

The Economist

JULY 7TH-13TH 2018

Our annual supplement: The World If

The transatlantic rift

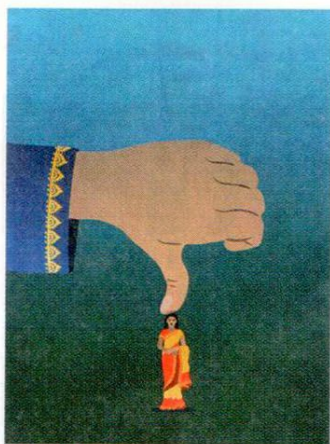
A guide to disarming North Korea

Where BATs fight FAANGs

How India fails its women



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The female employment rate is lower than in any big economy bar Saudi Arabia, and falling: leader, page 7. Women in India have dropped out of the workforce. How can they be persuaded to return to it? Page 14

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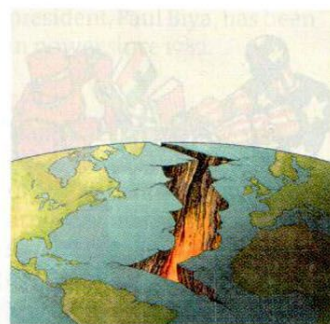
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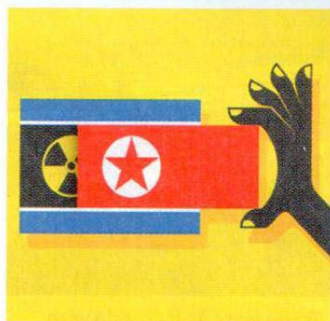
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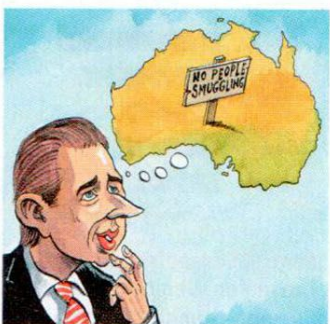
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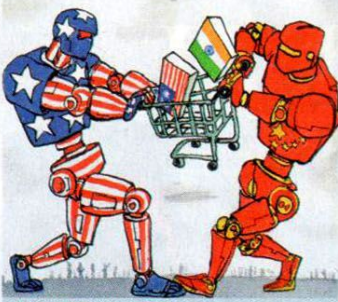
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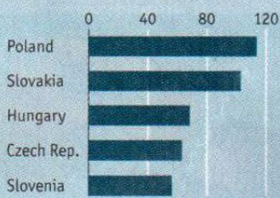
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GDP per person*

% increase 1997-2017



*At purchasing-power parity

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The World If Our annual supplement of speculative and future-gazing scenarios includes: China's new world order, Europe's next crisis, female CEOs, data as labour, a moonless Earth, the future of food, and more, after page 38

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Politics



Andrés Manuel López Obrador, a left-wing populist, won **Mexico's** presidential election with 53% of the vote. He defeated candidates from the ruling Institutional Revolutionary Party (PRI) and the National Action Party, which between them have governed the country since the early 20th century. Mr López Obrador's Morena party and its allies won a majority in both houses of congress and five of the nine governorships that were contested in the elections. The PRI is now the fifth-largest party in congress.

A court in **Ecuador** ordered the arrest of a former president, Rafael Correa, who now lives in Belgium. A former legislator, Fernando Balda, has accused Mr Correa of arranging his kidnapping in Colombia in 2012. During Mr Correa's presidency the government accused Mr Balda of participating in an unsuccessful coup attempt. Mr Correa denies wrongdoing.

Chinchilla v corruption

Honduras's congress appointed Óscar Chinchilla to a new term as the country's attorney-general. Mr Chinchilla was not on a list of five candidates considered by congress, casting doubt on the legality of his appointment. But MACCIH, an anti-corruption agency under the aegis of the Organisation of American States, praised it. Mr Chinchilla will be responsible for following up recent allegations that 38 politicians and officials, including the president's brother-in-law, channelled nearly \$12m of government money to the

ruling National Party and to the opposition Liberal Party during elections in 2013.

The Trump administration revoked guidelines issued during Barack Obama's presidency that encouraged colleges to take account of **race in admissions**. Officials say the guidelines were misinterpreted to suggest there was a legal basis for racial quotas.

Donald Trump was reported to have sent letters to several leaders of countries in **NATO** castigating them for failing to increase spending to 2% of GDP on defence, as they have promised. Mr Trump has stepped up his criticism of the military alliance he once described as "obsolete" ahead of a summit that is expected to be as frosty as last month's G7 gathering in Canada. After the NATO summit, Mr Trump will meet Vladimir Putin in Helsinki, Finland's capital.

Merkel's migrant muddle



Angela Merkel, the **German** chancellor, defused an immediate threat to her government over a demand by her Bavarian allies to turn certain asylum-seekers away at the border. But she now faces problems with her Social Democratic allies, and accusations that she is undermining the Schengen free-travel zone.

Poland's government attempted to force more than a third of its Supreme Court judges to retire; many of them retorted that their jobs were guaranteed under the constitution and said they would not quit.

In Britain, two people were found unconscious after being exposed to Novichok, a **nerve**

agent. It is thought the pair may have come across a vial or syringe left behind after an attack on a former Russian spy and his daughter in March, which Britain has accused Russia of carrying out.

Closed borders

Fighting in Deraa and Quneitra, two provinces in south-west **Syria**, has displaced at least 270,000 people, according to the UN. The regime of Bashar al-Assad is battling rebels in the area. Many of the displaced have fled towards the borders with Jordan and Israel, which say they will not let them in. Russia, which backs Mr Assad, is trying to persuade the rebels to hand over their weapons as part of a deal to end the fighting.

The United Arab Emirates paused its offensive on the port city of Hodeida in west-**ern Yemen**, which is held by Houthi rebels. The UN envoy held talks with the rebels and the internationally recognised government, which is backed by the UAE. He said the warring parties offered "concrete ideas" to achieve peace.

Germany arrested an **Iranian** diplomat, normally based in Austria, who is suspected of plotting to attack the meeting of an Iranian opposition group in Paris. Two other suspects, carrying homemade explosives, were arrested in Belgium. The Iranian government said the arrests were a plot to sabotage a visit to Europe by President Hassan Rouhani.

Extremists in **Mali** mounted several attacks on French and other international forces. Two Malian soldiers and a civilian were killed in a car-bomb attack on a command post of the G5 Sahel, a multinational counter-terrorism force, in Sevare. In other incidents four Malian soldiers were killed when their vehicle hit a mine and several civilians were killed in an attack on a French army convoy in northern Mali.

Cameroon postponed its next parliamentary election by 12 months to October 2019. Its

president, Paul Biya, has been in power since 1982.

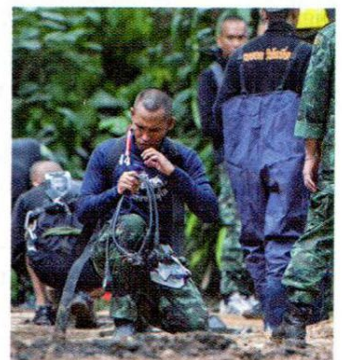
The fall

Najib Razak, who was voted out of office as prime minister of **Malaysia** in May, was arrested and charged with several crimes related to 1MDB, a state development fund from which billions of dollars have disappeared. Mr Najib pleaded not guilty; he has been released on bail.

Mike Pompeo, America's secretary of state, announced a new round of disarmament talks with **North Korea**. John Bolton, the national security adviser, said North Korea could dismantle its nuclear programme and surrender its warheads within a year.

China released Stern Hu, a former Shanghai-based executive of Rio Tinto, a global mining firm, after he had served eight years in jail for corruption and stealing commercial secrets. Mr Hu, an Australian citizen, was given a ten-year prison term in 2010 after a trial that was closed to foreign journalists.

Thousands of people joined a pro-democracy march in **Hong Kong** to mark the anniversary of the territory's handover to China in 1997. Turnout for the annual event was one of the lowest in recent years.



Twelve boys and their football coach, who had been missing in a flooded cave in **Thailand** for ten days, were found alive. But rescuing them is proving difficult, as the way out of the cave complex is still inundated and most of the team does not know how to swim. Divers have been taking food to them. ▶▶

How India fails its women

The female employment rate is lower than in any big economy bar Saudi Arabia, and falling



LAKSHMI, the goddess of wealth and fortune, is the closest thing Hinduism has to an economic deity. How poorly her earthly sisters in present-day India are faring. There, women are less likely to work than they are in any country in the G20, ex-

cept for Saudi Arabia. They contribute one-sixth of economic output, among the lowest shares in the world and half the global average. The unrealised contribution of women is one reason India remains so poor.

Yet far from joining the labour force, women have been falling away at an alarming pace. The female employment rate in India, counting both the formal and informal economy, has tumbled from an already-low 35% in 2005 to just 26% now. In that time the economy has more than doubled in size and the number of working-age women has grown by a quarter, to 470m. Yet nearly 10m fewer women are in jobs. A rise in female employment rates to the male level would provide India with an extra 235m workers, more than the EU has of either gender, and more than enough to fill all the factories in the rest of Asia.

Imagine the repercussions. Were India to rebalance its workforce in this way, the IMF estimates, the world's biggest democracy would be 27% richer. Its people would be well on their way to middle-income status. Beyond the obvious economic benefits are the incalculable human ones. Women who work are likelier to invest more in their children's upbringing, and to have more say over how they lead their lives. Given that more Indian women have been beaten up by their husbands than are in work, there is room for improvement.

Rich irony

The first step in reversing the dramatic drop in female employment is understanding it (see Briefing). Some of the fall is a sign of progress. Girls are staying in school, and thus out of the labour force, for longer. But mostly it is the result of two unwelcome trends. As households become richer, they prefer women to stop working outside the home. It is not unusual in developing economies for a family's social standing to be enhanced by having its women remain at home. But India stands out, as its female labour-force participation rate is well below those of countries at comparable income levels.

Social mores are startlingly conservative. A girl's first task is to persuade her own family that she should have a job. The in-laws she will typically move in with after marriage are even more likely to yank her out of the workforce and into social isolation. In a survey in 2012, 84% of Indians agreed that men have more right to work than women when jobs are scarce. Men have taken 90% of the 36m additional jobs in industry India has created since 2005. And those who say that women themselves prefer not to work must contend with plenty of counter-evidence. Census data suggest that a third of stay-at-home women would work if jobs were available; government make-work schemes attract more women than men.

That points to the other problem: the lack of employment

opportunities. The workforce has shifted from jobs more often done by women—especially farming, where most Indian women work but are being displaced by mechanisation. At the same time, inflexible and unreformed labour markets have hampered the rise of manufacturing and low-level services, the gateway for women in other poor countries. In neighbouring Bangladesh, whose customs are not so different from India's, a boom in garment manufacturing has increased the number of working women by 50% since 2005. In Vietnam three-quarters of women work. But the mega-factories that boosted female employment there are largely absent in India.

