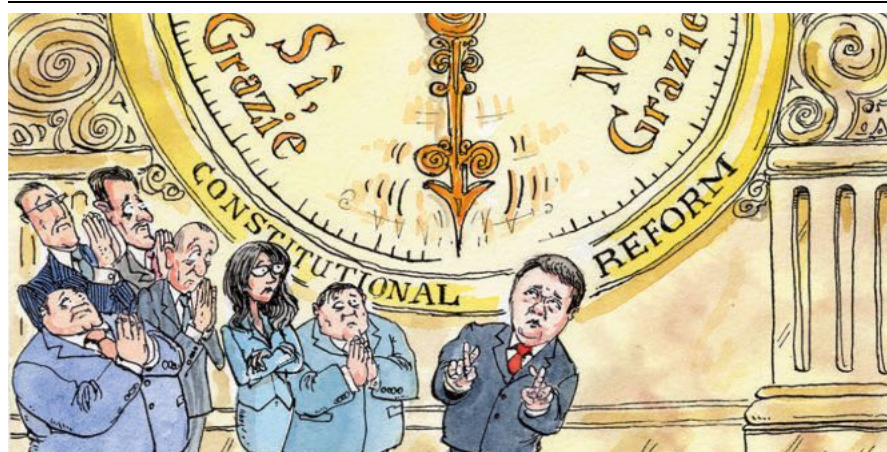
A second gain would directly follow a shake-up in the Senate. Bosses reckon lawmakers would feel able to cut layers of bureaucracy and speed up judicial reforms, notably to improve legal administrative procedures. In the latest ease-of-doing-business rankings from the World Bank, Italy sits in 50th place, among the worst of any economy in the OECD club of rich countries (and six places worse than last year). Mostly that is the result of firms' misery in dealing with the state, such as in paying tax or getting contracts enforced.

An economist at Intesa Sanpaolo, a bank, estimates that foreclosures on assets take seven years on average to complete in Italy (and as many as ten in the south) compared with two years in Germany or France. The administrative process around construction permits takes an Italian firm an average of 227.5 days to navigate, according to the World Bank, compared with 86 for a British one. A better-run state could improve all this.

If Mr Renzi and other politicians decided they had a mandate to confront incumbent lobbies, such as taxi drivers that have almost choked off Uber and other ride-hailing firms in big cities, including Milan, or which block new entrants to the pharmacy business, then the referendum would mean even greater improvements. The former boss of Uber in Italy, Benedetta Arese Lucini, received violent threats when she started rolling out its services. Without big changes to the status quo, says Ms Arese Lucini, "it would be stupid [for new firms] to be based" in Milan. But the day that Italy understands that competition is good "we can compete with the world," she adds.

If politicians really got the reform bit between their teeth, they might even address tax rules that, in effect, punish investors in companies. One reason why Italian firms have been starved of credit is that tax rates heavily favour buyers of government bonds over investors in private equity, for example. Italy attracts a strangely low share of the money going into private equity in Europe, or less than one-quarter of the funds that France attracts and one-fifth of funds into Britain (as a share of GDP).

Nino Tronchetti Provera, head of Ambi-
enta, a private-equity fund (and a cousin of ▶



Corporate Italy

Seize the day

MILAN

Italy's business leaders are clamouring for a "yes" vote in December's constitutional referendum

“THE biggest risk in Europe is the Italian referendum,” said Gianfelice Rocca, head of Assolombarda, Milan's chamber of commerce, this summer. For corporate Italy, much is at stake in the vote on constitutional reform, which will be held on December 4th. Victory for Matteo Renzi, the business-friendly prime minister, could mean a big fillip for firms of all sizes, whereas a loss would be “a shock in the system”, said Mr Rocca.

The national employers' federation, Confindustria, agrees with him. If those campaigning for a “yes” vote are to be believed, firmer government, easier conditions for investors and generally brighter economic prospects would follow. The two main issues to be decided are reform of the Senate's powers—whether to let the lower chamber pass future laws, even when opposed by the Senate—and whether decision-making powers should be brought back from regional governments

to the centre.

Francesco Starace, the chief executive of Enel, a giant European electricity company that is one of Italy's more successful firms, sets out a strong case that the proposed changes would bring important benefits to companies, especially if politicians took it as a signal to push for more reforms that would deregulate the economy and encourage competition. Last year labour laws were eased slightly, and a change this July made it easier and cheaper for startups to register with the authorities. Mr Starace hopes that the momentum will continue. “We have been waiting for these reforms for 25 years and it would be a pity to have to wait any longer,” he says.

The public currently seems less convinced of the merits of constitutional change, and opinion polls suggest the outcome hangs in the balance. But the opportunity would be a shame to miss, business-
es believe. A “yes” result would send an

► Marco Tronchetti Provera, boss of Pirelli, a big tyre manufacturer), concurs that the vote matters greatly, chiefly because of the downside risk of a “no”. Rejection would mean a return to extreme political uncertainty, since Mr Renzi has talked of resigning if voters spurn him. Yet it is also possible to exaggerate the potential gains for business of a “yes” vote in the referendum, or, indeed, the cost if voters reject Mr Renzi’s plans. Corporate Italy is ailing for many reasons. One intractable problem is a consistently low level of domestic consumption thanks to a rapidly ageing population. A culture of risk aversion discourages entrepreneurs. “Failure means family shame, your mother will be disappointed in you,” says Ms Arese Lucini.

Mamma mia

The shortage of capital for business stems from a troubled banking system and also from a tradition of families funding their own, usually small, businesses. The Italian bourse remains a “stunted” thing, in comparison to markets in Paris or London, points out Claudio Costamagna, chairman of Cassa di Risparmio di Roma, a state-controlled bank that invests Italy’s postal savings. About 70% of Italy’s stockmarket capitalisation is made up of the shares of banks, insurance firms, utilities or energy companies such as ENI, a state-controlled oil-and-gas firm. Industrial and manufacturing firms, the backbone of the economy, make up a small part. The referendum will do little to channel more money to the latter kind of company.

And although constitutional reform would help, it will take more to jump-start the economy, which is barely growing today and remains roughly the size it was over a decade ago. Successful Italian companies are those that export to more vibrant overseas markets, such as businesses selling car parts, food, fashion, pharmaceutical products, car parts or energy.

Often, Italian firms do not help themselves, either. Few have followed the example of Enel and other leading companies, which have rapidly embraced digitisation to increase efficiency. Some lack basic habits of using computers. An investor describes a visit this year to a southern Italian firm with annual turnover of €50m that manages all of its inventory on a whiteboard in a storeroom.

So the benefits of constitutional change, if it comes, could be unpredictable and felt unevenly. Big business has been most vocal about the desire for a “yes” vote, but large companies, with their channels to foreign markets, would cope pretty well with a rejection; they are accustomed to making do with the state of things now. It is small, nationally oriented businesses that are most at risk from backsliding on reforms. And as Mr Rocca admits, “The finale of the movie is highly uncertain.” ■

Consumer goods

Pot of gold

America’s cannabis industry prepares for new highs

IN THE 1990s Snoop Dogg, a rapper, called cannabis “chronic”. The drug was illicit and cool. In 2016 Mr Dogg is a cannabis investor, and the drug is poised to earn another title: consumer staple. On November 8th four states, including California, voted to approve recreational cannabis use. Four other states eased rules for medical marijuana. About three-fifths of America’s population lives in states that now allow cannabis use in some form.

So pot entrepreneurs face the thrilling prospect of normality. This week industry leaders were meeting in Las Vegas to discuss how the sector might expand. They have in prospect a vast, partially established market. More than 32m Americans already use cannabis. As the business becomes more normalised, it is sure to attract new customers. “It’s not often that you see an industry and you know the inevitability of it,” says Brendan Kennedy of Privateer Holdings, a private-equity firm that specialises in cannabis. Last year legal sales reached \$6bn, according to the Arcview Group, an investment and market-research firm. By 2020 Arcview expects legal sales to be more than three times higher.

There remains the dispiriting fact that, on a national level, marijuana is still illegal. Federal agencies have generally respected states’ cannabis rules, but Donald Trump’s enforcers may be more aggressive. Even if they demur, the federal ban makes busi-

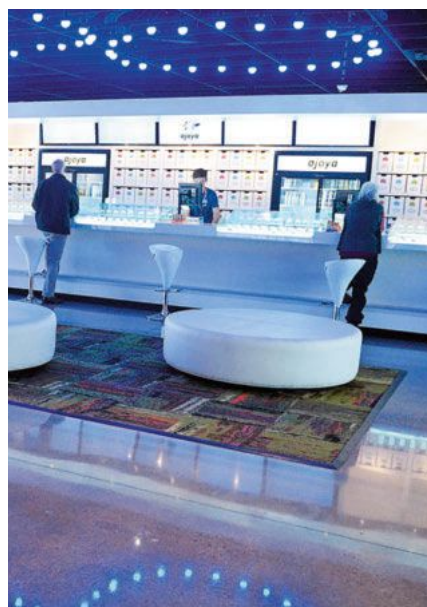
ness difficult. Few banks are willing to lend to cannabis companies that handle the plant directly. Firms cannot operate across state lines, nor may they deduct common expenses from tax filings, which squeezes their profits.

Nevertheless, startups are spreading like weeds. Many of them serve the cannabis industry without touching the plant itself—these firms benefit from the sector’s growth while avoiding its strictest rules. For example Kush Bottles, based in California, sells product packaging that complies with idiosyncratic state requirements. Older firms are eyeing the industry as well. Scotts Miracle-Gro, a publicly traded gardening company, reckons it can serve not just ageing green thumbs but young cannabis growers, too.

Other companies deal with the plant directly, whether growing, processing or distributing it. Many early entrepreneurs have exited, unable to survive tight rules and falling cannabis prices brought about by legalisation. Bigger firms with strong management have, unsurprisingly, fared better. A company called LivWell now has 14 dispensaries across Colorado, which legalised recreational cannabis use in 2014. Its founder used to lead a firm that sold baby products to Walmart.

Cannabis firms have much in common with traditional consumer businesses. To cope with bans on interstate commerce, for example, those backed by Privateer license their brands and production methods to third parties in particular states, in much the same way that Coca-Cola depends on licensees in markets around the world. And just as big food companies grew in the 20th century by processing basic ingredients into tasty, more profitable snacks, for example, lots are processing plants into biscuits, gummy candies, tinctures and oils. “There’s not a lot of money to be made in tomatoes,” points out Arcview’s Troy Dayton, “but there’s a lot of money to be made in sauce.” In Colorado, the market share of cannabis flower, such as that typically rolled into a joint, fell from 68% in 2014 to 57% in the first nine months of this year, according to BDS Analytics, a data firm, but the processed versions of cannabis are on the rise.

Looming over the industry is the question of when tobacco companies might join the fray. Cigarette-makers certainly have the expertise to navigate complex rules for cannabis, points out Vivien Azer of Cowen, a financial-services firm. Their research on e-cigarettes could enhance vapour products for pot. If the federal government ever legalises the drug, tobacco firms would probably swoop in and snap up small, fast-growing firms. In the meantime, Colorado offers a tantalising glimpse of the future: there are now more cannabis dispensaries in the state than there are Starbucks coffee outlets. ■



Flat white joint to go

Schumpeter | Uncertain business

Business will pay a high price for soaring political risk



AN AGE of uncertainty is upon us. For the past three decades or so, businesspeople have been able to steer by a few lodestars. Trade negotiators lowered and simplified trade barriers. Central bankers tried to keep inflation to a minimum. Policymakers around the world negotiated multilateral treaties on the environment. Global bodies such as NATO provided security in Europe. Today the lodestars are exploding, one after the other.

Meanwhile, Donald Trump is making policy on the hoof. It turns out that the Affordable Care Act of 2010, or Obamacare, is not so bad after all. A big section of his planned wall on the border with Mexico will be a fence. In the past presidents have usually arrived in the White House with a detailed set of policies. Mr Trump arrives with a tatty envelope scrawled with a few jottings on the back. Across the Atlantic, Brexit has opened a Pandora's box: nobody knows whether Britain will leave the European single market or negotiate the equivalent of an associate membership. The Supreme Court has yet to determine how much say Parliament will have in shaping the negotiations.

One of the big promises from populists is to get economies moving again. Mr Trump has laid out a neo-Reaganite policy of cutting taxes and boosting spending, particularly on infrastructure. His European allies, such as Hungary's prime minister, Viktor Orban, and would-be allies, such as France's Marine Le Pen, leader of the National Front, have made similar noises. Another is to "drain the swamp" of their respective capital cities by subjecting self-serving elites to the wrathful scrutiny of the people. Yet economic uncertainty, which holds down growth, will reduce the populists' ability to honour the first promise. And the fact that firms usually respond to uncertainty by splurging on political lobbying may mean reneging on the second.

So far Mr Trump's pledge to get the economy moving has received a surprisingly positive response from Wall Street—the stockmarket has surged since his victory. Economists polled by the *Wall Street Journal* slightly lifted their forecasts and are predicting that the economy may expand by 2.2% in 2017 and by 2.3% in 2018 as the expected fiscal stimulus kicks in. Optimism could easily pall. A fiscal stimulus could prove toxic if it leads to higher deficits, and thence to higher inflation and interest rates. Other signature Trump policies, such as restricting trade or legal immi-

gration, would damage the economy if implemented.

All the while, political uncertainty will pull companies in the opposite direction from the one in which the stimulus is supposed to push them. Businesses will refrain from making hard-to-reverse investments if they are unsure about the future. Helpfully, three economists—Scott Baker of Northwestern University's Kellogg School of Management, Nick Bloom of Stanford University, and Steven Davis of the University of Chicago Booth School of Business—have developed an index of economic-policy uncertainty that monitors this. It goes back to the 1980s and shows that high levels of policy unpredictability go with lower business investment and weaker economic growth. Companies have an excuse to put off big decisions, particularly of the long-term kind, such as investing in machinery or hiring permanent as opposed to temporary workers. Policy unknowns raise the cost of capital, because they increase the likelihood of default. Consumer demand is weakened because households will build up their savings rather than, say, buy a new car or a washing machine.

The effects could fall most heavily on companies in less competitive industries, and those in manufacturing especially. Firms in the fastest-moving fields, such as technology, have a strong incentive to go ahead and invest in spite of uncertainty rather than lose out to a rival, note Mihai Ion of the University of Arizona and Huseyin Gulen of Purdue University in a paper, "Policy uncertainty and corporate investment". Old-economy companies that rely on big capital investments in machinery—the sort Mr Trump appears to prefer—are more likely to hold back, hastening decline.

Uncertainty also makes it likely that the swamp will get even swamplier. A new paper, "Political uncertainty, political capital and firm risk taking", by Pat Akey, of the University of Toronto, and Stefan Lewellen, of London Business School, underlines the tight link between political uncertainty and political influence-mongering. The more worried companies are about policy flux, the more money they invest in trying to bring about desirable outcomes. Then they are readier to make long-term investments.

Swamp creatures

Members of Washington's Republican establishment are particularly well placed to profit from political turmoil with the Republican Party soon to be in control of the White House and both houses of Congress. Trent Lott, a former leader of the party in the Senate who works for Squire Patton Boggs, a lobbying firm, told the *New York Times*, "he is going to need some people to help guide him through the swamp—how do you get in and how you get out?" "We are prepared to help do that," he added. Such people are also well positioned to profit from the fact that Mr Trump has fewer seasoned Washington hands in his entourage than any recent president-elect. The lobbying shops are already promising to help the incoming neophytes draft regulations and laws.

The populists will undoubtedly be able to claim some big victories in the coming years. In America Mr Trump could succeed in persuading companies to bring home billions of dollars that sit abroad by means of a tax holiday and a lower tax rate. In Britain one-off deals with multinationals on the model of the one recently struck with Japan's Nissan will produce warm feelings on the part of business. A bonfire of regulations will delight small firms. But all the while, uncertainty will pull in the opposite direction. Cash piles will mount. Plant and equipment will age and ossify. The likes of Mr Lott will get richer and more self-satisfied. The age of uncertainty will also be an age of self-reinforcing evils. ■



Emerging markets

Reversal of fortune

The American election has added a new source of uncertainty

FOR MUCH of 2016, things seemed to be going well in emerging markets. A pick-up in commodity prices signalled that the global economy (and China's, in particular) was more robust than feared as the year began. In the manufacturing sector, the average level of the purchasing managers' index in developing countries ticked up from 49 at the start of the year (indicating contraction) to 51 (expansion) by October, according to Goldman Sachs.

