THE ECONOMIST – JUNE 21, 2025 – KEY TAKEAWAYS

1. **THE COVER: WHERE WILL THIS END? IN A WORST PLACE IF AMERICA RUSHES IN**

- In the 20 months since Hamas massacred almost 1,200 people, Israel has fought in Gaza, Lebanon, Syria and Yemen.
- On June 13th, when Israel aircraft struck Iran, it became clear that these campaigns waged against Iranian clients and proxies have all been leading to today's momentous confrontation between the Jewish state and the Islamic Republic.
- The Iran-Israel war will reshape the Middle East, just as Arab-Israel wars did between 1948 and 1973. As President Donald Trump teeters between talking to Iran and sending American aircraft and missiles to bomb it, the question is whether this first Iran-Israel war will also be the last, thereby creating space for a new regional realignment built on economic development. Or will it lead to a series of Iran-Israel wars that mire the Middle East in years, if not decades, of further violence?
- Israel minds are focused on the looming threat of a nuclear-armed Iran. Israel claims that it acted now because Iran has been racing towards a bomb, under the cover of arms talks with America. Western agencies are less sure. Either way, a nuclear Iran could abuse its neighbours, with impunity, much as Vladimir Putin has Ukraine. It could also spark an atomic arms race in the Middle East and beyond.
- A nuclear-armed Iran would therefore be a disaster for Israel and the world. Mr Trump's desire to stop it is a welcome signal to would-be proliferators across the planet that they should abandon their ambitions.
- However, Binyamin Netanyahu, Israel's prime minister, faces a grave problem. To remove the threat, he must destroy Iran's wherewithal to make a bomb or he must eliminate its desire to acquire one. War with Iran is unlikely to achieve either of those things. Even if Israel wrecks Iran's infrastructure, thereby postponing the day when it might complete a weapon, it cannot eradicate the know-how accumulated over decades. And far from eliminating the Iranian regime's desire to go nuclear, Israeli strikes are likely to redouble it.
- Mr Netanyahu's solution is to encourage Iranians to rise up and topple the Islamic Republic. He calculates that a new regime is likely to be less tyrannical, less bellicose and less wedded to a nuclear programme. But Israel can only create conditions that favour a change of regime, it cannot impose a coup from the skies. Besides, nobody knows how willing a new government would actually be to make peace with Israel or to abandon nuclear dreams which, after all, began with the shah.
- The conclusion is that the only thing under Israel's direct control is to buy time, by setting back Iran's technical capacity to get a bomb. If, in a few years, Iran renewed its nuclear programme, Israel would have to mount another operation all over again. The barriers to success would surely grow.

2. **GLOBAL GEO-POLITICS/REGIONAL COVERAGE:**

- **The NATO summit – A new "Pug" test to beat Putin**

  America's European NATO allies must do more to defend themselves.

  The first head of NATO, Hastings "Pug" Ismay, reputedly said the alliance's purpose was to "keep" the Soviet Union out, the Americans in and the Germans down".

Today, no one wants to keep the Germans down. But as NATO's 32 members gather in The Hague on June 24th, most agree that the still-essential task of keeping the Russians out requires keeping the Americans in. And that is no longer straightforward.

At one point the summit was in danger of being scrapped. In February President Donald Trump, along with his vice-president, JD Vance, and his defence secretary, Pete Hegseth, launched a series of verbal attacks in America's European allies, culminating in the humiliation of Ukraine's president, Volodymyr Zelensky, whom Mr Trump thew out of the White House. Vladimir Putin was doubtless delighted. NATO suddenly looked more vulnerable than ever before in its 76-year history.

Relations have been mended since then. America has quietly continued intelligence-sharing and modest arms shipments to Ukraine. The rhetorical attacks on allies have dried up. Mr Trump, having given up on his campaign promise to end the war in Ukraine in a single day, is no longer pressing Mr Zelensky to accept terms that would amount to surrender. Mr Trump is still likely at some point to pull out some of the 80,000 American troops stationed in Europe; yet he has gone quiet about it.

The president is right that it makes no sense for 340m Americans to carry the main burden of defending 600m Europeans. Europe's economy is about as large as America's. The nation threatening it has only 140m people and a GDP smaller than Italy's. Russia is Europe's problem, and the surest way to ensure that America continues to help out with the things that only it can provide, such as heavy-lift aircraft and intelligence-gathering, is for Europe to be seen to be praying its fair share for its own defence.

- **Demography – Babies on the brain**

MAGA's pro-natalist ideas are ill-conceived.