Men, to your mops

What can be done? Many of the standard answers fall short. Promoting education, a time-tested development strategy, may not succeed. Figures show that the more schooling an Indian woman receives, the less likely she is to work, at least if she has anything less than a university degree. Likewise urbanisation, another familiar way to alleviate poverty: city-dwelling women are half as likely as rural ones to have a job.

Promoting female-friendly workplace policies, such as generous maternity leave, goes only so far in a country where most workers operate outside the formal economy. The most fruitful policy would be to reform India's labour market so that women can be sucked into jobs en masse. When hiring and firing decisions have to be validated by bureaucrats, few entrepreneurs want to set up large factories.

A huge amount can be achieved in the intimacy of people's homes without any help from the deskwallahs in Delhi. Indian women do 90% of the housework, the most of any large country. Gentlemen, spending just two hours a week doing the dishes or putting the kids to bed, would translate into a ten percentage point increase in female labour participation, according to a World Bank study. If that raised GDP by \$550bn, as the McKinsey Global Institute, a think-tank, has suggested, it would surely be the easiest half-trillion-dollar boost available to the global economy—and to one of its poorest countries, too.

An optimist might argue that more women are not working because India is still paying for the sins of the past, when so many of them were illiterate and high fertility rates bound them to the home. Most measures of female welfare are improving. India has many more girls in classrooms and fewer child brides than it once did.

But simply waiting for that progress to trickle down into the labour market ignores India's dismal recent record. The socially conservative bent of the Hindu-nationalist government of Narendra Modi makes it an unlikely champion of women's rights. Other countries are trying harder to get women into gainful employment. Unless something changes, it will not be long before Saudi women are more common in the workplace than Indian ones.

In fact, many fear that all that extra schooling was a parental ploy to improve a daughter's prospects not in the labour market but in the arranged-marriage market, part of the all-important quest to snag a suitable boy. A further push is needed to get Indian women what they really need: a suitable job. ■

The Founders on guns

To understand America's Second Amendment (Johnson, June 9th) you should look at the original text in the first Congress on the right to bear arms. In June 1789 James Madison proposed nine resolutions, borrowing from state constitutions and the English Bill of Rights. He submitted the following language regarding the right to bear arms, the basis of which eventually became the Second Amendment:

"The right of the people to keep and bear arms shall not be infringed; a well armed and well regulated militia being the best security of a free country; but no person religiously scrupulous of bearing arms, shall be compelled to render military service in person".

Congress was more concerned about the mechanics of setting up a functioning government. After a "desultory" conversation on the amendments, they were referred to a committee of 11 men. The language on bearing arms was revised to:

"A well regulated militia, composed of the body of the people, being the best security of a free state, the right of the people to keep and bear arms shall not be infringed; but no person religiously scrupulous shall be compelled to bear arms."

Elbridge Gerry of Massachusetts led the debate in the House of Representatives. Not one person challenged his assertion that the capacity to bear arms referred to the people's ability to form militias as a defence against a tyrannical government (much of the debate surrounded the question of religious scruples). Senators, however, objected to a number of amendments, without comment as to why, and finally revised the text to:

"A well regulated militia being necessary to the security of a free state, the right of the people to keep and bear arms, shall not be infringed."

The original intent of the amendment was to link the right to bear arms with militia service. The Supreme Court ruled as such on a number of

occasions in the 19th and 20th centuries. It was not until the court changed direction, led by judges committed to interpreting the "original" meaning of the constitution, that regulating the militia and the right to bear arms were decoupled. Ironically, these originalists ignored the Founders' original intent.

THOMAS HAYCRAFT
Fairfax, Virginia

Why there are fewer startups

You omit one factor explaining the decline in the number of American startups ("Into the danger zone", June 2nd). It used to be the case that software in America had greater patent protection than most other countries, providing a strong base for the initial growth of companies such as Amazon, Facebook and Google. That all changed with the Supreme Court's *Alice* decision in 2014, which reduced the patentability of software "subject matter". Copyrighted software can be written around; patented software cannot, so small software firms today find it much harder to protect their innovative ideas. Intellectual-property strategists forecast at the time that *Alice* would have a damaging effect on the American software industry. With 2014 to 2015 marking the point where the downturn in software-based startups began, their fears have been realised.

IAN HARVEY
Former chief executive
BTG plc
London

What's in the journals?

There is a real problem with "questionable" science journals ("Publish and be damned", June 23rd). The need to publish has only increased as the supply of young scientists in many areas has grown beyond the available jobs. The concept of the LPU (Least Publishable Unit) has been a joke among researchers for years. Demand has created a supply. A new industry of pop-up journals, often with fake credentials, has arisen to

ensure that no fledgling manuscript fails to find a citable home. I get a solicitation in my inbox almost every week from a new pop-up journal, asking me to review for, or even edit, it. My favourite is *Global Finance Review*.

PROFESSOR JOHN STADDON
Department of Psychology and Neuroscience
Duke University
Durham, North Carolina

Might some of the published research actually describe good work that would have passed peer review? I take the view of Richard Ernst, who insists that you have to read a research paper before judging its authors. Evaluating the journal's reputation often leads to the wrong conclusions. And even the most stringent peer-review process often resembles a lottery. The reviewers may have an incomplete understanding of the science, tend to defend their established convictions regardless of the presented data, and are sometimes just merely uninterested.

PROFESSOR THOMAS SCHULTZ
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Suicide is a disease

"The sorrows of Werther" (June 16th) observed that one obstacle to suicide-prevention is that people "see suicide as a choice". Indeed. In Goethe's novel, Werther tells the bourgeois Albert that suicide is a disease, not a moral failing: "I find it just as odd to say that a man who takes his life is a coward as it would be inappropriate to call someone a coward if he died from a malignant fever." That was 244 years ago. We still don't give suicide-prevention proper attention.

ILANA WALDER-BIESANZ
San Francisco

Parkinson's Swedish Law

Bartleby's column on pointless tasks mentioned Parkinson's Law: work expands to fill the time available (June 2nd). C. Northcote Parkinson invented another, not-quite-so-famous

law when he gave a speech to the Swedish Employers' Confederation in 1980. "Aim at prosperity and employment will follow. Aim at employment and you will get anything but prosperity."

That is still good advice for parties trying to combat unemployment. Parkinson called it his Swedish Law.
CALL-JOHAN WESTHOLM
Uppsala, Sweden

Drink down all unkindness

It is with much regret that the demise of alcohol is happening across much of society, and not just in Parliament (Bagehot, June 2nd). As a veteran of the Lloyd's of London insurance market with a proud 330-year history of lunchtime drinking, regretfully, even in this corner of the world, we are subjected to a management edict of boring dry lunches. The very thing that has helped lubricate much ingenuity and build personal relationships and trust in the business of risk is now being increasingly denied.

DAVID DOE
Oxted, Surrey



The decline of drinking in the political classes reminds me of the advice Don Quixote gave to Sancho Panza as future governor of fictitious Barataria: "Drink moderately; for drunkenness neither keeps a secret, nor observes a promise."

ANTÓN GALDIZ
Bilbao, Spain ■

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A job of her own

KAPURTHALA

Women in India have dropped out of the workforce. How can they be persuaded to return to it?

Neither of Kirandeep Kaur's older sisters works. Nor do most of her girlfriends. But the 21-year-old is giving it a shot. By the summer, upon completion of a three-month nursing course, she hopes to start as a bedside assistant in a hospital in Kapurthala, a town near her village in the northern Indian state of Punjab. In a windowless classroom bedecked with medical diagrams, she and a dozen others are learning the difference between a stethoscope and an endoscope.

Ms Kaur would rather not act as a pioneer among her peers. But her father, a labourer on building sites, has heart problems, her mother is dead and her sisters live with their husbands' families. Financial necessity and the prospect of a 5,000 rupees (\$73) monthly pay cheque trumped any patriarchal hesitation her father had about her new path. After several years at home since finishing school, the putative nurse thinks she might enjoy it, too.

Everything suggests that Indian women ought to be following Ms Kaur into the workplace. The economy has grown at around 7% a year for two decades, girls are now far better educated than their mothers and fertility rates have dropped rapidly. Such dynamics sucked millions of women into the labour force in other poor countries. Excluding India the proportion of women who work worldwide is 50% (see

chart 1 on next page). But in India, it has declined from 35% in 2005 to 26% today. No country has experienced such a steep decline, and from a low level to boot.

India's bid to become a middle-income country hinges on the likes of Ms Kaur. India, soon to become the world's most populous country, now stands at 121st out of 131 countries ranked by the International Labour Organisation (ILO) for female participation in the workforce. Across the world, some 700m more women would be working if their employment rates matched that of men. A third of those, or 235m, would be in India. Even if India had maintained the rate of 2005, that would have translated into a further 42m workers. That is not far from the number employed in all Indian manufacturing. China, whose footsteps to relative prosperity it aches to follow, has barely more men working than India. Despite a drop as workplace participation dipped for both men and women, its overall workforce is nearly 50% bigger thanks to many more women working.

What prompted the drop? Part of the fall in the number of working women is actually good news. Indian girls are staying in school longer. Research suggests that it explains perhaps a third of the decline in the participation rate, which counts all females aged 15 and above. (But a startling gender gap remains: some 49% of women

between 15 and 24 years old are not in education, employment or training, compared with just 8% for boys.)

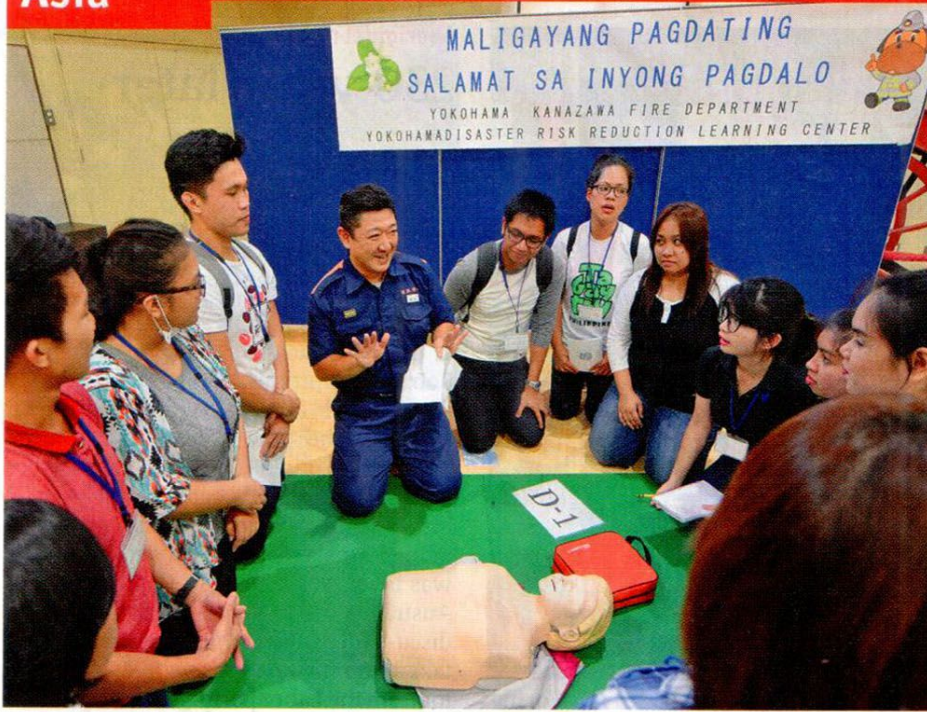
This learning spurt would be good news if girls used it to secure jobs. But a paradox of present-day India is that the more education a girl gets, the less likely she is to work, bar the few that continue their studies past school. Various studies have found a "u-shape" relationship between educational attainment and workforce participation (see chart 2 on next page).