Signs of stability could be identified even in the economies that most worried investors in recent years—the so-called “fragile five” of Brazil, India, Indonesia, South Africa and Turkey. All had seen their current-account deficits shrink in the past three years, making them less dependent on foreign inflows of capital.

Confidence in emerging markets had also revived among international investors. Before the American presidential election both the MSCI emerging-stockmarket index and JP Morgan's emerging-market bond index had outperformed their developed-world equivalents this year.

But Donald Trump's victory seems, at least temporarily, to have changed minds. On November 11th emerging-market currencies suffered their second-biggest daily sell-off in the past five years, dropping by 1.7% against the dollar. The dollar-denominated bonds of developing-country governments fell by more than 6% in the four trading days after the election, while their

local-currency bonds (exposing foreign investors to the risk of depreciation) dropped by 7.4%, according to Bloomberg. And the MSCI emerging-market equity index fell by 7% in dollar terms.

The Institute of International Finance, a trade group, reports that foreigners have pulled some \$7bn out of emerging markets since the election (see chart). The episode has been dubbed the “Trump tantrum” in tribute to 2013's similar “taper tantrum” when the Federal Reserve signalled it would reduce the pace of its bond-buying programme, known as quantitative easing.

Some of the market movements say more about America than about emerging-market fundamentals. Mr Trump's victory has led to expectations that the Republic

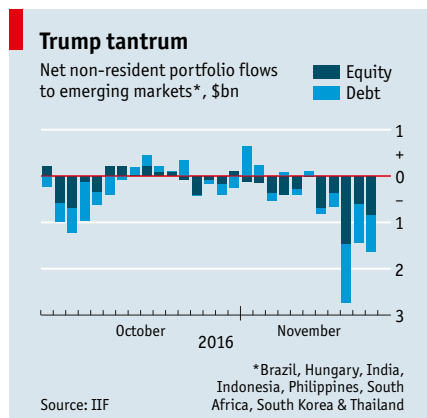
cans, who control both the executive and the legislature, will push through tax cuts, higher spending on infrastructure and defence, and rules designed to encourage multinationals to repatriate overseas profits (see Free exchange).

That programme is likely to lead to bigger budget deficits, higher Treasury-bond yields and a stronger dollar, especially if the Federal Reserve responds to the fiscal stimulus by pushing up interest rates. These moves would have a knock-on effect in emerging markets; their currencies fall as the dollar rises, while their bond yields rise (and prices fall) in line with the Treasury-bond market.

A new paper from Hyun Song Shin of the Bank for International Settlements suggests that a stronger dollar may have significant financial, as well as trade, effects in emerging markets. Many companies have borrowed in dollars, so the cost of repaying their debt rises when the greenback gains ground against their domestic currencies. Much of this borrowing is conducted through the banking system, leaving the banks exposed to the risk of a rising dollar. Accordingly Mr Shin finds that “dollar appreciation is associated with a slowing of cross-border dollar lending”—in other words, a tightening of credit conditions in emerging markets. The dollar may be a better indicator of risk appetite than the VIX index of equity volatility, the paper argues.

But investors are also worried that the election of Mr Trump signals a turning-point in globalisation. On the campaign trail, he pledged to renegotiate the North American Free-Trade Agreement, NAFTA, to declare China a currency manipulator and to impose protectionist tariffs.

It is not yet clear how many of these proposals Mr Trump will try (or be able) to implement. To use a Brexit analogy, the outlook for emerging markets may depend ►



Also in this section

- 62 Buttonwood: Underfunded pensions
- 63 Iceland's post-crisis economy
- 63 A Chinese bank fined in New York
- 64 America's too-big-to-fail banks
- 64 China's corporate debt...
- 65 ...and its consumers'
- 66 Free exchange: That '80s show

For daily analysis and debate on economics, visit

Economist.com/economics

on whether the new regime represents “soft Trump” or “hard Trump”. If the main economic impact of Mr Trump comes in the form of a fiscal stimulus, the result could be a boost to global as well as American growth. That would be good for emerging-market exports, which have been sluggish. They fell by 3.5% in the year to September in dollar terms, according to Capital Economics, while in volume terms they were flat. Industrial-metal prices, which are especially sensitive to the economic outlook, have bounced since the election result.

But if the main focus of the Trump presi-

dency is on trade protectionism, then emerging markets are bound to suffer. The German IFO economic institute estimates that, in a trade war, Mexican GDP could shrink by between 3.7% and 5%, for example. That explains why the Mexican peso has been the currency hit hardest by Mr Trump's election.

It is possible that both elements of the Trump agenda might be pursued. A fiscal stimulus would suck in imports and thus cause the trade deficit to widen. A strong dollar would have the same effect, by making imports cheaper and American exporters less competitive. Since Mr Trump has

vowed to eliminate the deficit, this might cause a lurch to protectionism at a later stage of his term of office. The other unknown is security policy; a retreat from America's defence commitments would cause investors to take fright and reduce their exposure to emerging markets.

Volatility is par for the course in emerging markets. Investors are attracted by the prospects of rapid economic growth and the possibilities of structural reform in the good times, but then take fright and withdraw their capital when the going gets rough. Mr Trump's election just adds another dollop of uncertainty to the mix. ■

Buttonwood | Save yourself

Workers are being deceived by past high returns

IN A world of low investment returns, many a pension scheme is in trouble. In both Britain and America employers who have promised to pay workers a pension based on their final salary are struggling to cope with huge deficits.

But the problem is not confined to those with so-called defined-benefit (DB) pensions. It also affects those saving for retirement via a defined-contribution (DC) scheme, where both employer and employee contribute, and the worker takes charge of the pot when his career ends. In America the most popular form of DC savings are called 401(k) schemes after a section of the tax code.

In an article* in the *Journal of Retirement*, three authors from AQR Capital Management, an investment group, argue that workers in 401(k) schemes are simply not putting enough money aside.

What you get out of a pension depends on what you put into it. One would expect a DC pension to deliver a smaller income than a DB scheme because less money tends to be put in the pot. Total DC contributions average around 9% of payroll (6% from employees; 3% from employers). But figures from the Centre for Retirement Research at Boston College show that public-sector employers pay an average of 18.6% to fund DB pensions (with employee contributions of 6.5% on top).

So why don't workers in DC schemes put more money aside? The paper suggests that savers may have been deceived by the robustness of past returns. The authors assume that workers would like to retire on 75% of their final salary and that 30 percentage points of that would come from other sources, including social security. Furthermore, they assume 2% annual real-wage growth during workers' careers, and that, on retirement, savers buy a 25-year annuity with their pot.



Based on historical real returns of 7.5% from equities and 2.5% from Treasury bonds (before charges), it turns out that, in the past, workers could have hit the income-replacement ratio target with only an 8% contribution rate. That may explain why they are not saving more today.

But it is highly unlikely that future investment returns will be as high as they were in the past. Bond yields have fallen and equity valuations are high by historical standards. Investors have thus chalked up capital gains as bond and share prices have moved to these new, high levels. To replicate that performance, bond yields will have to fall even further and equities will have to be valued even more highly. This is not something that workers should be counting on. Real returns from equities are more likely to be 5% and from bonds 1%, the authors reckon.

Combine those real returns into a portfolio of 60% American equities and 40% Treasury bonds (a standard asset allocation) and you get an overall return of 3.5% a year. That is two percentage points lower than the 5.5% achieved from the same combination in the past. And it means that a

worker would have to save 15% a year, not the current 9%, to reach the target.

Even that approach looks optimistic. With bond yields less than 2%, inflation will have to average under 1% to deliver the 1% real return assumed by the authors. And fund-management charges will eat into returns as well. On a 2.5% real-return assumption, contributions would need to hit 19% of payroll.

What about a different asset allocation? Many advisers suggest that workers start off with a high allocation to equities and then switch to bonds as they approach retirement. Even that scheme would still require a 15% payroll contribution to meet the target rate.

So why aren't workers saving more? They may not be overestimating asset returns. Instead, they may be indulging in “hyperbolic discounting”—valuing the income they earn today far more highly than the income they will earn in old age. After all, employees in DC schemes tend to get lower retirement pay than those in DB plans (because employers are contributing less). Yet there is no evidence that workers in companies with DC plans demand more current pay to compensate.

But the main reason workers don't put more aside is probably that they can't afford to; since 1980, median pay in America has grown very sluggishly in real terms. That means they will face a stark choice as they approach retirement age: take a big cut in their incomes or keep working. Most will be forced to toil longer. Whatever the official retirement age may be, many Americans will be working at 70.

* “How much should DC savers worry about expected returns?” by Antti Ilmanen, Matthew Rauseo and Liza Truax, *Journal of Retirement*, Fall 2016

Iceland's post-crisis economy

It's not up to you

REYKJAVIK

Iceland does not face another bust, but its economy looks lopsided

GOOD times are rolling again in Iceland. In June it beat England in a football match. On *The Economist's* "glass-ceiling index", it is the world's best country for working women. And the economy is purring. After a thumping crash in 2008-09, GDP is expected to grow by 5% this year, faster than any other rich economy. The ruling (conservative) Independence Party has been rewarded: it won 30% of the vote in the election in October, more than any other party. But some fret that Iceland's economic stability is, again, built on molten lava.

The biggest worry is over its treatment of foreign creditors. When the crisis hit, the country slapped on capital controls, protecting the krona by preventing investors from pulling capital from the country. Recently the government has been loosening restrictions. Icelanders may soon no longer have to present airline tickets in order to buy foreign currency for their holidays.

One group of foreign investors, however, accuses Iceland of, in effect, defaulting on its debts. They own offshore, krona-denominated, assets worth about 10% of Icelandic GDP. They have been allowed to convert these into foreign currency, but only at a big loss. Meanwhile, the government has locked their assets in low-interest-bearing accounts. Disgruntled fund managers have submitted a complaint to the European Free-Trade Area Surveillance Authority (EFTASA), a trade court. An information war is also afoot. Mysterious ad-

Agricultural Bank of China

Sanctions with Chinese characteristics

NEW YORK

American regulators show a foreign bank uncharacteristic leniency

THE fines paid to America's financial regulators by errant bankers vary enormously these days: from sky-high to stratospheric. Deutsche Bank is fighting a demand for \$14bn. BNP Paribas paid \$9bn last year for facilitating the evasion of American sanctions. So eyebrows were raised at the final settlement disclosed this month between the state-controlled Agricultural Bank of China (ABC) and New York's Department of Financial Services (DFS). The fine imposed on the bank was a mere \$215m.

The comparative leniency towards ABC is probably a consequence of a failure to prove that many illegal transactions took place. But that by itself produced unresolved suspicions; compliance systems made transfers untraceable. In 2014 a new compliance officer at the two-year-old New York branch reported finding an "alarming" pattern of transactions; 20-30% were "virtually impervious to screening" for sanction violations.

In the "alarming" category were large transfers between Chinese companies and companies in Russia and Yemen; dollar-denominated payments from the United Arab Emirates; and dollar transfers from a Turkish bank to an Afghan one with ties to drug-traffickers. Invoices

were suspected of being counterfeit. Documents suggested dealings on behalf of "a sanctioned Iranian party".

Alerted by the compliance officer, the New York Fed sent a letter in February 2015 noting concerns about money-laundering and other related risks. ABC responded by curtailing the compliance officer's independence. By June, he was gone; most of his department soon followed. DFS examiners, arriving in July, found an "unmanageable" backlog of alerts for suspicious transactions. In 2014 DFS had warned ABC not to increase the volume of transactions until it had tightened its compliance functions. But the volume had almost trebled to \$72bn in the first half of 2015 compared with a year earlier, creating what DFS called "untenable risk". (BNP Paribas's troubles stemmed from the transfer of \$9bn.)

There may be many reasons why ABC seemed to get off lightly. But the sometimes chatty regulators are mum. One said it could not comment because the issues involve confidential supervisory information. The silence does nothing to quell doubtless unfounded gossip that ABC benefited from the fear of a diplomatic spat with its owner, the government of China.

vertisements have appeared in Reykjavik, accusing the central bank of corruption.

Were Iceland again to alienate foreign investors, it would indeed be bad news. It is highly open to international financial flows, and is among the world's smallest

countries not to have a fixed exchange rate. A large proportion of corporate debt is denominated in foreign currency; devaluation would make repayment harder.

But most investors seem relaxed. They accept that the government needs to ease controls slowly; Fridrik Mar Baldursson of Reykjavik University warns that the krona could come under great pressure if the funds could all pull out at once. So far the EFTASA appears to be taking Iceland's side. This year rating agencies have upgraded Iceland's public debt.

Iceland is enjoying a tourist boom. In 2017, 2.25m visitors are expected—nearly seven times the native population. The influx has created plenty of jobs, and a building frenzy: Reykjavik has a crane on every corner. The tourism boom, however, has a downside. The sheer weight of foreign visitors has pushed up the krona. Against the dollar, it is the second-best-performing currency in the world in the past year. That already appears to be hurting long-standing export industries. So far this year, exports of marine products are down by more than 10% compared with last year. The Icelandic businesses at risk now are not in financial services but in its traditional industries. ■



No eruptions on the horizon

Banks and “too big to fail”

Kash call

NEW YORK

A veteran of the financial crisis says banks need much more capital

SINCE Donald Trump won the election, American bank shares have surged on traders' hopes of a bonfire of financial regulations. So a proposal from Neel Kashkari, head of the Minneapolis Federal Reserve, vastly to increase capital requirements looks ill-timed. On the other hand, the plan mimics the direction—if not the extent—of one backed by congressional Republicans.

Mr Kashkari is an experienced financial firefighter. An alumnus of Goldman Sachs, best-connected of investment banks, he spent much of 2008 and 2009 in the Treasury department overseeing the Troubled Asset Relief Programme, under which the American government bought more than \$400bn of toxic assets to prop up teetering financial institutions. In 2014 he ran to become governor of California as a Republican. He now says that, despite the efforts of regulators since the crisis, much more needs to be done to avoid future bail-outs of banks that are “too big to fail”.

Using an IMF database, the Minneapolis Fed logged the levels of bank capital that would have been needed to avert 28 financial crises in rich countries between 1970 and 2011. Based on the historical relationship between capital levels and crises, Mr Kashkari says there is a 67% chance of a bank bail-out at some point in the next century. This is despite significant new capital requirements imposed since the financial crisis which have, he says, brought down the chance of a failure from 84%.

His solution is to force banks to finance themselves with capital totalling 23.5% of their risk-weighted assets, or 15% of their balance-sheets without adjusting for risk (the “leverage ratio”). This, says Mr Kashkari, would be enough to guard the financial system against a shock striking many reasonably-sized banks at once. Any bank deemed too big to fail would need a still bigger buffer, eventually reaching an eye-watering 38% of risk-weighted assets. Such a high requirement would, in effect, force big banks to break themselves up.

This is radical stuff. Under “Dodd-Frank”, the law that overhauled financial regulation after the crisis, the minimum leverage ratio for big banks is only 6%. But Mr Kashkari's numbers should be treated with caution. For a start, he counts only common equity, the strictest possible definition of capital, and ignores everything else, such as debt that converts into equity in times of crisis. Recent new regulations aim to ensure that the “total loss-absorbing

capacity” of the largest banks, which includes such instruments, reaches at least 18%. Mr Kashkari's main complaint is that he does not think complex safety buffers will actually work in a crisis.

Much higher capital requirements could put some banks, a few of which are already worth less than the book value of their assets, out of business. Not my problem, says Mr Kashkari, who argues that it is banks' responsibility to find profitable and safe business models.