America's politicians have babies on the brain. In February President Donald Trump told officials to make IVF cheaper. Even without its procreator-in-chief, Elon Musk, the White House is thought to be working on a bigger package of pro-natalist policies. Vice-President J.D. Vance is keen. Mr Trump says he favours a $5,000 handout for new parents. In Britain, meanwhile, Nigel Farage, the leader of Reform UK, a MAGA-ish opposition party, has proposed tax breaks and benefits to encourage women to have more children.

Politicians have long feared the fiscal consequences of an aging population, with too few young workers supporting legions of pensioners. Governments in places with very low birth rates, such as Japan and South Korea, have spent billions trying to reverse the decline, with little success. The pro-natalist policies of the transatlantic right differ older ones in that they are more targeted at working-class women, whose fertility rate has fallen the most. That might make them a bit more effective. But not at a reasonable cost, or without creating perverse incentives.

- **BY INVITATION - Karim Sadjadpour (Senior fellow at the Carnegie Endowment for International Peace)**

Donald Trump's Iran strategy has been transformed by Israeli persistence and Iranian defiance.

The tragedy of this war is that Iran and Israel are unnatural enemies. In contrast to other modern conflicts – between Israel and Palestine, Russia and Ukraine, China and Taiwan – the two countries have no direct land or resources disputes. Nor do they harbour ancient animosities; Jews and Persians have an affinity that stretches back more than two millennia. Their national strengths are more complementary than competitive: Iran is big in energy, while Israel is a trailblazer in tech.

Despite Israel's remarkable tactical victories, military invasions and revolutions are commonly judged by what they spawn, not what they destroy. In this context, the two biggest are what happens to the stability of the Iranian regime, and what happens to its subterranean nuclear-enrichment facility in Fardow, which is buried a mile underground. This is where Mr Trump enters the picture.

It is only America, with its stealth bombers equipped with 30,000-pound bunker-busting bombs, that has the capacity to destroy Fardow. Despite Mr Trump's hopes for a diplomatic deal with Iran and his opposition to "stupid wars", Israel's early successes have compelled the American president to associate himself with the war, including using online threats to have Mr Khamenei killed and seek his unconditional surrender. Mr Trump now confronts what could be the most consequential decision of his presidency: whether to enter the war and bomb Fordow.

Both action and inaction will have consequences. If the war concludes with both Fordow and the Islamic Republic intact, it would be logical for the regime to seek nuclear weapons. A revanchist Islamic Republic with nuclear weapons would be far more menacing to America, Israel and the wider Middle East than the current regime.

If, on the other hand, America drops a 30,000-pound bomb on a nuclear facility, it may have profound and unforeseen consequences. These known unknowns could range from environmental contamination to Iran unleashing its weapons arsenal against Israel, regional oil infrastructure and global trade. Furthermore, the political

fallout in Iran and the long-term impact on America's global reputation could be felt for decades.

- **Asia – South Korea goes global**

Can South Korea's new president get the country back on track?

Three industries underpin South Korea's global clout: culture, technology and arms. Start with culture, perhaps the best known export. At a K-pop concert, such as the appearance by Seventeen at Gocheok stadium in Seoul last year, the crowd resembles a mock of United Nations, with fans from as far as Toronto, Paris and Manila. As Juraimi Jaril, a fan from Singapore, puts it, "K-pop groups accounted for four of the ten most commercially successful albums in the world, according to IFPI, an international recording-industry body – and this was a year when the genre's biggest stars, BTS, were taking a break from music to perform mandatory military service.

Attention has also spread to other forms of culture. "These days we are eating kimchi instead of cauliflower!" King Willem-Alexander of the Netherlands gushed during a reception in South Korea's honour in 2013, noting the spread of K-drama, K-movies, K-beauty and even K-food!

But South Korea's most strategic products are the least visible. Samsung and SK Hynix, two South Korean electronics behemoths, dominate the market for mainstream memory chips, the commodity of semiconductor world. The firms have also pioneered a new type of high-bandwidth memory (HBM) technology that is an essential element in chips for generative artificial intelligence (AI), enabling higher performance at smaller sizes and lower power consumption. "HBM is a technology miracle," Jensen Huang, the chief executive of Nvidia, the AI chip darling, said last year. While trailing Taiwanese firms, South Korea's champions also produce high-end logic chips. Mr Lee, the premier, has pledged to assemble a 100 trillion won ($75bn) public-private fund to continue developing South Korea's AI and semiconductor infrastructure.

