

# The Economist

JANUARY 27TH-FEBRUARY 2ND 2018

General Motors roars back

Sequencing the world's genomes

Turkey's gamble in Syria

Skiing goes downhill

# THE NEXT WAR



**The growing threat of great-power conflict**

A SPECIAL REPORT



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# THE NEXT WAR

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Shifts in geopolitics and technology are renewing the threat of great-power conflict: leader, page 9. War is still a contest of wills, but its character is changing, argues Matthew Symonds. See our special report after page 40. Hope that Donald Trump is bluffing over North Korea, but do not count on it, page 17

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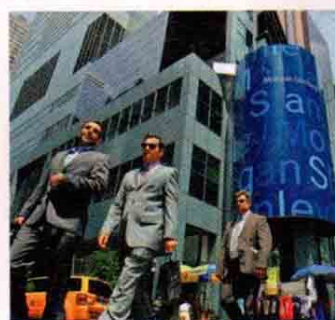




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## Politics



Backed by air strikes, **Turkish** troops attacked the **Syrian** region of Afrin, which is controlled by a Kurdish militia allied with America. Recep Tayyip Erdogan, the Turkish president, said Turkey will extend its offensive to the town of Manbij, which could bring it into direct conflict with American troops in the area.

Abdel-Fattah al-Sisi, **Egypt's** president, said he would run for re-election. He won't face much competition. Under pressure from the government, the last two major challengers called off their campaigns.

Olusegun Obasanjo, a former president of **Nigeria**, called on the current president, Muhammadu Buhari, not to run for a second term next year. It is the strongest signal yet that Mr Buhari may fail to garner enough support to win his party's nomination.

A former warlord in the **Central African Republic** was jailed after a conviction for his involvement in multiple murders. It is the first such conviction since a coup in 2012.

## Shut and open

America's government was briefly **shut down** after Democrats and Republicans failed to agree on a spending bill. They eventually reached a compromise that promises a vote on the fate of the "DREAMERS", migrants who came to America illegally as children. Many Democrats opposed the compromise, which funds the government only until February 8th, fearing they had given up a bargaining chip.

**Pennsylvania's** Supreme Court found that the boundaries of the state's congressional districts had been configured to favour Republicans and ordered that they be redrawn soon for this year's mid-term elections. It is the second time this year that a state has been found explicitly to have gerrymandered its congressional map along partisan lines (the other state being North Carolina).

Patrick Meehan, a Republican congressman from Pennsylvania, was removed from the House Ethics Committee, which has been investigating claims of **sexual harassment**, following an allegation that he had used public money to settle claims of misconduct brought by a former aide.

## She's not quite there yet

Delegates from **Germany's** Social Democratic Party narrowly endorsed an outline coalition agreement with Angela Merkel's Christian Democrats. A month of detailed negotiations will now start, but a formal agreement will still have to be endorsed by a postal ballot of all party members. That remains a big obstacle.

The Speaker of Catalonia's parliament proposed that Carles Puigdemont be reappointed as leader of the region's government, threatening a fresh crisis with **Spain**, as he is in exile and faces arrest for sedition if he returns.



In **Paris** the River Seine burst its banks following exceptionally heavy rains. There are fears that water levels in the French capital could exceed those of 2016, when the city endured serious flooding.

Sinn Fein's new president will be Mary Lou McDonald, who will replace Gerry Adams when he steps down at a party meeting in February. Ms McDonald is an MP in **Ireland's** parliament (the nationalist party's leader in Northern Ireland is Michelle O'Neill).

## Down, but not out?

A federal appeals court in **Brazil** upheld the conviction by a lower court of the former president, Luiz Inácio Lula da Silva, on charges of corruption and money-laundering. Lula is the early front-runner in Brazil's presidential election, to be held in October, but the appeals court's decision may bar him from running. He says he is innocent and that the charges are politically motivated.

**Bolivia's** president, Evo Morales, said he will ask the legislative assembly to repeal the new criminal code after weeks of protests by doctors and other groups against it. The law punishes medical workers guilty of malpractice with jail sentences of up to nine years.

**Venezuela's** constituent assembly, a body created to bypass the opposition-controlled legislature, announced that presidential elections will be held by the end of April. Although the government is responsible for hyperinflation and shortages of basic goods, the president, Nicolás Maduro, is expected to win re-election. The government has banned the most popular opposition leaders from running for office.

## No place like home

Bangladesh delayed the start of the planned repatriation of **Rohingya** refugees to Myanmar, on the ground that it had not compiled a list of those ready to return. It is not clear how many of the 650,000 Rohingyas who fled an army-backed pogrom want to go home, or whether they would be safe if they did so.

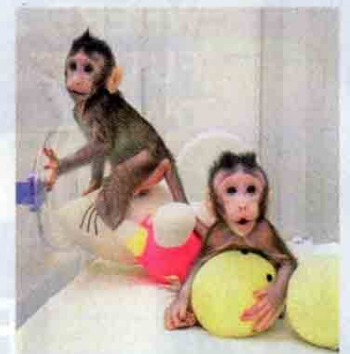
In two separate incidents, Islamic militants stormed an expensive hotel in Kabul and the offices of Save the

Children, a charity, in the city of Jalalabad, killing 27 people in total. Save the Children suspended its operations in **Afghanistan** in response.

America imposed sanctions on various Chinese and North Korean companies and individuals it said were helping **North Korea's** nuclear programme. America and Japan also named several ships that they said were helping the North evade restrictions on its oil imports.