Illiterate women, often from society's poorest segments, have little choice but to work. Most end up doing what amounts to subsistence farming. Two-thirds of India's population live in the countryside and agriculture accounts for over half all female employment. As family incomes rise, women get more education, but upon completing their studies are excused from drudgery in favour of tending home. This would have been the fate of Ms Kaur, who has 12 years of schooling to her name. The trend reverses only with the small number of highly educated women.

From farm to plating up

Patriarchal social mores supersede economic opportunity in a way more usually associated with Middle Eastern countries. Outside a small urban elite, the default position is for women not to work unless there is no other way for a family to make ends meet. This reflects an enduring stigma of women being seen as "having" to toil. A family's social standing partly derives from women being able to stay at home. Such social restrictions become more rigid higher up the caste hierarchy.

The likelihood of a woman working is, in essence, inversely related to her family's ►►



Immigration to Japan

Hidden masses

FUSSA AND KAWAGUCHI

The government is quietly admitting more foreign workers, but doing little to integrate them

WHEN Sakura no Mori hospital and care home in Kawaguchi, 20km north of Tokyo, hired its first foreign workers six years ago, some of the patients would shout “gaijin” (“foreigner”) to summon them; others were wary of having anything to do with them at all. Today Verlian Oktravina, a 26-year-old Indonesian nurse, says the Japanese she works with are more curious than hostile. Yoko Yamashita, the director of the care home, says patients can see that foreign workers are as good as Japanese ones: “They accept them.” She herself, she admits, was initially sceptical about hiring immigrants, but has since changed her mind.

Acceptance of foreign labour is gradually increasing in Japan, one of the world’s most homogenous countries, where only 2% of residents are foreigners, compared with 16% in France and 4% in South Korea. A poll conducted last year found opinion evenly split about whether Japan should admit more foreign workers, with 42% agreeing and 42% disagreeing. Some 60% of 18-29-year-olds, however, were in favour, double the share of over-70s.

Whatever Japanese think of them, foreign workers have become a fact of life, at least in cities. There are 1.3m of them, some 2% of the workforce—a record. Although visas that allow foreigners to settle in Japan are in theory available only to highly skilled workers for the most part, in prac-

tice less-skilled foreigners are admitted as students or trainees. The number of these has been rising fast. Almost a third of foreign workers are Chinese; Vietnamese and Nepalese are quickly growing in number.

More gaijin are on their way. In June the government announced that it would create a “designated skills” visa in order to accept 500,000 new workers by 2025, in agriculture, construction, hotels, nursing and shipbuilding. More significant than the number, perhaps, is the government’s willingness to admit lower-skilled workers openly, rather than through the back door. “It is not the Berlin Wall coming down, but it is a significant shift,” says David Chiavacci of the University of Zurich.

Help wanted

Pressure from business lies behind the change in attitudes, both societal and official. Over the past 20 years the number of workers below 30 has shrunk by a quarter. In addition, the ageing population is creating jobs that few Japanese want at the wages on offer, most notably as carers. There are 60% more job vacancies than there are people looking for work. Industries such as agriculture, construction and nursing are increasingly dependent on foreigners. Some 8% of Sakura no Mori’s staff are foreign, as are 7% of workers at 7 Eleven, Japan’s biggest convenience-store chain.

More exposure to foreigners, through

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tourism, has reassured Japanese that they can get along with them, reckons Hidenori Sakanaka, a former immigration official who now heads the Japan Immigration Policy Institute, a think-tank, and has long advocated widespread immigration. Fears that more foreigners would bring more crime have proved unfounded (although many landlords still refuse to rent to them).

Attracting the foreign workers Japan needs will not necessarily be easy. Language is a big barrier. Highly skilled immigrants, for whom the government has made it easier to get permanent residency, reducing the required period of residence from five years to one, are not required to speak Japanese. But only a handful of companies, such as Rakuten, an e-commerce giant, work in English. Lowlier workers must pass a Japanese exam and are not allowed to bring their families, even under the new “designated skills” visa.

Business practices are another barrier. Workers on student and trainee visas are vulnerable to exploitation. Firms where promotion is based on seniority rather than merit and where long hours are the norm will find it hard to attract workers.

Japan also needs to do more to help integrate foreigners, says Iki Tanaka, who runs Youth Support Centre Global School, a private institute in Fussa, a city of 60,000 people west of Tokyo. A teacher at the school is coaching a group of foreign students, including Nepalese and Filipinos, in Japanese. The goal is to get them into state secondary school.

Ms Tanaka suspects that the government makes little effort to help foreigners integrate because it does not really want them to stay. It requires many of those already present to renew their visas frequently, for example. The case of *nikkeijin*, immigrants of Japanese extraction, is in



Prostitution
Sin city

DONGGUAN

Sex workers are frequent targets of police raids. Their business flourishes

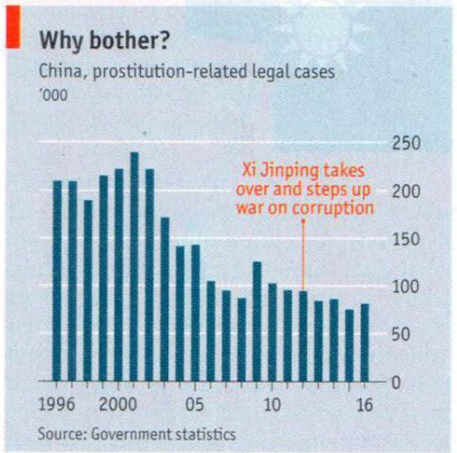
ONCE referred to even in China's media as the country's "sex capital", the southern city of Dongguan remains the subject of many lewd jokes. Tens of thousands of sex workers used to practise in the city, servicing people working in its vast sprawl of factories as well as visitors drawn by its sleaze. That began to change early in 2014, when the local government launched an unusually fierce anti-vice campaign. In the first few days alone some 6,000 police raided 2,000 saunas, karaoke bars and other such venues. They hauled away many of their staff and patrons.

Four years later punters can still buy sex in Dongguan, as they can across China. A taxi-driver explains that instead of operating in posh hotels and "super saunas", as many of them used to, Dongguan's sex workers now mainly ply their trade more discreetly. He offers an appointment with a woman he knows. Yet city officials have done a far more thorough job of clamping down on the business than most locals expected. They have persisted with their efforts, even though their campaign has damaged service industries in Dongguan (also sometimes called "sin city" in China's English-language press) that depended on the sex trade. Many of Dongguan's prostitutes were migrants from rural areas. A lot of them appear to have left town.

The Communist Party has long portrayed prostitution as a form of exploitation and itself as a liberator of women who

engage in it (with the help of thought reform in labour camps). After seizing power in 1949, the party used its control of the economy to provide alternative jobs for many prostitutes. Before long it claimed to have wiped out the trade entirely.

Prostitution returned in force after China began liberalising its economy in 1978. The government encouraged foreign investment and relaxed restrictions on migration from the countryside to cities. Rural women took the opportunity to seek better-paid work. Businesspeople from Hong Kong, Taiwan and elsewhere began piling in to build factories, including in Dongguan. Many of the migrants found jobs on the new production lines. Some sought work in new red-light districts.



Also in this section

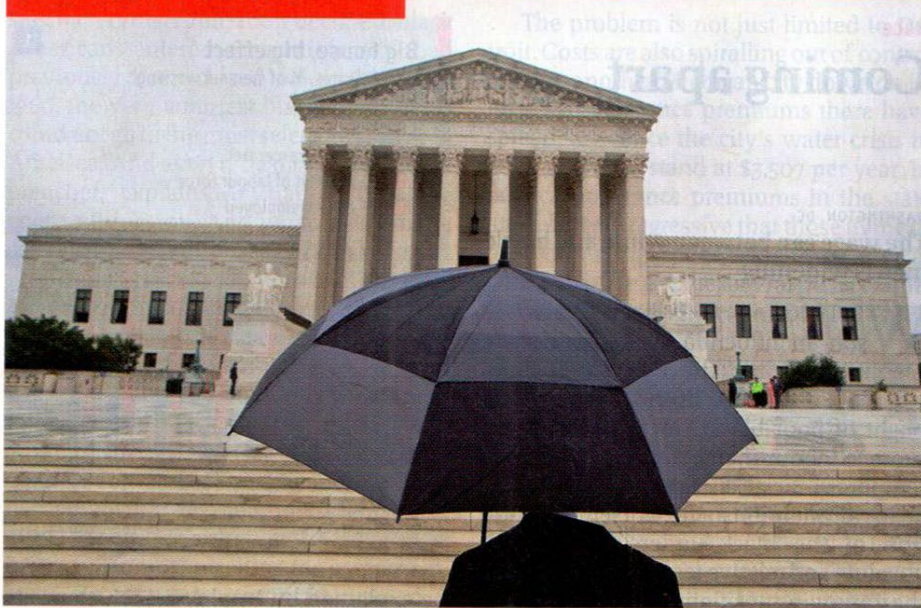
22 Battling over Taiwan terminology

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Experts reckon there may be millions of sex workers in China, most of them women. Despite numerous campaigns against the business, prostitution is probably becoming more common. Surveys carried out over 20 years by Pan Suiming and fellow researchers at Renmin University in Beijing found that the proportion of Chinese men who admit to having hired a prostitute doubled to around one in seven in the decade to 2015. They believe it might reach more than one in six by 2020. China's skewed sex ratio, caused by a traditional preference for sons that has encouraged abortions of female fetuses (a problem exacerbated by a now-abandoned policy of limiting couples to having only one child) means that there will be growing demand for commercial sex from men unable to find wives.

Most Chinese sex workers choose the trade freely, says Ding Yu of Sun Yat-sen University in Guangzhou. Some prefer it to jobs that are commonly done by poor women from the countryside, such as in shops or factories. They gamble that, in spite of being illegal, prostitution will offer more chance to save money. Others become sex workers only as a last resort. China's limited social safety-net can leave those who are ill, unemployed or on the run from violent men with few other options, says Lijia Zhang, a writer who has researched China's sex business.