K-defence may be South Korea's next hit industry. Following Russia's invasion of Ukraine in February 2022, South Korea was an exception to the global shortage of munitions. Because of the need to respond to continuing threats from North Korea, " our capacity is still quite high and we are able to surge production," says Mr Ryu, who also heads Poongsan Group," a big South Korean metals and munitions maker. South Korean arms exports averaged $13bn annually between 2022 and 2024, up from an average of $3bn between 2011 and 2021, putting it among the world's top ten arms exporters. America hopes to tap South Korean shipbuilders to help revive its dilapidated shipbuilding industry.

South Koreans across the political spectrum share pride in this move up the geopolitical food chain. Yet, as It has grown, South Korea's surrounding habitat has become even harsher, leaving little room for manoeuvre. Mr Lee has pledged to pursue a "pragmatic" foreign policy. His aim is to strengthen his country's alliance with America and reinforce a budding rapprochement with Japan, while repairing relations with China and reopening dialogue with North Korea.

– **Australia and America – Under review**

Will America walk away from AUKUS?

Could Donald Trump soon upend America's alliance with Australia? Allies in the Pacific have mostly avoided the pressure directed by Mr Trump at America's friends across the Atlantic. That seems set to change. Mr Trump's administration is demanding sharp increases in annual defence spending from Australia, from nearly 2% to 3.5% of GDP, and could soon insist on new commitments to fight alongside America.

If Australia cannot make these promises, Mr Trump could gut part of alliance: a submarine-building pact between America, Australia and Britain known as AUKUS. No such threat has yet been made, officials stress. But a review of the deal by the Pentagon has defence wonks in all three countries concerned.

The AUKUS agreement, signed in 2021 would let Australia put nuclear-powered submarines to sea by the mid-2030s. In doing so, it would join an exclusive club of nations operating nuclear-powered vessels, which can range over longer distances than their diesel-powered counterparts.

- **China – Military ties – Clues in the wreckage**

China has become the most important enabler of Russia's war machine.

The Drones fly thick and fast towards Kyiv these days. Almost 500 were fired in a recent Russian attack on Ukraine's capital, in the early hours of June 10th. Volodymyr Zelensky, Ukraine's president, fears that at current rates of production Russia may soon be able to launch raids that involve twice the number of machines. To pick through the debris and peer inside those weapons is to come face to face with a grim reality. China is the most important – perhaps, decisive – enabler of Russia's war machine.

Consider the Shahed, an Iranian-designed attack drone which is now mass-produced inside Russia. Such drones were stuffed with American micro-electronics, smuggled in via Asia to circumvent sanctions. The newest ones, however, are filled with Chinese parts. Those used this year have antennae made in China, according to HUR, Ukraine's military – intelligence agency. One example contained only two components, out of 15.

That reflects a broader trend. Since the start of the war in 2022, China has trodden carefully in providing military aid to Russia. It has turned down some Russian requests for assistance and equipment, according to Ukrainian and European officials. It has avoided large-scale transfers of finished ammunition or lethal aid that might provoke American or European sanctions; it does not want the international opprobrium that would come if too many of its arms show up on the battlefield. But there are indications that China has walked right up to that line – and perhaps crossed it.

Western officials tell The Economist that China has been providing various forms of support to Russia since 2023, including critical components of weaponry and civilian drones. Much of this is publicly documented in analysis of weapons debris, through open-source tracking of shipments and in cases of American sanctions against Chinese companies. But, importantly, these officials also point to "small quantities of artillery ammunition and military UAVs (drones)."

Up to now there has been little public evidence of artillery ammunition changing hands. In early 2023 China considered sending Russia a batch of 122mm and 152mm shells, but there is no sign it did so on a large scale. Later that year, Ukrainian troops found Chinese-made mortar shells near Melitopol, in southern Ukraine. It is not clear whether such transfers were made directly from China, or indirectly from third countries, where Chinese small arms and ammunitions are ubiquitous.

The situation with military drones is more troubling. Last year Reuters, a news agency, reported that AO IEMZ Kupol, part of a Russian state-owned arms company had developed and flight-tested a new drone model, the Garpiya 3 – essentially a knock-off of the Iranian-designed Shahed – in China, with the help of Chinese firms. In October America's Treasury Department put sanctions on two Chinese companies involved, one of which had provided the drone's engine.

- **Middle East & Africa – Africa-China relations – Free trade with Chinese characteristics**

  By offering zero tariffs, China is trying to win over Africa in the global trade war.

