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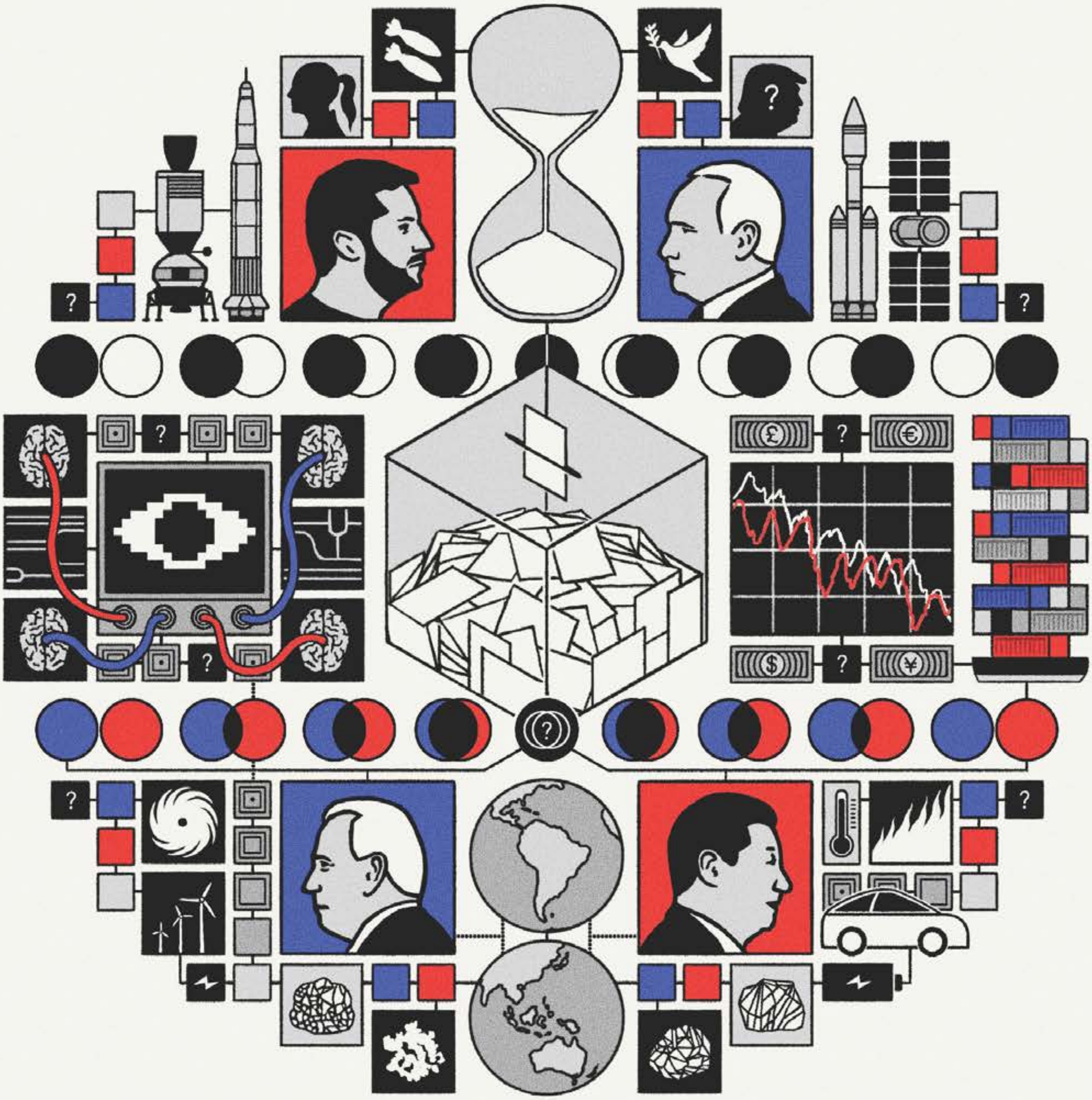

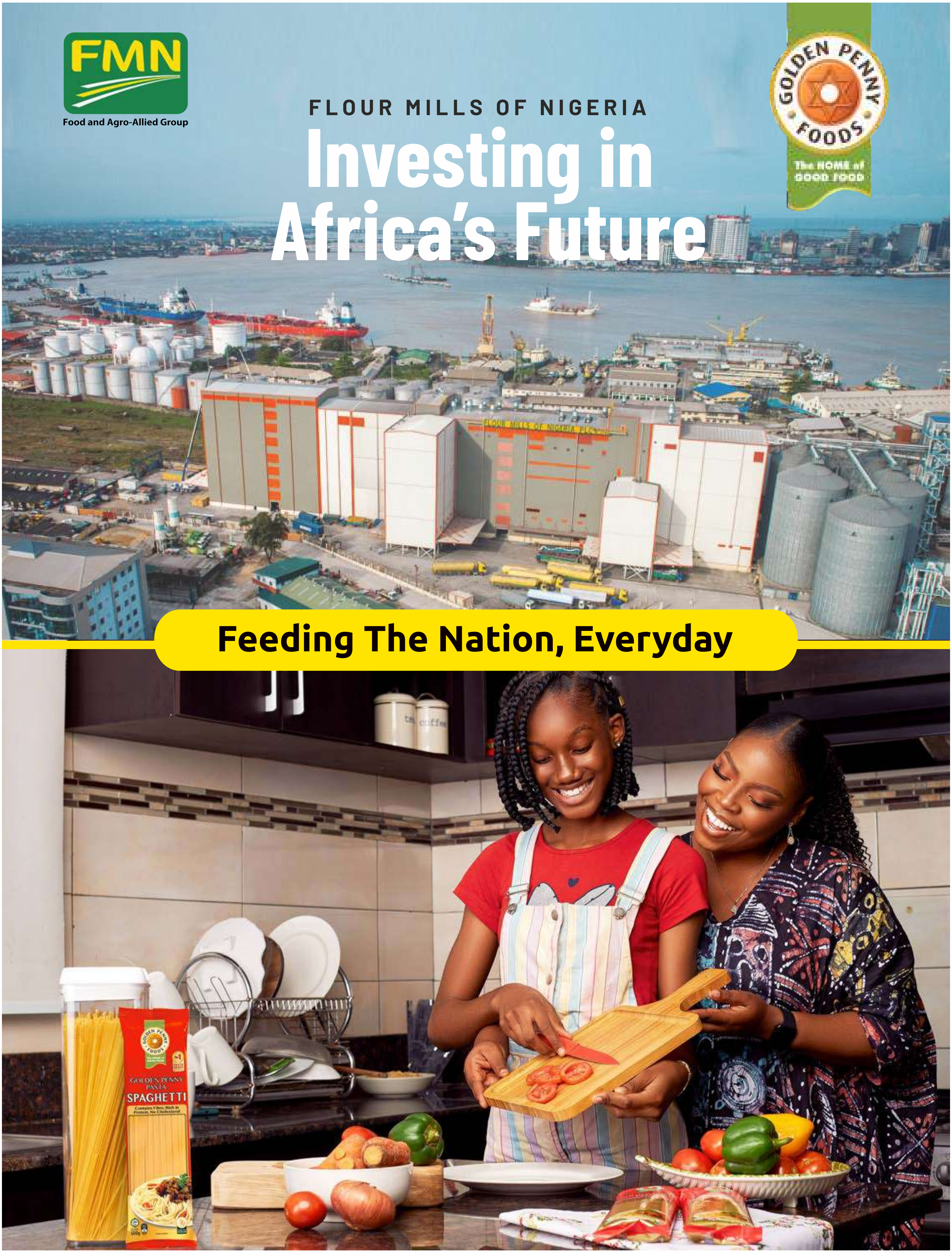
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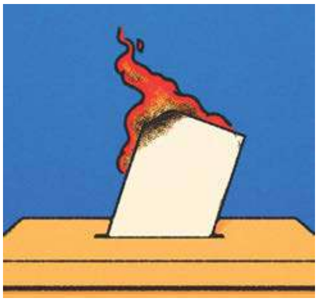

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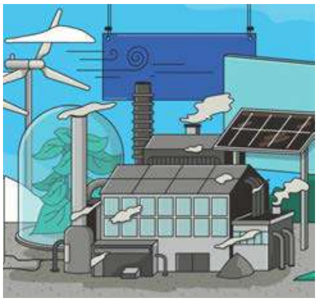

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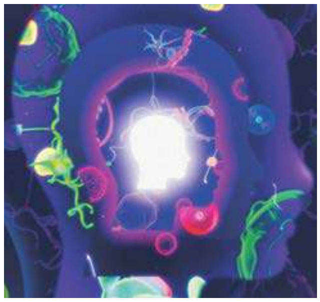

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The World Ahead 2024

From the editor

LIFE COMES at you fast. Whether it's the upsurge in armed conflict, the redrawing of the global energy-resources map or rapid progress in artificial intelligence (AI), the world is changing at mind-boggling speed. From the situation in the Middle East to the adoption of electric vehicles to the treatment of obesity, things look very different from the way they did just a year or two ago. Our aim is to help you keep your worldview up to date—and tell you what might be coming next. To kick things off, here are ten themes to watch in the coming year.

1. Vote-a-rama! Elections all over the world, for more voters than ever before, will put a spotlight on the global state of democracy. There will be more than 70 elections in 2024 in countries that are home to around 4.2bn people—for the first time, more than half of the global population. But while there is more voting than ever, there is not necessarily more democracy: many elections will be neither free nor fair.

2. America's global choice. Voters, and the courts, will give their verdicts on Donald Trump, who has a one-in-three chance of regaining the presidency. The result may come down to a few tens of thousands of voters in a handful of swing states. But the consequences will be global, affecting everything from climate policy to military support for Ukraine. Indeed, election-rigging in Russia may mean Vladimir Putin's fate depends more on American voters than Russian ones.

3. Step up, Europe. Accordingly, Europe must step up and provide Ukraine with the military and economic backing needed for a long fight, while laying out a path towards eventual EU membership. This is the right thing to do, as well as insuring against the risk that Mr Trump regains power and withdraws support.

4. Middle East turmoil. Hamas's attack on Israel, and Israel's retaliation against Gaza, have upended the region and scotched the idea that the world could continue to ignore the Palestinians' plight. Will it become a wider regional conflict—or offer a new chance for peace? For America, the overstretched superpower, this is also a test of whether it can adapt to a more complex and threatening world.

5. Multipolar disorder. America's plan to pivot to Asia, and focus more on its rivalry with a rising China, has been derailed by war in Ukraine and now Gaza. Russia, too, is distracted and losing influence. Frozen conflicts are thawing and local cold wars are heating up around the world. Instability in the Sahel is rising. The world is preparing for more conflict now that America's "unipolar moment" has ended.

Vladimir Putin's fate will depend more on American voters than Russian ones

6. A second cold war. As China's growth has slowed, tensions rise over Taiwan, and America continues to limit Chinese access to advanced technologies, the "new cold war" rhetoric has hardened. But Western companies trying to reduce their supply chains' dependency on China will find it much easier said than done. Meanwhile both camps will woo the "middle powers" of the global south, not least for their green resources.

7. New energy geography. The clean-energy transition is minting new green superpowers and redrawing the energy-resources map. Lithium, copper and nickel matter much more, while oil and gas, and the regions that dominate their supply, matter less. Competition for green resources is reshaping geopolitics and trade, and creating some unexpected winners and losers. Meanwhile, a "greenlash" is under way among voters who regard climate-friendly policies as an elite conspiracy against ordinary people.

8. Economic uncertainty. Western economies did better than expected in 2023 but are not out of the woods yet, and interest rates staying "higher, for longer" will be painful for companies and consumers alike, even if recessions are avoided. (Keep an eye on the banks, and their exposure to commercial property, where things could go bad.) China may fall into deflation.

9. AI gets real. Businesses are adopting it, regulators are regulating it and techies continue to improve it. Debate will intensify over the best regulatory approach—and whether arguments over "existential risk" are a decoy that benefits incumbents. Unexpected uses and abuses will keep popping up. Worries abound about AI's effect on jobs and potential for election meddling. Its biggest actual impact? Faster coding.

10. Uniting the world? Perhaps ideological differences will be put aside as the world enjoys the Paris Olympics, astronauts (maybe) looping around the Moon, and the men's T20 cricket World Cup. But it is just as likely that those hoping for some global unity will be stumped.

Read on for more detail on all these trends—and check out "Trendlines", a data-heavy selection of noteworthy metrics to keep an eye on in 2024, from superhero movies to space-launch costs. We hope you will find *The World Ahead 2024* a helpful guide to navigating the coming year. ●

TOM STANDAGE
Editor, *The World Ahead 2024*

WEST AFRICA

Also in this section:

On the Path to Reform

Africa remains determined to pave its own way towards sustainable growth

AFRICA'S ECONOMIC landscape paints a promising picture in 2024. With forecasts of stronger growth surpassing the global average, the continent is squarely placed as the world's second-fastest-growing region, trailing only behind Asia.

This is against a backdrop of fresh geopolitical conflicts, political uncertainties, and soaring interest rates. Additionally, many African countries still contend with old adversaries as they continue to combat climate change shocks, food insecurity, and a sluggish post-COVID economic recovery - all of which could aggravate inflationary pressures and stifle trade and investment flows.

Notwithstanding these challenges, Africa's business leaders and economic proponents remain resolute in pursuing economic prosperity. The continent is poised to achieve a GDP growth of 3.8% in 2024, significantly outpacing the global average of 2.9%, and will account for eleven of the world's 20 fastest-growing economies. Similarly, the regional outlook warrants cautious optimism: economic growth will gain momentum in West and East Africa and find its stride in North and Central Africa but may continue to lag in Southern Africa.

Spotlight on West Africa

Notably, as one of the world's fastest-growing regions, West Africa is primed for expansion, with forecasts edging up from 3.2% in 2023 to 4% GDP this year. Capitalising on rapid population growth, a youthful demographic, and an expanding middle class, most West African economies are poised to exceed the 4% growth mark.

This trajectory should counterbalance the slowdowns in Nigeria and Ghana, which will achieve a steady growth rate of 2.9% and 2.8%, respectively. After implementing bold policy reforms to lay the groundwork for future growth, such as removing fuel subsidies and consolidating foreign exchange markets, Nigeria is currently facing challenges like rising costs of living and subdued consumer spending and investment. Similarly, Ghana faces challenges such as persistent inflationary pressures and debt, but recent debt restructuring initiatives show promising signs of relief.

Further west, Senegal and Côte d'Ivoire emerge as vibrant economic hubs to dominate the continent's growth trajectory in 2024. Senegal is on track for an impressive 8.2% growth, propelled by advancements in hydrocarbon exploration and the development of two offshore fields. Following closely behind, Côte d'Ivoire could experience a robust 6.8% expansion fuelled by strategic investments and proactive measures to mitigate inflationary pressures.

Elsewhere, Ethiopia's economic expansion will chase 6.7%, buoyed by industry, private consumption, and investment, while Kenya's prudent fiscal and monetary policies should drive growth to 5.5%. Despite challenges stemming from a lacklustre 2023, South Africa will see marginal growth in 2024, reaching 2.6%.

Nigeria's new pathways to prosperity

Beyond the hurdles of a shifting economic landscape, Africa's largest economy is steadily gaining momentum towards long-term financial gains. Nigeria's efforts to diversify away from oil, coupled with sustained policy reforms, efficient budget implementation, and strategic resource reallocation, may finally yield fruitful outcomes and pave the way for recovery by 2025.

Additionally, the country's vibrant startup ecosystem and liquid financial markets are poised to sustain the robust growth of the country's digital economy, with fintech and e-commerce sectors playing an increasingly significant role in driving national economic output. Under the StartUp Act, the government actively facilitates opportunities for these sectors to engage in government projects. "Governments are often the largest consumers, and by integrating technology start-ups, we unlock pathways for innovation and efficiency in public services," noted Dr Bosun Tijani, Nigeria's Minister of Communications, Innovation, and Digital Economy. The country is also prioritising human capital development to make Nigeria a digital and innovation hub and a net exporter of digital talent.

Addressing food insecurity remains an immediate priority. Nigeria's abundant natural resources make developing an agro-industrial complex essential for achieving food security. In parallel, Fast-Moving

In West Africa, economic players are proactively forging partnerships and exploring fresh business avenues with counter-parts across the continent

Consumer Goods (FMCG) firms are increasingly adopting localised sourcing and production strategies to mitigate price fluctuations and exchange rate risks and reduce reliance on imported goods.

AfCFTA, innovation, and regional resilience

Africa's prosperity hinges on economic integration, prompting many African economies to embrace international engagement in 2024. In West Africa, economic players are proactively forging partnerships and exploring fresh business avenues with counterparts across the continent. With favourable demographics and rapid digital adoption, the region's entrepreneurial spirit is spotlighting cities like Accra, Lagos, and Abidjan as vibrant emerging start-up hubs. Notably, the information and communications technology (ICT) and financial services sectors are experiencing robust growth, buoyed by expanding cross-border investment opportunities.

The African Continental Free Trade Area (AfCFTA), heralded as the world's largest free trade agreement, continues to ignite optimism for bolstered intra-Africa investment, trade, and integration. Of the 47 countries that have ratified the agreement, 31 are set to join the Guided Trade Initiative in 2024. According to World Bank predictions, the AfCFTA could catalyse a significant rise in real income, potentially lifting 50 million people out of extreme poverty by 2035. These prospects offer West Africa independence from external markets, fortify against global economic turbulence, and spur vital job creation.

Simultaneously, the recent introduction of Afreximbank's Pan-African Payment and Settlement System (PAPSS) promises to revolutionise regional trade. Developed with the AfCFTA, this groundbreaking cross-border transaction platform facilitates trade using local currencies, bypassing traditional international banking channels. With the potential to save the continent an estimated $5 billion annually in transaction costs, PAPSS heralds a new era of efficiency in African commerce.

Amidst escalating uncertainty and geopolitical fragmentation, prioritising resilience remains a strategic imperative for Africa in 2024. As regional leaders reinforce their economies by focusing on major export markets, diversifying away from commodity dependence, and boosting public and private consumption, West Africa emerges as a prime example of such resilience. Here lies both an unparalleled opportunity and a formidable challenge, beckoning watchful optimism.