The penalties are harsh. Sex workers and their clients can be fined and locked up without trial for up to 15 days. Prostitutes caught repeatedly can be sent, also without trial, to "custody and education" centres, a type of jail where they can be held for up to two years. Pimps can be sentenced to up to ten years in prison. There is less risk of public shaming. In 2010 the government banned police from parading sex workers in the streets, once a frequent form



The Supreme Court

The coming storm

WASHINGTON, DC

A court with a solid conservative majority could reshape American life. Here's how

WHEN Anthony Kennedy announced his retirement from the Supreme Court on June 27th, Democrats rushed to the barricades. "This is the fight of our lives," announced Senator Elizabeth Warren of Massachusetts. Senator Kamala Harris proposed delaying confirmation hearings for Mr Kennedy's successor until after the next election, which falls in November 2018, just as Mitch McConnell, the Senate majority leader, did with Barack Obama's nominee in 2016. In practice, Democrats cannot stop Mr Trump from placing his second justice on the country's highest court. Mr McConnell is serenely untroubled by the precedent he set, and President Donald Trump plans to announce his nominee on July 9th. When the nominee is confirmed in the autumn, he or she should cement a reliable conservative majority that could, among other things, make abortion less accessible and federal agencies less powerful, though not quite in the way that many seem to expect.

The next justice will almost certainly be young (Mr Trump talked of wanting his nominee to serve for 45 years) and farther to the right than Mr Kennedy, a libertarian conservative whose moderate social views made him the court's swing vote. Predicting a jurist's voting patterns used to be harder. David Souter, appointed by a Republican (George H.W. Bush), became a reliably liberal jurist. Hugo Black, a former Klansman from Alabama, ruled school segregation unconstitutional. Today's Republican appointees, though, come up

through a conservative legal pipeline that was in its infancy a few decades ago. They have reliable paper trails and are thoroughly vetted. Republicans have learned the "no more Souters" lesson. To shore up his standing with white evangelicals, the president released lists of potential nominees during the campaign, and has met at least seven people on those lists, though Mr Trump, an inveterate showman, may choose someone else entirely.

The president has stoked Republican hopes by musing about the Supreme Court overturning *Roe v Wade*, which found that a constitutional right to privacy protects a woman's decision to terminate her pregnancy. That seems unlikely. It would be political self-harm, galvanising the left while removing a longtime inspiration for religious conservatives. Justices also tend to dislike simply overturning past rulings (though the court's five conservatives, including Mr Kennedy, displayed no such squeamishness in a recent case that overturned decades of precedent to weaken public-sector unions).

Nothing seems to fit

The court need not explicitly overturn *Roe* to functionally outlaw abortion, though. It could simply approve onerous state-level restrictions. In 2016 Mr Kennedy voted with the Court's four liberals to strike down, as an undue burden on a constitutional right, a Texas law requiring that abortion providers have the right to send their patients to nearby hospitals and that

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abortion clinics have similar facilities to surgical centres. Several similar cases are wending their way through the federal-court system. Under a more conservative justice, abortion may not become explicitly illegal, just inaccessible in many states.

A similar pattern may hold for gay rights, a cause that Mr Kennedy helped not just with his rulings on gay marriage, but going back to 1986, when he struck down a Colorado law that would have exempted gay people from anti-discrimination protections. Here, too, the risk is less that his successor renders gay marriage illegal than that the court permits various religiously inspired opt-outs. State clerks who refuse to sign marriage certificates for same-sex couples on religious grounds could find their actions protected, for example. What was once the law of the land could end up applying only in some places.

A Kennedy-less court would probably be less hospitable to all sorts of regulation. The Affordable Care Act looks secure for now, because the block that upheld it (Mr Roberts and the court's four liberals) remains intact. But conservative jurists are sceptical of the doctrine known as Chevron deference, which tells courts to defer to government agencies in their interpretations of ambiguous statutes, as long as they are reasonable. Conservatives complain that, in effect, this lets agencies make laws as well as enforce them, usurping power that properly belongs to Congress.

Chevron defenders argue the doctrine is essential to a functional government. Getting rid of Chevron would fit well with the goal of dismantling the administrative state announced in the first months of the Trump administration. This involves an intriguing family subplot. In the case that gave rise to Chevron, the court ruled in favour of granting the Environmental Protection Agency (EPA) discretion. The boss of the EPA at the time was Anne Gorsuch. Her son, Neil, was Mr Trump's first nominee ▶▶



Mexico's new president

Man with a plan?

MEXICO CITY

The election of Andrés Manuel López Obrador, a leftist populist, has given hope to disillusioned voters. He risks letting them down

“I WILL not fail you. You will not be disappointed.” Standing before a crowd of perhaps 100,000 people in the Zócalo, Mexico City’s central square, on July 1st, Andrés Manuel López Obrador seemed fully aware of the magnitude of what he had just accomplished. The charismatic populist had won Mexico’s presidency in the country’s first democratic landslide. His electoral coalition, *Juntos haremos historia* (together we will make history), will control congress and the government of Mexico City, the capital, giving him unprecedented power for a modern president (see next story). No president has come into office with such high expectations since free elections began in 2000.

It is uncertain that he will meet them, in part because of the sort of politician he is. Mr López Obrador, who is often called simply AMLO, is a conundrum. He can sound like a fiscally conservative pragmatist in one speech and a messianic rabble-rouser in the next. Mexicans cannot be sure which AMLO will turn up to work on December 1st, the day he is due to take office.

A 64-year-old ex-mayor of Mexico City who has run for the presidency twice before, Mr López Obrador won 53% of the vote. His nearest challenger, Ricardo Anaya of the National Action Party (PAN), trailed far behind with 22%. José Antonio Meade of the governing Institutional Revolutionary Party (PRI) won a dismal 16%. Mr

López Obrador’s victory was not a surprise: he has led in the polls by double-digit margins since March.

But it is an epochal event in a country where political change has often come at a glacial pace. When the PRI lost power in 2000 after governing Mexico for 71 years, the PAN, founded six decades earlier, came in. But it did not change much, paving the way for the PRI’s return to office in 2012. Mr López Obrador, who founded *Morena*, the main constituent of *Juntos haremos historia*, as a party in 2014, denounced the two big parties as enablers of a “mafia of power”. His election has destroyed the political duopoly. On the campaign trail he told supporters it would be the most momentous occasion since the revolution that began in 1910.

Rhetoric v results

Mr López Obrador promises to be the antithesis of the out-of-touch presidents who came before him. He will not live in the Los Pinos palace and will halve the salaries of senior bureaucrats, including his own. His wife, Beatriz Gutiérrez Müller, will not be the “First Lady”, a term that she deems classist. AMLO will not need bodyguards, because “the people will protect me.”

They want him to protect them, too. He won primarily because he promised to reduce crime and eliminate corruption, scourges that neither of the two big main-

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stream parties managed to control. Graft flourished under the current president, Enrique Peña Nieto. In one PRI-governed state, the health system administered distilled water instead of drugs to children with cancer. Last year the murder rate broke a new record. The political campaign itself was plagued by violence: more than 120 politicians and political workers have been killed since last September.

It is one thing to rail against crime, corruption and impunity, quite another to take command of the apparatus of law enforcement. Mr López Obrador’s ideas for curing Mexico’s plagues are fuzzy. He has talked of giving amnesty to members of drug gangs, then clarified that he meant mainly poppy farmers and other non-violent folk. In June Olga Sánchez Cordero, AMLO’s prospective interior minister, called for the decriminalisation of cannabis. Mr López Obrador has talked of creating a federal gendarmerie, which would be good if it happened. He sees reducing deprivation, for example through a programme of scholarships for young people, as a way to cut gangs off from their supply of recruits. But his “peace and reconciliation plan” is still a work in progress.

Likewise his approach to fighting graft. He talks of centralising government procurement and of enlisting citizens to monitor it. His campaign proposed a constitutional amendment to prohibit public officials from engaging in businesses that might conflict with their duties. But Mr López Obrador has shown little interest in such vital reforms as ensuring that both the attorney-general and the anti-corruption prosecutor are free from political influence. As with crime, he seems to believe he will succeed where his predecessors have failed through a combination of good intentions, personal rectitude and popular ▶▶



Donald Trump and NATO

A perilous summit

WASHINGTON, DC

Will the president who arrives at the NATO summit next week be Triumphant Trump, Tetchy Trump or Torpedo Trump?

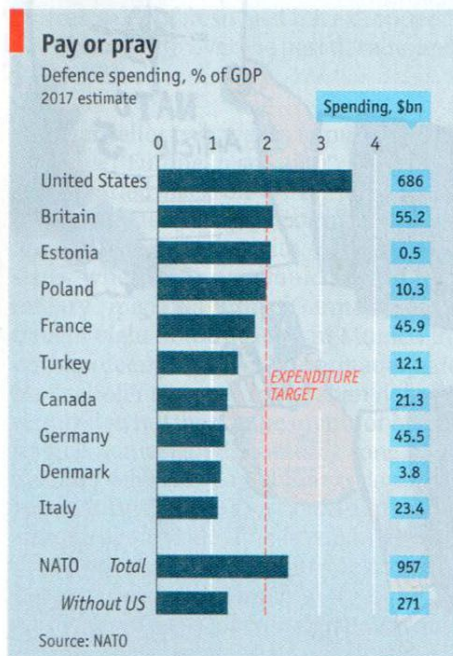
FIRST came the fiasco of the G7's summit last month in Charlevoix, Canada, when President Donald Trump refused to sign the final communiqué amid angry tweets from Air Force One. Now for the sequel. Many fear an even more damaging bust-up at the NATO summit to be held in the 29-member alliance's new headquarters in Brussels on July 11th-12th. It features the same lead characters. "We've seen that movie and it didn't end well," says Admiral James Stavridis, dean of the Fletcher School at Tufts University and a former supreme allied commander Europe.

Although as president Mr Trump has affirmed his commitment to the alliance, some suspect his support is at best skin-deep. On the campaign trail he described NATO as "obsolete" and at Charlevoix he is said to have called it "as bad as NAFTA", a trade agreement he regards as a rip-off. The president resents his allies for failing to bear their fair share of the costs of defending Europe. Never mind that some of them put their soldiers in harm's way in perilous places such as Helmand province in Afghanistan. His view of their efforts boils down to a single number: the share of GDP spent on defence, and whether it meets NATO's guideline of 2%.

Hence the letters he sent to fellow NATO leaders last month bluntly urging them to do better. It will become "increas-

ingly difficult", he told Erna Solberg, Norway's prime minister, among others, "to justify to American citizens why some countries fail to meet our shared collective security commitments".

The letters to Norway and Canada found their way onto the internet. The one to Germany was particularly sharp, judging by extracts in the *New York Times*.



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"Continued German underspending on defence undermines the security of the alliance and provides validation for other allies that also do not plan to meet their military spending commitments," Mr Trump told Chancellor Angela Merkel. (Britain, which does meet the 2% target, got a subtler prod from James Mattis, Mr Trump's defence secretary, who wrote to his British counterpart that Britain risked being eclipsed by France as America's "partner of choice" if it did not invest more.)