  At China Mall, a vast super-market in Kampala, Uganda's capital, Rose Ahurra picks up a small turquoise squirrel. The toy flashes as she puts it in a trollet laden with towels, clothes, containers and an air fryer.

  The purchases indicate her place in the Ugandan middle class, which has flocked to China Mall since it opened earlier this year. "The prices are fair and I no longer have to go to lots of individual shops," she explains.

  But the floors of mostly Chinese goods also hint at an imbalance that worries African policymakers. Total trade between China and Africa was worth $296bn in 2024. Yet the value of what China exported west ($179bn) was much higher than what Africa sent east ($117bn). This year, partly as a result of the state support China is giving to its factories to boost the domestic economy, Chinese exports to the continent are on track to be 12% higher. African countries have long asked Beijing to make it easier to trade the other way, too. Many will have welcomed China's announcement on June 12th that it will grant duty-free access to products from every African country except Eswatini, a tiny kingdom that recognises Taiwan.

  The immediate impact may be minimal. But the policy could integrate African economies more deeply into Chinese-centred supply chains as the global economy is fragmenting. Geopolitically, China's move is as subtle as a flashing turquoise squirrel. After 25 years America is set to end its own duty-free deal with Africa when the African Growth and Opportunity Act expires on September 30th. It is imposing tariffs willy-nilly slashing aid and banning African migrants. For its biggest competitor, that is an opportunity.

  China has become more important in African trade in the 21st century. In 2003 just 18 of Africa's then 53 countries traded more with China than they did with America. Two decades later that is the case for 53 of Africa's 54 states.

  The vast majority of this trade is in raw materials, which were duty-free even before June 12th. Most African exports to China came from three countries: Oil rich Angolo, mineral-rich Congo, and South Africa which is a hub for mineral exports. Though China said in 2021 that it would do more to help African exporters of manufactured and agricultural goods, these make up a tiny share of its imports.

- **Europe - NATO - Keeping the president happy**

  Next week's summit will be all about placating Donald Trump.

  Four months ago Friedrich Merz, freshly triumphant in Germany's election, mused aloud that the largest, longest-lasting and most successful alliance in modern history might soon evaporate. "I am very curious to see how we are heading towards the NATO summit at the end of June," he remarked. "Whether we will still be talking about NATO in its current form or whether we will have to establish an independent European defence capability much more quickly."

Days away from that summit, NATO is alive and Mr Merz has changed his tune. "I have no doubt whatsoever that the American government is committed to NATO," he pronounced, a day after meeting Donald Trump, America's president, on June 5th at the White House. But the leaders gathering in The Hague on June 24th are taking no chances. The summit will be a short and tightly choreographed affair, minimizing opportunities for Mr Trump, who walked out of a G7 summit in Canada early on

June 16th, to cause a ruckus, as he did in 2018 when he came close to announcing that America would leave the alliance.

The agenda will be dominated by one of Mr Trump's favourite hobbyhorses: defence spending. 23 members of NATO now meet the twin targets of spending 2% of GDP on defence and 20% of defence budget on equipment. In The Hague, the allies will agree on and announce a new spending target: that all allies should spend 3,5% of GDP on what Mark Rutte, NATO's secretary-general has described as "core military requirements", with an additional 1.5% of GDP on defence related spending, such as infrastructural and industrial capacity.

3. GLOBAL BUSINESSES/ ECONOMICS

– **Japan's economy - This time it won't end well**

As debt-interest costs mount, politicians are recklessly promising handouts.

For years Japan was a reassuring example for governments. Even as its net public debt peaked at 162% of GDP in 2020, it suffered no budget crisis. Instead, it enjoyed rock-bottom interest rates, including borrowings for 30 years at 0.1%.

Government-bond yields have risen steadily since 2022 and have surged this year. Interest payments gobble up a tenth of the central government's budget. The central bank is paying out 0.4% of GDP in interest on the mountains of cash it created during years of monetary stimulus – costs that eventually land on taxpayers. Investors are starting to ask if Japan might be vulnerable to a fiscal crisis after all. They are watching especially closely because Japan's bond market has largely acted as a bellwether for sovereign debt across the rich world.

The good news is that a crash is not imminent. Japanese bond yields have risen in part because inflation is up, meaning the government can still borrow over most horizons and repay less, in real terms, than it raises. High inflation has already helped shrink the net debt to around 135% of GDP. Even at Japan's paltry rate of growth, only modest belt-tightening is needed to keep the ratio stable.

The bad news, though, is that politicians are going in the wrong direction. Ahead of an election to the upper house of parliament, which is due by the end of July, they are locked in a bidding war to shower voters with handouts.