The Ecosystem Solution

Steadying Nigeria's course amidst volatility

NATALIE BIENISCH, Executive Director, *Circular Economy Innovation Partnership*

WHILE DRAFTING America's new constitution, Benjamin Franklin famously said, "In this world, nothing can be said to be certain, except death and taxes." As Nigeria transitioned to a new administration in 2023, another certainty emerged: volatility. The abrupt removal of the fuel subsidy and the free-floating of the Naira, while essential for improving Nigeria's long-term economic competitiveness, resulted in inflation rates surpassing 30% and an unpredictable currency devaluation. This market roller coaster has significant implications for every Nigerian.

Death and taxes are already dispiriting certainties. While volatility may be a modern fact, is there anything we can do to reduce it? At the Circular Economy Innovation Partnership, we believe that strong ecosystems—networks of organisations that coordinate to achieve common objectives—can help manage volatility, particularly in economies like Nigeria.

What is an ecosystem?

The term "ecosystem" is frequently used nowadays, and for good reason. In the business world, an ecosystem refers to a decentralised network of organisations coordinating to achieve an economic purpose. Members of an ecosystem can include buyers, suppliers, service providers, investors, the government, and other stakeholders. While organisations within an ecosystem may compete, they also share a broader economic interest. A crucial organising factor of ecosystems is their non-hierarchical structure: power is distributed, and participants recognise their interdependence. This aspect is particularly significant in Nigeria, where power dynamics are often characterised as top-down.

A great Nigerian success story is the evolution of its tech ecosystem, which has helped to nurture five of the seven tech unicorns in Africa. The success of this ecosystem can be credited to the presence of "co-working spaces, incubators, accelerators, and networking events that support emerging businesses." These elements have created a much broader support structure, enabling sectoral growth. This includes both public and private investment in digital education, the establishment of tech-based industry associations, the introduction of dedicated investment vehicles, and the implementation of facilitative policies like the Startup Act.

Utilising ecosystems to mitigate volatility

Strong institutions are better equipped to manage volatility vis-à-vis business ecosystems. For instance, a robust social welfare system coupled with a carefully planned subsidy removal program can more effectively mitigate market shocks than individual ecosystems. Institutional development is, unfortunately, challenging, costly, and often constrained by conflicting interests. Conversely, ecosystems can thrive despite weak institutions and contribute to strengthening them.

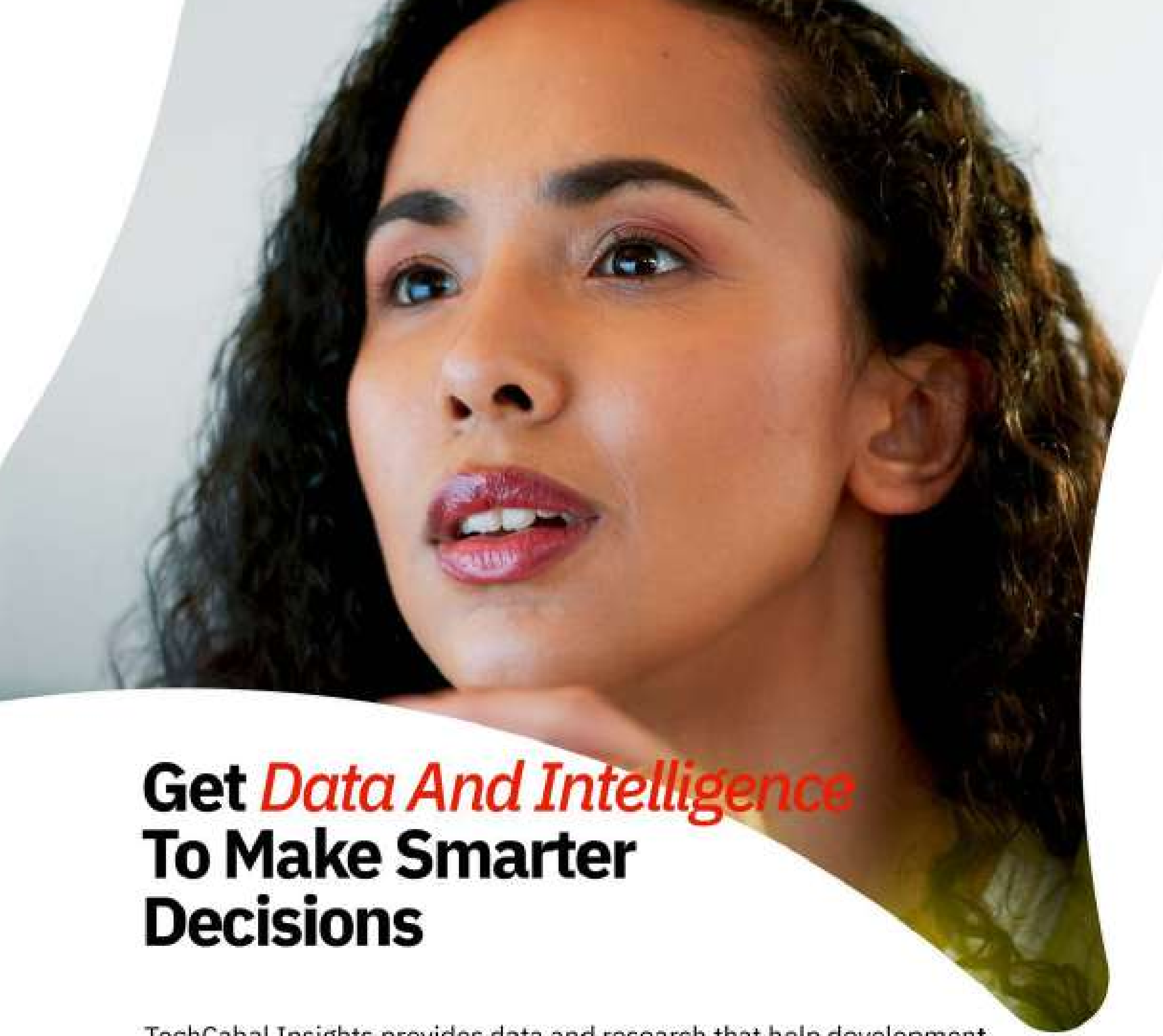
Nigeria's Startup Act exemplifies this approach, designed to empower tech companies with incentives and a centralised information-sharing platform. Developed collaboratively with industry stakeholders and the private sector, the Act demonstrates how a vibrant ecosystem can foster a dynamic private sector that actively shapes policy and underscores the government's crucial role as a participant invested in industry growth.

Green ecosystems for growth and sustainability

Variations in economic policy are one issue contributing to volatility. Climate change is becoming increasingly influential, as evidenced by events such as the 2022 flood in Nasarawa State and drought in the north, which have devastated food security and social stability. The urgency of addressing climate change is becoming increasingly clear.

From a policy standpoint, the Nigerian government has been proactive in addressing climate change through, among other things, its commitment to the Nationally Determined Contributions to limit global warming to 1.5 degrees celsius under the 2015 Paris Agreement.

Support for developing a vibrant ecosystem to equip Nigeria to meet these objectives is essential. The foundations of this ecosystem are being laid through a wide range of institutions. The broad definition of climate change and the limitations of climate solutions to produce extraordinary growth or profitability in the current market context have meant that the rate at which participants in this ecosystem identify as a part of it has been an uphill battle compared to its counterparts in the tech sector. However, the time for the green ecosystem has come. Our vision for 2024 is accelerated collaboration, investment, and influence of participants in Nigeria's green ecosystem.



From Code to Commerce

The transformative power of digital innovation in Nigeria's economic growth

Dr. Bosun Tijani, Minister of Communications, Innovation and Digital Economy, envisions Nigeria leading global AI progress through data inclusivity.

NIGERIA is forging ahead on its journey towards digitalisation. With over 205 million mobile connections and an internet penetration rate of 45%, the country is emerging as Africa's largest and most vibrant ICT market. The Ministry of Communications, Innovation, and Digital Economy is steadfast in sustaining this momentum and propelling Nigeria towards becoming a knowledge-based digital powerhouse - a dedication reaffirmed by the sector's substantial contribution of over 18% to Nigeria's GDP in 2023.

Complementing this vision, the Ministry has implemented its Strategic Blueprint for the next four years, focusing on five interconnected pillars: Knowledge, Policy, Infrastructure, Trade, and Innovation, Entrepreneurship, and Capital. Knowledge is the cornerstone for navigating the digital terrain, fostering innovation, nurturing talent, and applying technology effectively. Robust policy frameworks act as catalysts, translating knowledge into actionable strategies, while infrastructure forms the backbone of a strong digital economy. Innovation and entrepreneurship thrive in an environment conducive to Nigerian tech enterprises, facilitating trade and export.

A youth-lead digital drive

These pillars resonate deeply with the vibrant ambitions and digital aptitude of our populace. With nearly 70% of our population aged under 30, our nation's dynamic demographic dividend is fuelling Nigeria's digital advancement.

The government is leveraging this abundant young talent to stimulate Nigeria's digital economy and meet the global demand for digital skills through the 3 Million Technical Talent (3MTT) Programme. Our goal is to cultivate a pipeline of technical talent, positioning Nigeria as a leading net exporter. While Western countries lead in technology innovation, they require a skilled workforce to realise these ideas. We aim to bridge this gap by systematically training participants across ten different streams, including software development, data science, artificial intelligence, machine learning, UI/UX, and quality assurance. With approximately 1.5 million registrations within the first four weeks, the programme exhibits tremendous potential.

Simultaneously, as one of Africa's 'big four' ecosystems, Nigeria's burgeoning digital start-up community promises transformative impacts across critical sectors. The Startup Act serves as a cornerstone for governmental backing in this pursuit. Our objective transcends the mere attraction of investments and businesses; we endeavour to foster a robust and vibrant ecosystem where start-up successes are intricately linked to our nation's prosperity. While presently only a fraction of companies are domiciled in Nigeria, we plan to elevate this proportion to around 25% in the next few years.

Unlocking digital development

As we pursue these ambitious goals, challenges persist, including the need to modernise government services through digital integration across all sectors to boost efficiency and accessibility. One avenue for tackling this obstacle is forthcoming initiatives like a Nigerian Stack – a data warehouse that could facilitate supervision, financial inclusion assessments, and open data sets for public and private use. Additionally, the lack of sufficient patient capital for early-stage businesses stifles innovation. Increasing its availability to technology companies will promote innovation and generate job opportunities for talent.

Infrastructure remains our primary challenge, but we're optimistic about meeting our targets. A key focus is bridging Nigeria's connectivity gap by laying 95,000 kilometres of fibre optic cables, aiming to achieve 70-80% completion within the next four years. Presently, we've already deployed 35,000 kilometres of this infrastructure. Likewise, efforts are underway to enhance broadband connectivity and optimise Nigeria's satellite for internet access in rural areas.

As Nigeria advances its digital infrastructure, we're also exploring emerging technologies like Artificial Intelligence (AI), Augmented Reality (AR), and blockchain. AI, in particular, holds immense promise for revolutionising vital areas like education and agriculture. Despite this potential, it's crucial to debunk the misconception that developing nations are too distant from its benefits. While this technology presents unprecedented opportunities for businesses and society, inclusivity in its development is vital. Leveraging our vast data reserves, Nigeria aims to be a data inclusion superpower, enriching AI models with diverse perspectives and ultimately contributing to the global advancement of AI technology.

Notwithstanding our market gaps, Nigeria sees its challenges as catalysts for growth. Difficulties in learning outcomes, accessible healthcare, and housing and transportation needs can only be sustainably tackled through technology. While these challenges persist, technology consumption and innovation in Nigeria will continue to thrive, unlocking unique opportunities for economic prosperity and digital growth.

West Africa's Economic Catalysts

These are the fastest-growing industries in West Africa

OLUSEGUN ZACCHEAUS, Partner and West Africa Lead, Strategy&, *PwC Nigeria*

AMIDST PROJECTIONS of modest economic growth across Africa, the West African region enjoys a positive outlook, with several countries poised for significant growth in 2024. This positive economic performance positions the region prominently, as the International Monetary Fund (IMF) anticipates five of the world's fastest-growing economies in 2024 to emerge from this region. Our team at PwC Nigeria have identified and analysed the most rapidly expanding industries in key West African countries, Nigeria, Ghana, and Côte d'Ivoire.

Nigeria

Nigeria's financial and insurance sector is critical for efficient capital allocation, risk management, and economic growth. Notably, in Q3 2023, the industry witnessed a remarkable year-on-year growth rate of 28.21%, primarily driven by the banking subsector's robust 29.66% expansion. Increased interest income, digital transactions, and forex revaluation gains fuelled this surge. Projections indicate that this trend will persist into 2024, further bolstering the sector's growth.

The review of the Central Bank of Nigeria's (CBN) licensing frameworks for payment service providers and deposit money banks (DMBS) is poised to introduce fresh avenues for market entry. Additionally, the planned recapitalisation of DMBS aims to increase capital adequacy, aligning with the federal government's ambitious $1 trillion economic strategy.

In parallel, Nigeria's information and communications sector demonstrated significant resilience, recording a year-on-year growth rate of 6.69% in Q3 2023. The telecommunications segment emerged as a standout, constituting a pivotal sub-sector within ICT. During the same period, the telecommunications industry introduced a 7.74% growth, fuelled by a notable increase in Foreign Direct Investments (FDI) inflows, amounting to $64 million —an impressive surge of 158% from the previous quarter (Q2).

Moreso, the strategic plan by the Federal Ministry of Communications, Innovation & Digital Economy is expected to shape developments in the telecommunications landscape in 2024. The goal is to achieve a 70% broadband penetration rate by 2025 and ensure internet access across urban and rural areas.

Ghana

Ghana saw remarkable growth in its information and communications sector, with a year-on-year increase of 17.3% in Q3 2023. This rise, the highest among all sectors during the period, was propelled by a robust mobile penetration rate, initiatives to enhance data connectivity, and a rise in digital transactions. Forecasts suggest that the telecommunications segment, as a crucial component of the ICT sector, will continue to shape Ghana's technological landscape in 2024. Key drivers of this evolution include adopting a neutral shared mobile network for 5G services, ongoing investments in mobile infrastructure by industry players, and expanding LTE networks.

Similarly, Ghana's accommodation and food sector posted a commendable year-on-year growth rate of 11.2% in Q3 2023. This expansion was primarily driven by increased demand from the country's burgeoning mining activities. Noteworthy innovations in this sector include hoteliers' introduction of concept rooms offering unique experiences beyond traditional accommodations. In 2024, the industry anticipates a resurgence in travel demand alongside a return to pre-pandemic occupancy and revenue levels.

Côte d'Ivoire

In Côte d'Ivoire, the tertiary sector grew by a remarkable 8.7% year-on-year growth in Q1 2023, contributing 3.8% to GDP. Key subsectors such as hotels and restaurants, banking and insurance, transportation, and trade spearheaded this expansion. The hotels and restaurants segment grew by 28.7%, buoyed by significant government investment in the Côte d'Ivoire tourism strategy, particularly in Abidjan, emerging as a burgeoning West African commercial hub.

Meanwhile, the secondary sector emerged as the second-fastest-growing segment, achieving a robust 6.8% year-on-year growth in Q1 2023. This growth is attributed to increased performance in oil refining, construction, agro-food, and extractive industries. Petroleum refining and agro-food industries saw growth rates of 29.3% and 19.2%, respectively. This spike in petroleum refining stemmed from robust domestic demand and increased exports to neighbouring countries. Similarly, the uptick in construction activity can be attributed to the rapid advancement of public infrastructure projects, particularly those earmarked for hosting the African Cup of Nations in January 2024. Furthermore, the agri-food sector exhibited commendable growth of 5.2%, fuelled by the robust performance of the oilseed sector and a resurgence in beverage industry activities.

As West Africa advances towards economic prosperity, the resilience and dynamism of these major industries in Nigeria, Ghana, and Côte d'Ivoire are poised to play a pivotal role in shaping the region's trajectory.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Nourishing the Nation

Epitomising resilience and innovation in Nigeria's FMCG landscape

JOHN G. COUMANTAROS, Chairman, *Flour Mills of Nigeria Plc. (FMN)*

NIGERIA'S FAST-MOVING consumer goods (FMCG) sector, among Africa's largest and most dynamic, is primed for substantial growth and development by 2030. Despite buffeting economic headwinds, Nigerian FMCG firms have shown remarkable resilience and revenue growth in recent years. For Golden Penny, the flagship food brand of Flour Mills of Nigeria Plc. (FMN), resilience stems from innovation and adaptability across our value chains.

Not withstanding current macroeconomic pressures, Nigeria, Africa's most populous country, presents abundant opportunities for brands that are adept at tapping into the evolving consumer landscape. As a population of over 200 million continues to grow rapidly, the demands of an increasingly diverse consumer base are also rising. Projections anticipate a 13% growth rate in the Nigerian food market between 2024 and 2028, reaching $421 billion by 2028.

Innovating for sustainable growth

FMN's customer-centric approach has been pivotal in navigating the country's dynamic market landscape. With a rich legacy spanning six decades, Golden Penny has evolved alongside Nigeria and its households, achieving success by delivering strong consumer value propositions to meet the nation's varied needs. Through relentless innovation, we have built a multi-decade track record of consistently high-quality food products. Across categories such as flour, pasta, noodles, ball foods, oil and spreads, and sugar, we continue to introduce products that surpass expectations of nutritional quality and resonate with consumers' preferences and lifestyles.

Golden Penny Pasta, made from high-quality durum wheat, offers a rich source of protein and fibre for a nutritious meal. Our noodles brand now encompasses an assortment of flavours - from chicken to goat meat to jollof – to cater to diverse tastes in Nigeria. Our ball food brands, led by Semovita, provide essential vitamins and minerals and are easy to mould and swallow, complementing Nigeria's host of soup dishes well. Amaizing Day breakfast cereal, derived from locally sourced raw materials, supports the healthy growth and development of future leaders. Similarly, our heart-friendly spreads and oils, including soya and vegetable oil, prioritise health without sacrificing taste.

In recent years, adaptability and innovation have been critical for ensuring sustainable brand growth, and the year ahead will be no different. Driven by diminishing purchasing power, consumers increasingly turn to local alternatives and value brands, spurring FMCG companies to innovate and prioritise the crucial twin imperatives of affordability and convenience. Golden Penny has responded to these challenges by offering products in varied forms and channels tailored to different consumer segments. From single-serve

Through relentless innovation, we have built a multi-decade track record of consistently high-quality food products

packages to bulk packs, our diverse range effectively meets the unique needs of various regions and socio-economic classes.

Building Nigeria's agro-industrial complex

Moving forward, Golden Penny envisions a continued increase in local content and distribution augmentation—a strategy to reinforce our brand presence and fortify our market position while supporting Nigeria's self-sufficiency.

