

# The Economist

Do Russian sanctions work?

After extinction: a boom in new species

The People's Liberation Army at 90

Don't tax fuel, tax roads

AUGUST 5TH-11TH 2017

## It could happen



Australia.....	A\$120 (inc. GST)	Hong Kong.....	HK\$90	Korea.....	Won 12,000	New Zealand.....	NZ\$15.00	Sri Lanka.....	Rs1,200
Bangladesh.....	TK550	India.....	₹350	Malaysia.....	RM10 (inc. GST)	Pakistan.....	Rs700	Taiwan.....	NT\$275
Cambodia.....	US\$8.00	Indonesia.....	Rp90,000	Myanmar.....	US\$8.00	Philippines.....	Peso\$450	Thailand.....	Baht 300
China.....	RMB 80	Japan.....	¥1,259+Tax	Nepal.....	NR700	Singapore.....	S\$13.50 (inc. GST)	Vietnam.....	US\$8.00



**On the cover**

There are no good options to curb North Korea's missile-building. But blundering into war would be the worst: leader, page 7. Kim Jong Un does not yet have a missile that can strike America. But he's close, page 13. How a war on the Korean peninsula could start—and how it might end, page 14

**The Economist online**

Daily analysis and opinion to supplement the print edition, plus audio and video, and a daily chart [Economist.com](http://Economist.com)

**E-mail:** newsletters and mobile edition [Economist.com/email](mailto:Economist.com/email)

**Print edition:** available online by 7pm London time each Thursday [Economist.com/print](http://Economist.com/print)

**Audio edition:** available online to download each Friday [Economist.com/audioedition](http://Economist.com/audioedition)

**The Economist**

Volume 424 Number 9052

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

**5 The world this week**

**Leaders**

- 7 **War with North Korea**  
It could happen
- 8 **America's president and the Republicans**  
No deal
- 8 **French reforms**  
Keep your nerve
- 9 **Politics in Pakistan**  
Third time unlucky
- 10 **Housing in Britain**  
Rooms for improvement

**Letters**

- 11 **On Qatar, travel, English, France, Ronald Reagan, the young old**

**Briefing**

- 13 **North Korea's missiles**  
Testing, testing...
- 14 **War in Korea**  
Red lines and bad choices

**Asia**

- 17 **Politics in Pakistan**  
A Nawaz-shaped hole
- 18 **Papua New Guinea votes**  
Continuity, not stability
- 18 **Politics in India**  
BJP on a roll
- 19 **The Philippines' drugs war**  
Narco-consternation

**China**

- 21 **The armed forces**  
Shrinking and flexing
- 22 **Waste management**  
Anti-dumping

**United States**

- 23 **The White House**  
Though Mooch is taken, Mooch abides
- 24 **Tax cuts**  
Don't hold your breath
- 25 **College admissions**  
POTUS v Harvard
- 25 **Maternal deaths**  
A painful puzzle

**26 Media matters**

Fox populi

**27 Gangs and immigration**

A horrible MS

**28 Lexington**

Jeff Flake

**The Americas**

- 29 **Venezuela**  
Democracy done in
- 30 **Brazil**  
Temer survives
- 30 **Latin American media**  
English patients
- 32 **Bello**  
Venezuela's fantasy voting

**Middle East and Africa**

- 33 **Kenya's election**  
The rematch
- 34 **South Africa**  
Hijacked buildings
- 35 **Nigerian verbosity**  
Get the gist?
- 35 **Israeli entertainment**  
Carrie on watching
- 36 **Climate and the Nile**  
Flood and famine

**Europe**

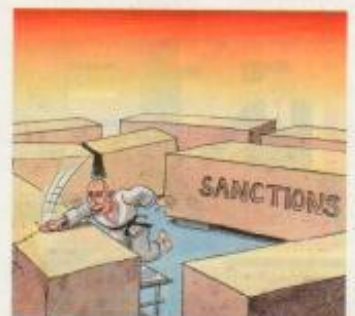
- 37 **Sanctions on Russia**  
The punishment continues
- 38 **Russian relations with America**  
Arming Ukraine
- 38 **The migrants Poland likes**  
Plugging the gap
- 39 **Urban planning in France**  
We'll always have Val d'Europe
- 40 **Charlemagne**  
Deutschland is dozing