Voters are eager to be bribed, since inflation has squeezed household incomes. Real wages are down by about 4% since 2019. And the price of rice, the politically sacred Japanese staple, has doubled since the start of 2024, as regulations and tariffs have stopped fresh sources of supply from responding to shortages caused by bad harvests.

The main opposition parties want to help stretched households by suspending the 8% consumption tax on food. Other want to halve or abolish the overall 10% rate of tax to help, with the cost of living. The government is rightly resisting calls for tax cuts which, though supposedly temporary, could be hard to reverse. But the prime minister, Ishiba Shigeru, has yielded to temptations in other ways. He promises giveaways to households worth Yen 20,000 ($139) per person, and twice that for children and low earners, at a cost of about 0.5% of GDP.

It is a worrying sign for an indebted country which like most of the rich world, faces immense fiscal pressure. On plausible assumptions about future bond yields, the IMF reckons that interest payments could double as a share of GDP by 2030. Moreover, Japan will need to boost its defence spending as America's commitment to its allies frays. In the face of these pressures, politicians could have eased the cost of living with structured reforms - such as deregulating the rice market. Instead, they are reaching for handouts, fiscal consequences be damned.

Although politicians hope to help households, it is households that will suffer if Japan's public finances become riskier. Any dove will tell you that only 12% of the country's debt is held by foreigners, which makes the run on the government bonds less likely. But local ownership is a double-edged sword. It means that any fiscal crisis would mostly hurt Japanese people, who would, in all likelihood, have to endure prolonged and destabilising inflation if public debt became unsustainable. Japanese households are particularly exposed to falls in the purchasing power of the yen. About half of their financial wealth is in bank deposits, compared with a third in the EU and only 10% in America.

Debt, Japanese style – Japan could face more market pressure in the coming months. The central bank is reducing its purchases of government bonds, depriving the market of an important buyer. If inflation proves more persistent than expected, the Bank of Japan might have to raise interest rates faster and higher, worsening the fiscal picture. Donald Trump's protectionism could dent the country's economic growth. If Mr Ishiba loosens the purse-strings, a credit-rating downgrade is possible. Japan was once the ultimate demonstration of bond-market placidity. Now it is the first place to look for the start of trouble.

- **Brazilian football – Can the Selecao swagger again?**

How Brazil, once the world's best football team, can recapture its mojo.

On June 10th Brazil's national football team won a match. Unremarkably, you might think, for the most successful team to play the game. Yet the mood afterwards in Brazil was unfamiliar: sour relief. In beating Paraguay, a football pipsqueak, the team had managed just one goal. The victory did qualify Brazil for the 2026 World Cup, but only three months after arch-rival Argentina had already become a mathematical certainty to do the same. Brazil's team is set to qualify third in its group behind puny Ecuador, having suffered a humiliating thrashing by Argentina in a qualification match in March.

This decline is not recent. The Selecao or national squad, has not won a World Cup in more than 20 years, having done so a record 5 times in the first 5 decades to 2002. More than anywhere else, national identity in Brazil is tied to football. Every school child can rattle off the names of Pele, Garrincha, Ronaldinho, Tostao and Ronaldo the Phenomenon.

The International Centre for Sports Studies, a research centre in Switzerland, reckons Brazil exported 3,020 professional footballers between 2020 and 2025, more than anywhere else. But on this measure, too, Brazil is slowing. France and Argentina are closing in as factories for fabulous footballers.

The Selecao's decline is partly down to chance, reversion to the mean. Two generations of superstar footballers have retired and although the new crop is "excellent", says a retired football star, they are "not the same calibre". It does not help the mood that top players today are sold to European clubs as teenagers, and so rarely play at home.

– **Lingerie – Knickers in a twist**

Victoria's Secret is struggling to reinvent itself.

At the world's best-known lingerie brand, the dirty laundry is on full display. In an open letter to Victoria's Secret published on June 16th, Barington Capital, an active investor, told Donna James, the brand's chairwoman, that the company is failing its shareholders. Hillary Super, chief executive officer since August, has not "gained the confidence of employees".

Barington, which has a stake of just 1% is not the only activist circling the company. BBRC International, which has amassed more than a tenth of the underwear seller's shares, has denounced a change of leadership. The brand's management has dug in its heels, and is seeking to maintain control with so-called poison pill: it will also dilute the company's shareholders if any of them acquires more than 15%.