Amidst the optimism surrounding Nigeria's consumer landscape and unfolding economic reforms, the FMCG sector faces a fluid operating environment. The volatility of the Naira and the foreign exchange market is doubtless a significant concern. These challenges accentuate the necessity of local input sourcing and backward integration.

We believe that creating an agro-industrial complex remains the lowest-hanging fruit on Nigeria's path to industrialisation. Doing this will involve harnessing the nation's rich agricultural endowments, optimising crop yields, building robust logistics networks for industrial offtake of agricultural produce, and establishing reliable industrial distribution channels.

As a group, FMN's efforts to bolster domestic food production are extensive and holistic. We foster comprehensive agricultural development nationwide through independent, strategic value chain investments and active engagement in government-led backward integration initiatives. This includes robust participation in sugar backward integration, independent upstream integration in oil palm, maize, soybean, and cassava, and proactive involvement in local wheat production initiatives.

Across all these value chains, local industries stand to gain significantly by transforming crop yields and boosting productivity at the farm level. These improvements are poised to drive efficiency gains downstream, stimulating industrial offtake and creating substantial job opportunities within Nigeria. By aligning food security objectives with agro-industrialisation, FMCG firms can deliver enduring and significant value to Nigerian consumers in the food sector.

The Nigerian economy continues to present vast growth prospects for vibrant brands that resonate with the nation. By prioritising customer-centricity, adaptability, and local empowerment, we, as FMCG firms, can address a spectrum of consumer needs while propelling Nigeria forward on its path to industrialisation.


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Nation-building Momentum for Nigeria

In an economy poised for a new era of growth and development, private sector leaders must lead the charge

OYINDAMOLA LAMI ADEYEMI, Executive Chair, *Still Earth Holdings*

NIGERIA STANDS on the cusp of a transformative era, propelled by significant economic reforms. As we navigate 2024, strategic measures hold the power to define the nation's trajectory, and the symbiotic partnership between the public and private sectors merges as the linchpin of Nigeria's economic resurgence.

Reforms in action

At Still Earth Holdings, we oversee a diverse portfolio of private companies spanning several key sectors, including oil and gas, construction, and finance. Nigeria's economic recovery points toward these top-performing sectors - including banking, energy, technology, and agriculture - but achieving sustained growth requires enhanced collaboration between the government and external investors.

In this context, private sector players are uniquely responsible for steering the economy towards national development. This duty transcends mere profit-making to embrace ethical business practices, promote sustainability, and contribute to social responsibility.

Concurrently, the new administration significantly emphasises private sector-led growth as a cornerstone for shaping the nation's economic trajectory. Moving forward, the partnership between the private sector and the government will be instrumental in leveraging the country's newfound momentum to cultivate sustained growth and foster a conducive business environment. Without such conditions, achieving meaningful progress becomes a daunting task, hindering the vitality of a thriving private sector.

Fortunately, commendable strides have already been taken. The government's proactive engagement with major oil players—such as TotalEnergies, Shell, and ExxonMobil—has resulted in substantial shortterm investments in the Nigerian oil and gas sector. Additionally, its focus on digital lending and financial technologies to drive service sector growth exemplifies a commitment to nurturing favourable business conditions. Lagos State's substantial allocation of 24.28% of its capital budget towards housing and transportation infrastructure in the 2024 fiscal year also underscores concerted efforts to bolster economic development.

At its core, entrepreneurship embodies a profound commitment to addressing pressing societal challenges

Private sector leadership

While the government lays the groundwork, private sector leaders must seize the mantle of responsibility to create thriving business environments. This will require astute investments in industry-leading, achievable, and innovative solutions. Such initiatives will attract Foreign Direct Investments (FDI), inject vital capital into the economy, and foster job creation, human capital development, and overall economic growth.

For Still Earth Holdings, our dedication to this transformative journey resonates across our diverse subsidiaries. Aligned with national objectives of enhancing oil production, Tirex Petroleum & Energy is strategically equipped to deliver innovative technologies and solutions to address Nigeria's growing energy demands at scale. Our commitment to facilitating crude oil exploration and production extends further to promoting local content development, fostering community engagement, and bolstering national security.

Furthermore, Still Earth Construction's approach transcends conventional infrastructure endeavours, serving as vital economic conduits that stimulate commerce, improve accessibility, and nurture a proficient workforce to bridge essential market disparities. Acknowledging the substantial funding gap for small and medium enterprises (MSMEs), Still Earth Capital Finance operates at the intersection of finance and the digital economy, leading initiatives to foster financial inclusivity and digital lending. At its core, entrepreneurship embodies a profound commitment to addressing pressing societal challenges.

National momentum for global impact

In Nigeria's dynamic economic scene, we are deeply optimistic about the wealth of opportunities it presents. Beyond the conventional oil sector, the country's diverse landscape cultivates investment prospects in agriculture, telecommunications, construction, and finance. With its unwavering commitment to diversification and reforms, Nigeria signals an economy primed for rapid and sustained expansion, with projections pointing towards its ascent among the world's top 20 economies by 2030.

The nation's rich blend of resources, strategic ECOWAS location, and robust consumer market position it as a promising hub for transformative ventures with significant local and global impact. Still Earth Holdings remains steadfast in our commitment to catalyse progress, aligning every aspect of our operations for maximum productivity and societal benefit. By leveraging Nigeria's resilience and abundant resources, we believe in our entrepreneurship's potential to drive meaningful change, both domestically and globally.


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Nigeria's Reform Drive

Charting the course to fiscal resilience and a tax-conscious society

AYODELE SUBAIR, Executive Chairman, *Lagos State Internal Revenue Service (LIRS)*

NIGERIA IS AT A CRITICAL JUNCTURE in its economic journey, grappling with a complex tax revenue landscape that mirrors both untapped potential and persistent challenges. With the nation having embarked on its boldest reform agenda in decades, there's a glimmer of hope amid the obstacles for Africa's largest economy.

In a strategic departure from previous efforts, President Bola Ahmed Tinubu's administration has initiated a multifaceted strategy to revamp Nigeria's tax framework, aiming to reach an ambitious minimum tax-to-GDP ratio of 18% within the next three years. At the Lagos State Internal Revenue Service (LIRS), we perceive the current state of Nigeria's tax system as a nuanced blend of opportunities and challenges. The historical lack of credible data, subpar tax administration, and the proliferation of taxes pose significant obstacles. These hurdles are further compounded by the rise of the underground economy and the complexities associated with taxing the digital realm.

Still, within these challenges lie ample avenues for growth. There are compelling opportunities to bolster fiscal governance, enhance revenue streams, and cultivate a more conducive business environment for investors.

Toward tax reform

Tax policy will emerge as a linchpin for promoting sustainable economic growth and ensuring fiscal stability in the new economic backdrop. A well-designed tax framework can catalyse long-term prosperity by promoting revenue generation, wealth redistribution, incentivising investments, simplifying tax laws, and enhancing government accountability.

The new administration has prioritised digitising revenue collection in its sweeping transformation of Nigeria's tax system. Initiatives like Lagos State's Enterprise Tax Administration System (e-Tax) vividly illustrate this pivot towards digitalisation, offering a streamlined platform for tax operations and payments. These advancements promise to boost tax administration efficiency and credibility, slash collection costs, empower policymakers with reliable data, and curb tax evasion.

LIRS is also working to ensure consistent tax compliance by balancing enforcement measures and engaging the public. Taxpayer education is at the heart of our advocacy efforts, and we are steadfast in nurturing public engagement to cultivate a robust tax culture. Through diverse initiatives such as taxpayer education campaigns, active social media engagement, and collaborative efforts with stakeholders, LIRS endeavours to build a tax-conscious society by enhancing taxpayer awareness and simplifying compliance processes.

Reflecting on past successes, key strategies, including organisational restructuring, IT infrastructure enhancements, taxpayer segmentation, and active stakeholder engagement, have been instrumental in boosting revenue generation and fostering enhanced voluntary compliance.

A collaborative tax vision

Moving forward, Nigerian tax authorities

can bolster fiscal health and spur economic development through a holistic approach. By leveraging the power of Information Technology, agencies can effectively capture taxpayers from both formal and informal sectors. Supported by legislative and executive backing, implementing diverse profiling methods will enable revenue authorities to conduct accurate taxpayer assessments.

This journey towards fiscal resilience isn't solitary - collaboration with internal and external stakeholders is paramount. Our recent MoU with The Federal Inland Revenue Service (FIRS) is a prime example of streamlining tax procedures, fostering collaboration, and reducing stakeholder time and costs.

Finally, implementing a presumptive tax regime can draw informal sector participants into the tax fold. This move will not only facilitate future assessments but also acknowledge the invaluable contributions of the informal sector to the nation's resilience. By embracing this strategy, authorities extend a supportive hand, recognising that every contribution, regardless of scale, drives Nigeria toward prosperity.

Taxation transcends mere revenue generation - it is a cornerstone of economic growth and poverty reduction. By fostering a stable fiscal environment, taxation enables governments to finance crucial social and infrastructural needs. Fulfilling our tax obligations is more than a civic duty; it is a partnership for sustainable finance, governance, and economic development. As Nigeria navigates it's evolving landscape, let us recognise the pivotal role of taxation in shaping the nation's resilience and collective prosperity.

Rising to the Occasion

Nigerian hospitality's ascent amidst economic reform

IYADUNNI GBADEBO, Director Sales & Marketing, *Eko Hotels & Suites*

NIGERIA'S HOSPITALITY sector has shown remarkable tenacity in recent years, surpassing pre-2019 occupancy rates and projecting a robust 4.5% growth rate until 2028. This trajectory heralds promising prospects for industry stakeholders and investors alike.

Parallel progress

Several factors have pushed the growth of Eko Hotels & Suites, which has had a distinguished presence in Nigeria's hotel industry since 1977. Chief among these is the resurging middle class, accounting for approximately 23% of the population, with 1 million expected entrants in 2024 and the subsequent increase in disposable incomes. As Nigeria's economy diversifies with both local enterprises and multinational corporations, the demand for accommodations, conferences, and tailored hospitality services is rising. Moreover, government reforms and Nigeria's promising economic outlook are attracting foreign investors, significantly expanding the sector. Notably, these investments spur job creation, bolstering the middle class and leading to increased expenditure on hospitality services.

In tandem, Nigeria's vast diaspora community, frequently returning for vacations, family gatherings, and medical tourism, drives hotel occupancy. This trend is mirrored across the wider West African region, where government-led tourism initiatives in nations like Ghana, Uganda, and Côte d'Ivoire have strengthened hospitality demand.

Amplifying industry potential

All Eko Hotels are proactively addressing evolving trends to elevate guest experiences and promote sustainability. Recognising the increasing number of environmentally conscious travellers, the establishment launched the Eco-Green program to champion environmental conservation. Similarly, with the growing preference for family-oriented experiences, particularly amid currency devaluation and rising international travel expenses, Eko Hotels introduced family-oriented offerings like staycations and a theme park, welcoming over 10,000 families since its inception.

Nigeria is also emerging as a regional powerhouse in the creative economy, attracting numerous world-class events. Here, Eko Hotels has enhanced its event and banquet services through investments in state-of-the-art equipment and facilities.

Transformative prospects

Moving forward, Eko Hotels perceives the African Continental Free Trade Area (AfCFTA) agreement as a catalyst for transformative change, promising heightened intra-African trade and travel that will undoubtedly invigorate the continent's hospitality industry. Untapped opportunities in Nigeria's wellness and health industry also abound. Given its sizable diaspora community and pool of skilled doctors, Nigeria stands ready to capture a substantial portion of this lucrative market.

With a strategic focus on sustainability, innovation, and dynamism, the Nigerian hospitality industry is poised for a future marked by growth and prosperity.


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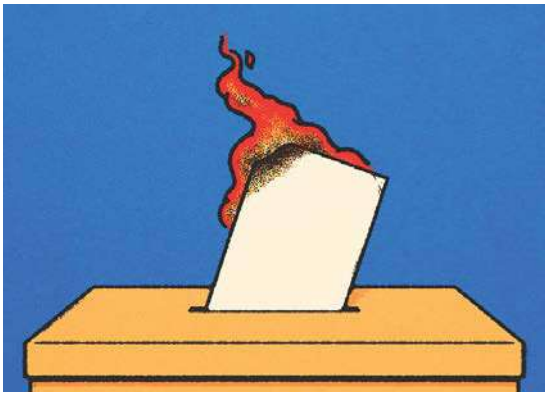
LEADERS

Democracy in danger

2024 will be a stressful year for anyone who cares about liberal democracy, predicts Zanny Minton Beddoes



MORE THAN half the people on the planet live in countries that will hold nationwide elections in 2024, the first time this milestone has been reached. Based on recent patterns of voter turnout, close to 2bn people in more than 70 countries will head to the polls. Ballots will be cast from Britain to Bangladesh, from India to Indonesia. Yet what sounds like it should be a triumphant year for democracy will be the opposite.

Many elections will entrench illiberal rulers. Others will reward the corrupt and incompetent. By far the most important contest, America's presidential election, will be so poisonous and polarising that it will cast a pall over global politics. Against a backdrop of conflict, from Ukraine to the Middle East, America's future direction—and with it the world order American leadership has hitherto underwritten—will be on the line. It will be a nerve-racking and dangerous year.

Some elections will be obvious shams. In Belarus or Rwanda, for instance, the only question is how close to 100% the incumbent's vote-share will be. Having illegally changed the constitution to remove term limits in 2020, Vladimir Putin will doubtless win a third consecutive term (and fifth overall) as Russia's president.

Most ballots cast will be in Asia. Its biggest democracies—Bangladesh, India and Indonesia—will all go to the polls. Unfortunately, the danger is of growing illiberalism. Under Narendra Modi, India is enjoying remarkable economic and geopolitical success, even as the prime minister condones anti-Muslim chauvinism and a dismantling of institutional safeguards. Indonesia's president, Joko Widodo, seems focused on entrenching a political dynasty. Bangladesh has already taken an authoritarian turn, with opposition leaders jailed and no dissent brooked.

America's poisonous and polarising election will cast a pall over global politics

Africa will be the continent with the most elections, but its voters are increasingly disillusioned with how democracy works. Coups are becoming more common: nine regimes have seized power by force since 2020. Polls suggest that growing numbers of Africans might be willing to go along with a military government. South Africa's election will be a reminder of serial disappointment. Three decades after the ANC swept to power in the first post-apartheid election, it will limp to power again in a country ground down by corruption, crime and unemployment.

The news is not all bad. Mexico will elect its first female president: both leading contenders are women, and less populist than the incumbent. British voters will (at last) have a choice between two competent candidates. After 14 years of Tory rule a Labour win is likely, but few outside Britain will notice much change.

Some elections will have a disproportionate impact beyond their country's borders. Whether Taiwan's 18m voters plump for the incumbent Democratic Progressive Party or the Kuomintang (KMT), the more China-friendly opposition, will affect relations across the Taiwan Strait and, as a result, the level of US-China tensions. In the short term a KMT victory might reduce the odds of conflict. But in the medium term Taiwanese complacency might later increase the risk of Chinese adventurism and, potentially, a great-power clash.

Nothing, however, will compare to America's election, either for grim spectacle or potential consequences. It is hard to believe the most likely outcome is a rematch between two old men, both of whom the majority of voters wish were not candidates.

Donald Trump's very candidacy undermines American democracy. That the Republican Party would nominate a man who tried to overturn the results of the previous presidential election dims America as a democratic beacon. A second Trump term would transform America into a loose cannon with isolationist tendencies at a time of grave geopolitical peril. His fondness for strongmen, particularly Mr Putin, suggests that his boast to end the Russia-Ukraine conflict in 24 hours would be at Ukraine's expense.

Mr Trump may not become the nominee, and if he does, he may well lose. But the odds of a second Trump term are alarmingly high. The consequences could be catastrophic—for democracy and for the world. ●

ZANNY MINTON BEDDOES Editor-in-chief, *The Economist*

Multipolar disorder

In 2024 the world must try to break a vicious cycle of insecurity, argues Patrick Foulis

As 2023 drew to a close, wars were raging in Africa, Israel and Gaza, and Ukraine. These crises are explosive in their own right. Combine them with a presidential race in America and 2024 promises to be a make-or-break year for the post-1945 world order.

The 2020s were destined to be dangerous. The West's share of world GDP has fallen towards 50% for the first time since the 19th century. Countries such as India and Turkey believe the global institutions created after 1945 do not reflect their concerns. China and Russia want to go further and subvert this system. Though America's economy is still pre-eminent, its unipolar moment has ended. Allies in Europe and Japan are in relative economic decline. There is tepid support among the middle class for America's global role, and an isolationist tilt in the Republican Party.

At the start of 2023 America was busy adapting to this reality, implementing the Biden administration's foreign policy. The idea was to be a more selective, even selfish, superpower. Prioritisation had meant quitting Afghanistan and shifting resources to Asia to counter China. Alliances were rejuvenated in the Pacific and in Europe, where NATO was expanded and Ukraine kept afloat. Energy and tech embargoes were used to weaken adversaries, at little cost to the West. Domestic industrial subsidies, though inefficient, were potent: in mid-2023 American factory construction hit its highest rate since the 1950s.

By some yardsticks—oil and grain prices, Western combat casualties—geopolitical risk is tolerable. Yet the new dynamic is one of instability. In the 1990s many countries aspired to a self-reinforcing cycle of freedom, market economics and rules-based globalisation. Now there is an unpredictable cycle of populism, interventionist economics and transactional globalisation. As a result, three threats loom in 2024.

First, there is a growing zone of impunity where neither global powers nor global institutions tread. You can walk 6,000km from the Red Sea to the Atlantic through six African countries that have faced coups in the past 36 months. Azerbaijan has just fought a war against Armenia involving ethnic cleansing, without much blowback. Iran's proxies thrive in failing states across the Middle East. In 2024 this zone of impunity could expand further across Africa and Russia's flanks.

The final threat is the fragility of the Western coalition

Second, a trio of trouble is emerging featuring China, Iran and Russia. They have much less in common than Western allies do, and China is far larger and more integrated into the world economy than the others. But their interests intersect: all want to undermine American legitimacy and to evade actual or potential sanctions. China buys Russian and Iranian oil. None has condemned Hamas or the invasion of Ukraine. Their collaboration is likely to expand into tech. China is pioneering ways to bypass Western finance: half of its trade is now in yuan. Iran exports drones to Russia; China and Russia collaborate on nuclear-warning systems and patrols in the Pacific. In 2024 the world will learn how far this nascent club might go.