The so-called “Minneapolis plan” is outlandish. But Mr Trump's election has opened the door to changes to Dodd-Frank, which Republicans hate. A bill proposed by Jeb Hensarling, chair of the House Financial Services Committee, and one of the rumoured candidates to be Mr Trump's treasury secretary, would let banks choose between a leverage ratio of 10% and today's more complex rules. Mr Trump's views are unclear, although he did add to the Republican platform a promise to reinstate the Glass-Steagall Act of 1933, which separated retail and investment banking. If Mr Kashkari can bend the ear of the new president, traders may need to look again at those bank shares. ■

China's corporate debt

State of grace

SHANGHAI

With the government on their side, China's state firms borrow cheaply

IN ITS never-ending quest to rein in profligate local officials, China this week ordered its indebted cities and provinces to draw up detailed repayment plans. But for these rules to work, the central government must prove that it is willing to let the miscreants default. Creditors doubt its resolve and expect it to go on bailing out the spendthrifts. As a result, they systematical-

ly give more generous lending terms to state-owned enterprises (SOEs) than to their private peers.

The bias is not immediately obvious. Looking at interest costs, China seems to have a level playing field. A 2011 survey, for example, revealed that the median interest rate on bank loans to private firms was 7.8%, just above the 7.5% average at the time. Borrowing rates for both SOEs and private firms have remained in line with each other since then, declining in tandem.

But this appearance of parity is superficial. Borrowing costs only tell half the story. The other half is the borrower's quality. When investors assess the risk of lending to Chinese companies, they price in the assumption that the state will stand behind SOEs. How much is this assumption worth? One way to measure this is to compare credit ratings. Rating agencies grade SOEs according to two standards: a stand-alone rating (based on the company's own balance-sheet) and a state-backed rating (factoring in government support).

This chart illustrates the extent to which SOEs benefit. The horizontal axis shows their original rating (based on a blended average from Fitch, Moody's and S&P, the three big international rating agencies). The vertical axis shows their final rating after state support is added to the equation. The size of the bubble indicates the size of the debt. When ratings are unchanged, as is the case for most private companies, the bubbles incline upwards along a 45-degree angle. But when ratings are boosted, the bubbles migrate above the 45-degree line: virtually all SOEs are in this category.

Take, for instance, Beijing Infrastructure Investment Co Ltd, which operates the city's urban rail system. With a hefty debt load, its initial credit rating would be BB-, a risky junk bond, according to S&P. But thanks to government support, S&P gives it a final rating of A+, eight notches higher, a solid investment-grade bond. By contrast, JD.com, a leading e-commerce company, earns a BBB-rating from S&P, just one notch above junk status. As a private company, it receives no ratings uplift.

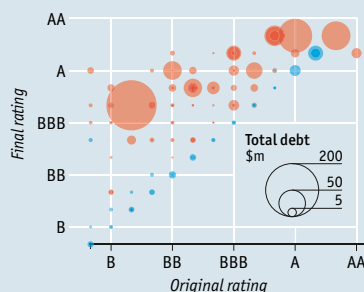
The impact of the rating changes is big. In the onshore Chinese bond market, if the stand-alone ratings applied, SOEs would face annual interest rates of more than 10% instead of the roughly 5% they are used to. Even in the Hong Kong bond market, average annual borrowing rates for SOEs should be 3.5%, based on their stand-alone profiles; that, however, falls to roughly 2% after state support is included. That amounts to a two-fifths discount on interest costs—quite the subsidy.

Creditors are, of course, not doing this out of the goodness of their hearts, but rather in the belief that the state will prop up SOEs if necessary. This guarantee, though, is not ironclad. As the economy slows, the government has let a few small- ▶▶

Stated advantage

China, credit ratings and debt
July 2016

● Private companies ● State-owned enterprises



Sources: Moody's; Standard & Poor's; Fitch Ratings

er SOEs default this year. With the announcement this week, it seems to be setting the stage for more delinquency. The task for rating agencies and investors, then, is to try to gauge the extent of state backing for different SOEs.

If an SOE is controlled by the central government, the presumption of support is still strong. But as Ivan Chung of Moody's says, the calculations are more

nuanced for SOEs controlled by provinces or cities. First, analysts examine company finances. Next, they look at the balance-sheet of the government that theoretically stands behind it. Finally, they consider the company's strategic importance: a water utility fares better than a property developer. It is a lot to weigh—and as SOE debts pile up, these nuanced judgments will become only weightier. ■

shopping habits to calculate their credit scores. Li Yingyun, a director, told *Caixin*, a magazine, that someone playing video games for ten hours a day might be rated a bad risk; a frequent buyer of nappies would be thought more responsible. Meanwhile, China Rapid Finance scours its users' social networks. Thanks to its link with Tencent, which owns WeChat, one of the country's leading messaging platform, it is able to examine data about their contacts and payments to judge creditworthiness. These are unorthodox methods by many standards. In 2014 Facebook began toying with using social media to gauge users' credit. But it called the plan off in February 2016, citing regulatory concerns. Critics thought it creepy.

Chinese consumers, however, don't seem to mind the privacy invasion. Since it launched in January 2015, Sesame Credit has amassed 190m users. This may owe something to the perks bestowed on holders of high credit scores: express service at hotels; deposit-waivers on car rentals; even accelerated visas to Singapore. Their scores also rise if they use Alibaba's payment service, Alipay, and if their friends sign up for credit scores. So the rating system is in part a loyalty-rewards programme. Having a credit score and showing it off to one's friends is now something of a status marker for the affluent young. Sesame Credit has teamed up with Baihe, China's largest dating service, to encourage users to flaunt their credit scores on their dating profiles. Ever more are doing so—and playing a mobile game, designed by Sesame, in which users guess how their score compares with their friends'.

The pressure to announce one's credit score is a response to the deficit of trust in the Chinese marketplace. Emerging from a planned economy, Chinese consumers have found themselves on unfamiliar ground, says Rogier Creemers, a China scholar at the University of Oxford. It takes time to build up a working economy of trust backed by verification systems, so they have tended to rely on face-to-face, cash transactions to protect against fraud.

As more people sign up to be rated, the industry may help fuel consumption. Credit-card penetration is expected to grow from 16% in 2014 to 44% in 2025, according to the Demand Institute, a think-tank. But the government has reason to be cautious. China's household debt as a proportion of GDP has more than doubled over the past decade, reaching 40.7%. Sheldon Garon, author of "Beyond Our Means", a book on spending versus saving cultures, says China is still experimenting with consumer credit. Having noted the disastrous effects of America's borrowing binge, its leaders are wary of bubbles and their social consequences. For the Communist Party, one goal is economic growth; but another is social stability. ■



Credit in China

Just spend

China's consumer credit-rating culture is evolving fast—and unconventionally

ON NOVEMBER 11th, Alibaba, a Chinese e-commerce giant, posted nearly \$18bn in sales for the day. This broke last year's record for Singles' Day, an anti-Valentine's Day that has become a love affair with spending. The popularity of the company's virtual credit-card, Huabei (roughly translating as "Just spend"), may have helped. Consumers who spend less than 1,000 yuan (\$146) online a month spend 50% more once they get one, according to Ant Financial Services, an Alibaba affiliate. To older generations, taught to save, borrowing is shameful. But financial habits are changing: Chinese consumers are being encouraged to develop credit histories.

Last year, the government awarded eight companies consumer credit-rating licences. Their pilot programmes are an attempt to flesh out thin financial records and get people thinking about their credit

scores. This is new for most Chinese, who do not use credit cards and have never had credit scores. As of 2014, the People's Bank of China maintained credit histories for around 350m citizens—less than one-third of the adult population. In America 89% of adults have credit scores. Without a credit history, consumers struggle to obtain loans. They tend to save rather than borrow or spend, stifling consumption.

Many now want to prove their creditworthiness, with an eye to the spending possibilities it opens up. The most popular rating firms are Sesame Credit, run by Alibaba, and China Rapid Finance, which is in partnership with Tencent, a social-media and online-gaming firm. Alibaba sees over 400m active users a month and Tencent 800m. They also offer the rating firms a treasure trove of consumer data.

Sesame Credit relies on users' online-

Free exchange | That Eighties show

Donald Trump's attempt at Reaganomics will prove costlier than the original

FOR the moment, the policy priorities of the Trump administration-in-waiting are a basket of unknowables. Plans to scrap Obamacare or re-deregulate America's financial sector, though dear to Republican hearts, are easier to champion on the campaign stump than to implement. A step away from globalism—Donald Trump's most consistent campaign theme—could make for an awkward opening gambit given pockets of Republican resistance to overt protectionism. Tax cuts and infrastructure spending, on the other hand, look like an easy and unifying win for the new administration. And indeed, market moves since Mr Trump's victory seem to imply an expectation of a Ronald Reaganesque turn in American fiscal policy; government-bond yields have risen, seemingly in expectation of bigger deficits, faster growth and higher inflation. Yet any resemblance that Mr Trump's plans may bear to Reaganomics is as much a cause for concern as for optimism.

The president-elect's tax proposals are easily the boldest since Reagan's. Mr Trump's plan would slash the highest marginal income-tax rates, cut rates of tax on corporate income and on capital gains, and eliminate federal inheritance and gift taxes entirely. According to an analysis by the Tax Policy Centre, a think-tank, the plan would reduce annual federal-tax revenue by about 4% of GDP. In contrast, in the first four years after its implementation the tax reform act of 1981 reduced annual revenue by almost 3% of GDP. At the same time, Mr Trump seems keen on new government spending; his transition-team website refers to \$550bn in desired new infrastructure investment. Even if the legislation to emerge from Congress is more moderate, as seems likely, a big dose of tax cuts and new spending appears to be in the offing.

Stimulus would have its benefits. Higher inflation would be a welcome change from the spectre of deflation that until recently stalked the rich world. Some economists reckon that running the economy "hot", to the extent that demand outstrips its productive potential, could nurture growth in America's economic capacity: by bringing workers on the margins of the labour force back into employment, for example. Yet a Reaganomics rerun would almost certainly do more harm than good. The experience of the 1980s suggests three big causes for concern.

The first is financial instability. American interest rates in the 1980s were remarkably high: thanks initially to Paul Volcker's ef-

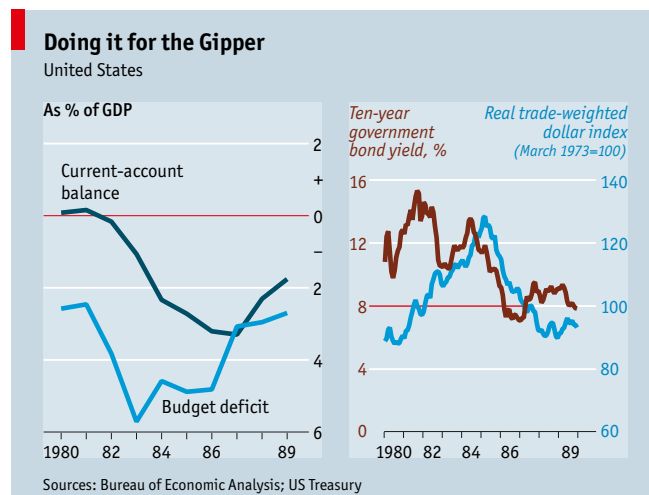
forts to bring down inflation, and later on to faster American growth and heavy government borrowing (see chart). High interest rates attracted money from abroad, pushing up the value of the dollar: it rose, on a trade-weighted basis, by roughly 40% from 1980 to 1985. As a result, developing economies, including many in Latin America, found themselves with unpayable dollar-denominated loans. Sovereign-debt woes crippled the affected countries' economies; meanwhile, debt defaults and restructurings saddled big American banks with large losses, pushing some to the brink of insolvency. Today, most emerging economies hold far less dollar-denominated public debt. Yet vulnerabilities remain. The Federal Reserve has prepared markets for a gradual pace of monetary tightening. Should higher inflation convince the Fed that more interest-rate hikes are needed sooner, many investors in emerging markets could be caught off guard. A bout of chaotic capital flight could threaten shakier banks or induce governments to adopt capital controls. America, which eventually intervened to help manage the Latin American debt crisis, will probably be slower to lend a hand under Mr Trump.

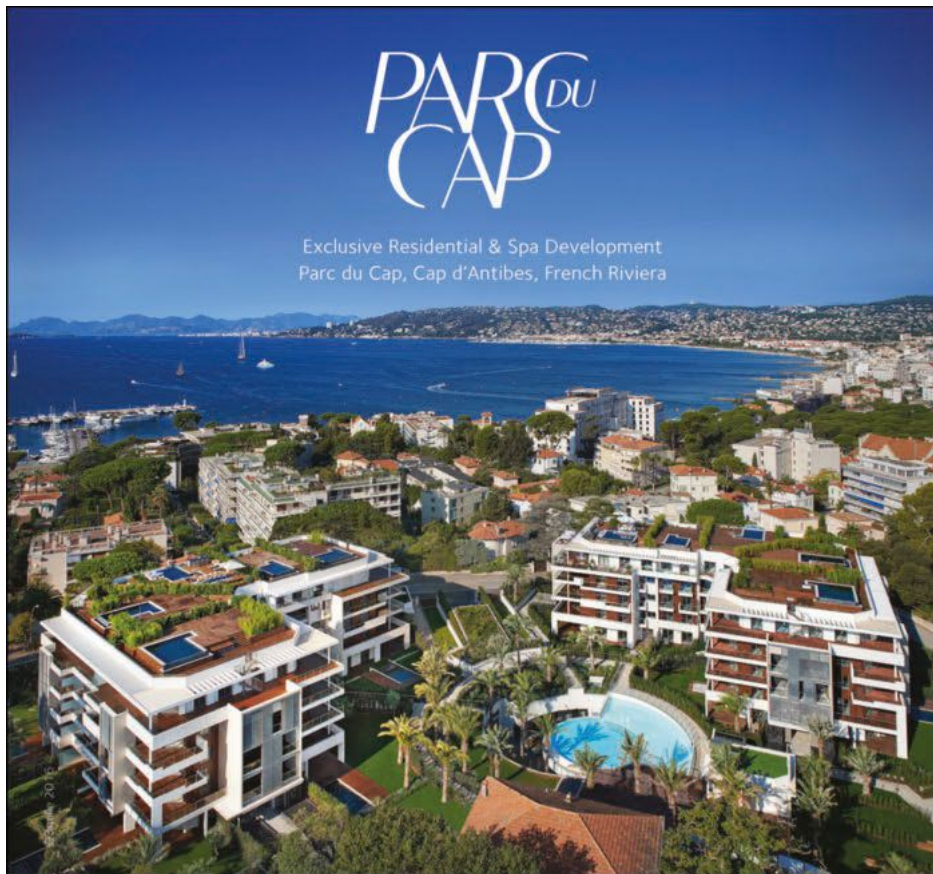
Trumped-up trickle-down economics

American generosity might be in especially short supply as a result of a second side-effect of Trumpian Reaganomics. As the dollar soared in the early 1980s, America's current account flipped from a small surplus into sizeable deficit. American firms howled. Efforts early in the 1980s to cajole trading partners into limiting exports gave way to more serious interventions later on. In 1985 James Baker, then treasury secretary, negotiated the Plaza accord with Britain, France, Japan and West Germany to bring down the value of the dollar. And in 1987 Reagan slapped economic sanctions on Japan for its failure to meet the terms of an agreement on trade in semiconductors.

Mr Trump, no instinctive free-trader, might face a similar dynamic. Faster growth and higher interest rates might attract foreign capital and place upward pressure on the dollar, which has indeed been rising since the election. That will help exporters to America and hamper a manufacturing revival in the struggling towns that helped Mr Trump win. In fact, the Mexican peso has fallen by about 10% against the dollar since the election, boosting the competitiveness of Mexican firms relative to their American counterparts. Yet Mr Trump will find responding to these shifts to be trickier than did Reagan. Sprawling supply-chains mean that punitive tariffs are less obviously useful to domestic firms than they once were. A battle over exchange rates between America and China could prove far more dangerous, both economically and geopolitically, than Mr Baker's negotiations.