**Britain**

- 41 **Housing**  
A nation of homebodies
- 42 **Tories and construction**  
March of the YIMBYs
- 43 **Brexit planning**  
The sucking sound
- 43 **London investment**  
Reach for the skyscraper
- 44 **Bagehot**  
A history lesson



**Germany** A placid election campaign has failed to acknowledge the hard choices facing Europe's leading economy: Charlemagne, page 40



**Russian sanctions** Do they change Vladimir Putin's behaviour? Page 37. America may at last be willing to offer Ukraine weapons, page 38



**Kenya** Another tumultuous election, with a renewed fear of violence, page 33



**PLA** As the armed wing of China's Communist Party celebrates its 90th anniversary, one of Xi Jinping's biggest reforms enters a new phase, page 21



**Road-pricing** It has long been a good idea. Today it is becoming an urgent one, page 45



**France** The poor performance of the country's state-owned companies grows ever more stark, page 47. Emmanuel Macron has promised to nationalise France's biggest shipyard. He is entering dangerous waters: leader, page 8

### International

- 45 **Transport**  
The price of jam
- 47 **Privatisation in France**  
National treasures
- 48 **Discovery and Scripps**  
Fuzzy signal
- 49 **Drug firms**  
Pharma frenemies
- 49 **Profiting from the Belt and Road**  
Where the twain shall meet
- 50 **European productivity**  
Le long layoff
- 51 **Schumpeter**  
King Kong

### Economics brief

- 52 **Human capital**  
The people's champion

### Finance and economics

- 54 **Phoenix economies**  
Turnaround stories
- 55 **Buttonwood**  
National balance-sheets
- 56 **Private equity**  
Secondary education
- 57 **Interest rates**  
LIBOR pains
- 57 **Bitcoin splits**  
Knives and forks
- 58 **DNA and insurance**  
The gene is out of the bottle

### Science and technology

- 59 **Genetic engineering**  
DNA and how to adjust it
- 60 **Holograms**  
Winging the blues
- 61 **Paying for conservation**  
A wild idea

### Books and arts

- 62 **Extinction**  
Not what it used to be
- 64 **Fiona Mozley's fiction**  
Call of the wild
- 64 **The aspirational class**  
How to spend it
- 65 **Johnson**  
Game of tongues
- 68 **Economic and financial indicators**  
Statistics on 42 economies, plus a closer look at purchasing managers' indexes

### Obituary

- 70 **Dr G. Yunupingu**  
Singing the land



**Species and extinction**  
The world is in the grip of the sixth mass extinction. It is also about to see a riot of new species, page 62

### Subscription service

For our full range of subscription offers, including digital only or print and digital combined visit: [Economist.com/offers](http://Economist.com/offers)  
You can subscribe or renew your subscription by mail, telephone or fax at the details below:  
**Telephone:** +65 6534 5166  
**Fax:** +65 6534 5066  
**Web:** [Economist.com/offers](http://Economist.com/offers)  
**E-mail:** [Asia@subscriptions.economist.com](mailto: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\$465
China	CNY 2,300
Hong Kong & Macau	HK\$2,300
India	₹10,000
Japan	Yen 44,300
Korea	KRW 375,000
Malaysia	RM 780
New Zealand	NZ\$530
Singapore & Brunei	S\$425
Taiwan	NT\$9,000
Thailand	US\$300
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 Taikee Wan Road, Taikee 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 certified by PEFC  
[www.pefc.org](http://www.pefc.org)



## Politics



In an extraordinary few days, even by the febrile standards of this **White House**, Donald Trump sacked Reince Priebus as chief of staff. His defenestration came after Anthony Scaramucci, the new head of communications, gave an expletive-laden account of why he thought Mr Priebus was behind a number of recent leaks. Mr Trump replaced Mr Priebus with John Kelly, who had run the Department of Homeland Security. His first move was to deploy his well-honed military discipline and fire Mr Scaramucci. He had held his job for ten days.

Preceding the White House drama, the push in the Senate to pass a "skinny" bill on **health-care reform** failed, when three Republicans, including John McCain, joined Democrats in voting against the measure.

Mr Trump signed a bill that imposes **sanctions on Russia** over its meddling in last year's election, but which also limits the president's power to tamper with Congress's decision. He described the legislation as "seriously flawed". Russia retaliated by vowing to expel 755 American diplomats.