The final threat is the fragility of the Western coalition. The response to Ukraine's invasion was exhilarating: America and Europe united, public opinion was supportive and the principles of the 1945 order were defended, even if non-Western countries were not fully onboard. Now, with a military stalemate, cracks are showing. In America, Republicans are divided over funding for Ukraine. Israel's invasion of Gaza is even more divisive: it has split the EU and America, which has vetoed a UN ceasefire resolution, fuelling claims of double standards and Western illegitimacy. Other crises could expose more splits: would Europe join America in fighting to defend Taiwan?

How these threats play out in 2024 partly depends on the performance of the West's autocratic competitors. Just as the very different regimes of China, Iran and Russia share some interests, they have some similar vulnerabilities. All face economic difficulties and rely on intensifying repression. Vladimir Putin faced a mutiny in 2023; Ayatollah Ali Khamenei is 84 and has no clear successor; Xi Jinping relies on purges. All this could sap their vitality and their claim to have a rival model that others should emulate.

But America's election is key. An isolationist president would not drop treaties overnight but will be tested quickly: think of China "inspecting" Taiwanese ships or Russia "reinterpreting" borders. If America's commitment falters, Europe will soldier on in Ukraine but will struggle to provide funding or military muscle. Asian allies will placate China and bolster their defences. Middle powers such as South Korea and Saudi Arabia may seek nuclear weapons.

If America elects an internationalist at the end of 2024, much of the world will breathe a sigh of relief. But America faces a long slog to stabilise and then renew a system of international trade and security. The to-do list includes European enlargement; deepening co-operation with India; and a two-state solution between Israel and the Palestinians. Perhaps one day historians will talk of the post-2025 order. ●

PATRICK FOULIS Foreign editor, *The Economist*

Don't give up on peace in the Middle East

But the process of getting there will be alarmingly fragile, says Edward Carr

IF 2023 WAS the year when the Palestinian conflict shook the Middle East, 2024 will be the year when it starts to become clear whether the Middle East can shake the Palestinian conflict. Terrible as it is to write after so much death, the region has not had a better chance of peace in two decades. Unfortunately, neither has the Palestinian conflict had a greater chance of spiralling out of control. Which will it be?

Hamas's murder of 1,400 Israelis will bring change in 2024 because it destroyed the strategic concept that had allowed Israel and much of the Arab world to ignore the Palestinians' plight. No longer can anyone pretend that a mix of financial incentives and Israeli air strikes can control Hamas. If Israel is to honour its founding promise to be a homeland where Jews are safe, it needs a new approach.

The attack will also produce new leaders on both sides. Israel's military and intelligence chiefs will resign when the war is over. And its prime minister, Binyamin Netanyahu, will be forced from office. Not only did this catastrophe take place when he was in charge, but his political brand as Israel's staunch defender lies in ruins. Meanwhile, Hamas's leaders are likely to be killed by Israeli forces, and their counterparts in the Palestinian Authority (PA) in the West Bank could end up being driven from power. New leaders bring change, too.

A number of things could conspire to make this a change for the worse. One is the war itself. Israeli forces are killing thousands upon thousands of Palestinians, including many women and children. Hamas cannot defeat Israel, but it does not need to. Amid the understandable fury this is causing in the Arab world and beyond, just surviving would mean that Hamas emerges stronger in the eyes of Palestinians. If Israel loses international support, it may be forced to stop fighting sooner than it is ready. If Palestinians are radicalised, Hamas could rise from the ashes to become a symbol of resistance.

Another danger is that the violence spreads. Hizbullah, an Iranian-backed militia, could open a second front in the north, across the border with Lebanon. More likely is popular unrest in the West Bank, where Hamas has recently been working to increase its influence, and where young Palestinians have lost faith in the PA and its do-nothing, election-avoiding president, Mahmoud Abbas.

Hamas's attack destroyed the notion that the Palestinians' plight could be ignored

If Hamas retains control of Gaza, and the West Bank is in flames, Israel will not be safe. It will strike Gaza repeatedly, whenever Hamas seems a threat, lest another attack take place. No Palestinian leader will be in a position to talk to it, even if they wished to. The Arab world, whose backing is vital for peace, will want to keep its distance. The Holy Land will be in a state of permanent semi-war.

However, that does not have to be the outcome. The operation to destroy Hamas and its tunnels could last several months. Imagine that at the end of it, Israel is satisfied that Hamas's rule over Gaza has been broken. Imagine that ordinary Palestinians will contemplate the idea of living beside Israel in peace. And imagine that even as the presidential campaign in America enters its final months, the Biden administration still has the drive and focus to undertake active diplomacy. There is a slender chance of all these things falling into place, but if they do, a delicate transition may begin.

It starts in the Palestinian territories, with leaders who can combine legitimacy at the ballot box with an acceptance of Israel's right to exist. Only that combination will produce a partner with whom Israel can cautiously begin to build trust. At the moment, while Palestinians are seething with anger at Israel's assault in Gaza, no such leader is available. But although Mr Abbas has engineered it so that he has no rivals today, successors may appear once he has gone.

New leaders in Israel will have almost as daunting a task. Not only must they win over traumatised Israelis to the idea of making peace, but they must also confront the settler movement which was never so powerful as under Mr Netanyahu's last government. For as long as settlers are killing Palestinians in the West Bank, peace will remain out of reach.

It will be just as hard to create the security needed in Israel and the Palestinian territories to allow peace to take root. In the past those who wished to destroy peace were able to use violence to discredit moderate voices within their respective camps.

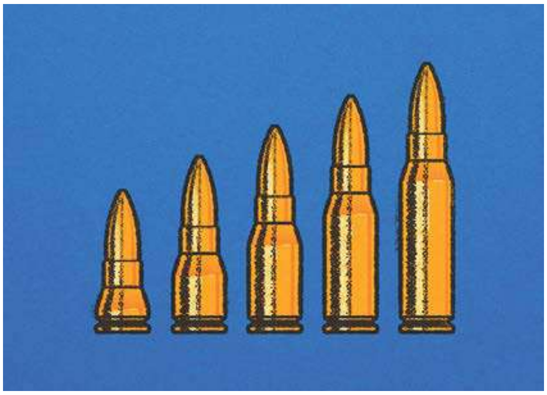
Nowhere is this problem harder than in Gaza. An Israeli occupation would only radicalise the Palestinians there. Some imagine an Arab peacekeeping force, perhaps of armed police rather than troops. The Arab countries that now have closer relations with Israel than they did in the past, through the Abraham accords, may help. But they will take a lot of persuading.

The Middle East is the graveyard of plans for peace. It is a harsh and violent part of the world. But in 2024 you should cling to one hope. After two decades of stagnation ended on October 7th with terrible violence, the pursuit of peace is the only fresh idea left. ●

EDWARD CARR, Deputy editor, *The Economist*

Time for Europe to step up

As a long war looms, American support for Ukraine can no longer be depended upon, argues Christopher Lockwood



It seems clear that, barring a last-minute miracle, Ukraine's counter-offensive, once the source of so much optimism not just in Kyiv but across the West, failed in 2023—and badly so. After five months of bloody and expensive effort, the results by early November were minimal. No major town had been taken, and only around 400 square km (154 square miles) of territory had been liberated, less than 0.1% of Ukraine's total land mass. Russia still occupies about 18% of Ukraine, around half of which it took in 2014, when it annexed Crimea and grabbed the eastern Donbas; the rest is what is left of the territory it seized after the invasion of February 2022.

All this portends a long and grinding war of attrition, and Ukraine's backers must be ready for it. Russia certainly is. Vladimir Putin's strategy rests on waiting for the West to grow tired of what increasingly looks like an open-ended commitment. A long war plays to his strengths. A brutal dictator who has progressively silenced dissent, he does not worry much about public opinion. Russians anyway show little sign of turning against the war, despite heavy casualties, in part because a high oil price has blunted the effects of Western sanctions. Russia will gorily soldier on. But in Europe, and above all in America, the danger looms that voters and policymakers will tire of the burden.

Too much, it now appears, was promised of the counter-offensive, and there has been too little preparation for a long war. That will have to change. Neither Ukraine nor Russia has any interest in a peace that leaves the situation on the ground looking anything like it does now. For Ukraine, allowing Russia to hold onto the territory it has taken is unacceptable, not least because of the economic impact of losing most of its southern coast. But for Russia the invasion still looks like a failure, because it does not fully control any of the four provinces it annexed in September 2022. So do not expect either side to try to settle in 2024.

This new reality requires new policies, above all from Europe's leaders, who have to understand that the task of supporting Ukraine is quickly passing to them. Although America started out as the main arms supplier to Ukraine, Europe increased its support in 2023, and by July 31st had narrowly overtaken America as Ukraine's largest cumulative supplier of military aid. However, it has done this by running down its own reserves of tanks, ammunition and missiles. Without further big investments in defence procurement, Europe will not be able to maintain this pace. And although contractors can ramp up production at existing facilities, that will not be enough. To get them to invest in new facilities, they will need big, multi-year commitments from governments.

Europe can also help by speeding up Ukraine's integration with the EU

The story is better on non-military commitments, and in particular funding to help Ukraine cover the gaping budget deficits created by increased military spending and war-ravaged tax revenues. In June, the EU promised an extra €50bn ($53bn) to Ukraine in financial aid for 2024-27. That pushes Europe far above America in total assistance pledged. According to the Kiel Institute for the World Economy, America's commitments by the end of July amounted to $69bn, against $155bn for the Europeans (the EU plus Britain, Norway and Switzerland). But Ukraine's budget deficit, of roughly 20% of GDP, means that it needs something like $42bn every year to stay afloat. Then there is reconstruction on top of that. Accordingly, €50bn over four years is not enough. European governments can easily afford to do better. But will they want to?

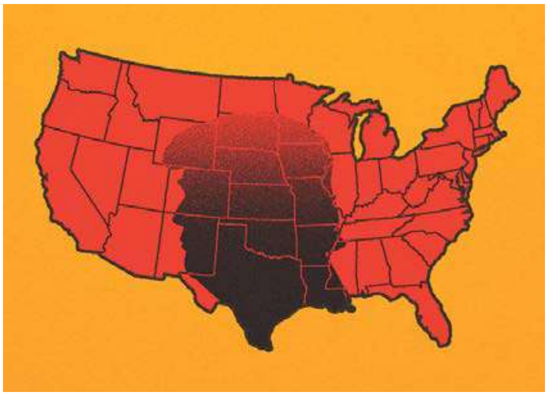
The fact is that America can no longer be depended upon to lead this fight. The new speaker of the House of Representatives, Mike Johnson, began his term by blocking President Joe Biden's attempt to get authorisation for a fresh package of $61bn in military support for Ukraine (though Mr Johnson has also said that he does not want to see Mr Putin prevail). Donald Trump is an even bigger mystery, having often contradicted himself over Ukraine, as with so much else. Mr Biden, who has done an excellent job of backing Ukraine so far, may find the politics of fighting the Republicans over it too difficult as the election in November nears. All G7 countries agreed to produce bilateral security guarantees for Ukraine, but none has yet done so.

So Europe will, like it or not, have to step up and take on more responsibility for supporting Ukraine. That means providing more cash as direct financial assistance, but also investing much more heavily in military kit so that Europe can arm Ukraine without leaving itself defenceless. It can also help by speeding up Ukraine's integration with the EU itself. It was formally accepted as a candidate in June 2022, but formal acession talks have still not started. At their summit in December 2023, the EU's leaders should give the green light to the start of detailed negotiations, while also making it clear that these must not be allowed to drag on for years. Bound into the huge European economy, Ukraine has a far better chance of holding the line against Russia—and outlasting Mr Putin.

CHRISTOPHER LOCKWOOD Europe editor, *The Economist*

Unprecedented, uncharted, not unthinkable

America will need a new vocabulary to discuss the forthcoming presidential election, says John Prideaux



Barring unforeseen illness or death, the 2024 presidential election will be a rematch between Joe Biden and Donald Trump. This will be confirmed by the party primaries, which in 2024 will be completed much earlier than usual. Normally the incumbent president is chosen as his party's nominee without much of a fight. On the Democratic side that will happen again. But the Republican side, where one candidate is so far ahead already that he has been able to skip the early debates, will be much weirder.

In a typical primary cycle, Americans have to wait until the end of March, or beyond, to know who the challenger is likely to be. This time the Republican primary could in effect be finished by the end of February. Americans would then be subjected to a full eight months of a general election campaign between two unpopular candidates—while America's allies around the globe hold their breath.

If the primaries are less relevant than usual, the attention of politically engaged Americans (particularly those who do not wish to see a second Trump presidency), will shift from Trump the candidate to Trump the defendant. The former president's federal trial for attempting to overturn the 2020 election starts on March 4th, the day before "Super Tuesday", when 13 states will vote in the Republican primary.

His campaign will take advantage of this timing, portraying the cases against Mr Trump as a left-wing plot to prevent him from winning a second term and inviting his backers to vote for him (and donate to his legal fund) as an act of defiance. One of Mr Trump's favourite political techniques is to turn whatever he stands accused of back against his accusers. Thus, while he is actually on trial in a feder al court for undermining American democracy, he will claim that the real threat to democratic freedom is the federal court.

The coronations of the candidates will take place in Milwaukee, where the Republicans will hold their convention in July, and Chicago, where Democrats will gather in August to enthuse about four more years of Mr Biden (at the end of which their candidate would be 85 years old). The choice of locations is another reminder of the outsized importance of the Midwest in an election year, and the extent to which the contest to choose the president is not really a national election.

It is hard to overstate how important the outcome will be, for America and the world

If the vote is close, as most presidential elections are now, then the result will come down to what happens in six states: Arizona, Georgia, Michigan, Nevada, Pennsylvania and Wisconsin. This means states with a combined population of 50m people, a bit more than Spain but fewer than Italy, will choose the next president. A bigger swing in either direction could bring a few more states into play: Minnesota, New Hampshire, North Carolina, perhaps even Florida.

The federal cases against Mr Trump are unlikely to be litigated by November 5th, the day of the election, because Mr Trump's legal strategy will be to delay and then to appeal. As a result, for the first time, America will have a presidential candidate on the ballot who stands accused of federal and state crimes. Words like "uncharted" and "unprecedented" were worn out by the end of Mr Trump's first term. America will need new ones for this election.

It is hard to overstate how important the outcome will be for America and the rest of the world. Americas' next president will face some predictable problems. The trust funds that pay for Social Security and Medicare (health care for pensioners) are running out of money. Nuclear proliferation in Iran and North Korea will be in the in-tray again. And there is the looming question of Taiwan. China-watchers in the West believe there is a narrow window, which overlaps with the next presidency, during which the People's Liberation Army would have the advantage in a conflict over the island. The president chosen in 2024 will thus be in charge in the moment of maximum danger.

Most crises, though, are of the unexpected sort. In 2016 Mr Trump campaigned on ending American entanglements in the Middle East. Less than a year later, he gave the order to launch 59 Tomahawk cruise missiles at targets in Syrian territory. The last year of his presidency was consumed by mishandling the spread of a new virus. Mr Biden's presidency has been steadier and more successful, but the subjects that have demanded most of his attention—the bungled retreat from Afghanistan, Ukraine's invasion of Russia and a war between Israel and Hamas—were unforeseen.

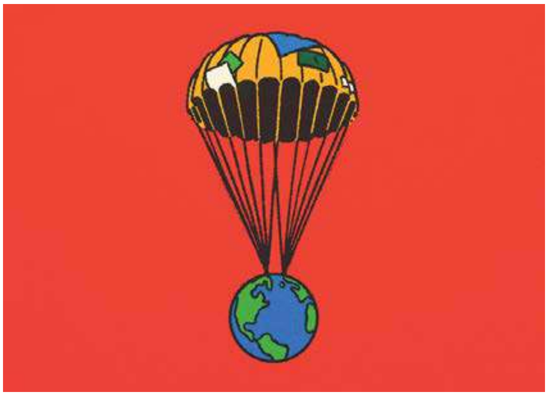
A second Trump win, though, would be predictably awful. Plans will be laid over the next 12 months to staff his administration with true believers. The full effect is hard to imagine. What would it mean for foreign policy, or action on climate change? Would other countries elect nationalist populists in imitation again, as Brazil did in 2018?

For America, the questions are even bigger. What would it mean for the country's democracy to re-elect a man who governed as Mr Trump did, who was impeached twice by the House of Representatives—and who tried to overturn the result of the last election? ●

John Prideaux United States editor, *The Economist*

Soft landing? Don't count on it

Inflation has fallen, but the world economy will remain vulnerable in 2024, predicts Henry Curr



For some time the world economy has seemed to defy gravity. Despite the fastest tightening of monetary policy since the 1980s, America's economic growth probably accelerated in 2023. Europe has mostly weaned itself off Russian gas without economic catastrophe. Global inflation has fallen without big surges in unemployment, in part because labour markets have so far cooled mainly by shedding job vacancies not jobs themselves. As the year ends, optimists who predicted a "soft landing" are taking victory laps.

Yet the world economy will remain fragile in 2024. Though inflation will be lower, it will remain too high. Economic policy still faces an excruciating balancing act. And even if America continues to dodge a recession, the rest of the world looks vulnerable.

Inflation's recent fall has been a relief to central bankers. But in big, rich economies it is unlikely to continue declining all the way to their 2% targets unless a recession strikes. For one thing, labour markets still look too hot and nominal wage growth too high. For another, economies will have to contend with the effects of more expensive oil. Just when it seemed as if the supply shocks of the pandemic era and Russia's invasion of Ukraine had dissipated, with supply chains unclogged and economies rebalanced, a barrel of oil has risen in price by about a third since the summer, thanks to production cuts in Saudi Arabia and elsewhere. A price fall was halted by Hamas's attack on Israel. The resulting pricier petrol could raise fears of a "second wave" of inflation.

The major central banks will probably not raise interest rates further, instead treating any oil-driven inflation rebound as temporary. But, fearful of premature declarations of victory, they will not be keen to cut rates, either. On recent evidence America's economy can withstand tight money, even if big companies refinancing debts and households who have run down their pandemic-era savings are beginning to feel squeezed. But high interest rates may be tipping the already-wobbly euro-zone economy into recession, and fear of inflation could stop its policymakers from cutting rates in response.