Perhaps most important is a third lesson: that the boost to growth provided by tax cuts and liberalisation need not be spread evenly across the economy. Prescriptions which made sense a generation ago look inappropriate now. Top marginal tax rates are far lower than they were then; further cuts may deliver a smaller boost to growth as a result. Meanwhile, inequality is far higher now than it was in the early 1980s; slashing tax rates on the rich while unravelling recent financial regulation could push economic divisions to unprecedented, politically toxic levels. The global economy could use more fiscal stimulus. A raft of regressive tax cuts from a protectionist-minded American administration is, to put it mildly, a risky way to provide it. ■





PARC DU CAP

Exclusive Residential & Spa Development
Parc du Cap, Cap d'Antibes, French Riviera

RIVIERA LIVING AT ITS BEST

Two Swimming Pools • 24 Hour Concierge Service & Security
• Tennis Court • Private Underground Parking • Gym • Spa •
Ice Room • Landscape Gardens

Luxury apartments from €599,950*
Seaview penthouses from €4,500,000*

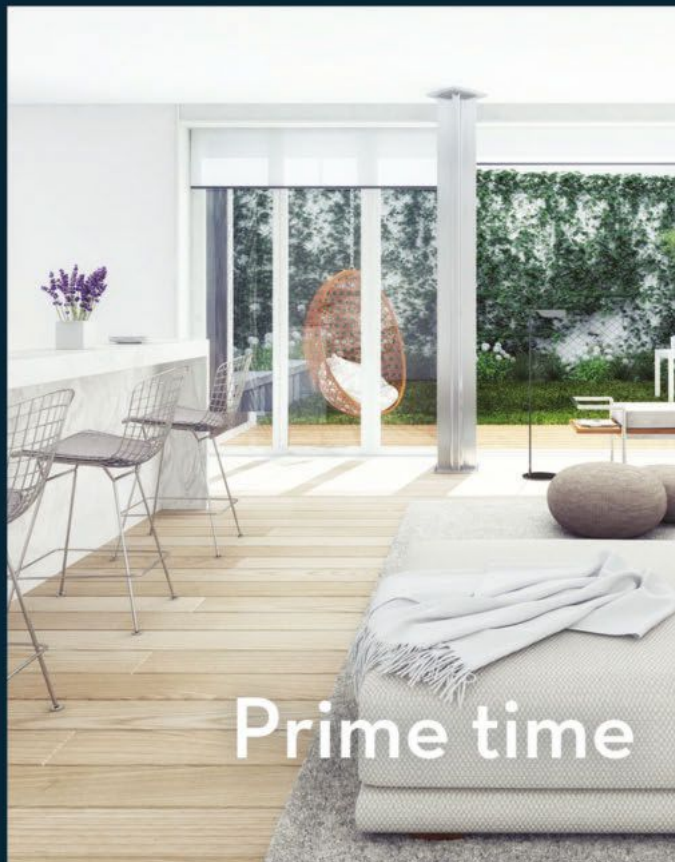
*Subject to Availability

Marketing Suite & Show Apartments
33 Avenue George Gallice,
06160 Cap d'Antibes

Savills Riviera Office
+33 (0) 4 97 06 06 91
London Office
+44 (0) 20 7877 4702



WWW.PARCDUCAP.COM



Prime time

LISBON – PORTUGAL

Why has Lisbon become our No 1 destination for seasoned property investors? Prime real estate is at a fraction of the price other European capitals.

But that's not the only reason. The extremely popular Golden Visa programme (for non-EU investors) and a tax-efficient non-habitual residence programme have attracted a new wave of investors from around the world.

New launch

- 400m from Avenida da Liberdade
- Just 8 luxury apartments, 5% rental yields
- Large 1-4 beds with terraces & gardens
- €395,000 – €870,000

+44 (0) 20 7471 4500
athenaadvisers.com

 **ATHENA ADVISERS**



Additive manufacturing

Magnetic moments

3D printers promise better, cheaper and more powerful magnets

A CLASSIC experiment beloved of scientifically inclined children is to cover a magnet with a piece of paper and sprinkle iron filings onto the paper. This reveals the field lines that connect the magnet's north and south poles. Try something similar with some of the new types of magnets now being made using additive manufacturing (3D printing), and a rather different image might appear. Unlike the simple bars and horseshoes of children's magnets, the 3D-printed variety can be made in all manner of shapes. Their fields can thus be tailored into patterns far more complex than a simple north-south alignment.

These unconventional magnets have huge value in the design and performance of many products that rely on magnetic components: from hospital body-scanners to audio speakers, and from hard disks to wind turbines. In particular, anything that involves an electric motor or a generator also uses magnets. A modern car, for instance, contains a hundred or more electric motors of various sorts, to open and close the windows, adjust the seats, run the heating and, increasingly, to turn the wheels. All require magnets to make them work. The unconventional shapes needed to generate the complex magnetic fields they need to do their jobs properly can, though, be difficult to make.

The other difference between a modern magnet and a childhood one is its composition. Chances are, the magnet under the

paper in the school-lab experiment is, like the filings on top, made of iron. The most powerful commercial magnets, by contrast, contain elements known as rare earths. These metals, particularly neodymium, samarium and dysprosium, are not actually all that rare. But they are rarely found in deposits rich enough to be worth mining, so their availability is limited and their prices can be high. Any process that is parsimonious in their use would thus be a boon to industry.

Little by little

At the moment, rare-earth magnets are made in one of two ways. The first is by sintering the required materials together using heat, pressure or both, to create a solid from a mass of powder. The resulting block is then cut and sliced into pieces of the required shape. The second method is to mix the magnetic materials with a polymer, and then shape the mixture by injection moulding to make what is known as a bonded magnet.

In principle, either of these processes might be adapted to the methods of 3D printing. In practice, most such experiments at the moment make bonded magnets. Sintered 3D printing, an established technique, uses a laser or electron beam to heat and melt the powder to be sintered, but the different components of rare-earth-based magnetic materials (the most common is neodymium-iron-boron, or NdFeB)

Also in this section

69 An ocean on Pluto

69 A new weapon against malaria

70 Censusing fish with DNA

For daily analysis and debate on science and technology, visit

Economist.com/science

often have wildly different melting points, making sintered printing hard to pull off.

Ways of printing bonded magnets are, however, evolving rapidly, as two recent papers show. Dieter Süss and his colleagues at the Vienna University of Technology, in Austria, have demonstrated a way of printing bonded magnets that resembles the plastic-filament printers many hobbyists use. In this case the filament contains 45-65% by volume of magnetic granules. As the filament is melted, it is extruded by the printer to build a shape up layer by layer. This permits the production of magnets far more complex than injection moulding can turn out, as the team report in *Applied Physics Letters*. In this case the granules start out in an unmagnetised state, but placing the printed object into a strong magnetic field of the required geometry converts it into a permanent magnet.

Dr Süss's process, the paper claims, allows new magnet designs to be created on a computer and produced rapidly, with a precision of well under one millimetre. That opens up new possibilities, such as using different materials within a single magnet to create areas of strong and weak magnetism. This could be useful in certain types of sensors.

Parans Paranthaman and his colleagues at Oak Ridge National Laboratory, in Tennessee, meanwhile, have adopted a different technique. They start with pellets containing a blend of 65% NdFeB and 35% nylon. These are then melted and extruded by the laboratory's Big Area Additive Manufacturing (BAAM) machine. Among other things, BAAM has been used in the past to print car bodies from a mixture of carbon fibre and plastic. In their analysis in *Scientific Reports*, Dr Paranthaman's team report that 3D-printed magnets not only retained the magnetism of the materials they were made from, but performed better, in ►►

▶ many ways, than those made by injection moulding from similar materials.

Dr Paranthaman says that, with further work, the process should truly outperform injection moulding, especially for making prototypes and short-run customised designs. To change the configuration of a product being made by injection moulding requires expensive retooling. With a 3D printer a software tweak will suffice. 3D printing can be slow, it is true. Dr Paranthaman's first set of magnets were made with the BAAM nozzle depositing material at a speed of 2½ cm (one inch) a second. But he expects that this could eventually be increased to a metre a second.

Dr Paranthaman and his colleagues are also investigating how to print sintered magnets. In some cases these are more desirable than bonded magnets because they are more powerful (though they are also more brittle and prone to corrosion, and the process of slicing and dicing a sintered block into useful products can waste as much as half of the material in it). Though they are cagey about the details, the team aspire to get around the melting-points problem by spraying a jet of materials onto the surface being built up rather than melting layers of powder. And Dr Paranthaman certainly does not lack ambition. He hopes that, one day, his team will be able to print a steel stator (the stationary part of an electric motor) complete with its rare-earth permanent magnets all in one go. ■

Oceans in space

Not so lonely sea in the sky

Pluto is the latest place thought to have subsurface waters

IS THE solar system about to get another ocean? So far, besides Earth, six bodies are known or suspected to harbour oceans. These are Europa, Callisto and Ganymede (all moons of Jupiter), Enceladus and Titan (both moons of Saturn) and Triton (a moon of Neptune). The latest candidate is Pluto, the most famous inhabitant of the Kuiper belt, a girdle of asteroids that orbit the sun beyond Neptune.

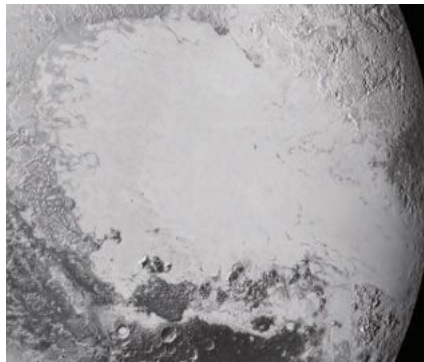
Pluto's claim to an ocean, argued this week in two papers published in *Nature*, is based on data collected in 2015 by *New Horizons*, a robotic spacecraft that zoomed past it in July of that year. The ocean in question, if it exists, is beneath Pluto's surface. That makes it unlike Earth's ocean, but like those of the other six bodies. To human sensibilities that is, perhaps, a funny sort of ocean. But add it to the other six and it is Earth's surface ocean that looks anomalous, rather than Pluto's buried one.

The argument for a Plutonic ocean—advanced by teams led by Francis Nimmo of the University of California, Santa Cruz, and James Keane, of the University of Arizona, Tucson, centres on Sputnik Planitia, a basin 1,300km across (see picture below) caused by a collision in Pluto's distant past. Pluto and its largest moon, Charon, are tidally locked. As they orbit their common centre of gravity, they always show each other the same face and, relative to the horizon, the position in the sky of either observed from the other never changes. The curiosity is that Sputnik Planitia lies almost exactly on the opposite side of Pluto from Charon, on the “tidal axis”, a line that runs through the centre of both bodies.

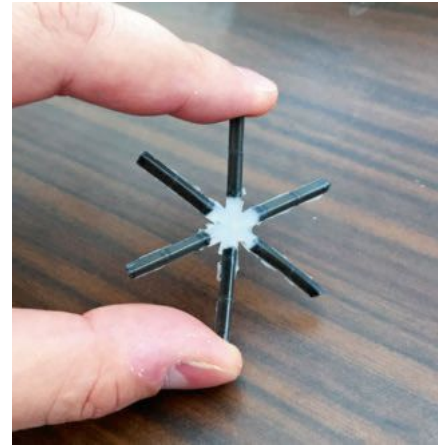
That is quite a coincidence—or, rather, in Dr Nimmo's view it isn't. He calculates the odds of it happening by chance as one in 20. He would therefore prefer to believe there is a physical explanation. And there might be. If Sputnik Planitia were an anomalously dense part of Pluto's surface, and thus a concentration of mass, it would affect Pluto's orientation with respect to its moon. That would cause Pluto to topple over until Sputnik Planitia lay at one of the two points at which the tidal axis intersects its surface.

Unfortunately, basins are characterised by the absence of mass rather than its presence. But Dr Nimmo is unfazed. He suggests that the huge quantities of material blasted out by the impact which created Sputnik Planitia would have reduced the pressure on Pluto's crust, letting the subterranean water of a hypothetical ocean bulge closer to the surface. Since water is denser than most of the stuff found at or near Pluto's surface, that upwelling would have increased the relative mass of Sputnik Planitia rather than decreasing it.

Though speculative, this idea is plausible. Water is common in the Kuiper belt, and Pluto in particular is thought to consist of a rocky core overlain by a thick mantle of ice. That rocky core will contain radioactive elements, the decay of which might provide enough heat to melt some of the mantle. Add a dash of ammonia, also common on Pluto, to lower the water's freezing point, and Presto! you have an ocean. ■



A great hole in Pluto



Malaria

The biter bit

A new drug dispenser may turn human beings into chemical weapons

KILLING mosquitoes of the genus *Anopheles*, the sort that transmit malaria, is a serious business—so serious that some doctors would like to do it by using people as bait. Their idea is to dose those in malarious areas with a drug called ivermectin. This will not protect the dosees directly, for it does not act on the parasite that causes the disease. But it may protect them indirectly, by making their blood poisonous to *Anopheles*. Mosquitoes do not tend to fly far from the place they hatch, and experiments suggest that if most of a village's inhabitants were to take ivermectin they could collectively do serious damage to the local *Anopheles* population. That would substantially reduce the number of cases of malaria in an area.

Whether this is ethical is debated. Ivermectin is used routinely to treat filariasis, river blindness, scabies and several other diseases. But drugging healthy people is generally frowned on. At the moment, though, there is a more practical objection. Ivermectin does not hang around in the body long enough to make a concerted anti-mosquito campaign that relies on it look like a realistic proposition. And it is this that Robert Langer of the Massachusetts Institute of Technology and Giovanni Traverso at Brigham and Women's Hospital, in Boston, hope to change. As they report in *Science Translational Medicine*, they think they have devised a means to keep ivermectin concentrations in the blood at mosquito-killing levels for far longer than has previously been possible.

The starting point for their device is a material called poly ε-caprolactone (PCL). They melted this and blended it with powdered ivermectin. Then they tested the re- ▶▶

▶ sulting composite in an acidic solution intended to mimic conditions found in the human stomach, to see how well it protected the drug, and also the rate at which ivermectin migrated out of it. They found that the PCL did indeed protect the ivermectin from the acid. It also let the drug diffuse out steadily over the course of 14 days.

Encouraged by this finding, the two researchers pondered how to arrange for a block of ivermectin-doped PCL to stay in the stomach that long, rather than passing through to the intestine and thence, ultimately, to the outside world. Their solution was a star-shaped structure 4cm across (see picture on previous page) with a flexible polyurethane core and arms made of ivermectin-laden PCL.

For delivery, this is folded up inside a gelatine capsule, so that it can be swallowed. Once it arrives in the stomach, the gelatine is rapidly digested and the star unfolds into something large enough to avoid being expelled into the intestine, but insubstantial enough not to obstruct the passage of semi-digested food through the alimentary canal. After careful experiment, the researchers came up with an ivermectin-PCL mixture that disintegrates as it gives up its payload. Once the arms, which are made of this mixture, have dissolved, the core is small enough to pass to the intestine and out of the body.

Laboratory tests suggested this arrangement would work, so the researchers tried it out on animals—specifically, a dozen Yorkshire pigs. These are a common breed, and the passages between their stomachs and their intestines are similar in size to those of people.

Using x-rays, they monitored the stars' movements through the pigs' guts. They also sampled the animals' blood, to work out how much ivermectin was getting into it. As they had hoped, the stars were able to release mosquito-killing doses of ivermectin for up to two weeks. And, as intended, when their payloads were expended they collapsed and passed safely through the remainder of the digestive system without causing any obvious ill effects.

Dr Langer and Dr Traverso hope to start human trials next year. But they also wonder if they have come up with something that might be more widely deployed. Taking repeated doses of any drug to keep its level up is a faff. If the stars could be impregnated with other drugs, then things now requiring daily or more frequent doses might be delivered on a one-horse-pill-per-fortnight basis. That would almost certainly improve compliance.

Which, if any, other drugs might be delivered in this way remains to be seen. But, even if the stars work only for ivermectin (assuming they do), they will still be a useful addition to the armoury being deployed against malaria. And that, alone, could save many lives a year. ■

Censusing fisheries

Where's the catch?