A Swedish citizen, Gui Minhai, was seized in **China** by plainclothes police in the presence of Swedish diplomats who were escorting him on a train. Mr Gui was among five Hong Kong-based booksellers who were snatched by Chinese agents in 2015. He was released last October, with restrictions on his movement, and was reportedly on his way to Beijing for a medical examination at the Swedish embassy.

China said 17.2m Chinese **babies** were born in 2017, about 630,000 fewer than the year before. The drop occurred despite the ending in 2016 of the country's long-standing and highly coercive one-child-per-couple policy and its replacement by a limit of two children for most families.



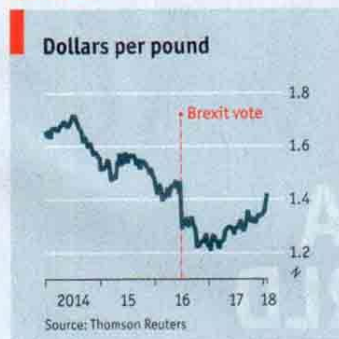
Researchers in China created two **cloned monkeys** using the nuclear-transfer technique employed to make Dolly the sheep. Previous monkey clones have been created by embryo splitting, an easier trick. Until now, nuclear transfer has not worked in primates. Its success this time is leading to speculation that humans will be next.



## Business

The Trump administration dismayed advocates of **free trade** by slapping punitive tariffs on American imports of solar panels and washing machines, and defended the move as a way to protect American manufacturers threatened by cheap Asian goods. Chinese officials described the duties as a “misuse” of trade sanctions, but held back from imposing retaliatory measures. Meanwhile, 11 countries that border the Pacific, including Japan, Canada and Australia, agreed on the final draft of a free-trade pact, from which Mr Trump withdrew America during his early days in office.

### Quids in



The **pound** breached \$1.40 for the first time since June 2016, when Britain’s vote to leave the EU prompted a sell-off in the currency. Sterling has risen against the **dollar** because markets are more optimistic that Brexit won’t end messily; the greenback has been falling steadily since Donald Trump came to power. Steven Mnuchin, the treasury secretary, welcomed a weak dollar, saying it would improve American trade prospects. After he made the remark the dollar fell to a three-year low against a basket of currencies.

The **IMF** issued an unusually upbeat assessment of the **world economy**, highlighting “notable upside surprises” in Europe and Asia that have helped lead to “the broadest synchronised global growth upsurge since 2010”. It revised its forecast upwards for world GDP growth in 2018 and 2019 to 3.9% for both years.

**Paul Romer** resigned as chief economist at the World Bank. His two-year tenure was a rocky one. Mr Romer had chided staff for their poor grammar and overuse of the word “and”, for example, and was recently embroiled in a row with staff about the methodology behind the bank’s annual ease of doing business report.

The American Senate confirmed **Jerome Powell** as the next chairman of the Federal Reserve. He will take over from Janet Yellen on February 3rd. The 84-13 vote in favour of Mr Powell was a wider margin of support than that for Ms Yellen four years ago, although several big hitters from both parties voted against him, including Elizabeth Warren, Ted Cruz and Marco Rubio.

**Puerto Rico’s** governor, Ricardo Rosselló, proposed privatising the island’s crippled and debt-laden electricity firm. Last year Mr Rosselló intervened to stop the utility, known as Prepa, from falling under the control of the federal oversight board that has been appointed to manage Puerto Rico’s bankruptcy. That was before Hurricane Maria. A third of homes and businesses are still without power.

The European Commission imposed a €997m (\$1.2bn) fine on **Qualcomm** for paying money to Apple between 2011 and 2016 with the aim of enticing it to place Qualcomm’s chips in all iPhones and iPads. It is the latest in a number of hefty antitrust penalties levied by various jurisdictions on Qualcomm, which is also tussling with Apple for allegedly overcharging for its intellectual-property licences.

There was no let up in **General Electric’s** misery. The troubled conglomerate reported a loss of \$9.8bn for the fourth quarter, as it booked a previously announced charge to its insurance business and took a \$3.5bn hit because of tax reform. It also revealed that the Securities and Exchange Commission is investigating its accounting practices.

Britain’s competition regulator concluded that the bid by Rupert Murdoch’s **21st Century Fox** to take full control of **Sky**, Britain’s premier subscription-tv broadcaster, would hand the Murdoch family “too much influence over public opinion and the political agenda”. Regulators may feel differently once Sky, and specifically its news channel, is in the hands of **Disney**,

which is buying 21st Century Fox’s entertainment assets, including its stake in Sky.

In its biggest deal for 17 years, **American International Group** agreed to pay \$5.6bn for **Validus**, a reinsurer based in Bermuda. AIG today is a much leaner insurance company than before the financial crisis; its acquisition of Validus signals the end of a long period of retrenchment for the firm.

### The road ahead

Tesla Motors put forward a new ten-year pay deal for **Elon Musk** that links his compensation to very ambitious performance benchmarks. The boss of the electric-car company receives no salary, but he could be awarded up to \$55bn in share options if—a very big if—Tesla’s market value grows to \$650bn, from the \$58bn it is worth today.

As part of its restructuring process, **Toys ‘R’ Us** revealed that it will close around 180 of its 880 stores in America. Children outside the United States will be happy to hear that the company has no plans to close its more than 700 international stores, for now.

Other economic data and news can be found on pages 76-77