Even the robustness of America's economy comes with a big asterisk: it is being supported by extraordinary levels of government borrowing. At the time of writing the federal government's deficit is running at an annual rate of over 7% of GDP. Debate rages about whether interest rates have entered a "higher-for-longer" regime. The answer depends on whether the borrowing binge continues. It probably will: Congress will not confront it in a presidentialelection year. And the first order of business for the next occupant of the White House will be renewing Donald Trump's 2018 tax cuts, many of which expire in 2025 and which even Democrats will be reluctant to let lapse in full.

Major central banks will probably not raise interest rates further

Economies without freely borrowing governments look more vulnerable. As well as the likely recession in Europe, the world economy is suffering from China's growth slowdown. Whether China rebounds and escapes "Japanification" will depend on the degree to which the government continues to open the stimulus taps. But the recent deterioration of China's economic policymaking—in everything from ending zerocovid to the technology crackdown—suggests it would be unwise to expect a well-calibrated stimulus. And China faces fiscal constraints owing to the indebtedness of its local governments.

All the while, the gradual worsening of geopolitical tensions between America and China, and the global tide of protectionism, are throwing sand in the gears of trade. The number of protectionist measures in place is up from about 9,000 a decade ago to around 35,000 today, according to Global Trade Alert, a charity. Although some economies in Asia benefit from the relocation of supply chains outside China, the duplication of investment and loss of the gains from specialisation are weighing on the global economy's potential growth. Even winners, such as fastgrowing India, show a worrying drift towards homeland economics.

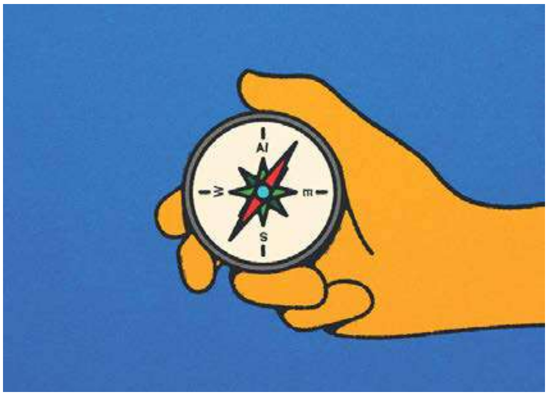
Poor countries that are not in a position to benefit from the redistribution of investment are suffering from high indebtedness, low growth and a strong dollar. In 2024 the IMF will continue to struggle to work out how to provide debt relief to countries that are heavily in debt to China and other lenders who do not subscribe to traditional principles for debt restructuring. And if America's deficits continue to propel its economy while global growth disappoints, expect the dollar to rise still further, exacerbating their woes.

The possibility of Mr Trump's re-election to the White House brings the potential for all of these trends to be magnified. A second Trump term would probably mean even deeper tax cuts—and hence bigger deficits— and a further escalation of the trade war. As in 2016, stockmarkets might rally if Mr Trump wins in November, but it would be no good-news story. By the end of 2024 it might feel less as though the global economy has landed softly, and more like the start of another wild ride. ●

HENRY CURR Economics editor, *The Economist*

The adoption decision

Generative AI holds much promise for businesses. Just don't expect adoption overnight, says Rachana Shanbhogue



When CHATGPT was first launched at the end of 2022 it quickly became a sensation. Within two months 100m users were posing all sorts of entertaining queries ("Write me a rap song using references to SpongeBob SquarePants"). The number of people Googling "artificial intelligence" surged, and the mania set off investors' enthusiasm for all manner of AI projects. Yet the real promise, these investors and entrepreneurs are betting, lies with its use in business. Here, too, it could be more rapidly adopted than past innovations. But that does not mean it will happen overnight.

The potential is exciting. According to McKinsey, a consultancy, three-quarters of the business uses of generative AI will fall into four areas: customer operations, marketing and sales, software engineering, and research and development. Navigating a complex tax code or summarising a legal document could become a breeze. Type in the right prompt and a first draft of marketing copy could magically appear. Already many coders rely on Copilot, a coding tool from Microsoft, to help them write software. Studies show that professional workers with below-average performance tend to experience the most benefit from using generative ai, promising a big increase in output for firms.

Helpfully, too, many generative AI tools will be easier to access than previous technologies. This is not like the advent of personal computers or smartphones, where employers needed to buy lots of hardware, or even e-commerce, where retailers needed to set up physical infrastructure before they could open an online storefront. Many businesses may find that they can work with AI specialists to design bespoke tools. And firms such as Microsoft and Google are embedding generative ai into their office software, meaning that anyone opening up a document or a spreadsheet will soon be able to make use of the tools.

Many of the largest companies are already experimenting. Morgan Stanley, a bank, is using AI to build a tool to help wealth managers. Eli Lilly, a pharmaceutical firm, has struck a deal with a startup that runs "autonomous labs" to identify promising molecules, which the drugmaker will then develop, test and commercialise. Around 5% of vacancies posted by America's big banks between 2020 and June 2023 cited AI in the job description, and around 8% of patents registered by big tech firms in 2020-22 were AI-related.

Two other camps are emerging: the wary and the reluctant

Yet not all businesses will be enthusiastic adopters. Outside the tech world, only a third of global managers tell McKinsey they are regularly using generative AI for work; about half have tried the technology but have decided not to use it, and about a fifth have had no exposure to it all. AI adopters, in short, are outnumbered two-to-one by the wary and the reluctant.

Start with the wary. Some businesses are taking a cautious approach, since much about the technology still needs ironing out. Chatbots are prone to "hallucinations", or making up things that sound dangerously plausible. And writers, artists, photographers and publishers are challenging AI models' use of their data in court. Some businesses are wary of being exposed to legal risk by making use of the models, or the reputational risk of taking hallucinations seriously. JPMorgan Chase, a bank, has banned the use of ChatGPT, though it is experimenting with AI in other areas.

Other businesses are reluctant to dip their toe in the water at all. Differences in behaviour between firms at the productivity frontier and those that are less productive are not unusual. Lags in technology adoption can be long. Even though the internet began to be used by companies in the early 1990s, for instance, it was not until the late 2000s that even twothirds of businesses in America had a website. Many firms have outdated systems—think of the Japanese bank that still uses COBOL—which can make adopting cuttingedge technology a tall order. Managers in the public sector, or in heavily regulated industries such as utilities, may feel little impulse to innovate. Those sectors make up a sizeable chunk of economies: in America they collectively account for a quarter of GDP.

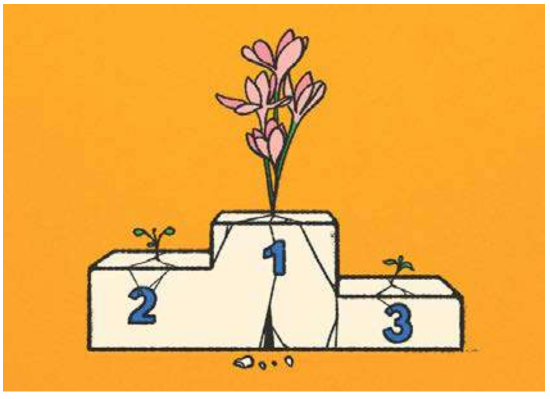
Reluctance can also stem from workers. Although the technology promises to do away with drudgery, some people worry that it may ultimately replace them. A survey by BCG, a consultancy, finds that frontline workers are more likely to be concerned, and less likely to be optimistic, about generative ai than managers or leaders are. In some cases, unions may act to slow the adoption of the technology; some may go as far as the writers' guild in Hollywood, which was on strike for much of 2023, in part because of concerns about AI's impact on jobs.

How then should the AI-curious boss think about the technology? It helps to make a clear-headed assessment of the gains to be had, and the costs of using a still new and risky technology, before deciding whether to be an enthusiastic adopter, or a wary or reluctant one. Most important of all, your workers need to be on board. So pay attention to their fears—and convince them of the joys of experimentation. ●

RACHANA SHANBHOGUE Business affairs editor, *The Economist*

Transfer window

The green transition will transform the global economic order, predicts Matthieu Favas



The transition to a carbon-neutral world should make all countries better off, at least in theory. Many will rely less on fuel imports, yielding big savings and insulating their economies from swings in hydrocarbon prices. Those that export the metals needed for new Teslas, turbines and terawatt-hours of grid capacity will earn juicy rents. Even former petrostates may thrive if they can use revamped refineries and pipelines, as well as wind and sun, to make hydrogen. And everyone would welcome a planet that stops getting hotter and more dangerous every year.

In practice, the transition to net zero will be turbulent. Changing energy-consumption patterns and the reshuffling of trade flows will both crown new winners and create new losers. In 2024 this divergence, hitherto masked by the effects of covid-19, a flagging global economy and China's deceleration, will start to become more visible—but not always in the ways you might expect. It is not simply the case that providers of fossilfuel resources will lose and providers of green resources will win. There will be winners and losers in both camps.

During the transition the world will continue to guzzle hydrocarbons. The International Energy Agency predicts that oil demand will peak before 2030, but green backlashes seen in 2023 suggest it may not ebb so soon. Meanwhile investor pressure and doubts over longterm demand mean that only state-owned firms in the Gulf and Latin America are spending big on new supply. This will concentrate still-meaty oil rents in the hands of fewer exporters. Eventually the Organisation of the Petroleum Exporting Countries (OPEC), a cartel whose members disagree on how best to handle the transition, could implode, allowing low-cost petrostates to grab even more market share.

Demand for gas will persist longer still, allowing the trio that exports most of it in liquid form—America, Australia and Qatar—to cash in. Even coal will retain its lure into the 2040s. As long as energyhungry Asia devours it, Australia and Indonesia, best placed to serve the region, won't mind the dirty dollars.

But as oil riches continue to flow, many petrostates will fail to futureproof their economies, and will suffer eventually. Energy importers in Africa, Europe and Asia will have to pay top dollar for their hydrocarbons. After renewed volatility amid geopolitical worries in late 2023, prices for these are likely to swing again in 2024. A rebounding global economy will demand more oil just as Asia and Europe compete for gas. Barring a global crash, importing nations from Germany to Japan may face high prices for a decade or more.

Only the savviest few will grow rich flogging green resources

The effects of electrification will also be nuanced. The rush to hit decarbonisation targets will create vast demand for the metals—cobalt, copper, lithium and nickel—that are vital ingredients in green power stations, grids and electric cars. In 2024 this prospect may trump near-term worries about the economy, causing metals prices to go up again. Yet with clean technologies still in flux, demand adapting to rising prices and new supply arriving in big lumps, the market for many of these minerals may go through rapid boom-and-bust cycles, wrongfooting exporters. Many such countries, new to mining, lack the well-run sovereign funds, hedging mechanisms and fiscal prudence needed to manage volatility. The difficulty and cost of turning mines on and off, and the geographic dispersion of deposits, make it unlikely that an OPEC of metals will emerge. That suggests that only the savviest few will grow rich flogging green resources.

And the boom will not last for ever: once there are enough windmills turning and electric cars on the road, appetite for green metals will stabilise at a lower level. More durable rents will flow to countries that can exploit strong sun, winds and rivers to generate plentiful green electricity they don't need. In some cases the unequal endowment of resources will exacerbate regional differences: expect the windy North Sea and the sunny Mediterranean to do well, while cloudy continental Europe struggles. Luckiest will be countries that can combine several types of resources to guarantee a continuous supply of renewable energy. Those with small populations may use any surplus they produce to lure energy-hungry industries, such as steelmaking or data storage, to their shores. Others will seek to export the excess, either in the form of electrons or liquid fuels.

The energy superpowers of the transition will be those that ignore critics and do everything: flog fossil fuels, dig out metals and turbocharge renewables. No country does all that yet. The Gulf states talk a lot about solar and hydrogen but have yet to make either happen at scale. Chile mines vast amounts of copper and lithium but does not exploit its 6,500km of coastline, southern storms and sunny deserts to generate electricity in volume. America has shale oil and gas and ever more renewables, but faces opposition when it comes to mining for green metals in its backyard. The transition's biggest prizes are still to play for. ●

MATTHIEU FAVAS Commodities editor, *The Economist*

The scourge of "stealthflation"

Companies have found sneaky ways to raise prices, says Leo Mirani. Where will it end?

There is, as economists like to say, no such thing as a free lunch. Buy your lunch in a branch of McDonald's, however, and you may find there is no such thing as free relish, either. Outlets in some countries now charge for ketchup and other condiments. Yet McDonald's is not alone in hitting customers with unexpected charges. Amid a surge of inflation, firms have found several stealthy ways to raise prices. Could 2024 mark a turning-point in this invidious trend?

A classic example is the technique of "unbundling", a ruse pioneered by low-cost airlines. Long ago they began charging extra fees for things that used to be included, such as in-flight food and checked luggage. Then came charges for seat selection, or for any cabin bag larger than a sock stuffed with spare underwear.

Lately things have got really out of hand. Some airlines now apply a "technology development charge" for the privilege of booking online which, oddly, depends on distance travelled—those web servers have to work much harder, you see, to deliver longhaul tickets. Others charge for printed boarding passes, airport check-ins, or in-flight blankets. It is only a matter of time before airlines start selling tickets for the shuttle bus to the plane, levying a fee per item of clothing worn, or charging to use the loo. (Ryanair's boss, Michael O'Leary, once actually suggested that last one.)

The practice has spread. Hotels and resorts often charge a "check-in fee", takeaway joints a "packing fee", and ride-hailing apps a "safety fee". Airbnb, a short-term rental platform, has been criticised for adding excessive service fees and cleaning fees.

But extra fees are not limited to services: they are also being applied to physical products. BMW introduced a monthly fee of $18 to activate seat warmers on some of its cars, with "unlimited" access for a one-off fee of $415. Mercedes-Benz charges $60 a month, or $600 a year, for the option to boost the acceleration of some of its electric vehicles. Imagine if this catches on. Want to use your smartphone camera's zoom? Pay up. Need to use your oven at its maximum temperature? Sorry, that is for premium subscribers only.

A second way businesses are sneakily boosting revenue is "surge" pricing. Airlines and hotels have long varied their prices with seasonal demand. But the ability to track demand in real time means prices can be adjusted from minute to minute: Uber and other ridesharing apps charge more when demand is high.

BMW charged $18 a month to activate seat warmers on some of its cars

Surge pricing is now infecting other industries. In September a British pub chain announced that pints of beer would cost more in the evenings and on weekends, or during big sporting events. Prices of tickets for concerts, sporting events and theme parks are also constantly tweaked. In theory, this is a triumph of the invisible hand of the market: if you want to pay less, buy when demand is low. But disgruntled consumers complain that the line between charging what the market can bear and profiteering is a thin one.

Then there is the seemingly unstoppable epidemic of tipping. Foreigners visiting America have for years been caught out by the country's pervasive tipping culture and its eye-watering expectations. At 20%, America's average tip rate is the highest in the world. The justification is that service workers can legally be paid as little as $2.13 per hour, so it is up to customers to do the decent thing to ensure waiters, bartenders and the like can earn a living wage. Touchscreen-based checkouts mean customers are being asked to pay tips more often, and in unlikely places. They may find themselves being asked for tips at convenience stores, by self-service machines and even on websites.

Some hotels add gratuities for staff to the bill automatically, thus taking the tip as a hidden fee. But it is not just America. Asking for tips has spread to other countries, because of the ubiquity of apps and contactless payment systems. Australians grumble that fooddelivery apps now add automatic tips. Indians are often baffled by prompts to tip taxi drivers.

Might the fever of stealth price-rises finally break in 2024? Perhaps. Falling inflation may temper the use of outlandish methods to maintain margins. Governments are making noises about regulation: in America, President Joe Biden wants to crack down on "junk" fees. And consumers are pushing back. Americans complain of "tipping fatigue". BMW recently scrapped its seatwarmer fees in response to customer anger. Airbnb has revamped its platform to make extra fees more visible. There is, surely, an opportunity for firms prepared to offer simple, "no hidden extras" pricing.

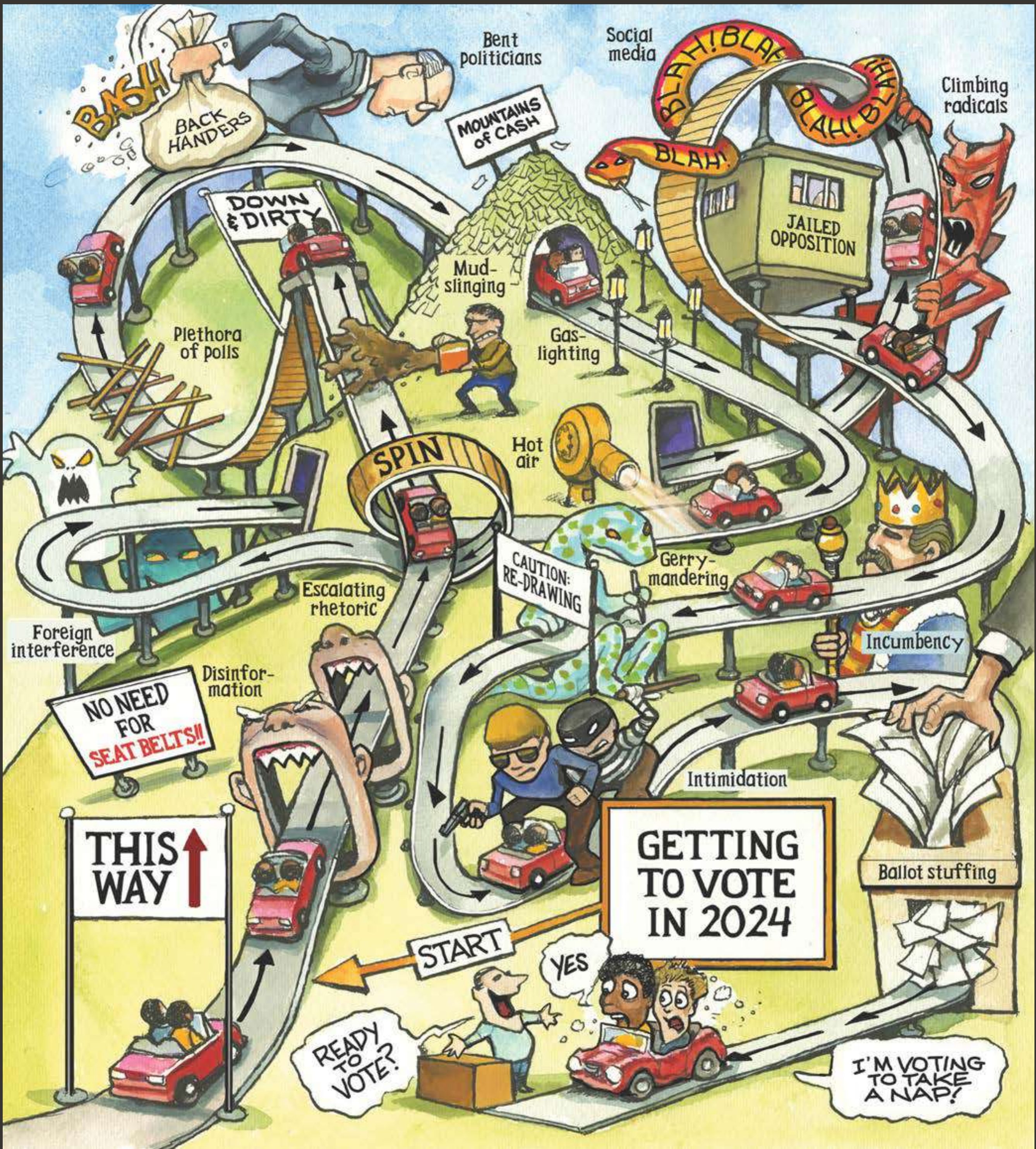
Yet it seems more likely that having discovered myriad methods of padding prices, companies will keep doing so. Airlines are experimenting with unbundling perks from business-class tickets. BMW and Mercedes-Benz plan to go ahead with other feebased "extras". Demands for tips still abound. Indeed, one American airline now lets passengers tip their cabin crew. The cross-pollination of stealthflation techniques evidently has some way to go. Expect to experience more outrage in 2024. ●

LEO MIRANI Asia correspondent,
The Economist, Mumbai

Drawing on 2024

KAL

The Economist's editorial cartoonist Kevin ("KAL") Kallaugher pictures the year ahead



Calendar
2024

Our selection of events taking place around the world

January

• Six new nations join the BRICS grouping of big emerging economies, turning it into BRICS+. Existing members Brazil, Russia, India, China and South Africa will be joined by Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates.