Counting sea creatures is hard. But there is now a new way to do it

ABOUT 90% of the world's fish stocks are being fished either to their limit or beyond it. Monitoring fish numbers reliably, though, is no easy matter. Official catch data are often incomplete and sometimes untrustworthy. Moreover, large tracts of the sea are not monitored at all. In order to know which species to conserve, and where, it would be handy to be able to establish fish numbers cheaply and reliably. Now, as they write in *PLOS ONE*, Philip Thomsen of the Natural History Museum of Denmark, in Copenhagen, and his colleagues think they have taken a step towards this goal.

Scientific surveys of deepwater fish are often carried out by trawling the ocean bed. This means towing a net over a set distance and then hauling it up to count the catch within. That, when due allowance is made for the size of the net's mouth, yields a figure for the number of each fish species per square kilometre.

Every year a research vessel called *Paamiut* carries out surveys of this sort in the Davis Strait off south-west Greenland. This year it also had one of Dr Thomsen's colleagues on board. At each of the 21 places *Paamiut* dropped her nets, he collected two litres of seawater from the bottom. The team's aim was not to sample sea life di-

rectly, but rather to examine the fragments of floating DNA which fish slough off in slime or scales, or excrete into the water. They hoped they would be able to link the quantity of this "environmental" DNA to those species' abundances, as measured by the trawl.

This they more or less did. Given the fragmentary nature of environmental DNA, they found it easier to recognise families than species (a family, in this context, is the taxonomic level above a genus; hering, sardines and shad, for example, all belong to the family Clupeidae). The trawls picked up fish from 28 families. The team found DNA from members of 26 of these in their samples, and also detected three families that had no representatives entangled in *Paamiut*'s nets.

Both methods agreed that the most abundant individual species was the Greenland halibut (family Pleuronectidae, the "right-eye" flounders, which was also the most abundant family). Sebastidae, a group sometimes known vulgarly as "rockfish", were the second most abundant family according to the trawl data, and were ranked third by DNA. By contrast, DNA from Greenland sharks (family Somniosidae, pictured) ranked second by the DNA analysis, yet only one such shark was caught by the trawls. In this case, the portrait painted by DNA is probably the more accurate one. Greenland sharks are thought to excel at escaping from nets and may be present in greater numbers than conventional surveys indicate.

Taken together, these results suggest Dr Thomsen's technique has great potential for keeping track of fish populations. Overall, the correlation between DNA concentrations and catch size was too weak to infer one from the other. But, as the Greenland-shark data hint, it is quite likely that it is the trawls, rather than the DNA, which are out of whack. Trawl nets cannot be dragged over ground that is too sandy or too rocky, so they may miss important habitats. And other fish than sharks may also be able to detect and evade them.

Dr Thomsen acknowledges that there is some way to go before his technique would permit an accurate census of the world's oceans. The temperature and salinity of seawater, which affect DNA's stability, would have to be accounted for. And big fish may not, as might reasonably be expected, ooze proportionately more DNA into the water than small fish do. That could lead to underestimates in the population sizes of some whoppers. He would therefore like to conduct his experiment over a larger area and repeat the measurements several times over the course of a week or two. He would also like to sample the little-explored intermediate zones between the ocean's bottom and its shallows. Sinking to new depths, then—but in the best possible way. ■



You'll never catch me!



Globalisation

The third wave

Easier movement of things, then of ideas, fuelled globalisation. Moving people may be the hardest

BILL CLINTON once called globalisation “the economic equivalent of a force of nature, like wind or water”. It pushes countries to specialise and swap, making them richer, and the world smaller. In “The Great Convergence”, Richard Baldwin, a Geneva-based economist, adds an important detail: like wind and water, globalisation is powerful, but can be inconstant or even destructive. Unless beloved notions catch up with reality, politicians will be pushed to make grave mistakes.

In an economist’s dream world, things, ideas and people would flow freely across borders. Reality is stickier, and stuff less mobile—so much so that it trapped humankind’s ancestors into village-level economies. Constraints on trade once bundled consumption and production together, limiting their growth.

Mr Baldwin’s grand theory of globalisation is of a series of unbundlings, driven by sequential collapses in the cost of moving things and ideas across space. From the domestication of the camel around 1,000BC to the first commercial steam engine in 1712, the first great wave of globalisation unbundled production and consumption. From 1820, British prices were set by international demand, and café-goers could sip Chinese tea sweetened with Jamaican sugar.

Though moving goods became cheap, until the very end of the 20th century moving ideas was expensive. Mr Baldwin invites readers over 50 to remember interna-

The Great Convergence: Information Technology and the New Globalization.

By Richard Baldwin. *Belknap*; 329 pages; \$29.95 and £22.95

tional calls costing \$5 a minute, or the \$50 price of sending a single document by an overnight courier. This encouraged industries to cluster. The hubs of economic activity emerged in the countries we now know as the G7. In this form of globalisation, national teams of ideas and workers battled for market share, and became richer in the process. Mr Baldwin uses the analogy of two sports teams swapping players to improve their performance.

But since the 1990s globalisation has changed radically, as the internet has lifted the cost of moving ideas, and fuelled a second unbundling. Now that co-ordinating international production is cheaper, faster and safer, supply chains ignore borders to go sprawling across the world. A Canadian aeroplane-maker can direct a team of Mexican engineers. Apple can combine American design with Chinese assembly lines. With many products made everywhere, trade has been, in effect, denationalised.

The pace of change and the new ease with which rich-world companies can outsource work have eliminated the old boundaries around knowledge and created a new, more unsettling trade landscape. Once, textile-mill workers in South

Also in this section

72 Despair and hope in Somalia

72 America’s political strategists

73 Zadie Smith’s new novel

73 The science of empty space

74 Western classical music in China

For daily analysis and debate on books, arts and culture, visit

Economist.com/culture

Carolina had exclusive access to American technology. Although it might seem that they have lost out to competition from Mexican workers, more accurately they face an altogether more formidable competitor: Mexican workers made more productive by American know-how.

Continuing the sports analogy, Mr Baldwin says that today’s trade is like the coach of a top team being allowed to offer his services to underdogs. The coach gets rich from the doubled market for his services, while the better team gets a sudden surprise from the newly skilled competition. Mr Baldwin says that discontent with globalisation stems in part from an “ill-defined sense that it is no longer a sport for national teams”.

To placate voters by raising tariffs is to tackle 21st-century globalisation with tools better suited to the 20th (or even 19th) century. Given the new world of global supply chains, a tariff is like erecting a wall in the middle of a factory. Mr Baldwin’s 21st-century policies involve setting common rules and standards to make companies feel secure that their supply chains will work. These are the goals of trade deals like the Trans-Pacific Partnership, or Britain’s membership of the European Union’s customs union—both under threat. And he says little on how to win over disgruntled voters, save a few lines on support for workers rather than jobs, and a vague plea to share gains between winners and losers.

Mr Baldwin is too sanguine about the politics of globalisation. His rosy vision of the future imagines globalisation unshackled from its third constraint, as labour is made mobile by robots allowing people to offer their services remotely. In a different world, perhaps. A quip from his conclusion, written before America’s presidential election, has unintended weight. “Not even the future is what it used to be.” ■

Somalia

Hope among the horror

The Mayor of Mogadishu: A Story of Chaos and Redemption in the Ruins of Somalia.

By Andrew Harding. *St. Martin's Press*; 286 pages; \$26.99. *Hurst*; £20

THE brutal term “failed state” was almost invented for Somalia. Since 1991, when its military dictator was overthrown, it has had no government that fully controls the country and no election worthy of the name. A fanatical jihadist movement known as al-Shabab (“the Youth”) still dominates much of the countryside and regularly murders bigwigs and blows up hotels and restaurants in Mogadishu, the seaside capital that was once an Italian colonial jewel. Famine, terrorism, corruption and clan factionalism have prevailed. A swathe of Somalia’s people—2m out of 12m, some say—has fled abroad.

Amid this remorseless gloom, however, Andrew Harding, one of the BBC’s most intrepid and empathetic journalists, who has been visiting the country since 2000, has chronicled the extraordinarily uplifting life of one Somali, Mohamud Nur, nicknamed Tarzan. Dumped as a child in an orphanage in Mogadishu, he later made good in Saudi Arabia and then London, and returned to Somalia in 2010 to become the capital’s dynamic mayor. According to Mr Harding, Tarzan’s courage, inventiveness and resilience typify the finest qualities of the Somali people. It would be wrong, he insists, to give up hope.

Yet it is hard, despite the best efforts of Tarzan and his BBC booster, to be optimistic. Perhaps the biggest reason for despair is the Somali clan imbroglio, which has long been a recipe for internecine division. Mr Harding quotes an old Somali proverb:

Me and my clan against the world;
Me and my family against my clan;
Me and my brother against my family;
Me against my brother.

In Tarzan’s case, though he hails from a tiny sprig of one of the big four clans, he was endlessly tripped up by envious rivals, often stirred up by a sense of clannish competition. Somalis as a whole are homogeneous, speaking the same language and sharing one religion and culture. Yet the extraordinarily intricate web of clans can lethally “divide and destroy”.

Another source of division, documented by Mr Harding through the prism of Tarzan’s family, is the resentment felt towards the scattered Somali diaspora, especially when its members return home (even though remittances are crucial to the survival of many of those who have stayed

behind). Tarzan’s wife and six children were by no means thrilled to come back after two decades in London. Mr Harding poignantly describes the churning of emotions that many migrants (not just Somalis) experience as they are tossed and tugged between competing cultures. Tarzan’s wife Shamis talks of “being marooned between two identities”.

Though the violence that runs like a thread through every aspect of life in Mogadishu is usually attributed to al-Shabab, Mr Harding makes it clear that it is also endemic among those who are meant to be jointly opposed to the jihadists. Mogadishu, says Tarzan, is “a city of sharks”. Business rivals are liable to bump each other off—and blame al-Shabab.

Another twist, in this tangle of suspicion, is that the differences between al-Shabab and the beleaguered new establishment to which Tarzan belongs are often quite narrow. People change sides. Cousins, even brothers, fight on opposing sides. A close friend of Tarzan’s was killed by a cousin’s suicide-bombing daughter. His own cousin returned from America to join al-Shabab—and then switched sides again. “If you see him, if he comes close to my house, shoot him,” Tarzan told his guards. They were later reconciled, more or less.

After four topsy-turvy years Tarzan was bounced out of his job. His courage and dynamism were undisputed. But he also faced envy-driven charges of malfeasance and thuggishness, which the author, who clearly admires his subject, leaves studiously unanswered. Whereas Shamis apparently flits between a business in Dubai and her old home in north London, where most of the couple’s children still reside, Tarzan has hunkered down in Mogadishu, perhaps poised to bid for the presidency in

the upcoming indirect election.

“Somalia has slowly begun to make measurable progress,” writes Mr Harding in a final, doggedly optimistic passage. “Piracy has almost stopped. Al-Shabab controls much less territory, there is oil offshore, a flourishing livestock industry, and a talented and wealthy diaspora. And yet the politics are still dangerously messy, fuelled by the greed of unaccountable politicians. This may no longer be a ‘failed state’, but the jigsaw is still in pieces.” You can say that again. ■

Campaign strategists

The art of political war

Democracy for Hire: A History of American Political Consulting.

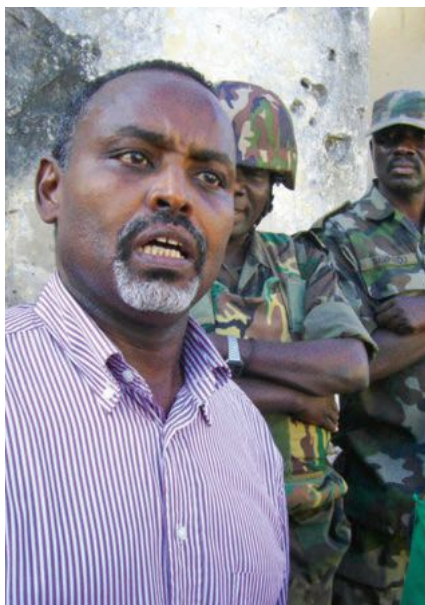
By Dennis Johnson. *OUP*; 591 pages; \$39.95 and £25.99

HAS Donald Trump rewritten the rulebook on American electioneering? He rejected much of his party’s ideology. And for a man for whom size is often everything, he ran a small operation. Hillary Clinton had five times as many staff in Ohio and eight times as many in Pennsylvania. Yet Mr Trump won both states, which had voted for Barack Obama four years ago.

Dennis Johnson’s “Democracy for Hire” describes the received wisdom that prevailed for decades before Mr Trump. Candidates pursued “a particular brand of polished authenticity...homespun and unfiltered”—but to achieve it, they turned to professionals. Warren Harding hired an advertising man to overhaul his public image as long ago as 1920. Harding’s successor, Calvin Coolidge, focused on swing states, not yet so named, at the urging of a bold strategist. Mr Trump, by contrast, was known for heaping scorn on Washington’s traditional political experts.

But in other ways, Mr Trump does not represent a break with existing strategies as much as embody their logical conclusions. Already in the 1960s, Joseph Napolitan announced a “new politics” in which candidates would speak directly to voters, increasingly bypassing the parties that nominated them. Napolitan’s Democrats had found John Kennedy, a candidate with the presence to carry a campaign on his shoulders. Mr Trump’s campaign was the apotheosis of this personality-centred operation. His party trailed in his wake, unsure whether he was leading it to the White House or electoral oblivion.

Mr Johnson also chronicles the rise of “slashing negative television advertisements, character assassination and partial truths” in winning elections. He argues ►►



Seeing light through the cracks

▶ that this crossed over from local campaigns to presidential politics in 1988, when George H.W. Bush's team launched vicious attacks accusing his opponent, Michael Dukakis, of being soft on crime. Mr Trump's attacks on "Crooked Hillary" Clinton as herself worthy of a prison cell were, seen in this light, another culmination, not a radical break.

Finally, Mr Trump understood that just as television supplanted radio as the primary way to connect to voters, the internet is sidelining TV. In 2004 John Kerry's election hopes were sunk by ads that questioned his Vietnam-war record. Mr Johnson cites a Gallup poll showing that 80% of voters were aware of them within three weeks of their airing, in part thanks to online distribution. Mr Trump broadcast just a third as many televised adverts as Mrs Clinton. But his real strength was in attention-grabbing attacks in tweets and speeches, amplified endlessly online by fans, foes and stunned journalists.

"Democracy for Hire" ends with a warning. Mr Johnson describes how laws attempting to rein in the huge increase in campaign spending have been filleted by the Supreme Court. Companies and interest groups can now give virtually without limit, diminishing the influence of political parties. Mr Johnson is right to be concerned, but here Mr Trump did take a different strategy. Forever the businessman, he kept costs down and exploited one of the few financial restrictions still standing: that campaigns have to pay firms fair value for services rendered. Thus Mr Trump was able to allocate about \$8m of his campaign funds to pay family members and his own businesses for services. Sometimes it pays to play by the rules. ■

New fiction

Rhythm of life

Swing Time. By Zadie Smith. Penguin Press; 453 pages; \$27. Hamish Hamilton; £18.99

AT A fateful ballet class on a Saturday in 1982, two little girls mark each other out for friendship, recognising their shared shade of brown, "as if one piece of tan material had been cut to make [them] both". One is born to dance; the other has flat feet. One is her mother's "aspiration and avatar", dressed in "yellow bows, a frou-frou skirt of many ruffles and a crop top"; the other's mother is a feminist who believes plainness "signifies admirable maternal restraint", and that it is bad taste to dress your daughter "like a little whore". "Swing Time" is about those two little girls, and who they become.



Zadie Smith was recognised as a powerful and searing writer with her debut "White Teeth" at the age of 24. Sixteen years later, her most recent work is in many ways her strongest. It is the first of her books written in the first person, narrated by the unnamed, flat-footed of the two girls. The immediacy lends an edge of complicity; Ms Smith has said she thinks of it as telling "a true lie". She revisits familiar themes from her previous books—multicultural society, family, race, identity—but her convictions are stronger and her scope wider, this time reaching well beyond her usual territory of Britain and America. But the seeds of the story are sown on a council estate in London.