The International Olympic Committee announced that it had agreed to a deal that will award the summer **Olympics** in 2028 to Los Angeles. The deal means that the Olympics in 2024 will be held in Paris, which Los Angeles was competing against to host that year. The 1984 Olympic games in Los Angeles are seen as the most successful ever, even though

the Soviet Union and many east European countries boycotted them.

The Senate confirmed Christopher Wray as the new director of the **FBI**.

**Passing the buck**

Andreas Georgiou, a former head of national statistics in **Greece**, was convicted of a "breach of duty" by an appeals court for sharing the full extent of the country's budget deficit with the European statistics agency in 2009. Mr Georgiou was acquitted of the same charge last December. He has faced various accusations of swelling the deficit figures to benefit foreign creditors. His supporters say he is a scapegoat for the Greek debt crisis.

**Turkey's** biggest trial following last year's failed attempt to overthrow the government got under way. Nearly 490 suspects are accused of orchestrating the plot from an air base outside Ankara. Most face life in prison if found guilty. Seven defendants are being tried in absentia, including Fethullah Gulen, a cleric based in America who is accused of masterminding the coup attempt.

Relations between **France** and **Italy** were at a low ebb following France's decision to nationalise the STX France shipyards, thus cancelling a deal with an Italian state-owned firm. The French and Italian economy ministers met and gave themselves until the end of September to resolve the row.

**In trepidation**

In **Kenya** the official in charge of electronic voting was found murdered ahead of elections on August 8th. A post-mortem report said he had been tortured. The murder raised fears of vote-rigging and post-election violence. In 2007, around 1,400 people were killed after a disputed election.

Hundreds of people were said to have fled Awamiya, a small town in eastern **Saudi Arabia**, following clashes between the security forces and alleged armed Shia militants.



**China** opened its first overseas military base, a port facility in **Djibouti**. From there, it will supply ships taking part in humanitarian and peace-keeping missions in Yemen and Somalia, it said.

**A chaotic turn from democracy**

**Venezuela's** government claimed that 8m voters turned out to elect representatives to a constituent assembly, which will have near absolute power. A leaked official document reckoned only 3.7m turned out. Many of those who did vote feared losing government largesse if they did not. The voting machines were said to have been tampered with. The opposition boycotted the vote; ten people died in protests against it. America imposed sanctions on the country's president, Nicolás Maduro.

The lower house of **Brazil's** congress voted not to refer charges against the country's president, Michel Temer, for trial by the supreme court. The chief prosecutor had alleged that Mr Temer agreed to use his influence with the antitrust authority on behalf of the boss of a meatpacking firm in return for bribes. Mr Temer denies wrongdoing.

**Brazil** began deploying troops in **Rio de Janeiro** to fight crime. They are to conduct operations against gangs that engage in drug-trafficking and looting cargo. More than 90 policemen have been killed in the state this year.

**Keeping it in the family**

**Pakistan's** national assembly elected Shahid Khaqan Abbasi as prime minister following Nawaz Sharif's resignation. Mr Sharif was disqualified from office by the Supreme Court

for failing to declare all sources of income. Mr Abbasi is not expected to last long in the job. Mr Sharif's brother, Shahbaz Sharif, is to contest a by-election in September that will give him a seat in the parliament with the intent of becoming prime minister.

Rex Tillerson, America's secretary of state, told **North Korea** "we're not your enemy" after it conducted a second test of an intercontinental ballistic missile. But Mr Tillerson also warned the regime that it was "presenting an unacceptable threat" and America would respond. The latest missile landed in the sea 370km from Japan's coast.

Islamic State claimed responsibility for an attack on a Shia mosque in the **Afghan** city of Herat which killed at least 33 people. It also said it had carried out an earlier assault on the Iraqi embassy in Kabul in which two people died.



After a six-week election campaign marred by violence and several days of coalition-building talks, the ruling People's National Congress party was returned to power in **Papua New Guinea**.

The foreign ministers of **China** and **India** were due to meet to ease tensions over a stand-off in an area close to their shared border with **Bhutan**. In a lengthy statement, China accused India of sending troops 80 metres into its territory. Altercations over precise borders occasionally flare up in the "trijunction" region of the Himalayas. Troops usually do not carry weapons there, and have sometimes resorted to jostling each other to get the opposing side to retreat.