• The earliest version of Mickey Mouse enters the public domain. Under

American copyright law, characters are only protected for 95 years after initial publication. However, Mickey Mouse has been through many iterations and design updates since making his first appearance in “Steamboat Willie” in 1928, and Disney retains the rights to all later versions of the character.

• A global minimum corporation-tax rate of 15% comes into force, under a deal struck by 130 countries in 2021. Some countries will start collecting “top up” taxes from big firms that use legal loopholes to shift profits to tax havens with lower rates.

• Presidential elections take place in Taiwan, the self-governing island China claims as its own. The result will affect relations across the Taiwan Strait and the level of US-China tensions.

February

• Chinese New Year is celebrated, as the year of the wood dragon begins. Those born under this sign are said to be creative, curious and determined—and frank.

• Super Bowl LVIII takes place at Allegiant Stadium in Las Vegas, the first time the city has hosted the event.

• Indonesia, the world’s third largest democracy, holds presidential and legislative elections, on Valentine’s Day.

March

• The Formula One season kicks off in Bahrain, with the race running on a Saturday, rather than Sunday—a first for the kingdom. This is to allow the second race of the season, a week later in Jeddah, Saudi Arabia, to take place before the start of Ramadan.

• The 13th African Games begin in Ghana. The games were due to take place in 2023 but were postponed after construction delays and a dispute over marketing rights.

• The 96th Academy Awards take place in Los Angeles. Who will the Oscars go to?

April

• A total eclipse of the sun, dubbed the Great North American Eclipse, will be visible across the continent. The path of the shadow of totality, in which the Sun is entirely covered by the Moon, runs from the Pacific coast of Mexico to South Bird Island off the coast of Newfoundland.

• The spring meetings of the International Monetary Fund and World Bank take place in Washington, DC.

• National Marmalade Week is celebrated, stickily, in Britain. It aims to encourage people to taste marmalade, and make their own.

May

• Celebrations begin to mark the bicentenary of the National Gallery in London. Museums and galleries in each of the United Kingdom’s 12 regions will display an iconic painting from the National Gallery, ensuring that more than half the population is within an hour’s journey of a national treasure. The bicentenary programme also includes a blockbuster Van Gogh exhibition, which is due to open in September.

• The final of the Eurovision Song Contest takes place in Malmö, Sweden, the seventh time the country has hosted the contest.

• The Great Wall Marathon, along a route that includes ramparts of the Great Wall of China, takes place near Beijing.

• China is scheduled to launch *Chang’e 6*, a sample-return mission involving a robotic lander, to the far side of the Moon. The mission will also carry scientific instruments from France, Italy, Pakistan and Sweden.

June

• The men’s Twenty20 World Cup begins, hosted jointly by the United States and the West Indies. Cricket fans hope it will be a coming-out party for the sport in America. The women’s Twenty20 World Cup follows in September.

• Global Running Day is celebrated, to encourage people around the world to get moving, both for fun and for the good of their health.

• Heads of state, war veterans and officials gather on Omaha Beach in Normandy to mark the 80th anniversary of the D-Day landings during the second world war.

• Elections for the European Parliament take place in the EU’s 27 member states, to elect representatives to the newly expanded 720-seat chamber.

• The Euro 2024 football tournament kicks off in Germany. A week later, the Copa América tournament begins in the United States.

July

• Leaders of NATO countries gather in Washington, DC for their annual summit as the expanded alliance marks its 75th anniversary.

• The Republican Party formally nominates its candidate for America's presidential election at the Republican National Convention in Milwaukee, Wisconsin. The choice of location reflects the importance of the Midwest as a crucial electoral battleground.

• The 2024 Olympics begin with an opening ceremony on the River Seine in Paris, 100 years since the summer games were last held in the city. Breakdancing (also known as breaking) will be included for the first time.

August

• The new city of Nusantara is formally inaugurated as the capital of Indonesia, replacing Jakarta. The ceremony takes place on Indonesian Independence Day. Construction of the city began in 2022 and is due to be completed in 2045.

• The Democratic Party formally nominates its candidate for America's presidential election at the Democratic National Convention in Chicago—a location chosen, as with the Republican convention, owing to the importance of the Midwest in determining the election's outcome.

• The Paralympic Games begin in Paris.

September

• The United Nations "Summit of the Future" convenes in New York. Delegates will consider the reform of multilateral bodies and global governance, with the aim of enhancing co-operation on climate change and other critical challenges.

• Japan's space agency, JAXA, is due to launch its MMX (Martian Moons Exploration) mission to explore Phobos and Deimos, the tiny moons of Mars. The probe will attempt to land on Phobos in 2025 to collect rock samples for return to Earth in 2029.

October

• Jimmy Carter, America's longest-lived president, is due to celebrate his 100th birthday.

• The final race of the 37th Americas Cup takes place in Barcelona. The Royal New Zealand Yacht Squadron is defending the title, in the oldest competition in international sport.

• The inaugural Hong Kong Performing Arts Expo takes to the stage in several venues across Hong Kong. It aims to foster artistic and cultural exchange between Hong Kong, mainland China and the world.

• The Worldwide Music Expo (WOMEX), the international music industry's biggest conference, takes place in Manchester, England.

• The main annual meetings of the International Monetary Fund and World Bank take place in Washington, DC.

• America's space agency, NASA, is due to launch *Europa Clipper*, a probe that will study the habitability of one of Jupiter's largest moons. Europa is thought to have a subsurface ocean that could potential harbour alien life. The probe is due to arrive at Jupiter in 2030.

November

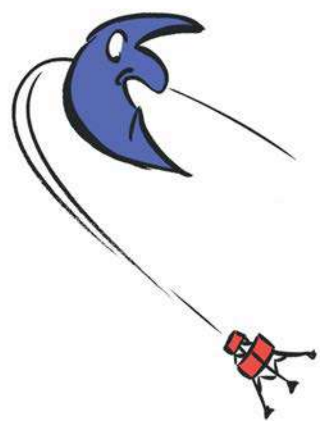
• The world will be watching as Americans go to the polls to elect a president and determine who controls Congress. All 435 seats in the House of Representatives, along with 34 out of 100 seats in the Senate, will be contested. The governorships of 13 states and territories are also up for grabs.

• The COP29 climate conference takes place. The choice of host country was delayed after Russia objected to any EU country being selected.

• More than half a century since humans last visited the Moon, America's *Artemis II* mission is due to blast off, sending four astronauts looping around the back of the Moon. The crew—which will include the first black man, first woman and first non-American to leave Earth orbit—will not attempt to land.

December

• India's space agency, ISRO, is due to launch the*Shukrayaan* space probe to Venus. It will be the first mission to Earth's "evil twin" planet since Japan's *Akatsuki* in 2010. The probe will study the chemistry of Venus's atmosphere and look for signs of phosphine, which is thought to be present, and is normally associated with life.



Sometime in late 2024

• The European Union is expected to start rolling out its "Entry-Exit System" (EES), a registration scheme requiring non-EU citizens to scan their passports when entering the Schengen free-travel area. EES was due to launch in 2022 but its roll-out has been delayed until after the Paris Olympics.

Superforecasts
Masters of prediction

Forecasts for key events in 2024, from the superforecasters at Good Judgment

JOURNALISTS AND commentators often make predictions about the future using ambiguous, carefully chosen words. Other forecasters prefer the more precise language of numbers. Good Judgment, a forecasting firm, has recruited many such people to its team of superforecasters, who work together to provide detailed, specific forecasts. Here are their predictions for events in 2024.

What will the outcome of Britain's next general election be?

Conservatives win a majority of seats	1%
Conservatives win a plurality of seats	3%
Labour win a plurality of seats	22%
Labour win a majority of seats	74%

When will Russia and Ukraine sign or announce an agreement to end the current conflict?

October 2023 to March 2024	1%
April 2024 to September 2024	8%
Not before 1 October 2024	91%

Will a Quad country or China publicly accuse the other of using a weapon against its military or other forces?

Yes **21%** No **79%**

What will the result of the United States presidential election in 2024 be?

Democratic nominee wins the electoral and popular votes	63%
wins the electoral vote, but not the popular vote	2%
Republican nominee wins the electoral and popular votes	10%
wins the electoral vote, but not the popular vote	25%

Will the euro zone experience two consecutive quarters of negative GDP growth?

Yes	14%
No, but there will be at least one quarter of negative growth	82%
There will be no quarters of negative growth	4%

What will China's annual GDP growth be in 2024?

Less than 1.5%	2%
Between 1.5% and 3%	4%
Between 3% and 4.5%	38%
Between 4.5% and 6%	54%
More than 6%	2%

What will the world's annual GDP growth be in 2024?

Less than 0%	4%
Between 0% and 1.5%	12%
Between 1.5% and 3%	62%
Between 3% and 4.5%	22%
More than 4.5%	0%

How many seats (out of 543) will the the ruling BJP-led National Democratic Alliance win in the next Indian general election?

271 or fewer	6%
Between 272 and 298	24%
Between 299 and 325	47%
Between 326 and 352	21%
353 or more	2%

Forecasting winner

Congratulations to Zane Stucker, a legal professional based in the New York metro area, who has won **The World Ahead 2023 forecasting challenge** organised in collaboration with Good Judgment. Like previous winners, he has been invited to join Good Judgment's professional superforecasting team. **Could you be a superforecaster, too?** Test your own prediction skills in our 2024 forecasting challenge, which runs until October 2024 at **gjopen.com/economist**

LAST YEAR'S PREDICTIONS

The Good Judgment team had a good year in 2023, correctly forecasting the outcomes of the eight questions that were resolved. Global growth was 3%, China grew by 5%, ruling-party candidates won in Nigeria and Turkey, Vladimir Putin was not ousted, and there was no election in Britain, no clash over Taiwan, and no nuclear device detonated by Russia. The ninth question related to the end of the war in Ukraine. The superforecasters predicted it would be after October 1st 2024. Events in 2023 did not prove them wrong.

BRITAIN

Also in this section

A long-awaited battle

Two men who are not natural brawlers will fight it out for power

MATTHEW HOLEHOUSE British political correspondent, *The Economist*

AT THE LABOUR PARTY'S conference in Liverpool in October 2023, Sir Keir Starmer spoke at a breakfast for business leaders. His host asked the Labour leader for predictions for the year ahead.

First, Sir Keir said, his party would be ready to fight a general election in May 2024. The election must be held by January 2025, and the date is in the gift of Rishi Sunak, the prime minister. Many in the Conservative Party think October is their best option as that would allow inflation to abate and incomes to recover. But Labour officials think Mr Sunak is more likely to want to align with the local-government elections in May, because a bad result for the Tories in those would hobble it for an autumn campaign.

Second, said Sir Keir, it will get dirty. That looks a safe enough bet. The Tories portray Sir Keir as an indecisive metropolitan who is soft on crime and migration. Labour portrays Mr Sunak as a weak, aloof moneybags who surveys the country from a helicopter. Neither man—a teetotal banker and a pescatarian human-rights lawyer—is a brawler by disposition. They will slug it out nonetheless.

Third, he said the election will be dominated by the economy. No great surprise there, either. The state of the economy overtook health as voters' most important issue in January 2022. Labour will focus on the cost-of-living squeeze. Rachel Reeves, the shadow chancellor, likes to riff on Ronald Reagan's question from the American presidential election in 1980, asking: "Ask yourself this: are you and your family better off than you were 13 years ago?"

Labour has outlined a programme of subsidies and home-building deregulation which it claims can kick-start growth. It has held a lead in polls as the best party to manage the economy since Liz Truss's disastrous mini-budget of October 2022. But the lead is hardly hegemonic. Expect the Tories to hammer away at voters' lingering doubts about Labour's fiscal rectitude. A proposed programme of £28bn ($34bn) a year in green subsidies, announced by Labour in 2021 when borrowing costs were low, has become a liability the Tories will seek to exploit.

The state of public services will figure heavily, too. Waiting lists for the National Health Service continued to rise throughout 2023, despite Mr Sunak's pledge to bring them down. The courts are still overloaded and there is a backlog of urgent repairs to school buildings. Yet do not expect either party to propose radical public-service reforms. Keen to avoid racking up spending commitments, the Labour Party has announced only a handful of small tax-rises on its favourite bogeymen (private schools, oil giants, rich foreigners) to fund narrow programmes.

Mr Sunak knows that voters overwhelmingly tell pollsters that they want change. He will therefore attempt to shake off the past 13 years of Conservative rule and position himself as the "change" candidate, and paint Sir Keir as an agent of a failing status quo. One by-product is to turn Britain's net-zero pledges into a battleground. Mr Sunak has said that deadlines to phase out internal combustion engines will be deferred. It is a carefully calibrated message: voters in Conservative-held seats in the formerly left-leaning "red wall" of northern England are particularly reliant on their cars. Sir Keir, for his part, thinks tackling climate change is a vote-winner, and says Labour will "speed ahead" with green industries.

This will be the first election since 2010 without the crosswinds of Europe and Scotland. Labour will propose only modest changes to Britain's deal with the EU, the Tories probably none. And with the Scottish National Party's popularity sliding, the prospect of a second independence referendum is slim. In swathes of foreign and defence policy—such as support for NATO and Ukraine, relations with China and America, and trade—the difference between Labour and the Tories is only in emphasis.

The Tories say Sir Keir is indecisive, and soft on crime and migration

Sir Keir's party enjoyed a consistent double-digit poll lead in the first year of Mr Sunak's tenure. If that holds, it will create an asymmetric contest. With nothing to lose by gambling, it will be in the Tories' interest to fight an agile campaign, pivoting between issues until they find an attack that lands.

Labour will be cautious and disciplined. Its leaders know all about complacent centre-left parties that throw away a winnable election before they acquire the ruthlessness to win: Labour losing in 1992 before finally winning in 1997; the Democrats losing to Donald Trump in 2016 before winning in 2020; the Australian Labor Party, too, in 2019 and 2022. Sir Keir's task, they say, is to win without tasting the bitterness of an unnecessary first defeat. Quibble with the selection bias behind this thesis, but do not discount the psychological effect it will have on a campaign. ●

Tory grief

As the election looms, the Conservative Party faces up to its mortality

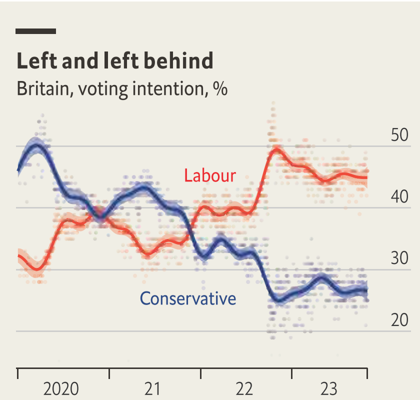
DUNCAN ROBINSON Political editor and Bagehot columnist, *The Economist*

GRIEF PURPORTEDLY has five stages: denial, anger, bargaining, depression and acceptance. With a general election coming in 2024, the Conservative Party will run through them all.

Denial will come first. Whatever the date of the election, the campaign will kick off at the start of the year. Rishi Sunak is seen as the Conservatives' best hope. The plan is still for a presidential campaign, with Mr Sunak facing off against Sir Keir Starmer, the Labour leader. But if he is a president, he is an increasingly unpopular one. Mr Sunak was once more popular than his party; by spring, he will comfortably poll below his party. All is not lost, Tory spinners will insist. Events happen. Wars break out. Something may turn up.

When nothing does, the anger will begin. The Conservatives once bridled at their reputation as "the nasty party". In 2024 they will embrace it. A pledge to leave the European Convention on Human Rights will form the centrepiece of their manifesto. Sir Keir's record running the Crown Prosecution Service will also feature. When Boris Johnson wrongly accused Sir Keir of personally failing to prosecute Jimmy Savile, a celebrity paedophile, Mr Sunak distanced himself from the comments. Now Sir Keir and Savile are regularly mentioned in the same breath by party apparatchiks. (Labour will repay the favour by digging into the finances of Akshata Murty, Mr Sunak's wife, who is a billionaire.)

Bargaining comes next. Things have improved, Tory MPs will argue. When it comes to the economy, they will be half-right. Inflation, which peaked at almost 11%, will fall to a far more digestible level. That will mean strong real-wage growth, an all-too-rare treat for British voters in the past 15 years. But there will be no electoral dividend for the Tories.



Source: *The Economist's* UK poll tracker

Wages may be going up, but so are mortgage costs for the swing voters who helped the Tories to victory in 2019.

After the election, in which Labour will win its first big majority since 2005, depression will set in. Rather than fight on, Mr Sunak will resign. It will be little solace that his position was close to impossible. Politics is often about punishment rather than policy. Voters discipline parties when they screw up. When Liz Truss's chaotic 49-day tenure as prime minister ended, so did the Conservatives' chances in the election. This will not stop her launching an ill-fated bid for the Tory crown during the autumn leadership contest, however. (Some people never move past denial.)