Having recognised at seven the "invisible band" connecting them, the narrator and Tracey become inseparable. But hints of darkness in Tracey's life bubble up at playtime. Their make-believe stories end with ballerinas getting shot. Her salvation is her talent for dance, and when she gets into stage school, our narrator believes her life is set on a dream course. The girls fall out of touch, grow up, and the narrator, used to being a "shadow", eventually drifts into a job as an assistant to a pop star called Aimee. Despite a globetrotting life, her initial admiration and wonder at this ethereal character turn to disillusionment and eventually resentment, sparking a destructive series of events. The tipping point is Aimee's misguided venture to save Africa by building a school.

"Swing Time" weaves together haves and have-nots in the past and present, from Kingston and Bendigo to New York and Paris. Her story has "rich birds with no kids, poor birds with plenty", a racist Iranian restaurant-owner and his long-suffering Somali delivery-boy, sex tourists in west Africa and a mixed-race Anglo-American gay couple in Harlem. Dispossessed and disenfranchised characters, both in the

West and in Africa, can only make sense of the world by believing that it is run by a powerful and distant elite—perhaps even lizard people or the Illuminati.

Ms Smith's strength is her capacity for linking the local, the global and the personal. She understands that people are products of history reaching back for hundreds of years. But she also recognises the impact of those immediately around her characters, imperfect people doing their best "within the limits of being themselves". The narrator's parents are a strident self-taught academic mother and an unambitious postal-worker father who could only offer "love and latitude" and the example of an "early stoned retirement". Despite their flaws, they offer the kind of invisible support unavailable to Tracey, whose dreams unravel with a sad inevitability. All her ambition and promise are irrelevant when weighed against her experiences as a child. The narrator saddens at the thought of Tracey and all her talent joining the already overflowing "ranks of the unwitnessed".

Ms Smith has written a powerful story of lives marred by secrets, unfulfilled potential and the unjustness of the world. But she has interwoven it with another beautiful story of the dances people do to rise above it all. ■

Physics

Empty space, the final frontier

Void: The Strange Physics of Nothing. By James Owen Weatherall. Yale University Press; 196 pages; \$26

MOST of the universe is empty. So it is natural that a great deal of modern physics concerns nothing—or rather the precise nature of the nothing that permeates the cosmos. Work in the past century in particular has shaken up scientists' understanding of emptiness. Ideas about gravity and motion put in place by Isaac Newton in the 17th century were overturned by the work of Albert Einstein. The dawn of quantum mechanics revolutionised physicists' understanding of the very small, but the theory's conclusions were so counterintuitive that Einstein was never able to reconcile himself with them. James Owen Weatherall, a philosopher, now examines how scientists' conceptions of supposedly empty space have changed in the light of these convulsions in his latest book, "Void".

Many people today imagine that, on a molecular scale, the air around them resembles a tumultuous three-dimensional game of billiards. Yet this picture, of mole- ▶

► cules of nitrogen, oxygen and other gasses ricocheting through emptiness, is a mere 300 or so years old and has its roots in Newton's theories. His law of universal gravitation described the attractive force between two masses in a void. But that void is far from obvious. Before the publication of Newton's "Principia Mathematica" in 1687, two of the most influential thinkers of the Western world, Aristotle and René Descartes, developed theories requiring space (for different reasons) to be filled with stuff of some sort.

In the late 19th century, the work of James Clerk Maxwell also seemed to rule out the notion that a vacuum was truly empty. Maxwell discovered that electricity and magnetism were linked, but he erroneously believed light waves were vibrations in an invisible "aether". Based on this premise, he and his contemporaries incorrectly reasoned that the speed of light measured in laboratories on Earth could not be its true value since the Earth was moving through space relative to this aether.

Einstein's work would sweep away this view less than 50 years later. First, in his special theory of relativity, he claimed that the speed of light was the same for all observers, dispensing with the need for the aether. Next, his general theory of relativity would show that space could be curved and textured, like a taut rubber sheet stretched and formed by the masses of planets and stars. Quantum mechanics and quantum electrodynamics (a theory that merges quantum theory with Maxwell's electromagnetism) would later reveal that even an apparently empty vacuum resembles, at small enough scales, a boiling sea of particles that constantly pop in and out of existence.

These are not easy concepts to describe, and sometimes Mr Weatherall is in danger of losing the uninitiated reader. A diagram or two would have helped. Nonetheless, sending the curious scrambling to Google is forgivable.

More difficult to understand is the book's failure to mention the work of any female physicists in its pages. The author mentions, for instance, Paul Ehrenfest's parrot (which the physicist trained to say "But gentlemen, this is not physics!" during discussions of quantum mechanics) but not his wife and collaborator, Tatyana. Also missing from the account is Henrietta Swan Leavitt's work on Cepheid variables, pulsating stars which would become a yardstick for the expansion of the universe. That means a chapter discussing the possible shapes of the universe consistent with the general theory of relativity ends without discussing what its actual shape might be in the light of such discoveries. These oversights mar an otherwise engaging and interesting account, but perhaps it is natural that a history of space should have a few gaping holes. ■

Classical music

West meets East

Chinese are making a mark in the homelands of Western classical music

NEXT month New York's David Geffen Hall will welcome a visiting orchestra, on a tour including other top venues in Los Angeles and San Francisco. But the guest orchestra is not the Berlin Philharmonic or one of Europe's other esteemed ensembles. It is the China Philharmonic Orchestra (CPO), which was founded in Beijing a mere 16 years ago.

The CPO is hardly the only Chinese ensemble touring the West. This year's Budapest Spring Festival featured Puccini's "Turandot", about a cold-hearted Chinese princess, performed by musicians from the China National Opera House in Beijing. In August the Shanghai Opera performed "Thunderstorm", a newly adapted Western-style Chinese work, at London's Coliseum. Next year the Shanghai Symphony Orchestra will tour prestigious European festivals. Once, classical music generally travelled from the West to the rest. Now China is reversing the exchange, not merely performing Western classical music in China, but exporting it.

"We have many good classical music groups in China, but people abroad don't know about them," says Jiatong Wu, who has organised many of these tours. "We're trying to change that." Mr Wu, who co-founded Wu Promotion in 1991, has become an accelerator of China's growing classical-music exports. Last year he dispatched the Macao Orchestra on its first tour of Europe, and also organised a CPO

tour ending in Greece. Under his auspices, the Beijing Symphony Orchestra has completed seven European tours.

Fifty years after Mao's Cultural Revolution in effect banned Western music, a real cultural revolution is taking place. The government is setting up opera houses, concert halls and symphony orchestras at speed. Some 40m children now play the piano—once dismissed by Mao as bourgeois—and additional millions play the violin. The "Lang Lang effect" helps too: the country's most famous pianist has inspired millions of eager young musicians.

But it is in bringing orchestras, opera performances and top individual performers to the West that China is showing its real clout. Jindong Cai of Stanford University, who conducts in both China and the United States, describes the push in soft-power terms: "A product manufactured in China is not as important for China's international profile. Cultural power is much more important." Next month Mr Wu is dispatching the CPO to Havana. Chinese orchestras and opera companies now tour the Far East, too—previously the domain of touring Western outfits.

According to Mr Cai, the government operates a \$300m art-export fund. (Mr Wu says the government doesn't fund Wu Promotion, but does help pay for Chinese orchestras' foreign tours.) Western governments, too, help underwrite ensembles' foreign tours.

Measured in musical quality, the CPO is not yet the Berlin Philharmonic. "No Chinese orchestra I have heard comes close to beginning to match the world's best in power, beauty and precision," says Norman Lebrecht, a British music critic. And though Mr Wu is said to treat his Chinese performers well, Western artists' agents are concerned that Chinese performers undercut Westerners, because their employers don't have to match the West's wages or labour laws. That very setup has, of course, helped China become the world's leading manufacturing power.

Mr Wu acknowledges the quality gap. "We have a couple of good orchestras, but they're not the Vienna Phil," he admits. "But our tours are a way of showing our orchestras' standards, to show our colleagues in Europe that we're getting better and better." Mr Lebrecht agrees: "Longer-established Chinese orchestras have improved beyond recognition."

The question is if the Chinese government and promoters like Mr Wu will manage in classical music what China's factories have accomplished in manufacturing: beat the West at its own game. Not surprisingly, Mr Wu plans to expand his company to Europe. The question, he says, is whether to start from scratch or buy an existing European company. Some European artists' managers don't like the sound of either option. ■



Classical with Chinese characteristics



EXECUTIVE EDUCATION



transformation

noun \,trāns·fôr·'mā·shən\

*"The moment I knew
there were no limitations
to what I could achieve."*



Define your Wharton moment.

Transform yourself through Wharton Executive Education. Our world-renowned faculty will broaden your perspective on the global business landscape. Our real-world scenarios will strengthen your approach to any challenge. And our rigorous **Leadership** and **Business Acumen Programs** will give you knowledge you can use for immediate impact. It's time to go beyond the boundaries.

EXECED.WHARTON.UPENN.EDU/define

UPCOMING PROGRAMS:

Creating and Implementing Strategy

DEC. 5-9, 2016 ■ MAR. 13-17, 2017

Executive Development Program

MAR. 19-31, 2017

NEW Private Equity: Investing and Creating Value

MAR. 27-30, 2017

Women's Executive Leadership: Business Strategies for Success

APR. 24-28, 2017

General Management Program

A FLEXIBLE SIX-PROGRAM LEARNING JOURNEY

Cambridge Judge Business School

“We seldom have the chance to step back and recognise the gradual, but relentless trends that are shaping our future, until they explode in crisis...”

Professor Peter Williamson
Academic Programme Director
Cambridge Advanced Leadership Programme

Join us in **CAMBRIDGE** for a rich, insightful and rewarding personal leadership journey, with a highly international and diverse group of like-minded peers, you will never forget.

 **UNIVERSITY OF CAMBRIDGE**
Judge Business School
Executive Education

Watch video >>
www.jbs.cam.ac.uk/alp

Fellowships

A Alfa Fellowship Program Promoting Understanding of Russia

At a time of increasing need for specialists with Russia expertise, the Alfa Fellowship Program affords exceptional young American, British, and German leaders the opportunity to receive meaningful professional experience in Russia.

- Build Russian language skills
- Learn about current affairs through meetings, seminars, and regional trips
- Work at prominent organizations in Moscow

Program benefits: generous monthly stipend, program-related travel costs, housing, insurance

Eligibility: candidates must have relevant professional experience and a graduate degree, or the equivalent, as well as demonstrate evidence of leadership potential.

Deadline: **December 1** for the 2017-18 program year
Apply online at: culturalvistas.org/alfa

For more information, please contact:
alfa@culturalvistas.org or 212.497.3510

OJSC Alfa-Bank is incorporated, focused and based in Russia, and is not affiliated with U.S.-based Alfa Insurance.

Appointments

What is the future of transport?

Electrified, shared and driverless? Fewer planes and faster trains? If you want to help answer these questions, this is the job for you.

Executive Director

Transport & Environment (T&E), Europe's leading NGO campaigning for sustainable transport, is looking for an Executive Director to help make transport cleaner, safer, more efficient and accessible for all.

Based in Brussels, T&E is supported by 50 organisations from 26 countries across Europe. We want a leader, a strategist, someone with entrepreneurial spirit. We offer both the chance to make a real impact on EU policy and a competitive NGO salary. We are an equal opportunity employer.

Deadline **7pm CET, 30 November 2016**
See transportenvironment.org/jobs



 **UN WOMEN INDIA**
MULTI-COUNTRY OFFICE
REQUIRES

DEPUTY COUNTRY REPRESENTATIVE

UN Women Office in New Delhi seeks to recruit a visionary and dynamic professional at an NOD level having relevant experience in strategic and managerial leadership in development programmes with a strong focus in the area of gender equality and women's empowerment. Experience with resource mobilization is an asset.

For job & application details, please visit and **APPLY ONLINE:**
<http://asiapacific.unwomen.org/en/about-us/jobs>
Applications are invited from Indian nationals only.
Application closing date is **30 NOVEMBER 2016**

Business & Personal

• UK Investment visa in 3 days
• Worldwide Migration
Visit:
www.eumigration.com
Contact:
+44 7917 565 800

Readers are recommended to make appropriate enquiries and take appropriate advice before sending money, incurring any expense or entering into a binding commitment in relation to an advertisement.

The Economist Newspaper Limited shall not be liable to any person for loss or damage incurred or suffered as a result of his/her accepting or offering to accept an invitation contained in any advertisement published in *The Economist*.

The Economist

To advertise within the classified section, contact:

UK/Europe Agne Zurauskaite Tel: (44-20) 7576 8152 agnezurauskaite@economist.com	United States Richard Dexter Tel: (212) 554-0662 richarddexter@economist.com
Asia ShanShan Teo Tel: (+65) 6428 2673 shanshanteo@economist.com	Middle East & Africa Philip Wrigley Tel: (44-20) 7576 8091 philipwrigley@economist.com



FEDERAL MINISTRY OF TRANSPORTATION (FMoT) AND NIGERIAN PORTS AUTHORITY (NPA)
in collaboration with
INFRASTRUCTURE CONCESSION REGULATORY COMMISSION (ICRC) & CROSS RIVER STATE GOVERNMENT (CRSG)

Public Private Partnership (PPP) Project
TRANSACTION ADVISORY SERVICES FOR THE DEVELOPMENT OF THE OUTLINE BUSINESS CASE (OBC)
FOR THE BAKASSI DEEP SEA PORT PROJECT
CROSS RIVER STATE, NIGERIA
REQUEST FOR EXPRESSION OF INTEREST (REoi)

The Cross River State Government as part of its infrastructure plan desires to develop a deep sea port at Bakassi under Public Private Partnership (PPP) arrangement, in pursuance of which it sought the collaboration of the Federal Government of Nigeria in accordance with existing legal framework for port development in implementing the proposal. Consequently the Federal Ministry of Transportation set up a Steering Committee ("the Committee") to review the prospect of developing a deep sea port in Bakassi.

The Committee upon reviewing the proposal and in accordance with the requirement of the ICRC Act which empowers Governmental Agencies charged with the responsibility of providing public infrastructure to do so through the award of concession to the third party private entities, desires to appoint a Transaction Adviser for the project.

Pursuant to the foregoing, the Federal Ministry of Transportation, the Nigerian Ports Authority, ICRC in collaboration with the Cross River State Government is soliciting for the services of a reputable and highly qualified Transaction Adviser for the development of the outline business case for the Bakassi Deep Sea Port in Cross River State, Nigeria ("the Project"). The focus is the provision of a broad range of advisory services for the development of the Project and qualified Transaction Advisers are hereby invited to express interest in providing such services. The services to be provided include but not limited to the following:

- Carry out primary review of work (preliminary technical & commercial studies, draft ESIA etc.) already done by the State Government on the project;
- Preparation of outline business case, including PPP transaction structuring to complete the PPP project development;
- Identification and evaluation of potential commercial activities/business options to be carried out at the deep sea port proposed site and general market assessment including consultation with relevant stakeholders;
- Need analysis – high level review of the project's commercial rationale and analysis of the demand for and desirability for the project;
- Option analysis – presentation of technical, legal & financial options for structuring PPP transactions including key contract terms for the recommended options, reflect risk analysis and payment mechanism; and,
- Management of other advisory inputs, stakeholder influences and overall management of the advisory team to ensure a successful transaction.

Transaction Adviser may consist of a single firm or a consortium of firms with the technical, legal, financial (electronic financial modeling), environmental, PPP, and other specialist expertise required to successfully complete the transaction. In the case of a consortium, the partners must execute a Memorandum of Understanding (MoU) and jointly identify one of the firms comprising the consortium as the Lead Transaction Adviser. The Lead Transaction Adviser will have primary responsibility of liaising with the project implementation team and for managing the consortium's advisory inputs as a whole. International Advisers are encouraged to form partnerships with reputable local consulting firms, which will be an added advantage.