Yet the critics have a point. Over the past decade Victoria's Secret has lost much of its sparkle. Sales last year were $6.2bn, down from a peak of $7.8bn in 2016. Its market value, at $1.5bn, has fallen by more than half since it was spun off from L Brands, its parent company, in 2021. New competitors such as Skims, an apparel firm co-founded by Kim Kardashian, have pinched market share. Ms Super is the third CEO in four years appointed to turn the struggling company around.

– **Bertelsmann – Oh, Brother!**

The family saga at Germany's media colossus takes an unusual twist.

It is common for family empires, to eventually pass into the managerial hands of an outsider. Rarely does an heir later take back the reins. Yet that is precisely what is under way at Bertelsmann, a German media colossus. After more than 40 years of being run by a series of hired bosses, the company has signalled that one of the two brothers descended from its founder will be its next leader. This is the latest surprising twist in a bizarre family saga.

Germany's biggest media company traces its roots to Carl Bertelsmann, who in 1835 founded a publisher of religious literature in Gutersloh, a dozy town where the company's headquarters remain. Thanks to steady flow of acquisitions over several decades, Bertelsmann is now one of the most important media conglomerates in the world. Its businesses include Penguin Random House, a book-publishing behemoth, RTL a pan-European television-and-radio broadcaster, and BMG, the world's fourth biggest record label after Universal, Sony and Warner, which boasts artist such as Kylie Minogue, Lenny Kravitz and Bruno Mars. It operates across 50 countries and employs around 75,000 people.

- **Artificial Intelligence – Zucked in**

Meta is spending magabucks on an AI hiring spree.

When Mark Zuckerberg decided to launch his quest for the metaverse in 2021, he threw fistfuls of cash at the effort. Meta's boss is now repeating the act, this time with generative artificial intelligence (AI). Hot on the heels of what may be the world's most expensive acquire – a $14.3 bn deal to buy 49% of Scale AI, a data-labelling firm whose main asset is Alexandr Wang, its 28-year old founder – people close to the matter say Mr Zuckerberg is planning to offer more than $1bn combined for two of Silicon Valley's hottest AI brain boxes, who would work under Mr Wang. It marks the start of a reset of Meta's generative-AI ambitions.

Meta has made no comment, but if the deal goes through Nat Friedman and Daniel Gross, entrepreneurs and partners in a venture-capital (VC) firm called NFDG, will work in Meta's "superintelligence" unit under Mr Wang, one of America's youngest self-made billionaires. The word "superintelligence" is somewhat misleading. Rather than ground-breaking AI research, the team is expected to focus on developing new AI products for Meta, some of these recent efforts, including its latest Llama model and the Meta AI chatbot, has disappointed.

Someone who knows all three men calls the trio "the avengers". He reckons they will have huge additional sums at their disposal to hire top AI researchers in order to unseat OpenAI, makers of ChatGPT, as the dominant generative-AI firm. "They're going to go big." He says.

Indeed, there appears to be few limits on what Meta is prepared to spend. On June 17th Sam Altman, the boss of OpenAI, said on a podcast that Meta was offering signing bonuses of $100m to poach his staff. Another person close to the situation says Mr Zuckerberg sought to hire Ilya Sutskever, the brains behind ChatGPT ad co-founder of Safe Superintelligence (SSI), another hot AI startup, to work at Meta, though he was unsuccessful. "He is throwing insane amounts of money at people," the person sauid.

The gambit shows Mr Zuckerberg's continued willingness to make mighty, long-term bets to reinvent his firm, even if his foray into metaverse has been a costly flop. "This is very Zuckerbergian to do these big, loud stunts just to prove how committed he is," says Eric Seufert, an independent tech analyst.

- **Chinese innovation – People's code**

China has become a force in open-source technology.

Underpinning the digital economy is a deep foundation of open-source software, freely available for anyone to use. The majority of the world's websites are using Apache and Nginx, two open source programs. Most computer servers are powered by Lunix, another such program, which also the basis of Google's Android operating system. Kubernetes, a program widely used to manage cloud-computing workloads, is like-wise open-source. The software is maintained and improved upon by a gobal community of developers.

China, which had long stood at the periphery of that community, has in recent years become an integral part of it. After, America and India, it is now home to the largest group of developers on GitHub, the world's biggest repository of open-source software. Chinese tech giants, including Alibaba, Baidu and Huawei, have become prolific open-source funders and contributors. China has been particularly active in development of open-source artificial-intelligence models, including those from Deep Seek, an AI startup that shook the world in January when it released the cutting -edge models it had developed on a shoestring. According to Artificial Intelligence, a website 12 of the 15 leading open-source AI models are Chinese.