Mr Trump's confrontational approach has only added to worries that a full falling-out is only an intemperate tweet away. It comes on top of his rejection of the nuclear deal with Iran and the fight he has picked over trade tariffs.

Given the potential for trouble, why bother to meet at all? Having Mr Trump sit and listen as other leaders drone on would seem the perfect way to exasperate him. In the alliance, "you don't actually need summits for anything," points out Ivo Daalder, a former American ambassador to NATO. The allies' political body, the North Atlantic Council, can take binding decisions. As it is, its 29 members must brace themselves for a wide range of potential outcomes.

Triumphant, tetchy or torpedoed

One possibility (call this scenario Triumphant Trump) is that the summit goes fine. Mr Trump is said to hate appearing predictable, so he may surprise everyone by behaving himself. He could point to increased NATO defence spending and decide to declare victory.

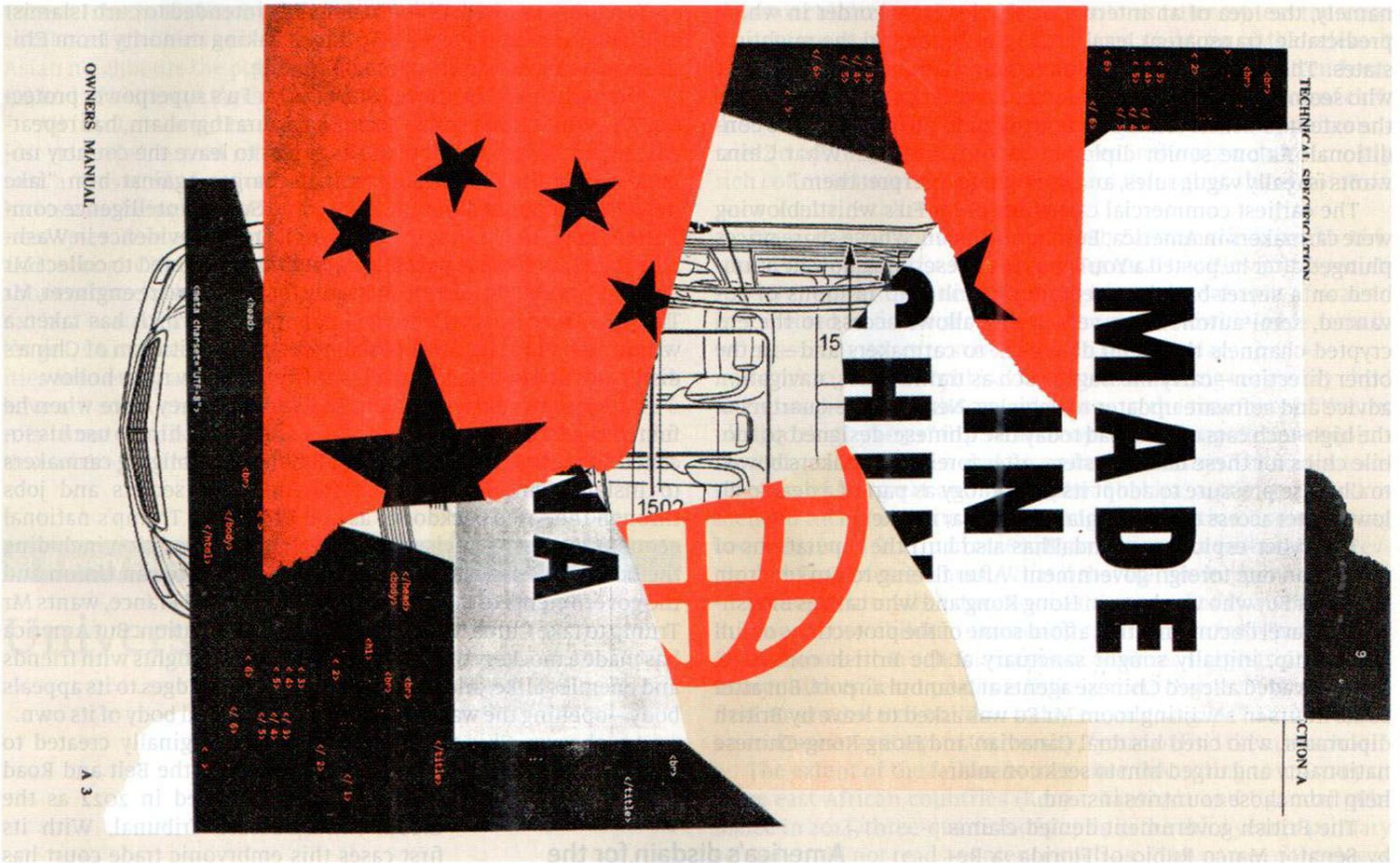
Last year saw "the biggest increase in defence spending across Europe and Canada in 25 years", says Jens Stoltenberg, NATO's secretary-general. Since the beginning of 2017 the number of allies on track to

What if...

- China made the global rules
- Europe's splits widened
- half of CEOs were women
- data were treated as labour
- the Moon had never existed

The World **If**





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→ If China made the rules

Xi's world order

July 2024

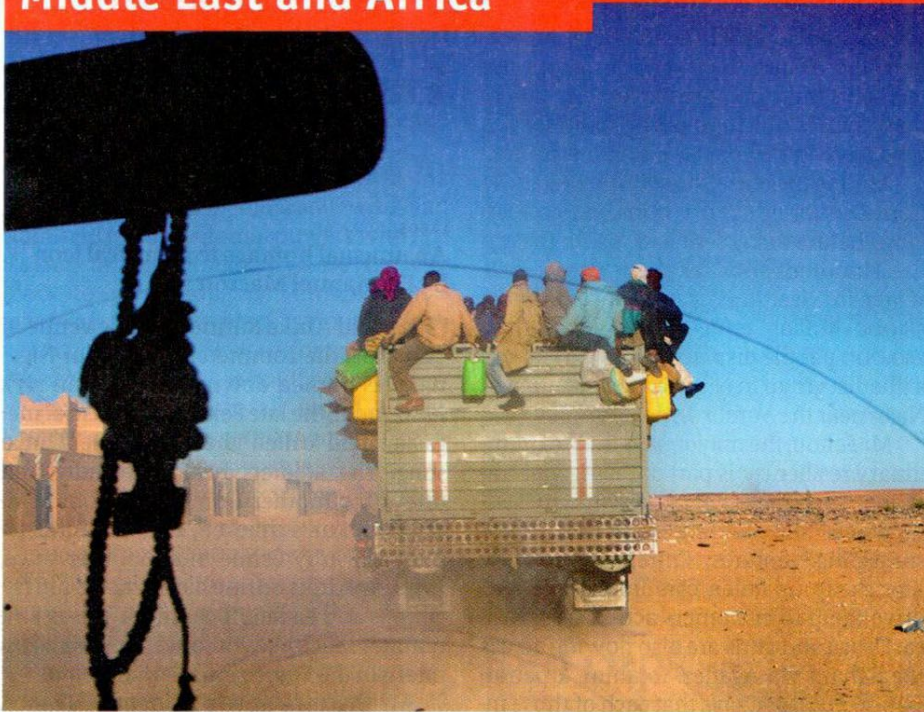
WASHINGTON, DC

As America defies and dismantles the international rules-based order, a report from the future imagines what could replace it

NEWS OUTLETS CALL him "China's Edward Snowden". His fans worldwide call him "Brother Fu"—a tag now seen on T-shirts and in internet memes. Both labels are said to mortify Fu Xuedong, the shy Canadian-educated software engineer whose allegations about Chinese cyber-spying have been the summer surprise of 2024. Mr Fu has thrown this, the final year of Donald Trump's second term, into turmoil with his allegation that China's intelligence services, working with the country's technology firms, have turned millions of cars in America, Europe and Asia into remote spying devices, letting Beijing track vehicles in real time, identify passengers with facial-recognition and even eavesdrop on them.

China denies the claims, which if confirmed would amount to the largest espionage operation in history. Yet the fury of its response sits uneasily with its talk of Mr Fu as a "fantasist" and "a historic liar". A cyber-security specialist at an innovation laboratory in Shenzhen, he has now been on the run from Chinese agents for five weeks—the past four of which he has spent holed up in the American consulate in Istanbul, as diplomats and politicians wrangle over his fate. So far Mr Fu's saga is one with no winners, but many losers—including some of the world's largest firms and governments that have buckled at the first hint of Chinese anger.

But the most important loser may be an abstract principle: ►►



Migration

Last stop before the desert

AGADEZ

The gateway to the Sahara is struggling now that the flow of migrants is drying up

ON JUNE 14th the Sultan of Air, the traditional leader of the Touareg people of Agadez, came out to pray. It was a grand spectacle. Thousands had gathered to mark the end of the Muslim fasting month of Ramadan at a huge open ground. When the Sultan had finished praying, he rode back to his palace, flanked by nobles on horseback and tootling trumpeters. In the streets everyone was smiling and waving. It must have been a relief for the Sultan: a few blessed hours of not having to listen to his subjects moaning about the collapse of the people-smuggling trade.

For centuries Agadez, home to perhaps 200,000 people, has lived off trans-Saharan commerce. Once camel trains set off from here with slaves, pilgrims, salt and gold. More recently it has prospered from a boom in the traffic of people north across the sands to the Mediterranean and onward to Europe. Many Europeans think of this flow of people as a vast, terrifying flood. It has prompted Italy to close its ports to rescue ships, and almost led to the collapse of Germany's governing coalition this week. Yet as anyone in Agadez will tell you, it has now dried to a trickle.

Over the past four years some 600,000 people are thought to have crossed the sea from Libya to Italy. Most of those probably reached Libya via Agadez, crossing Niger at a rate of about 100,000 a year on average since 2000, reckon researchers at the Clin-

gendael Netherlands Institute of International Relations. After the fall in 2011 of Muammar Qaddafi, Libya's late dictator, the numbers crossing shot up, peaking at 330,000 in 2016. Now the number making their way north from Agadez could be fewer than 1,000 a month.

This is largely because of bigger efforts to restrict migration through Niger. The European Union (EU) has pressed the Nigérien government to stanch the flow. Its own people have demanded action, too, after the deaths in 2013 of 92 Nigériens,



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mostly women and children, who had been dumped in the desert by smugglers. In 2015 Niger passed an anti-trafficking law. In 2016 it began seriously to enforce it. Drivers carrying migrants north were jailed and their cars were confiscated. In return the EU has stepped up aid to Niger. Rhissa Feltou, the mayor of Agadez, says that, in effect, the Nigérien police checkpoint outside the town has become the new southern frontier of the EU. And with it has come hardship for his town.

At the peak of the migrant boom some 6,000 people were directly employed in ferrying people north or providing food and lodging on the way, according to the Dutch study. In addition, young men earned a living driving motorcycle taxis that ferried migrants around town as they bought food, water, turbans and sunglasses for the desert crossing. Indirectly one in two households in Agadez benefited. Since the slump bus companies have fired 75% of the staff who worked on the route from Niamey, the capital, to Agadez.