Pre-qualification requirements

Eligibility requirements without which the Firm(s) shall be disqualified:

- Registration documents of a Company or Joint Venture;
- Evidence of tax compliance from tax authorities from the country of domicile;
- Evidence of compliance with provision of PENCOM Reform Act 2004 which stipulates registration and up-to-date remittance of employee pension fund contribution in line with the Public Procurement Act 2007 for Nigerian Firms;
- Evidence of bidding entity's contribution to Industrial Training Fund for Nigeria Firms;

- Evidence of Certificate of Compliance with contribution to Nigerian Social Insurance Trust Fund for Nigerian Firms;
- Evidence of registration with the Categorization and Classification in the Bureau of Public Procurement (BPP) for Nigerian Firms and;
- Audited Accounts for the Company (or of the Lead Company in the case of Joint Venture) for the last three years.

Submission of Expression of Interest (Eoi) and evaluation criteria

Prospective Transaction Adviser should submit Expression of Interest detailing the following information as basis for pre-qualification:

- candidate's profile reflecting specific track record/experience of similar nature & value successfully executed within the last ten (10) years in the provision of this assignment. This should include professional and academic qualifications, relevant experience/competence and availability for the assignment for the key personnel;
- verifiable evidence of recent experience advising governments in the structuring of PPP transactions including detailed description of role played in at least two (2) PPP transactions (one of which must be in the transport sector) closed in emerging markets during the last ten (10) years;
- verifiable evidence of lead participation in the successful preparation of PPP ports projects in the region; and,
- knowledge transfer capability (training/workshop program).

Completed Eoi documents, duly authorized must be submitted enclosed in sealed envelopes, one (1) marked "ORIGINAL" and five (5) marked "COPY" and an expression clearly marked **"EXPRESSIONS OF INTEREST FOR TRANSACTION ADVISORY SERVICES FOR THE DEVELOPMENT OF OBC FOR THE BAKASSI DEEP SEA PORT"**. A CD-ROM version should also be included. The completed Eoi documents should be addressed to **'The Permanent Secretary, Federal Ministry of Transportation, Bukar Dipcharima House, Central Business District, Abuja'** and delivered in the bid box not later than **12.00noon on Tuesday, December 20, 2016** at the following address:

**Office of the Director Procurement,
 6th Floor, Federal Ministry of Transportation,
 Bukar Dipcharima House, Central Business District
 Abuja – FCT.**

Candidates are invited to witness the opening of Eois at the *Conference Room, 8th Floor, Federal Ministry of Transportation, Bukar Dipcharima House, Central Business District, Abuja* at **12:00pm on Tuesday, December 20, 2016**.

Interested proponents are kindly requested to note that:

- submission of Eois shall be in English language only.
- submission of Eois through electronic media will not be considered.
- Only shortlisted bidders will be invited to submit proposals.
- the Ministry reserves the right to invoke the provisions of Section 28 of the Public Procurement Act (PPA) 2007 without incurring any liability to the candidate(s).

Signed

S. Zakari
 Permanent Secretary
 Federal Ministry of Transportation
 Abuja - Nigeria

Economic data

% change on year ago

	Gross domestic product			Industrial production	Consumer prices		Unemployment	Current-account balance		Budget balance	Interest rates, %	Currency units, per \$	
	latest	qtr*	2016 ⁱ	latest	latest	2016 ⁱ	rate, %	latest 12 months, \$bn	% of GDP 2016 ⁱ	% of GDP 2016 ⁱ	10-year gov't bonds, latest	Nov 16th	year ago
United States	+1.5 Q3	+2.9	+1.5	-0.9 Oct	+1.5 Sep	+1.3	4.9 Oct	-488.2 Q2	-2.6	-3.2	2.22	-	-
China	+6.7 Q3	+7.4	+6.7	+6.1 Oct	+2.1 Oct	+2.0	4.0 Q3 [§]	+266.6 Q3	+2.7	-3.8	2.62 ^{§§}	6.87	6.37
Japan	+0.9 Q3	+2.2	+0.6	+1.5 Sep	-0.5 Sep	-0.2	3.0 Sep	+179.4 Sep	+3.6	-5.1	nil	110	123
Britain	+2.3 Q3	+2.0	+2.0	+0.3 Sep	+0.9 Oct	+0.6	4.8 Aug ^{††}	-161.2 Q2	-5.7	-3.9	1.47	0.81	0.66
Canada	+0.9 Q2	-1.6	+1.2	-0.1 Aug	+1.3 Sep	+1.6	7.0 Oct	-51.1 Q2	-3.4	-2.7	1.51	1.34	1.34
Euro area	+1.6 Q3	+1.4	+1.5	+1.2 Sep	+0.5 Oct	+0.2	10.0 Sep	+383.9 Aug	+3.2	-1.7	0.29	0.94	0.93
Austria	+1.2 Q2	-0.9	+1.3	+2.3 Aug	+0.9 Sep	+0.9	6.3 Sep	+8.2 Q2	+2.6	-1.4	0.57	0.94	0.93
Belgium	+1.3 Q3	+0.8	+1.3	+1.0 Aug	+1.8 Oct	+1.8	8.0 Sep	+4.8 Jun	+1.2	-2.8	0.74	0.94	0.93
France	+1.1 Q3	+0.9	+1.3	-1.1 Sep	+0.4 Oct	+0.3	10.2 Sep	-34.1 Sep [‡]	-0.6	-3.3	0.73	0.94	0.93
Germany	+1.7 Q3	+0.8	+1.7	+1.1 Sep	+0.8 Oct	+0.4	6.0 Oct	+300.3 Sep	+8.6	+1.1	0.29	0.94	0.93
Greece	+1.2 Q3	+2.1	-0.6	+0.1 Sep	-0.5 Oct	-0.1	23.4 Aug	-0.3 Aug	-1.0	-5.8	7.39	0.94	0.93
Italy	+0.9 Q3	+1.3	+0.8	+1.8 Sep	-0.2 Oct	nil	11.7 Sep	+46.3 Aug	+2.4	-2.6	2.04	0.94	0.93
Netherlands	+2.4 Q3	+3.0	+1.6	+2.4 Sep	+0.4 Oct	+0.2	7.0 Sep	+59.7 Q2	+8.5	-1.2	0.44	0.94	0.93
Spain	+3.2 Q3	+2.8	+3.1	+1.2 Sep	+0.7 Oct	-0.4	19.3 Sep	+23.4 Aug	+1.4	-4.6	1.46	0.94	0.93
Czech Republic	+3.6 Q2	+1.2	+2.4	+2.7 Sep	+0.8 Oct	+0.5	5.0 Oct [§]	+3.7 Q2	+1.5	nil	0.61	25.3	25.2
Denmark	+0.8 Q2	+0.8	+1.0	-4.6 Sep	+0.3 Oct	+0.3	4.2 Sep	+23.6 Sep	+7.3	-1.0	0.47	6.97	6.96
Norway	-0.9 Q3	-1.9	+1.0	-13.7 Sep	+3.7 Oct	+3.5	4.9 Aug ^{††}	+23.6 Q2	+5.3	+3.0	1.65	8.50	8.69
Poland	+3.0 Q2	+0.8	+3.0	+3.2 Sep	-0.2 Oct	-0.8	8.2 Oct [§]	-3.1 Sep	-0.4	-2.7	3.60	4.16	3.96
Russia	-0.4 Q3	na	-0.8	-0.3 Oct	+6.1 Oct	+7.0	5.2 Sep [§]	+30.2 Q3	+2.7	-3.7	8.82	64.7	66.6
Sweden	+3.4 Q2	+2.0	+3.2	+1.5 Sep	+1.2 Oct	+1.0	6.1 Sep [§]	+25.4 Q2	+5.0	-0.3	0.50	9.21	8.69
Switzerland	+2.0 Q2	+2.5	+1.4	-1.2 Q2	-0.2 Oct	-0.4	3.3 Oct	+66.1 Q2	+8.9	+0.2	-0.07	1.00	1.01
Turkey	+3.1 Q2	na	+3.1	-4.1 Sep	+7.2 Oct	+7.9	11.3 Aug [§]	-32.4 Sep	-4.8	-1.8	11.09	3.32	2.88
Australia	+3.3 Q2	+2.1	+2.8	+3.7 Q2	+1.3 Q3	+1.3	5.6 Oct	-52.8 Q2	-3.7	-2.1	2.59	1.34	1.41
Hong Kong	+1.9 Q3	+2.5	+1.6	-0.4 Q2	+2.6 Sep	+2.7	3.4 Sep ^{††}	+13.6 Q2	+3.0	+0.1	1.39	7.76	7.75
India	+7.1 Q2	+5.5	+7.6	+0.7 Sep	+4.2 Oct	+5.0	5.0 2015	-16.2 Q2	-0.9	-3.8	6.45	67.8	66.0
Indonesia	+5.0 Q3	na	+5.0	+0.5 Sep	+3.3 Oct	+3.6	5.6 Q3 [§]	-19.2 Q3	-2.2	-2.6	7.89	13,378	13,728
Malaysia	+4.3 Q3	na	+4.3	+3.2 Sep	+1.5 Sep	+1.9	3.5 Sep [§]	+5.6 Q3	+1.0	-3.4	4.18	4.35	4.38
Pakistan	+5.7 2016**	na	+5.7	+1.5 Aug	+4.2 Oct	+3.9	5.9 2015	-4.1 Q3	-0.9	-4.6	8.03 ^{†††}	105	105
Philippines	+7.1 Q3	+4.9	+6.4	+9.9 Sep	+2.3 Oct	+1.7	5.4 Q3 [§]	+3.2 Jun	+0.7	-1.0	5.02	49.4	47.1
Singapore	+2.1 Q2	-4.2	+1.0	+6.7 Sep	-0.2 Sep	-0.6	2.1 Q3	+58.4 Q2	+19.2	+0.7	2.30	1.42	1.42
South Korea	+2.7 Q3	+2.8	+2.7	-2.0 Sep	+1.3 Oct	+1.0	3.4 Oct [§]	+98.5 Sep	+7.2	-1.3	2.10	1,169	1,174
Taiwan	+2.1 Q3	+4.5	+0.7	+5.0 Sep	+1.7 Oct	+1.1	3.9 Sep	+75.7 Q2	+13.3	-0.5	1.19	31.8	32.8
Thailand	+3.5 Q2	+3.2	+3.0	+0.6 Sep	+0.3 Oct	+0.2	0.9 Sep [§]	+47.4 Q3	+5.9	-2.5	2.54	35.5	36.0
Argentina	-3.4 Q2	-8.0	-1.7	-2.5 Oct	— ***	—	9.3 Q2 [§]	-15.4 Q2	-2.4	-5.0	na	15.5	9.63
Brazil	-3.8 Q2	-2.3	-3.2	-4.9 Sep	+7.9 Oct	+8.2	11.8 Sep [§]	-23.3 Sep	-1.1	-6.4	12.05	3.42	3.83
Chile	+1.5 Q2	-1.4	+1.8	-0.2 Sep	+2.8 Oct	+3.8	6.8 Sep ^{§††}	-5.1 Q2	-1.9	-2.7	4.60	675	712
Colombia	+2.0 Q2	+0.8	+2.0	+9.4 Aug	+6.5 Oct	+7.6	8.5 Sep [§]	-15.7 Q2	-5.1	-3.7	7.49	3,131	3,076
Mexico	+2.5 Q2	-0.7	+2.1	-1.3 Sep	+3.1 Oct	+2.9	3.9 Sep	-30.9 Q2	-2.9	-3.0	7.07	20.3	16.8
Venezuela	-8.8 Q4~	-6.2	-14.2	na	na	+485	7.3 Apr [§]	-17.8 Q3~	-3.0	-24.3	10.57	9.99	6.31
Egypt	+6.7 Q1	na	+4.4	-11.7 Sep	+13.6 Oct	+13.1	12.6 Q3 [§]	-18.7 Q2	-6.8	-11.5	na	15.6	7.83
Israel	+5.0 Q3	+3.2	+3.0	+5.4 Aug	-0.3 Oct	-0.5	4.9 Sep	+12.1 Q2	+3.3	-2.4	2.10	3.86	3.90
Saudi Arabia	+3.5 2015	na	+1.1	na	+3.0 Sep	+4.2	5.6 2015	-61.5 Q2	-5.6	-11.6	na	3.75	3.75
South Africa	+0.6 Q2	+3.3	+0.4	-0.1 Sep	+6.1 Sep	+6.1	26.6 Q2 [§]	-12.9 Q2	-4.1	-3.4	9.02	14.3	14.4

Source: Haver Analytics. *% change on previous quarter, annual rate. [†]The Economist poll or Economist Intelligence Unit estimate/forecast. [§]Not seasonally adjusted. [‡]New series. ~2014 **Year ending June. ^{††}Latest 3 months. ^{†††}3-month moving average. ^{§§§}5-year yield. ***Official number not yet proved to be reliable; The State Street PriceStats Inflation Index, Sept 35.92%; year ago 26.47% ^{†††}Dollar-denominated bonds.



+

**The
Economist**

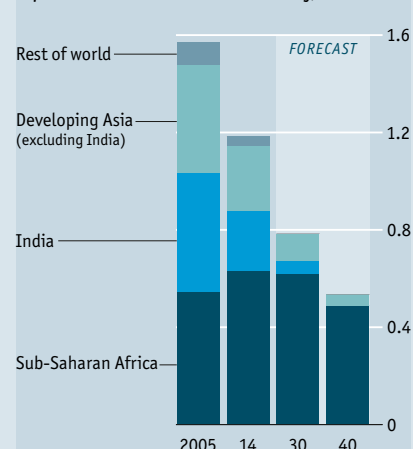
Markets

	Index Nov 16th	% change on		
		one week	in local currency	in \$ terms
United States (DJIA)	18,868.1	+1.5	+8.3	+8.3
China (SSEA)	3,355.7	+2.4	-9.4	-14.4
Japan (Nikkei 225)	17,862.2	+9.9	-6.2	+3.1
Britain (FTSE 100)	6,749.7	-2.3	+8.1	-8.9
Canada (S&P/TSX)	14,733.2	-0.2	+13.2	+17.2
Euro area (FTSE Euro 100)	1,025.8	-1.2	-6.3	-7.9
Euro area (EURO STOXX 50)	3,026.4	-1.0	-7.4	-9.0
Austria (ATX)	2,497.4	+0.4	+4.2	+2.4
Belgium (Bel 20)	3,466.3	-2.1	-6.3	-7.9
France (CAC 40)	4,501.1	-0.9	-2.9	-4.6
Germany (DAX)*	10,663.9	+0.2	-0.7	-2.5
Greece (Athex Comp)	592.3	+1.8	-6.2	-7.8
Italy (FTSE/MIB)	16,559.8	-1.4	-22.7	-24.0
Netherlands (AEX)	449.7	-1.0	+1.8	nil
Spain (Madrid SE)	869.9	-3.0	-9.9	-11.4
Czech Republic (PX)	889.6	-0.9	-7.0	-8.6
Denmark (OMXC20)	743.4	-0.6	-18.0	-19.2
Hungary (BUX)	29,972.8	-1.3	+25.3	+25.3
Norway (OSEAX)	711.2	+1.3	+9.6	+14.1
Poland (WIG)	47,634.6	-1.2	+2.5	-2.8
Russia (RTS, \$ terms)	989.7	-0.1	+15.8	+30.7
Sweden (OMXS30)	1,458.3	+0.1	+0.8	-7.8
Switzerland (SMI)	7,914.0	+0.2	-10.3	-10.6
Turkey (BIST)	74,759.0	-1.9	+4.2	-8.4
Australia (All Ord.)	5,399.6	+3.1	+1.0	+3.8
Hong Kong (Hang Seng)	22,280.5	-0.6	+1.7	+1.6
India (BSE)	26,298.7	-3.5	+0.7	-1.8
Indonesia (JSX)	5,185.5	-4.2	+12.9	+16.3
Malaysia (KLSE)	1,627.6	-1.2	-3.8	-5.1
Pakistan (KSE)	42,404.5	+0.5	+29.2	+29.2
Singapore (STI)	2,794.0	+0.1	-3.1	-3.0
South Korea (KOSPI)	1,979.7	+1.1	+0.9	+1.2
Taiwan (TWI)	8,962.2	+0.2	+7.5	+10.9
Thailand (SET)	1,474.6	-2.3	+14.5	+16.1
Argentina (MERV)	16,520.9	-3.0	+41.5	+18.5
Brazil (BVSP)	60,759.3	-4.0	+40.2	+62.1
Chile (IGPA)	20,915.8	-2.4	+15.2	+20.9
Colombia (IGBC)	9,642.0	-4.1	+12.8	+14.4
Mexico (IPC)	44,901.6	-5.3	+4.5	-11.0
Venezuela (IBC)	26,365.4	+27.0	+80.7	na
Egypt (Case 30)	10,997.4	+7.5	+57.0	-21.2
Israel (TA-100)	1,250.8	+1.4	-4.9	-4.0
Saudi Arabia (Tadawul)	6,647.8	+4.2	-3.8	-3.7
South Africa (JSE AS)	50,004.8	-1.9	-1.4	+7.0

Access to electricity

The UN wants to ensure universal access to modern energy services by 2030. However, the International Energy Agency (IEA) reckons that 1.2bn people, or 16% of the world's population, lacked access to electricity in 2014. By 2030, it predicts the tally will still be 784m. Sub-Saharan Africa has the highest level of energy poverty: 65% of the population is off the grid. India is a brighter spot: 81% of people are connected, almost double the rate in 2000, and the government has pledged power for all by 2022. The IEA is not quite so optimistic; it reckons that 56m Indians will still be without electricity in 2030. China boasts full power access: it has just wound up the largest electrification programme in history.