This new found interest in open-source has been fuelled by America's efforts to hobble its rivals. Curbing China's access to code that is readily available online is tricky for a foreign government. Ren Zhengfei, Huawei's founder, told People's Daily, a Communist Party mouthpiece, that American tech restrictions were nothing to fear since "there will be thousands of open-source software [programs] to meet the needs of the entire society."

Yet the rise in China of open-source, which relies on transparency and decentralisation, is awkward for an authoritative state. If the party's patience with the approach fades, and it decides to exert control, that could hinder the course of innovation at home and make it harder to export Chinese technology abroad.

China's open-source movement first gained traction in the mid-2000s. Richard Lin, co-founder of Kaiyuanshe, a local open-source advocacy group, recalls that most of the early adopters were developers who simply wanted free software. That changed when they realized that contributing to open-source projects could improve their job prospects. Big firms soon followed, with companies like Huawei backing open-source work to attract talent and cut costs by sharing technology.

Momentum gained in 2019, when Huawei was, in effect, barred by America from using Android. That gave new urgency to efforts to cut reliance on Western technology. Open-source offered a faster way for Chinese tech firms to take existing code and build their own programs with the help from the country's vast community of developers.

In 2020 Huawei launched OpenHarmony, a family of open-source operating systems for smartphones and other devices. It also joined others, including Alibaba, Baidu and Tencent, to establish the Open Atom Foundation, a body dedicated to open-source development. China quickly became not just a big contributor to open-source programs, but also an early adopter of software. JD.com, an e-commerce firm, was among the first to deploy Kubernetes.

AI has lately given China's open-source movement a further boost. Chinese companies, and the government, see open models as the quickest way to narrow the gap with America. Deep Seek's models have generated the most interest, but Qwen, developed by Aibaba, is also highly rated, and Baidu has said it will soon open up the model behind its Ernie chatbot.

China's enthusiasm for open technology is also extending to hardware. Unitree a robotic startup based in Hangzhou, has made its training data, algorithms and hardware designs available for free, which may help it to shape global standards. Semiconductors offer another illustration. Chine is dependent on designs from Western chip firms. As part of its push for self-sufficiency, the government is urging firms to adopt RISC-V, an open chip architecture developed at the University of California, Berkeley.

Many Chinese firms also hope that more transparent technology will help them win acceptance for their products abroad. That may not happen. Huawei's operating system has found few users elsewhere. Although some Western companies have been experimenting with Deep Seek's models, an executive at a global enterprise software firm says that many clients outside China will not touch the country's AI tools. Some fear disruption from future American restrictions. Others worry about backdoors hidden in the code that might allow them to be spied on.

China's open-source ambitions could be derailed in other ways, too. Qi Ning, a Chinese software engineer, points out that at international open-source conferences, attendees increasingly avoid naming Chinese collaborators, as they worry about reputational risk or political blowback.

Version control – America's government may also make life difficult for Chinese open-source developers. Fearing nefarious meddling in the world's code, it could seek to cut China off from GitHub, which is owned by Microsoft. Mr Qi says many Chinese developers worry about "access issues in the future." China's government has promoted Gitee, a domestic alternative. But few local coders use it. Last year some American lawmakers argued for restricting China's access to RISC-V – though Andrea Gailo, head of the Swiss body that oversees the technology, contends that this is not feasible as it is a public standard, much like USB.

Yet it is China's own government that poses the biggest threat to the country's open-source experiments, despite supporting it in principle. In 2021 the government restricted access to GitHub, concerned that the platform could be used to host politically sensitive content. Developers quickly turned to virtual private networks (which mask a user's location) to regain access, but the episode rattled many. In 2022 the government announced that all projects on Gitee would be subject to official review, and that coders would need to certify compliance with Chinese law.

A similar pattern is playing out in AI-Chinese law prohibits models from generating content that "damages the unity of the country and social harmony". In 2023 Hugging Face, a Franco-American platform for sharing open-source AI models became inaccessible from within China.

China's open-source movement is organic, driven by developers and tech firms. The government has so far encouraged it because it serves its objectives of accelerating domestic innovation and reducing reliance on Western technology. If China's leaders constrain the culture of freedom and experimentation on which open technology relies, however, they will limit its potential.

– **SCHUMPETER – The turnaround temptation**

Gucci's owner is the latest troubled firm to seek an outside saviour.