The flow has not halted completely. But migrating has become more dangerous, and more expensive. Officials demand bigger bribes to look the other way. Smugglers avoid the main road, which is so infested with bandits that traders move in convoys, escorted by the army. The crackdown has made people-traffickers nervous. When they think they are about to be caught by the police or army, they abandon their passengers in the desert to avoid being prosecuted and losing their trucks. The International Organisation for Migration (IOM) has rescued 8,255 people stranded in the desert since August 2016. Many more are doubtless never found. Goge Maimouna Gazobi, the head of Niger's anti-trafficking agency, insists that stricter enforcement has reduced the number of people being



Gender and politics

A culture war comes to Westminster

Both the Conservatives and Labour agree on transgender rights. Now they just have to convince the voters

WITH a wince, Theresa May said she was sorry. Asked about her record on gay rights, the prime minister apologised for refusing to support the repeal in 2003 of a law which banned teaching children "the acceptability of homosexuality as a pretended family relationship". A year earlier she had voted against adoption by gay couples. Yet today, "I want to be seen as an ally of the LGBT community," said the prime minister. "We want a country where people are able to be open about who they are, who they love and how they identify." The Conservative Party, once a generator of anti-LGBT laws, has belatedly wrapped itself in the rainbow flag.

Mrs May was speaking at the launch of a consultation on reforming the Gender Recognition Act, which dictates how people can change their legal gender. Supporters of reform argue that the current system is slow and demeaning. To obtain a Gender Recognition Certificate, a person must have spent two years in their new gender. They need a doctor's diagnosis of gender dysphoria, must submit medical reports, sign a legal undertaking and pay £140 (\$185). Only 4,910 people have bothered since 2004, when the law came into force.

The government wants the process to be "streamlined and de-medicalised". Beyond that, details are thin. But the destination is clear: a looser regime. "Trans women are women; trans men are men," Penny

Mordaunt, the minister in charge, told Parliament. Labour supports the plan to liberalise the law, criticising only the government's sluggishness.

Normally, unanimity in the House of Commons is reserved for uncontroversial topics. This time, Labour and the Tories have ended up on the same side of a brewing culture war. The consultation exercise has provoked complaints that women-only spaces, from toilets to domestic-abuse shelters, could become vulnerable to sexual predators if rules are loosened too much. Supporters of reform argue that single-sex spaces are protected by the Equality Act, and that trans people could still be excluded if necessary. The consultation will examine whether changing rules on gender recognition would affect these protections.

The row is bitter. Insults fly online. One offline debate ended in assault. Women wearing fake beards invaded the men's bathing pond at Hampstead Heath, to protest against trans women's use of the ladies' pond. Arguments have erupted over changing rooms, all-women MP shortlists

Open future

As part of our Open Future initiative to remake the case for classical liberalism, *The Economist* has invited a range of thinkers to discuss transgender issues in a series of essays. Visit economist.com/transgender

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and even the cabin arrangements of the Caledonian Sleeper train.

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Nuclear-inspection regimes

How to disarm North Korea

Unpicking Kim Jong Un's arsenal looks harder than anything nuclear inspectors have ever tried before

SIEGFRIED HECKER, a professor who used to run America's nuclear laboratory at Los Alamos, recalls the most recent of the seven trips he has made to North Korea, in 2010. His hosts were showing off their sprawling Yongbyon atomic-energy complex. With a blend of shyness and defiance, they displayed an astonishing spectacle: a hall with 2,000 brand-new centrifuges, machines that enrich uranium, either for electricity or nuclear bombs.

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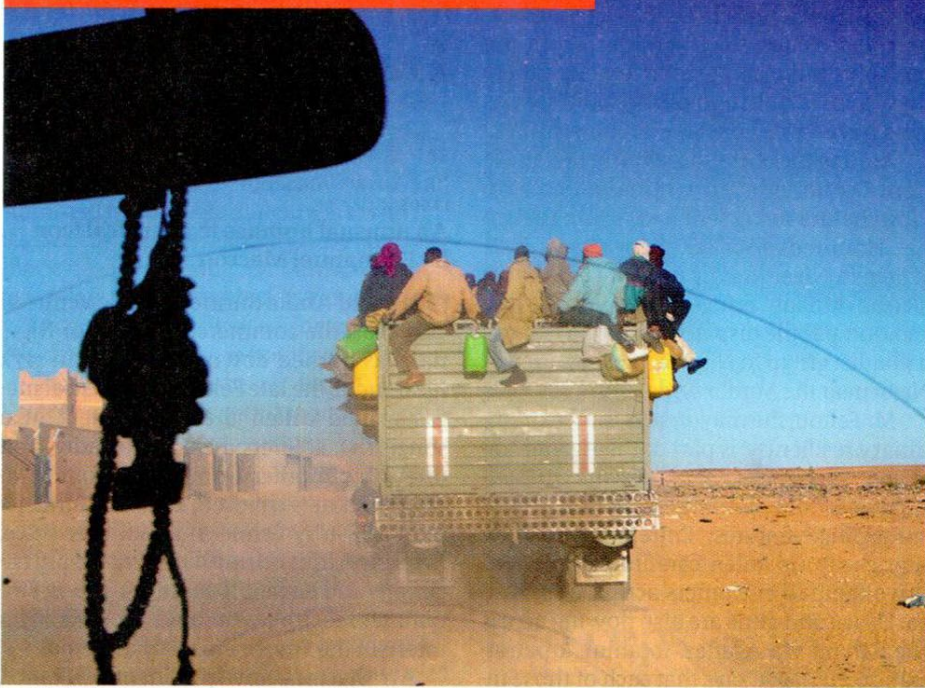
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An inspector calls

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Migration

Last stop before the desert

AGADEZ

The gateway to the Sahara is struggling now that the flow of migrants is drying up

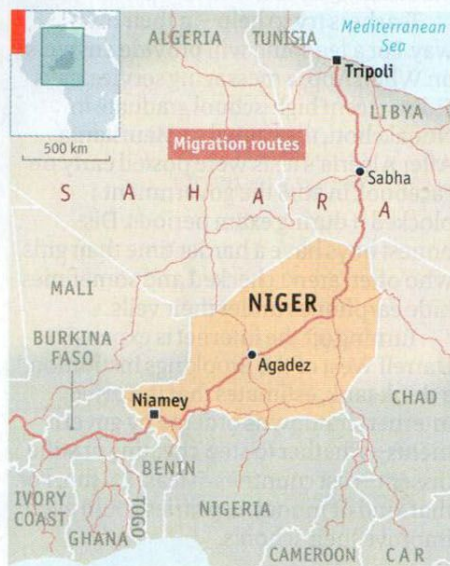
ON JUNE 14th the Sultan of Aïr, the traditional leader of the Touareg people of Agadez, came out to pray. It was a grand spectacle. Thousands had gathered to mark the end of the Muslim fasting month of Ramadan at a huge open ground. When the Sultan had finished praying, he rode back to his palace, flanked by nobles on horseback and tootling trumpeters. In the streets everyone was smiling and waving. It must have been a relief for the Sultan: a few blessed hours of not having to listen to his subjects moaning about the collapse of the people-smuggling trade.

For centuries Agadez, home to perhaps 200,000 people, has lived off trans-Saharan commerce. Once camel trains set off from here with slaves, pilgrims, salt and gold. More recently it has prospered from a boom in the traffic of people north across the sands to the Mediterranean and onward to Europe. Many Europeans think of this flow of people as a vast, terrifying flood. It has prompted Italy to close its ports to rescue ships, and almost led to the collapse of Germany's governing coalition this week. Yet as anyone in Agadez will tell you, it has now dried to a trickle.

Over the past four years some 600,000 people are thought to have crossed the sea from Libya to Italy. Most of those probably reached Libya via Agadez, crossing Niger at a rate of about 100,000 a year on average since 2000, reckon researchers at the Clin-

gendael Netherlands Institute of International Relations. After the fall in 2011 of Muammar Qaddafi, Libya's late dictator, the numbers crossing shot up, peaking at 330,000 in 2016. Now the number making their way north from Agadez could be fewer than 1,000 a month.

This is largely because of bigger efforts to restrict migration through Niger. The European Union (EU) has pressed the Nigérien government to stanch the flow. Its own people have demanded action, too, after the deaths in 2013 of 92 Nigériens,



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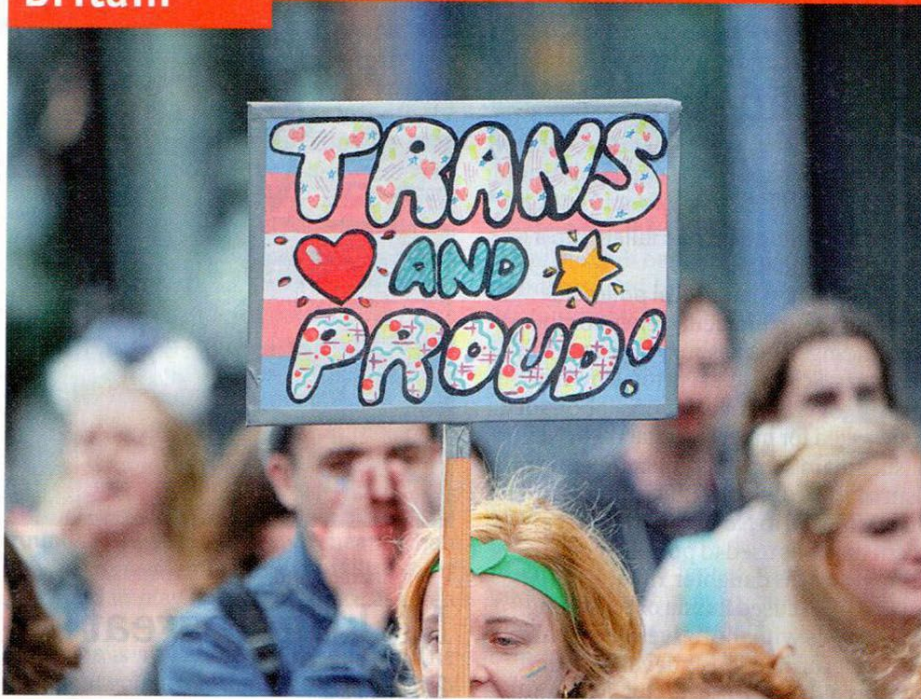
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mostly women and children, who had been dumped in the desert by smugglers. In 2015 Niger passed an anti-trafficking law. In 2016 it began seriously to enforce it. Drivers carrying migrants north were jailed and their cars were confiscated. In return the EU has stepped up aid to Niger. Rhissa Feltou, the mayor of Agadez, says that, in effect, the Nigérien police checkpoint outside the town has become the new southern frontier of the EU. And with it has come hardship for his town.

At the peak of the migrant boom some 6,000 people were directly employed in ferrying people north or providing food and lodging on the way, according to the Dutch study. In addition, young men earned a living driving motorcycle taxis that ferried migrants around town as they bought food, water, turbans and sunglasses for the desert crossing. Indirectly one in two households in Agadez benefited. Since the slump bus companies have fired 75% of the staff who worked on the route from Niamey, the capital, to Agadez.