Acceptance is the final stage. Opposition can be an opportunity, if handled well. The party's remaining MPs will face a choice: to appeal to their party or to the country. Sir Keir, the new prime minister, will have shown it is possible for a party to recover from a big defeat in just one parliamentary term. The speed of the Conservative recovery will depend on whether, for new leader, they opt for one of James Cleverly or Tom Tugendhat, two moderates; or Kemi Badenoch, a culture warrior; or Suella Braverman, a nativist.

The fragile hegemony of the Conservative Party, which lasted from 2010 to 2024, has shattered. Obituaries for the Tories will be written, just as they were in the mid-noughties, when Labour was utterly dominant under Sir Tony Blair. The obituaries were wrong then, and they will be again. Political parties may decline, but they can always reinvent themselves. ●

Stagnation continuation?

Britain's economic outlook is better than expected, but hardly rosy

GAVIN JACKSON Finance and economics correspondent, *The Economist*

THE OUTLOOK for Britain was bleak at the start of 2023. The country was on its fourth prime minister in four years, after the brief rule of Liz Truss ended in financial turmoil. Even that political instability was a minor worry for many Britons, given high energy prices, rising interest rates and falling wages. Yet in the end, the worst that could be said for Britain's economy in 2023 was that it went sideways. Growth was minimal—GDP increased by around 0.5%—but stagnation, not disaster, was the outcome.

Can Britain expect to do better in 2024? Many of the challenges of the past year have faded. The cost of natural gas has fallen sharply, a big cause of the fall in inflation from 10% in December 2022 to a forecast 4.5% in the same month of 2023. Continued strength in the labour market means wages are now growing in real terms. The Bank of England has either finished raising interest rates—from 0.25% in 2022 to 5.25% in July—or will do so soon.

Yet many Britons, other than pensioners, will still see their household incomes fall, says Adam Corlett of the Resolution Foundation, a think-tank. Many homeowners have not yet felt the pinch as they have been on fixed-rate mortgages, which typically last two to five years. Even if the bank does not raise interest rates in 2024 it will still feel for many as though monetary policy is tightening.

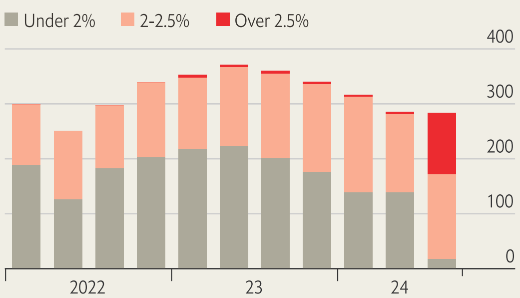
There could be some wiggle room later in the year to deliver pre-election tax cuts. But current fiscal policy, alongside the government's tax and spending decisions, is set to take money out of Britons' pockets. Subsidies for energy use will end, as will direct payments to poorer households. Tax thresholds, too, have been frozen in cash terms, so that much of the increase in real wages will go to the government rather than to workers.

The long-term structural factors behind Britain's economic sluggishness are unlikely to change, either. Productivity, as measured by output per hour worked, has risen by only 6% since 2010. With already high employment and a shrinking working-age population, Britain would have to triple its productivity growth to achieve the same improvement in GDP as before the pandemic, reckons Bert van Ark, an economist at Manchester University's Productivity Institute.

Inflation could prove to be less sticky than expected, giving the Bank of England room to ease up on monetary tightening. But overall, even if the outlook is better than it was a year ago, Britons can still only cross their fingers and hope it continues not to be as bad as originally feared. ●

▲ *Linger on the sidewalk where the neon lights are pretty*

Through the roof
Britain, fixed-rate mortgages up for renewal, by initial effective interest rate, '000



Source: ONS

Many Britons will still see their household incomes fall

WHAT IF?

For years Nigel Farage has outflanked the Tories from the right. But they have now embraced some of his policies. **What if Nigel Farage became leader of the Conservative party?** It might go like this. Ahead of the election in 2024, the prime minister, Rishi Sunak, agrees that, in exchange for not running candidates for the Reform UK party in Tory-held seats, Mr Farage can run as a Tory in a safe seat. The party is defeated by Labour and, in disarray, makes him leader, splitting it permanently between moderates and radicals.

Throne out?

Commonwealth realms are moving to ditch the king

CATHERINE NIXEY Britain correspondent, *The Economist*

CAN YOU name the King of Tuvalu? Or of Papua New Guinea? Or Belize? Probably not. How about the King of Canada? That one's easier. It's also a clue. For they are all King Charles III. Never a man short of titles (he has also, at various times, been the "Great Steward of Scotland" and the Tolkienish "Lord of the Isles", and is currently "Defender of the Faith"), Charles III is the head of 15 realms including Australia, the Bahamas and Grenada. A third of the world's monarchies have him as their king. For now, at least.

In 2024 some will start trying to change that. In the coming year, Jamaica hopes to hold a referendum on kicking Charles out. Australia expects to hold nationwide consultations on becoming a republic. Increasing discontent will also be heard in realms like Antigua and Barbuda (which has promised a referendum on the royals within two years) and Belize.

This burst of republicanism creates several problems. It is a minor problem for the royals (who care a bit about all this) and for the British government (which does not, but must pretend to). But chiefly it is a problem for anyone trying to work out what is happening with Britain's monarchy. Because it is fiendish.

The monarchy has never been easy to understand. It is governed by laws and customs dating back a millennium or more that cover everything from the king's power over Britons (minimal) to his power over swans (maximal, provided they are mute and in the River Thames). It even governs what his queen is allowed to think about (anything she likes, apart from her king's death, for that is high treason). Understanding all that, however, is a doddle compared with understanding the tangle of laws and customs governing the monarchy abroad. This, says Sathnam Sanghera, author of "Empireland: How Imperialism Has Shaped Modern Britain", is "incredibly confusing".

One source of confusion is how the Commonwealth fits in. In practice, it doesn't. Today it is little more than a club with occasional sports days. To leave the Commonwealth, all a country needs is "a letter…on headed notepaper", says Philip Murphy, a historian at the University of London. But kicking out a king is constitutional. It is far more complicated and may need referendums—which, as Britons know, can backfire. That may be putting some countries off.

Still, the process is gathering pace. And if countries do kick Charles out, many people will be relieved—including, possibly, some royals. As Prince Philip once told journalists in Canada: "We don't come here for our health." If countries did want rid of them, he added, then "let's end the thing on amicable terms." In 2024, those terms may start to be drawn up. ●

Emergency room

The NHS will continue to be a political hot potato

GEORGIA BANJO Britain correspondent, *The Economist*

FEW COUNTRIES are as devoted to their health system as Britain. During the opening ceremony of the London Olympics in 2012, jiving nurses enthralled a stadium—and bemused a global television audience—proclaiming their pride in the National Health Service (NHS). In adverts broadcast during the covid-19 pandemic the British government urged the public to lock down not only to save lives but, in larger letters, to "protect the NHS". The health service will play an even bigger role than usual in the general election expected in 2024.

But it will take centre stage for all the wrong reasons. The year will begin with another terrible winter: not enough ambulances, and old ladies dying on trolleys in hospital corridors. Nurses will not be jiving for the NHS but handing in their notice, continuing a trend of record departures. Waiting lists will continue to tick up. Calls for further privatisation will be steadfastly ignored, but taken a little more seriously than they were before. At some point Britons will start to notice that patient outcomes, already bad, worsen whenever doctors go on strike (as they have done intermittently since March, with no resolution in sight).

The NHS is not the only public service in crisis. Crumbling schools, prisons and courts will all worsen in 2024. These problems typically build up beyond the glare of flashing blue lights, though many of the underlying causes—a lack of predictable funding, cuts to capital expenditure—are the same. In a stagnant economy and with little political benefit, long-term investment is unappealing to a government. Solutions, it follows, tend to be short-term patches.

If it wins the election, the Labour Party will have some difficult decisions to make over which parts of the wider health system—general practice, social care or capital projects—need the cash most. In theory, the service will remain free at the point of use. In practice, a growing number of Britons are not getting the treatment they need. The political toll that takes is likely to become clear. ●

By Invitation Labour's economic plans

Rachel Reeves, shadow chancellor of the exchequer, outlines Labour's plans for Britain's national finances

As many writers for this publication will know, accurately predicting what is going to happen in the next 12 months is a fool's game. During the two and half years I have been shadow chancellor we have had the fallout from a global pandemic, a war in Europe following Russia's illegal invasion of Ukraine, a global energy crisis and central banks across the world having to respond to sharp rises in inflation. And, at the time of writing, Hamas has launched a terrorist attack against the state of Israel and triggered the most dangerous conflict in the region for decades.

There has been uncertainty at home as well as on the global stage. Over the past 13 years Britain has had five prime ministers, seven chancellors of the exchequer, four general elections, a vote to leave the European Union and Liz Truss's disastrous mini-budget. Insecurity has become the watchword for British politics—and that insecurity has come at a price.

With every new shock to the global economy, Britain suffers more deeply and for longer than our international peers. In 2024, we are predicted to have the lowest growth and the highest inflation among G7 countries, according to the latest forecasts from the IMF. We are falling behind in the global race for the industries and jobs of the future, with European countries and America charging ahead.

When I talk to chief executives and other business leaders—and I have spoken to more than 500 since I was first appointed—they tell me the same thing, time and time again: that although they want to invest in Britain they are put off by the turmoil in Westminster. Missing out on this private investment means there is less money in our economy, less money in our towns and cities, less money for our public services and less money in people's pockets.

After 13 years of chaos and instability under the Conservative government, Britain is worse off. Working people are worse off. Government incompetence has become a drag on economic performance. But, in this age of insecurity, there is one certainty facing us in the next 12 months: a general election. It is a chance for the British people to vote for change and for a new economic model.

A new set of fiscal rules will apply to every decision

At the heart of Labour's pitch for the next general election is a mission to deliver the strongest sustained growth in the G7, with good jobs and productivity rising in every part of the country. It is the most important mission for us because economic growth is the only way we can support new industries, increase wages, revitalise high streets, bring down household bills and reform our public services.

Delivering that mission can only be achieved by a future Labour government that puts economic security first: security for our national economy and security for family finances. It is an approach that I call "securonomics".

It means rebuilding our economy so it is stronger and more resilient in a volatile world. It means a new industrial strategy for Britain that can strengthen our ability to make, do and sell more here and that seizes on the opportunities of the future, such as clean energy, artificial intelligence and life sciences.

It means getting Britain building again by taking on our antiquated planning system. And it means investing in British industries so we can create decent, well-paid jobs that give families the security they need to pay the bills today and plan for the future.

Government cannot deliver this mission alone, and nor can business. That's why I have promised a new partnership, with government and business working side by side to unlock the opportunities in our economy and to draw on the talent and effort of millions of working people in every part of the country.

And economic stability can be realised only if we bring back stability to the nation's finances. When I worked at the Bank of England, I learnt a very simple lesson: your sums must always add up. As chancellor of the exchequer I will never spend what we cannot afford. I will introduce a new set of fiscal rules which will apply to every decision taken by a Labour government. We will not borrow to fund day-to-day spending and we will reduce the national debt as a share of total economic output.

In the coming year the British people have the chance to vote for a stronger, more secure future, to vote for an economy built on financial stability and economic security. And with that, we can make working people better off—and get Britain's future back on track. ●

EUROPE

Stuck in the mud

The war may be heading for an impasse

SHASHANK JOSHI Defence editor, *The Economist*

"WE DO NOT assess that the conflict is a stalemate," insisted Jake Sullivan, America's national security adviser, in late August 2023. Ukraine, he said, was taking territory "on a methodical, systematic basis". Alas, the evidence now suggests that Ukraine's counter-offensive has stopped well short of its stated minimum goal, and that the war may indeed have entered a period of military stalemate. The coming year will be a difficult, dangerous period for Ukraine.

Its counter-offensive, which began in June, made modest progress on the flanks of Bakhmut, an eastern town that Russia had captured in May, and in the south, in Zaporizhia province. A combination of weary units, limited ammunition and wet weather will slow offensives during the winter, though some small-unit infantry attacks will continue.

The winter is likely to see a new and intense campaign of long-range strikes from both sides. Russia has been stockpiling missiles and is likely to attack Ukraine's power grid again. Ukraine has been accumulating drones and will keep up strikes on Russian-occupied Crimea, aided by a small injection of American-supplied ATACMS missiles. It might also widen its attacks to include Russia's power grid, in part to establish a form of deterrence. The strikes may help Ukrainian morale but their strategic impact is likely to be modest.

The crucial question for 2024 is which side can rebuild more high-quality forces the quicker. That is partly a matter of manpower. Russia's army has fallen short of its recruitment targets, but scraped together enough troops to hold the line through the summer. If it wants to go on the offensive, as it did in the winter of 2022-23, it may need to conduct a larger wave of mobilisation. It also has a large pool of conscripts, though committing these to war would involve significant political risks. Ukraine must also decide whether it conscripts men in their younger 20s, many of whom have so far avoided the draft.

Men also need weapons and ammunition. Russia ramped up defence production in late 2022, and is might produce more than 2m shells during 2024, along with hundreds of new and refurbished tanks. North Korea is also sending a massive number of

▸▸

shells, boosting Russian firepower further. Western governments invested later, so Ukraine is unlikely to have an advantage in artillery ammunition—the single most important factor at the tactical level—until late 2023 or early 2024.

Ukraine will not get another massive influx of equipment, as it did in spring 2023. Instead the focus will be on Western help with repairing equipment. A key decision for Western governments is whether they re-open production lines for weapons that they themselves no longer operate, or pass on sensitive intellectual property to Ukrainian factories. The arrival of America's Ground-Launched Small-Diameter Bomb (GLSDB) in early 2024 will replenish Ukraine's arsenal of longer-range missiles. It will also receive F-16 jets, though they are unlikely, on their own, to have a transformative effect on the battlefield.

Timing is important. Each side will hope to take the initiative. Ukraine wants to keep a spring offensive on the table but will struggle to muster the land power to do this. Vladimir Putin, Russia's president, will also want his army to keep up symbolic offensives, like the one under way around Avdiivka in the east. But constantly throwing poorly trained troops into grinding battle will weaken the Russian army without moving the front line.

A key challenge for 2024—and one that will shape the subsequent year—is whether Ukraine's partners can expand and reform training. Its summer offensive highlighted many problems. Some will need to be fixed if the next serious offensive is to be more successful. Ukraine's battalions and brigades, for instance, need far more staff officers capable of planning and commanding complex operations

Sources: Institute for the Study of War; AEI's Critical Threats Project; Brady Africk; OpenStreetMap

involving many units across a wide front.

If neither side can generate a meaningful offensive threat in 2024, the war is likely to be dominated by factors beyond the battlefield. The Black Sea may become increasingly central, with Russia attacking cargo ships and Ukraine striking at Russia's fleet and facilities. A NATO summit in Washington in July will be viewed as a test of Western support. Russia's strategy is simple: keep going until Ukraine's partners grow weary. The West intends to stay the course. Optimistic officials argue that the war is accelerating Russia's political decomposition. But pessimists warn that Mr Putin can keep this up for years. ●

Mr Putin's perpetual war

The Russian leader cannot keep funding the war for ever

ARKADY OSTROVSKY Russia editor, *The Economist*

IN MARCH VLADIMIR PUTIN will hold a presidential election designed to demonstrate support for his regime's invasion of Ukraine two years earlier. His achievements in those two years should not be underestimated. Hundreds of thousands of people have been killed, millions displaced. Most of them are Ukrainians fleeing Russian missiles. But as many as 1m educated Russians may have fled their country, fearful of repressions and mobilisation.

Mr Putin has strangled Russia's nascent civil society, isolated the country from the West, made it more dependent on China

▲ *Dictator perpetuo*

and strengthened NATO. Russia's budget for 2024 shows a 70% increase in military spending, to 6% of GDP and a third of all spending. He has long framed his war in Ukraine as part of Russia's struggle against the West, so even if fighting were to get less intense, spending will not go down.

So far, money has not been an issue. Re:Russia, a think-tank, reckons that in the war's first year Russia received $590bn in export revenues, mostly from oil and gas. That is $160bn more than the annual average over the previous decade. In the second year, revenues were still some $60bn above that average. War costs are estimated at over $100bn a year. Turmoil in the Middle East, which could push up oil prices, would benefit Mr Putin.

This income lets him keep up the appearance of normality at home. But the longer the war goes on the harder this will be. To fight a long war, Russia needs more men, officers and weapons. That in turn will require mass mobilisation and central planning of military production. Neither is easy in a country with Russia's poor demography and pervasive corruption.

Mr Putin will not have a problem declaring himself winner of the election. His problems may start afterwards, as the futility of his war exposes the hollowness of his triumph. That is by no means a given. But if Mr Putin's hopes are dashed, Donald Trump does not return to the White House, and Ukraine continues to receive support, his problems will only mount. In the past Mr Putin dealt with any decline in his approval rating by starting a war. That option has already been used. ●

Russia's waning influence

The war in Ukraine is changing the balance of power in the Caucasus

ARKADY OSTROVSKY Russia editor, *The Economist*

COMPARED WITH Russia's invasion of Ukraine or the horrors of Hamas's attack on Israel and the ensuing conflict, the one-day war waged in September 2023 by Azerbaijan against its ethnic-Armenian enclave of Nagorno-Karabakh may seem like a blip. This final episode in a long cycle of violence between Azerbaijan and Armenia gave Azerbaijan control of a region that has wished to be separate from it since before the Soviet collapse, and prompted the exodus of most of the Armenian population.

But this short war is part of a huge shift that has changed the balance of power in the former Soviet Union and in the world, and that will continue well into 2024. Nagorno-Karabakh played a key role both in the composition of the Soviet Union and in its decomposition. Now it marks what could be the last spasm of the system which has kept the Caucasus, one way or another, connected to Moscow.

A century ago, as the Bolsheviks captured the Caucasus, they placed Nagorno-Karabakh, a mountainous swath of land rich in Armenian history, into Soviet Azerbaijan as a reward for gaining access to the Azeri oilfields. Seventy years later, as the Soviet Union weakened, Nagorno-Karabakh demanded to be reunited with Soviet Armenia. When the empire collapsed in 1991, a war erupted. Armenia, backed by Russia, gained control over not just Nagorno-Karabakh but also a large surrounding area of Azerbaijan.