Population without access to electricity, bn



Source: IEA

Other markets

	Index Nov 16th	% change on		
		one week	in local currency	in \$ terms
United States (S&P 500)	2,176.9	+0.6	+6.5	+6.5
United States (NAScomp)	5,294.6	+0.8	+5.7	+5.7
China (SSEB, \$ terms)	355.0	+2.9	-11.9	-16.8
Japan (Topix)	1,421.7	+9.3	-8.1	+0.9
Europe (FTSEurofirst 300)	1,336.6	-0.5	-7.0	-8.6
World, dev'd (MSCI)	1,698.4	+0.1	+2.1	+2.1
Emerging markets (MSCI)	847.2	-3.7	+6.7	+6.7
World, all (MSCI)	409.7	-0.3	+2.6	+2.6
World bonds (Citigroup)	901.1	-3.1	+3.6	+3.6
EMBI+ (JPMorgan)	767.0	-3.3	+8.9	+8.9
Hedge funds (HFRX)	1,184.8 ¹	+0.3	+0.9	+0.9
Volatility, US (VIX)	13.7	+14.4	+18.2 (levels)	
CDSs, Eur (iTRAXX) ¹	79.1	+8.5	+2.6	+0.8
CDSs, N Am (CDX) ¹	75.3	+1.1	-14.8	-14.8
Carbon trading (EU ETS) €	5.6	-6.4	-33.1	-34.2

Sources: Markit; Thomson Reuters. *Total return index.

¹Credit-default-swap spreads, basis points. ²Nov 14th.Indicators for more countries and additional series, go to: Economist.com/indicators

The Economist commodity-price index

2005=100

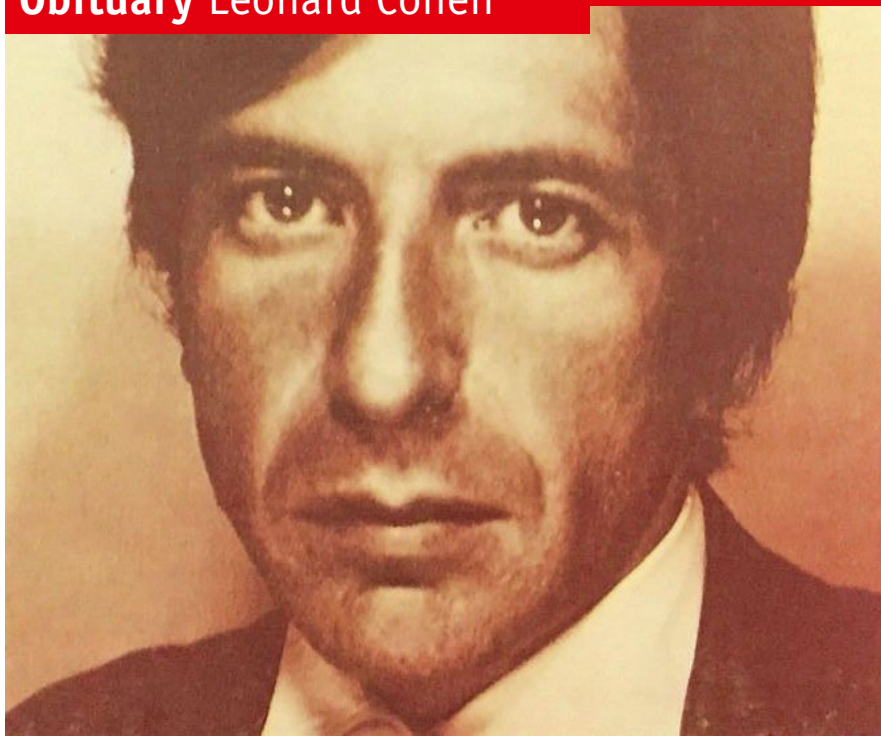
			% change on	
	Nov 8th	Nov 15th *	one month	one year
Dollar Index				
All Items	140.7	140.0	+1.9	+10.7
Food	158.1	153.9	-1.4	+3.4
Industrials				
All	122.5	125.6	+6.5	+21.6
Nfa ¹	128.2	128.3	-0.5	+19.1
Metals	120.1	124.4	+9.9	+22.7
Sterling Index				
All items	206.3	205.6	+1.2	+36.0
Euro Index				
All items	158.3	162.3	+4.3	+9.9
Gold				
\$ per oz	1,281.1	1,225.3	-2.9	+14.0
West Texas Intermediate				
\$ per barrel	45.0	45.8	-8.9	+12.4

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

¹Non-food agriculturals.

Find *The Economist* every
weekend on Snapchat Discover.

Obituary Leonard Cohen



Raising the song

Leonard Cohen, novelist, poet and singer, died on November 7th, aged 82

HE HAD little to bring, Leonard Cohen said. He worked with what he'd got. Simple chords on his guitar, which he wished he could play better. A finger or two on a keyboard. His "golden voice", a wry joke (for yes, he often joked, when he could raise his brooding eyes out of his despair). He was a singer in the lesser choirs, ordained to raise his voice so high and no higher; though certainly low and, after decades of Marlboro Lights, yet lower.

No ideas filled his songs either, in his view. All he had to offer was his own experience. Like Bob Dylan, Joan Baez and so many others in the age of protest, he sang about democracy, devastation, a future bleak as a blizzard and an unkind world in which, like a bird on the wire, he tried to be free. But the songs that welled up instinctively were about women: Suzanne, who took him down to her place by the river and fed him tea and oranges that came all the way from China,

And you know that she's half-crazy
but that's why you want to be there

Or Marianne, his Norwegian muse, who lit up the island of Hydra for four years,

I loved you in the morning
our kisses deep and warm
your hair upon the pillow
like a sleepy golden storm

but who tried with her fine spider-webs, grey clothespins and gardenias to fasten his ankles to a stone, so that he had to break away:

Well so long, Marianne,
It's time that we began
To laugh, and cry, and cry, and laugh, about it
all again.

With another Suzanne he had a son and a daughter, but domesticity repelled him; he always sang "kitchen" with a snarl. Like a gypsy-boy or a sailor, he preferred to roam among the world's wealth of going-down women and unmade hotel beds.

Singing came late. Words came first, the charged speech he heard in the synagogue his prosperous family had built in Montreal, sitting in the third row. The rhythms of the cantor, too, seemed full of light. Canada, by contrast, clung like a dying animal. He rejected its snow and provincialism though, from time to time, he drifted back to Montreal; and he was buried there.

By his mid-30s he had published two novels and four books of poetry, and knew what it was to pace grey European streets in a raincoat with his head full of Lorca and Joyce. But he was also starving. Raising his voice brought fame and fortune. There was no hit record, but audiences in the tens of thousands, including 600,000 at a hippy

festival in 1970 in the Isle of Wight where, like drunken fireflies in the pre-dawn dark, his listeners lit matches at his command. Destiny flared with them. He was paying his rent in the Tower of Song, where 27 angels had long ago tied him down.

David with his harp

Celebrity didn't charm him, though. His tastes were modest: elegant, but worn, suits, sometimes a straw palliasse to sleep on. He would sing over café meals to soothe friends. Live performances brought stage-fright so severe that neither speed nor Chateau Latour, in large doses, could get him through it. The songs took months, years. And the outward show had less and less meaning. Since his youth he had been seeking a vision of God and a master who could take him there, out of the uselessness and ruins of himself. His "Book of Mercy" of 1984, heavily based on the Psalms, showed him trying to sing out of the wilderness. He wanted to raise up his song to the Lord as David did on the harp, though still damp from the body of Bathsheba, with nothing on his tongue but "Hallelujah!" And for that, the road lay inward.

Judaism was his home, but he freely stole from others. He sought alternative cures. The tormented Catholic Christ hung in his songs and bled there, like himself. From 1993-98 his need for silence drew him to Zen, to a monk's life in a shack (with essential espresso machine) 6,500 feet up a mountain in California. There he wrote, smoked, shovelled snow, romped in his dreams with an immense cloudy woman, and came down, back to Boogie Street, convinced he had no gift for spiritual matters.

The songs, when he returned to them, said otherwise. His concerts became more like prayer gatherings: in 2013, when he went out on the stage of the world one last time, he was dropping to his knees to sing. He was still railing at God and growling at the apparent randomness of everything: if God was the dealer, he was out of the game. Yet he was also calm. He might be old, but he was still fine-looking, natty in his grey fedora. And he was not afraid of what was coming. This summer, he assured the far-away dying Marianne that if she stretched out her hand, she could reach his; he was just behind her on the road. He had learned, with Abraham, to sing "Here am I"; he had learned too to accept that his true song, his great song, could never be perfect, for there was a crack in everything; that's how the light got in.

May everyone live
and may everyone die
Hello my love,
and my love, Goodbye. ■

Our obituary of Raoul Wallenberg should have identified Ingrid Carlberg, Wallenberg's biographer, as the source of the family anecdotes. We are sorry for this omission.

**WORLD-CLASS COMFORT,
BROUGHT TO YOU
BY THE WORLD'S NEWEST
4 STAR AIRLINE**



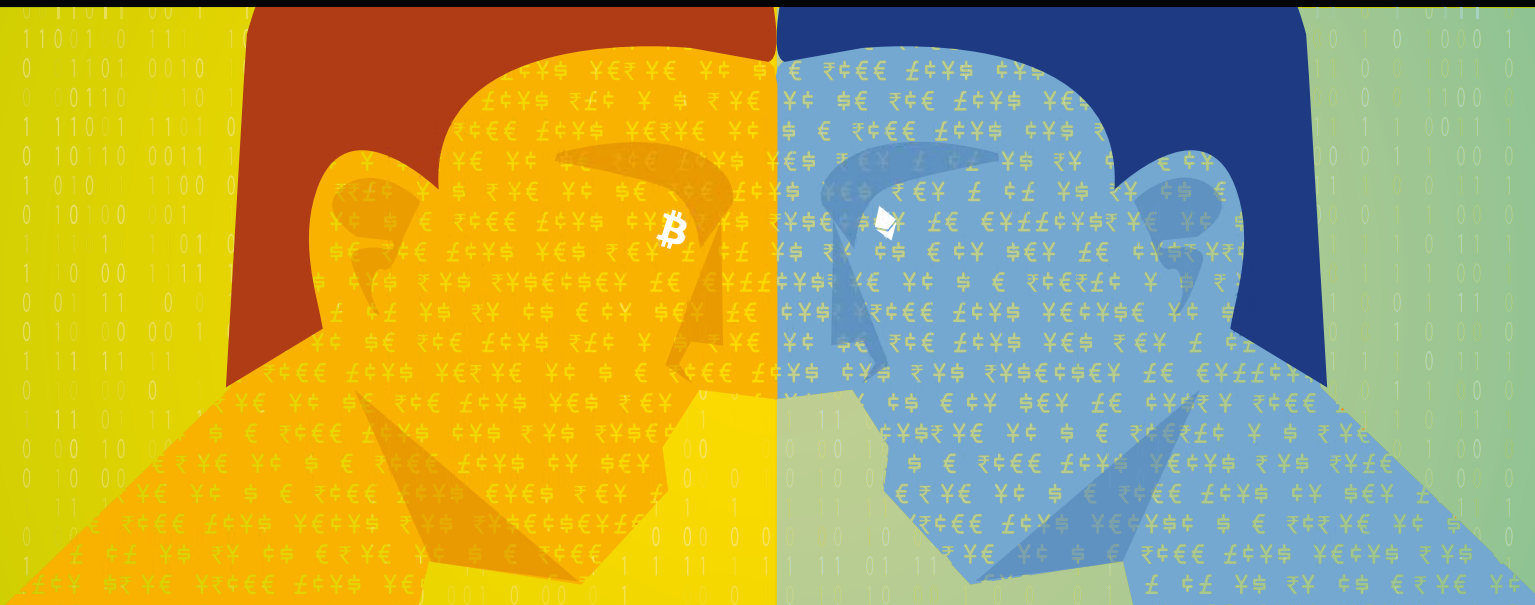
Proud to become a 4 star airline, Vietnam Airlines joins the ranks of many of the world's best. On our new fleet of Boeing 787-9 and Airbus A350-900 aircraft, you'll enjoy full-flat beds in business class, low cabin pressure and optimal humidity. Come aboard and explore how we're reaching further to make your flight truly memorable.

www.vietnamairlines.com

 **Vietnam Airlines** 
REACH FURTHER



Cast your vote in the Kraken Investment Case-Study Competition



Bitcoin v Ethereum: Which blockchain technology would you invest one million dollars in?

Kraken bitcoin exchange is sponsoring an investment case-study competition that has challenged the bright young minds at universities around the world to solve an investment dilemma unique to our digital age. Given the opportunity to invest \$1m across these two blockchain technologies by buying bitcoins and ethers – the cryptocurrencies that power these decentralised computer networks – how much of that \$1m do you invest in each, if you cannot touch your investment for the next 5 years?

Each team has submitted their proposal outlining their answers to this challenge. Kraken will select its top three proposals, but you can help pick the winner of the \$3,000 People's Choice prize!

Vote for your favorite proposal at:
economist.com/cryptocurrency

 economist.com/cryptocurrency

Hosted by

**The
Economist**

**Which
MBA?**

COMPETING TEAMS



Austin Knutson, Menglu Liu
and Derek Schlenker



Josh Obregon, Julianne Harm
and Josh Stubbendick



Beatrice Gorski, David Murchland
and Rodrigo Cherniauskas



Sherwin Li, Ramis Jamali and
Rodrigo Pantoja



Pedro Kim, Rituparna Ghosh
and Khondoker Haider



Laura Reid, Courtney Kemp
and Mario Romero



Francisco Cudell, Pedro Vilas-Boas
and Rui Rosas



Michael Friedlander, Viral
Kagrana and Noriko Kawashima



Peter Langer, Alexander D'Alfonso
and Zintis Vandelis-Muir



Arthur Yep, Bjorn Commers and
Enrique Curiel Arruego



Jon-Paul Navarro, Alex Moore
and Jake Tremblay



Khanh Le, Jaime Aguero and
Kylie Vo



Kyle Dedmon, Jose Hernandez
and Jessica Grande



Bringing light to 5 million people

At UOB, we think about what's right.

Which is why we supported Asiatech Energy's efforts to build a power plant in Myanmar, so millions can enjoy a brighter tomorrow.

Find out the full story at
uobgroup.com/rightbyyou



RIGHT BY YOU