The flow has not halted completely. But migrating has become more dangerous, and more expensive. Officials demand bigger bribes to look the other way. Smugglers avoid the main road, which is so infested with bandits that traders move in convoys, escorted by the army. The crackdown has made people-traffickers nervous. When they think they are about to be caught by the police or army, they abandon their passengers in the desert to avoid being prosecuted and losing their trucks. The International Organisation for Migration (IOM) has rescued 8,255 people stranded in the desert since August 2016. Many more are doubtless never found. Goge Maimouna Gazobi, the head of Niger's anti-trafficking agency, insists that stricter enforcement has reduced the number of people being



Gender and politics

A culture war comes to Westminster

Both the Conservatives and Labour agree on transgender rights. Now they just have to convince the voters

WITH a wince, Theresa May said she was sorry. Asked about her record on gay rights, the prime minister apologised for refusing to support the repeal in 2003 of a law which banned teaching children "the acceptability of homosexuality as a pretended family relationship". A year earlier she had voted against adoption by gay couples. Yet today, "I want to be seen as an ally of the LGBT community," said the prime minister. "We want a country where people are able to be open about who they are, who they love and how they identify." The Conservative Party, once a generator of anti-LGBT laws, has belatedly wrapped itself in the rainbow flag.

Mrs May was speaking at the launch of a consultation on reforming the Gender Recognition Act, which dictates how people can change their legal gender. Supporters of reform argue that the current system is slow and demeaning. To obtain a Gender Recognition Certificate, a person must have spent two years in their new gender. They need a doctor's diagnosis of gender dysphoria, must submit medical reports, sign a legal undertaking and pay £140 (\$185). Only 4,910 people have bothered since 2004, when the law came into force.

The government wants the process to be "streamlined and de-medicalised". Beyond that, details are thin. But the destination is clear: a looser regime. "Trans women are women; trans men are men," Penny

Mordaunt, the minister in charge, told Parliament. Labour supports the plan to liberalise the law, criticising only the government's sluggishness.

Normally, unanimity in the House of Commons is reserved for uncontroversial topics. This time, Labour and the Tories have ended up on the same side of a brewing culture war. The consultation exercise has provoked complaints that women-only spaces, from toilets to domestic-abuse shelters, could become vulnerable to sexual predators if rules are loosened too much. Supporters of reform argue that single-sex spaces are protected by the Equality Act, and that trans people could still be excluded if necessary. The consultation will examine whether changing rules on gender recognition would affect these protections.

The row is bitter. Insults fly online. One offline debate ended in assault. Women wearing fake beards invaded the men's bathing pond at Hampstead Heath, to protest against trans women's use of the ladies' pond. Arguments have erupted over changing rooms, all-women MP shortlists

Open future

As part of our Open Future initiative to remake the case for classical liberalism, *The Economist* has invited a range of thinkers to discuss transgender issues in a series of essays. Visit economist.com/transgender

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Tech firms in emerging markets

Clash of the titans

MUMBAI

American and Chinese tech giants are battling head to head in places like India and South-East Asia. Who will prevail?

TWO contests are under way in which titans holding billions in their thrall vie for global domination. One is unfolding on Russian football pitches and features the likes of Neymar and Harry Kane. The other is playing out on the smartphone screens of consumers in India, Indonesia, Brazil and other emerging economies. There, American online superstars such as Google, Facebook and Amazon are pitted against a Chinese dream team led by Alibaba and Tencent.

The geopolitics of business means that the world's biggest tech firms have swelled to combined market capitalisations of over \$4trn without really going head to head. China blocked Google et al with its Great Firewall, preventing American firms (Apple is an obvious exception) from taking on Chinese rivals on the mainland. Chinese giants have stayed out of America; Europe fell under the spell of Silicon Valley before Chinese tech had matured.

Time, and capabilities, have changed. Chinese tech firms once simply mimicked Silicon Valley products, from search engines to e-commerce and social networks. Now the copycats have become pioneers. WeChat, a messaging app run by Tencent with endless bells and whistles, for example, rivals anything from California.

Mainland firms are thus ready to make

a strong play for markets which neither they nor American firms can call home. Rising incomes, ballooning smartphone use and improving internet infrastructure in emerging markets make them irresistible terrain for all tech firms. As they vie for the next billion consumers to come online, Alibaba is taking on Amazon, Google is matched against Baidu and Tencent can prove its mettle against Facebook.

They have very different strategies, however. American firms typically set up outposts from scratch. They fund subsidiaries that offer much the same service to Indians or Mexicans as their domestic us-

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ers might expect. Amazon's foray into India, for example, involved it pledging over \$5bn to broadly replicate its American offering. It has built a network of warehouses to fulfil e-commerce orders, rolled out its Prime video service (with added Bollywood content), website-hosting services and so on. It rebrands acquisitions. Last year it paid \$650m for Souq.com, an e-commerce website based in Dubai, now clearly marked as "an Amazon company".

Google and Facebook also provide offerings abroad similar to those that consumers get in America; as a result, both are as recognised in Brasilia or Bangalore as they would be in Boston or Berlin. Google customers worldwide use the same Chrome browser, YouTube website or Android phone-operating system—and are served advertisements in much the same way. WhatsApp and Instagram, both owned by Facebook, are popular across the world.

By contrast, few Indonesians or Indians would recognise the name Alibaba. Its strategy in emerging markets has been not to set up shop itself but instead to invest in local players, whether by buying them outright or taking a minority stake. In the past two years or so it has built a constellation of firms focused on shopping, payments and delivery. These include Paytm and BigBasket in India, Tokopedia in Indonesia, Lazada in Singapore, Daraz in Pakistan and, as of July 2nd, Trendyol in Turkey. Most of their customers would have no idea that these apps are backed by a Chinese tech titan.

Tencent has similarly ploughed money into a clutch of Indian firms in areas as diverse as ride-hailing, online education, music-streaming, health care, IT and e-▶▶





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US-China trade

Theatre of war

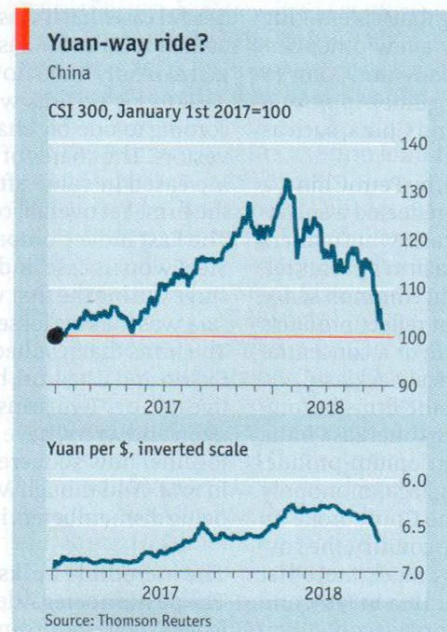
SHANGHAI

As its tussle with America heats up, China is on the back foot

FOR months Chinese officials have stuck to the same script: China does not want a trade war, but will win if dragged into one. As hostilities turn more serious, this confident façade has taken a blow. Chinese equities have plunged into bear-market territory. The yuan had its biggest monthly fall against the dollar on record. Economic indicators have weakened. Even bombastic state-run media have turned introspective, counselling against arrogance.

All this, and the tit-for-tat trade battle is only just getting under way. On July 6th, after *The Economist* went to press, America was due to impose its first major set of tariffs on China: 25% duties on \$34bn-worth of imports, notably machinery and electronic parts. China was set to retaliate with tariffs on goods worth the same amount, hitting products from soybeans to sport-utility vehicles. Both countries have listed more tariffs to follow, on goods worth another \$16bn. Both have also warned that they are willing to inflict much more pain if the conflict escalates.

Donald Trump's bet is that since China has a massive bilateral trade surplus, it stands to lose more than America as barriers go up against imports. Were their stockmarkets gauges of the two countries' trade-war prospects, he would seem to have a point. The S&P 500, America's leading index of big shares, has fallen by 5% since late January; the CSI 300, China's analogue, is down by more than 20% over the same



period. Exchange-rate movements reinforce the impression. The yuan has depreciated by 5% against the dollar over the past three months, a sharp fall for a closely managed currency (see chart).

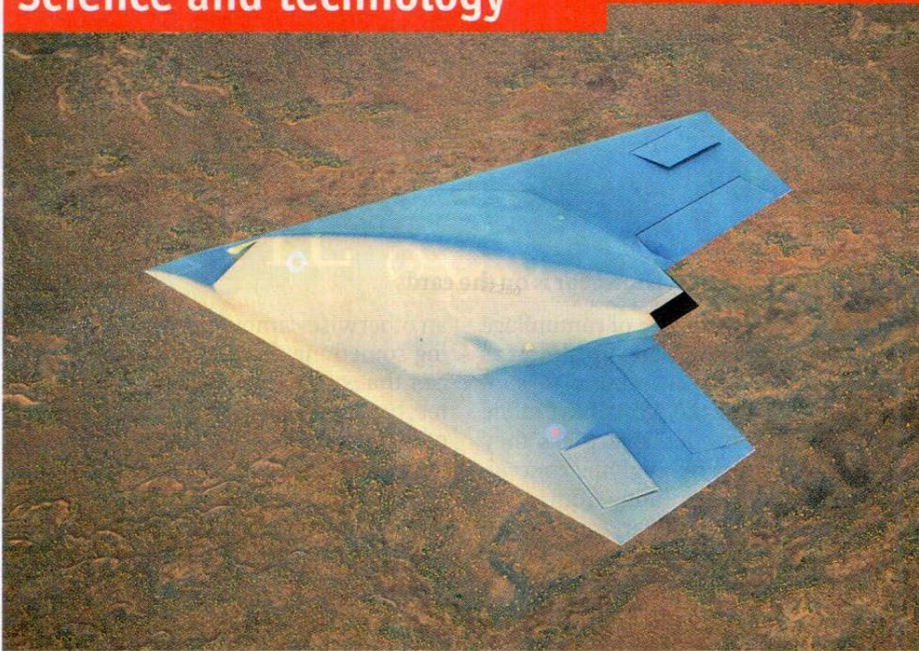
China is nervous about the perception of vulnerability. A drumbeat of reports in state-run media have talked up the stockmarket. On July 3rd the central bank tried to bolster the yuan, saying that the economy's fundamentals were strong. But the

toll from the trade war is starting to show up in some data. Surveys of China's manufacturing sector have pointed to falling export orders. Mr Trump could take all this as evidence that he was right when he tweeted that trade wars would be easy for America to win.

In that, though, he would be mistaken. The turbulence in China reflects domestic challenges more than trade tensions. The hit to growth from the \$34bn-worth of tariffs is likely to be minuscule, adding up to just about 0.1% of Chinese GDP. Depictions of China as a trade-reliant economy are hopelessly outdated: net exports account for just 2% of national income.