The Renault Twingo Equilibre is a pint-sized runaround for the thrifty. The special-edition Gucci Jackie Notte handbag is an iconic accessory for the loaded. Besides being available in black and a price tag on a similar order of magnitude – Euro 14,000 and Euro 10,000 respectively – the two appear to nothing alike. On June 16th, they acquired an unexpected fresh commonality: Luca de Meo.

The previous day Mr de Meo stunned the automotive world when, out of nowhere, he resigned as chief executive of the French carmaker after 5 years as the wheel. A titillating 24-hour silence later, Kering, a luxury conglomerate which counts Gucci among its posh labels, confirmed rumours that he would be taking over as its new CEO in September.

– **Sorry students – Crammed and damned**

The bottom has fallen out of the graduate job market.

Pity the ambitious youngster. For decades the path to a nice life was clear: go to university, find a graduate job, then watch the money come in. Today's hard-working young, however, seem to have fewer options then before.

Go into tech? The big firms are cutting jobs. How about the public sector? Less prestigious than it used to be. Become an engineer? Lots of innovation, from electric vehicles to renewable energy, now happens in China. A lawyer? Artificial intelligence will soon take your job. Don't even think about becoming a journalist.

Across the West, young graduates are losing their privileged position; in some cases they have already lost it. Jobs data hint at the change. Mathew Martin of Oxford Economics, a consultancy, has looked at Americans aged 22 to 27 with a bachelor's degree or more. For the first time in history, their unemployment rate is now consistently higher than the national average. Recent graduates' rising unemployment is driven by those who are looking for work for the first time.

The trend is not just apparent in America. Across the European Union the unemployment rate of young folk with tertiary education is approaching the overall rate for the age group. Britain, Canada, Japan – all appear to be on a similar path. Even elite youngsters, such as MBA graduates, are suffering. In 2024, 80% of Stanford's business-school graduates had a job three months after leaving, down from 91% in 2021. At first glance, the students eating al fresco at the school's cafeteria look happy. Look again, and you can see the fear in their eyes.

– **Stock market rivalry – China's IPO rivalry**

Hong Kong is hot; the mainland very much is not.

One after another, blockbuster Chinese listings are coming to Hong Kong. In May Hengrui Pharmaceuticals, a drug manufacturer, and CATL, a battery-maker sold $5.3bn-worth of shares between them. Seres, a fast-fashion firm, may abandon plans for an offering in London for one in Hong Kong. All told, in April more than 130 applicants were under consideration by the local exchange, up from fewer than 60 at the start of 2024. On current trends, the city will be the world's largest stock-debut venture this year.

For Chinese firms, this is an exciting but incomplete turnaround. Although their country is in the midst of a tech boom, last year they raised just $20bn in IPOs at home and abroad. Only twice in the past 2 decades have public share sales yielded so little. Although $9.8bn has been raised in Hong Kong so far this year, only $3.9bn has been drummed up on the mainland. Stock exchanges in Shanghai and Shenzhen are "barely functional" as a destination for IPOs, says a banker. And not all Chinese companies will be able to go public in Hong Kong, either because of political constraints or because they are insufficiently prominent. A healthy domestic market is crucial to China's tech future.

– **Commodities and war – Dire Strait**

Oil markets are so far relatively unperturbed by the Israel-Iran conflict. Will that change? We look at a range of scenarios.

For the past two years, the Middle East has been an even more tense place than usual. Houthis bombed commercial vessels; Israel began extensive military campaigns in Gaza and Lebanon; Iran and Israel exchanged rockets. Yet oil markets remained calm, since the worst-case scenario – a full-blown war between Israel and Iran – was avoided.

On June 13th, when Israel launched its first strikes on Iranian military and nuclear sites, that scenario became more vivid. Since then, the foes have traded drones and missiles. The list of targets has grown to include energy infrastructure on both sides. As we went to press, America's president, Donald Trump, was weighing up whether to bomb Iran's Fordow underground-enrichment plant; he and Ali Khamenei, Iran's supreme leader, are already waging a war of words. A wider conflict could inflame the Gulf, which pumps a third of the world's oil. Since Israel's first strikes the price of Brent crude, the global benchmark, has risen by 10%, to $77 a barrel. How high might it go?

Oil markets are experiencing friction. Transponder jamming, first limited to waters around Iranian port, is now complicating shipping across the Gulf. On June 16th it caused two tankers to collide off the Emirati coast. Both buyers and sellers of Iranian crude seen to have paused large shipments. Satellite imagery suggests the waters around Kharg Island, from where 90% of country's crude shipments typically depart, are eerily quiet, notes Antoine Halff of Kaytros, a data firm.