Instead, the bigger cause of China's market turmoil is homegrown. After a rapid build-up of debt over the past decade, officials have been working to defuse financial risks. This has depressed demand for both equities and corporate bonds. Slower credit growth has weighed on liquidity. Capital spending has slowed sharply. Adding to the gloom was a report published by the National Institute for Finance and Development, a government-backed think-tank, on June 25th, warning that China was "very likely to see a financial panic". The institute's head later clarified that he believed the government could manage the risks. But jittery investors latched onto his warning, not his reassurance.

Yet seen from a different angle, China's market troubles demonstrate one of the reasons why its officials think they can outlast America in a trade war. An authoritarian regime can limit and dictate the public discussion. After the stockmarket tumbled, authorities warned journalists against citing the trade conflict as an explanation, according to a directive published by the China Digital Times, a website that tracks government censorship. Reporters were also ordered to emphasise the economy's



Military aviation

Welcome to the wingbot

WARTON

Tomorrow's squadron leaders will be accompanied by drones

JULY 16th sees the opening of the Farnborough air show. Plane spotters attending the show, which by *entente cordiale* alternates annually with that in Paris, will be hoping for an appearance by one of the F-35 Lightning fighters delivered recently to Britain's air force and navy. The F-35 represents the best that the present has to offer in aerial military technology. The minds of visitors from the aerospace industry and the armed forces, though, will mostly be on the future—and in particular what sort of aircraft will follow the F-35. All around the show will be drones of almost every shape and size. This raises the question: will future combat aircraft need pilots?

At least part of the answer can be found 400km north of Farnborough, near Preston, Lancashire. Warton Aerodrome is the site of Britain's nearest equivalent to Lockheed Martin's celebrated Skunk Works—a research and development facility run by BAE Systems, the country's largest aerospace and defence contractor. Inside a high-security building called 31 Hanger sits *Taranis*, an aircraft named after the Celtic god of thunder.

Taranis looks like something out of "Star Wars". It is about the size of a small jet fighter, but is shaped like a flying wing. It is an unmanned, stealthy combat drone. Like most military drones it can be operated, via a secure data link, by a pilot sitting in a control centre on the ground. *Taranis*, however, can also be let off its digital leash and allowed to think for itself using artificially

intelligent automated systems. Left to its own devices, *Taranis* can take off, find its way to a combat zone, select a target, attack said target with missiles and then find its way home and land. A ground pilot would be needed only to keep an eye on events and take control if there was a problem.

Thunder follows Lightning

Removing the pilot, together with the systems required for a human being to fly a fighter aircraft and remain alive during the gut-wrenching manoeuvres this involves, has many advantages—not least of them, cost. A manned version of *Taranis*, were one to be built, would be twice the size and twice the price. The current prototype is thought to have set BAE back by around £185m (\$244m). That is cheap for what is a one-off experimental prototype. The F-35, a ten-country effort led by Lockheed Martin, is reckoned to be the most expensive military weapons system in history. Some \$50bn was spent developing the aircraft, which cost around \$100m each.

At present, *Taranis* is not scheduled for production. It was built to explore what such a drone is capable of achieving. After a series of successful test flights in Australia (pictured above), BAE's engineers are ready to apply the lessons they have learned to their designs of combat aircraft that might take to the sky a decade or so hence.

The good news for pilots is that even in drone-heavy air forces they will still have a job—though not necessarily in the air.

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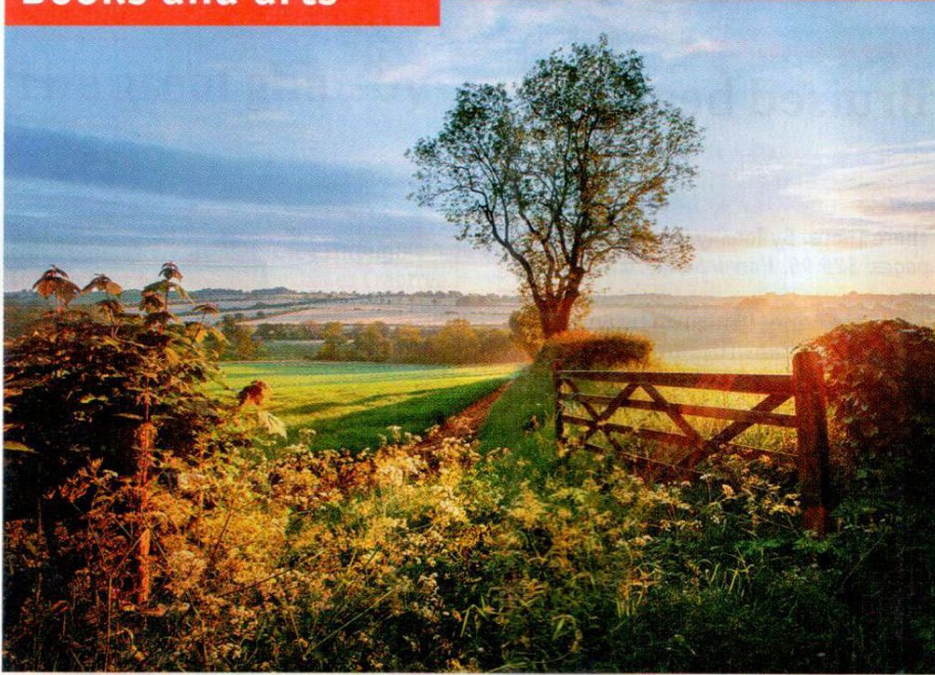
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Many will be employed supervising drones from the ground. Others, though, will indeed remain flying for, as Michael Christie, BAE's head of air strategy, observes, in the future pilotless and piloted fighter aircraft will operate together.

A human being who can make decisions will always be needed somewhere in the system, Mr Christie reckons. And in some cases it would be best if that person was in the aerial thick of things. Just as fighter pilots now fly with wingmen alongside them, a single pilot could fly with a number of combat drones, similar to *Taranis*, as his "wingbots". The drones would operate autonomously but respond to a pilot's command. They might be used to reconnoitre an area or attack it, permitting the manned aircraft to hold back.

The idea of people flying in formation with drones is being explored in several other countries, too. Last year Lockheed Martin's research engineers converted an F-16 fighter into an unmanned drone, complete with various anti-collision systems, and flew it alongside a manned fighter to carry out ground attacks on a test range. Japan is also looking at using drone squadrons to accompany piloted aircraft. Japanese officials say the drones could undertake defensive twists and turns at g-forces so high that a human being could not withstand them, and thus be used to divert incoming missiles away from a manned fighter. China is also developing a combat drone known as *Dark Sword*, which might similarly be used in conjunction with manned fighter jets.

This vision of a team of full-sized drones with a single human mind in charge gives the term "squadron leader" a whole new meaning. It also requires new technology, some of which is prefigured in the F-35. This aircraft is a massive information system, in which the amount of data generated by its sensors is beyond any-▶▶



Literature and nationhood

BrexLit

POSTWICK, NORFOLK

The anxieties that underpinned the Brexit referendum are reverberating in British literature in surprising ways

TO REACH Blackwater you take the Yarmouth Road out of Norwich, passing housing estates, a shimmering glass business park and a tangle of roundabouts. On the far side of Postwick, a throwback English village with a flint church and a cricket pitch, you follow a heavily rutted track down to the river Yare, emerging opposite the Ferry House pub. Fishermen sit silently on the banks as pleasure boats churn the muddy water. The entrance is via a rickety wooden bridge over a dyke; a path through a dense thicket delivers you into a sudden green wildness.

Mark Cocker, a British author and environmentalist, bought Blackwater, a five-acre plot of damp fen woodland, in 2012, with the aim of returning it to a state of nature. Six years later, the site seethes with life, barely visible trails cutting through rampant sedge and mallow, cow parsley and burdock. Chiffchaffs and willow warblers sing in the sallow and alder, while every leaf seems to hold a butterfly or dragonfly or hoverfly. There are clumps of nettles, tortuous brambles, and a sense that, for all its beauty, this terrain is made not for people but for what Mr Cocker calls the “more-than-human parts of life”.

His latest book, “Our Place”, is a broadside against the British—who, despite their self-declared love of nature and widespread membership of conservation groups, have wrecked their landscape and slashed its biodiversity. “At every turn in

the road, we chose ourselves,” Mr Cocker writes. In a book that otherwise oscillates between anger and pessimism, there is a single ray of hope: Brexit.

Blackwater is a few miles from Great Yarmouth, one of the five most enthusiastically leave-voting towns in the country. By his own account, Mr Cocker is himself a “lefty liberal”. But in “Our Place” he suggests that leaving the European Union, and the “feudal system” of the Common Agricultural Policy, may help recast Britain’s relationship with the natural world, too, prompting his compatriots “to recognise truly that land itself is a unique and special asset”. In his rolling Derbyshire accent, Mr Cocker says in person that his hopes for Brexit are “a shadow of that thing that happened after the end of the second world war, when people said ‘You know, I actually want to be able to walk on land, and I want to share in it’.”

Anywheres and somewheres

Shelves of books have attempted to explain the Brexit referendum of 2016. In “The Road to Somewhere”, for example, David Goodhart, a former editor of *Prospect* magazine, argues that Britons have become divided between “anywheres” and “somewheres”. Novelists have weighed in alongside the politicians. “Autumn” and “Winter”, the first two books in a quartet by Ali Smith, a Scottish author, try to anatomise the divisions of post-Brexit Britain.

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“The Lie of the Land” by Amanda Craig presents a clash between anywheres and somewheres in rural Devon.

In a sense, though, every book bears traces of the times in which it is written—and some of the subtlest and most interesting reflections on the roots of Brexit have come in titles that engage with the subject indirectly. “Our Place” mentions Brexit only six times; but looked at in a certain light, it is a book about Brexit hiding in a manifesto about nature. It is about a sense of place and a nation’s relationship to its land. It is about heritage, nostalgia and identity; about overpopulation and migration and the threats they pose.

These preoccupations are not Mr Cocker’s alone. His restoration of Blackwater to the condition it was in before the arrival of sheep, pesticides and man is part of a broader embrace of “rewilding”, in practice and literature. Both “Feral”, by George Monbiot, and Isabella Tree’s “Wilding” champion the power of self-regulating nature to flourish once human control is relinquished. They in turn are part of a broader florescence of nature-writing in Britain led by Robert Macfarlane, whose book, “The Old Ways”, perambulates around the country’s ancient byways.

This literary trend took off before the referendum, and on the face of it has little in common with Brexit. Like Mr Cocker, who cites 19th-century radicals such as William Hazlitt and William Cobbett, its exponents tend to be left-leaning. Yet their worries over globalisation, urbanisation and homogenisation overlap strikingly with Brexiteers’. In “Where We Are”, for instance, Roger Scruton, a conservative philosopher, describes a crisis of identity that he attributes to Britons losing touch with “place and neighbourhood”.

Both groups are striving to locate something fundamental and immutable about