Nagorno-Karabakh became a rallying cause for majority-Christian Armenia, a source of trauma and grievance for Azerbaijan and a tool of leverage for Russia. Turkey, a majority-Muslim nation that stood with Azerbaijan, blocked its border with Armenia in 1993, making it more dependent on Russia. In 1998 a more belligerent and thuggish regime, run by Armenian warlords from Nagorno-Karabakh, seized political power in Armenia itself and drew closer to the Kremlin. Russia saw Armenia as an important counterweight to Georgia, which was leaning towards the West.

But in 2018 young Armenians took to the streets and swept away the corrupt, Moscow-backed Karabakh clan. In 2020, Russia's president, Vladimir Putin, gave Azerbaijan and Turkey the green light to retake territory around Nagorno-Karabakh. But he also placed troops inside Nagorno-Karabakh as "peacekeepers", notionally to protect Armenians, but actually to retain influence.

But as he contemplated his war against Ukraine, Mr Putin cared more about his relationship with Turkey and Azerbaijan than about poor, democratic Armenia. He allowed Azerbaijan to cleanse Nagorno-Karabakh of Armenians who had relied on Moscow's protection.

As well as betraying those Armenians, Russia hopes to exploit their exodus to foment regime change in Armenia itself. Mr Putin is also hoping to keep a foot on the ground by controlling a corridor linking Turkey to mainland Azerbaijan that might cut through Armenia.

Azerbaijan and Turkey hold all the cards, however, and neither wants to make unnecessary concessions to Moscow, particularly when its influence is declining. Nor do they want to side with the West. Instead they want to establish their own power-base in the Caucasus.

One consequence of Russia's war has been the rise of middle powers such as Turkey. Another has been to weaken its influence in the post-Soviet world. ●

Friends in the north

The war in Ukraine has brought Baltic and Nordic countries closer together

MATT STEINGLASS Deputy Europe editor, *The Economist*, Amsterdam

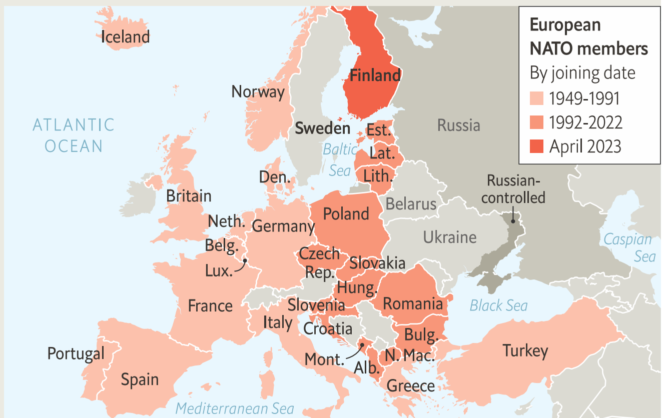
BY THE END of the cold war, the Nordic countries had become symbols of how to transcend geopolitical conflict. Norway brokered peace deals for Guatemala and Palestine, and "getting to Denmark" became slang for perfecting liberal democracy. The Baltic countries, by contrast, emerged from Soviet occupation afraid Russian imperialism would return. Yet their warnings were often seen as postcommunist paranoia.

Vladimir Putin has brought the Nordics around to the Baltics' way of thinking. In 2024, with Finland and Sweden having joined NATO, co-ordination of the Nordic-Baltic region's defence against the Russian threat will get under way.

In fact the Nordics were always tougher than their image. Finland has a big conscript army. Sweden's home-made fighter jets and submarines are world-class. Norway plays a crucial naval role in the North Atlantic and the Arctic. Denmark plans to meet NATO's norm of spending 2% of GDP on defence by 2030.

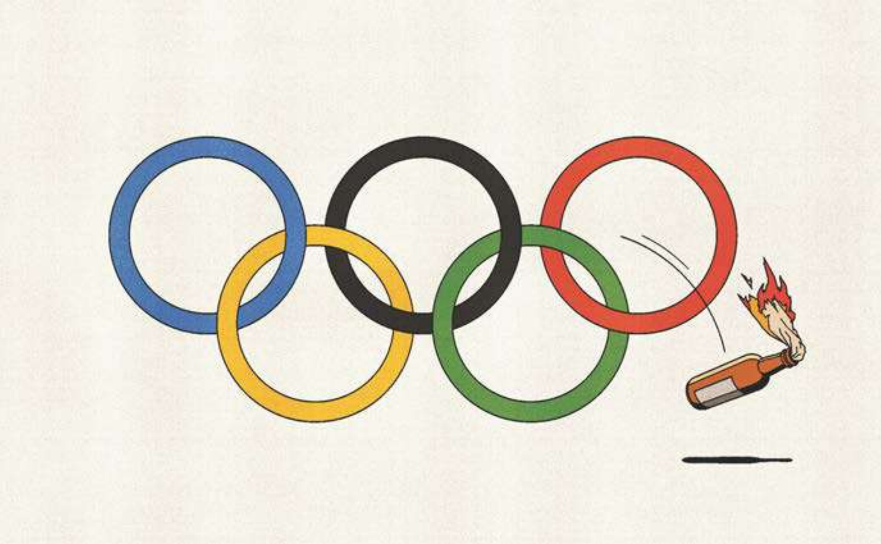
The war has led NATO to change its strategy. The alliance used to accept that a Russian invasion would overrun much of the Baltics; it planned to conquer them back. But Russian atrocities in Ukraine have made giving up ground unacceptable. NATO now says it will defend "every inch of territory", and is deploying more forces to do so.

Putin has brought the Nordics around to the Baltics' way of thinking



Fighting has brought the region together economically too. The Baltics quickly cut their remaining links to Russia's electrical grid and hooked up with Poland and Finland. Both regions have been tougher than other parts of Europe in blocking Russian tourists.

Nearly every party and politician across the Nordic-Baltic region now agrees on standing tough against Russia. That has pushed electoral contests onto other terrain. All this has made the two regions more equal: the Baltics are no longer such junior partners.



Spectator sport

The Olympics will briefly pause the polarising politics

SOPHIE PEDDER Paris bureau chief, *The Economist*, Paris

THE YEAR 2024 will be when Emmanuel Macron seeks to re-establish his leadership in Europe, and France begins to look ahead to the race to succeed him. Both will take place against the backdrop of the Paris Olympics, which will serve as a global showcase for France and a test of its ability to come together as a nation at a fractious and volatile time.

In 2017 the freshly elected French president laid out his vision for a more "sovereign" and autonomous Europe in a speech at the Sorbonne. In 2024 Mr Macron will try to revive that pioneering drive. As Europe commemorates the 80th anniversary of the D-Day landings, he will urge it to wake up to new geopolitical risks, not least the danger that America will again elect a president less committed to European security. Expect to hear plenty about European "strategic autonomy". Mr Macron will also champion Ukraine's integration into the EU and NATO.

His country, meanwhile, will start to think about his successor. In 2027, when the next presidential election is due, Mr Macron will have to step aside after two terms. The big question is who from the broad political centre can replace him and take on Marine Le Pen on the hard right.

Front-runners include Edouard Philippe, an ex-prime minister; Gérald Darmanin, the interior minister; and Bruno Le Maire, the finance minister. Polls suggest that Mr Philippe is best placed. But others will fancy their chances, including Jean Castex, another ex-prime minister, or even Gabriel Attal, the ambitious 34-year-old education minister.

Mr Macron will not endorse a successor this far ahead of the vote, preferring to show that his grip remains firm. His reform agenda at home will include an attempt to reach full employment and further *dirigiste* "green planning", including investment in public transport, new nuclear reactors and battery production. A rebuilt Notre Dame cathedral will open five years after the fire. Ms Le Pen, for her part, will turn the vote for the European Parliament in June into a call for a mid-term sanction of Mr Macron. Her National Rally party could well top national voting, which would revive worries about a resurgent hard-right vote ahead of 2027. It could also prompt Mr Macron to ditch his prime minister, Elisabeth Borne.

Differences over the Israel-Gaza conflict will deepen political divisions. The main left-wing alliance may split. Worries about sectarian tension and anti-Semitism will also intensify. France is home to Europe's biggest Jewish and Muslim populations.

Despite polarised politics, France will try to come together for the Olympics, from July 26th to August 11th. A glitzy opening ceremony will be staged in Paris along the River Seine. The lead-up to the games will be marred by arguments over unfinished transport lines, expensive tickets and terrorism fears. But once the action begins the French will enjoy the spectacle. Mr Macron will be sorely hoping that the unifying spirit can last. ●

Right EU are

The EU goes to the polls in June. Expect another clash of centrists v populists

STANLEY PIGNAL Charlemagne columnist, *The Economist*, Brussels

ELECTIONS IN EUROPE, to paraphrase Mark Twain, do not repeat themselves, but they do rhyme. From Germany to Italy to Slovakia, there is a familiar pattern. Centrist parties that have held power for decades increasingly vie against hard-right rivals that would once have been deemed beyond the political pale. It will be the same story on June 9th as elections for the European Parliament are held across the EU's 27 member states. Nationalist parties of various hues will fare well, but the centre is likely to hold. Sensible policies emanating from Brussels on everything from supporting Ukraine to cutting carbon emissions should carry on (mostly) unchanged, after the customary fight over who gets what top euro-job.

Polls from Lisbon to Helsinki indicate that the centre-right (known as the European People's Party, or EPP) should once again emerge as the largest bloc. But alongside fellow centrists of the centre-left (Socialists & Democrats) and liberals (Renew), it will probably lose a little ground. Hard-right parties such as those of Giorgia Meloni in Italy, Viktor Orban in Hungary and Marine Le Pen in France, by contrast, will pick up seats in the newly expanded 720-strong chamber.

The centrist outfits will probably have enough heft to cobble together a majority. That would be good news for Ursula von der Leyen, president of the European Commission since the previous elections in 2019. Though the top job in Brussels is decided by the EU's 27 national leaders, the European Parliament must then approve their choice. If the EPP wins most votes, Mrs von der Leyen will be a shoo-in for another five years. But a poor showing by centrist parties may force her to enter some kind of pact with hard-right parties to secure a majority.

Should Mrs von der Leyen stay on, expect more of the same from Brussels. Most notably, continued staunch support for Ukraine. Working with America, the commission helped craft 11 rounds of sanctions against Russia. Moves to bring the war-torn country and up to eight others (mainly in the Western Balkans) ▸▸

into the EU will continue, though it will be many years before formal accession.

More contentious will be the next tranche of carbon-cutting regulations. Populists across Europe grumble about green policies, and will fancy their chances if the EU elections are turned into a referendum on rapid emissions cuts. The EU's commitment to reach net-zero emissions by 2050 will require more money (of which Europe is short) and more regulation (of which it has a seemingly inexhaustible supply). Even the centrist parties sometimes balk at green plans put forward by Brussels.

The elections could also trigger spats over the top jobs. Mrs von der Leyen staying on would provide continuity. But her team of 26 commissioners, including powerful briefs guiding the bloc's attempts at building an industrial policy, will be refreshed. There will also be a new president of the European Council, who chairs meetings of EU leaders and represents the bloc abroad, as Charles Michel, the Belgian incumbent, leaves after five years. A fresh foreign-policy chief will also be appointed and, across town, a new secretary-general of NATO.

The closer Europe gets to the vote, the more its own debates will be overshadowed by America's elections later in the year. The mere prospect of a triumphant Trumpian candidate—especially The Donald himself—would turbocharge French calls for "strategic autonomy", whereby Europe relies less on America for defence and other needs. For all the importance of the EU elections in June, those across the Atlantic in November will do more to determine the future shape of the union. ●

Growing apart

Europe's economies will diverge in new ways

CHRISTIAN ODENDAHL European economics editor, *The Economist*

For the past decade or so, economic fortune favoured Europe's north. The Scandinavian countries, plus Germany, Poland and even Britain, all boasted decent growth and employment. The south, by contrast, was hit first by the euro crisis in 2010-12 and the subsequent painful adjustment, and then by the pandemic, which hurt its tourism-heavy economies more than most. As Europe faces new challenges such as climate change and geopolitical upheaval, its countries' economic fortunes are diverging in new ways that will start to become visible in 2024.

Start with climate change. Europe aims to become the first carbon-neutral continent. For that to happen, it needs to make its electricity supplies carbon-free, then revamp industry, heating and transport to run on green energy. It is a tall order. For some, this green transformation may boost growth, as investment increases demand and geography creates opportunities. Places with lots of renewable-energy potential, like those along the windy coast of the North Sea or in practically all of sunny Spain, may see a green boost to growth.

But legacy industries will struggle. Processes such as cement- or steelmaking use fossil energy that is hard to replace cheaply with green energy. On the global market where such products are traded, other producers will have much lower energy costs than European ones, because they either have natural gas today or will enjoy abundant green electricity and hydrogen tomorrow. In heavy industry, Germany is Europe's largest energy user, consuming around twice as much as the next largest, Italy and France.

The car industry, too, faces new competition as combustion-engine cars are phased out and electric vehicles (EVs) take over the market. The EU's recently announced probe into China's subsidies to its EV industry shows how nervous Europe is about this new competitor. Countries with big car industries—the Czech Republic, France, Germany, Slovakia and Spain—stand to suffer as a result.

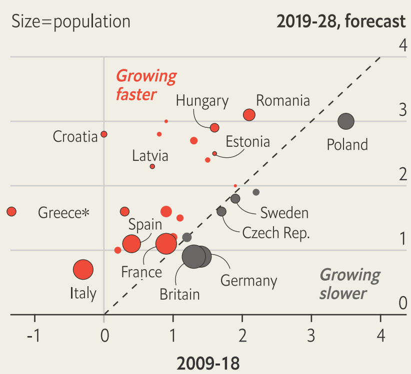
Next up is demography. Already, companies across Europe are struggling to find enough workers. The vacancy rate, the ratio of how many vacancies there are to the total number of jobs in the economy, exceeded 4% in Austria, Germany and the Netherlands in the second quarter of 2023 (the euro-zone average was just above 1% a decade ago). And each year, large cohorts from the baby-boom generation enter retirement. The euro zone has 23m people aged 60-64, but only 18m aged 15-19. Among the big countries, the gap is largest in Germany, Italy and Poland. There is hardly any gap in France or Scandinavia, and just a small one in Belgium and the Netherlands.

Not all European countries can compensate for the shortfall with increased migration. The war in Ukraine forced many people to flee westward, giving the Czech, German and Polish economies a new source of workers. In 2024, immigration will dominate the political debate again, as labour shortage intensifies, more Ukrainians decide to return home and migrants from outside Europe continue to arrive on its shores.

Finally, the growing geopolitical rivalry between America and China—and, by extension, democracies and autocracies—will have economic repercussions across Europe. Countries with strong trade links to autocracies may see their supply chains disrupted, or find themselves subjected to economic retaliation. Germany and Italy have already been through one such shock, namely Russia's attempted blackmail with gas supplies. They, along with a few eastern European economies such as Poland, trade intensively with autocracies, unlike, say, France or Sweden. The EU, which aims to make economies converge, has seen divergence before. But the new kinds that will hit the continent in 2024 will be much harder to manage. ●

Two-speed Europe

EU27 and Britain, average yearly GDP change, %



Source: IMF

*2009-18 = -2.8%

By Invitation The trauma of war

Dara Massicot of the Carnegie Endowment says Ukrainians need help to recover, mentally and physically

THE MILITARY, economic and diplomatic cost of Russia's invasion of Ukraine has been evident for nearly two years now. But there are many other unseen costs of the fighting, including the mental and physical scars of high-intensity combat accumulated by combatants on both sides.

As Ukraine and its supporters make long-term plans for their country's reconstruction, the Ukrainian government is pursuing policy solutions for the care of its soldiers to help them heal and cope. It will need help to provide trauma-informed care on a large scale.

There are many groups in Ukraine experiencing different types of trauma: millions of soldiers and their families; health-care providers and other first responders exposed to combat conditions and casualties; internally and externally displaced persons; and prisoners of war.

Ukraine faces several challenges in supporting the mental-health needs of its citizens, and will need a great deal of external help in order to do so. First is the scale of the problem: the government estimates that it will have a veteran population of 1.8m by the end of the war, or 5m if immediate families are included. This means that around 11% of Ukraine's pre-war population will have been directly affected by combat trauma.

Officials estimate that, since 2014, a quarter of veterans have developed post-traumatic stress disorders (PTSD) of some sort. Yet because every last soldier is needed, even those experiencing severe mental distress are often given only a short break before being sent back to their unit.

The bureaucratic process for wounded Ukrainian soldiers and their families to access care and benefits is cumbersome. There are not enough specialised clinicians to provide therapy.

The second challenge is the severity of the trauma caused by the nature of the war itself: the intensity and duration of combat, the prevalence of injuries from artillery and landmines, and systemic war crimes committed by Russian forces. These circumstances create complex and intertwined physical and mental trauma for Ukrainian soldiers and civilians. Treating physical polytraumas (amputations, burns, traumatic brain injuries, loss of hearing or eyesight, and spinal injuries) is resource-intensive and Ukraine does not have sufficient capacity.

Around 11% of Ukraine's pre-war population will be directly affected by combat trauma

The Ukrainian government is raising domestic awareness of these challenges and the importance of seeking help, but there is still a social stigma about getting support for mental-health disorders. Even after Russia's invasion of Ukraine in 2014, PTSD was not commonly treated, partly because soldiers viewed military psychological support with suspicion—an echo of Ukraine's Soviet past.

It is encouraging that Ukraine has an emerging societal openness to caring for veterans. Mental-health awareness is growing, partly because of generational change and partly from the war itself.

The government and NGOS are actively seeking support to improve care for veterans and their families. For example, they want to use modern technology such as smartphone apps to ease veterans' access to care.

Many international partners are willing to provide this type of help and share best practices. With financial support and knowledge transfer during international exchanges under way since the war began, Ukraine is trying to bring best practices for trauma-informed care back to the country.

In contrast, Russia lacks partners to assist with veteran care, and secrecy impedes appropriate policy development. While discharged Russian veterans are few at present, doctors quietly warn that those returning home lack support and abuse drugs and alcohol. Some commit violent crimes.

Providing trauma-informed care is an essential part of Ukraine's recovery. Governments assisting Ukraine's reconstruction can codify this support for the long term by including it in their recovery packages.

International organisations and NGOS play an important role already, working with their Ukrainian counterparts in raising awareness, providing support and continuing to train Ukrainian medical professionals, at home and abroad. Together, we can help Ukrainians affected by the trauma of the war to rebuild their lives, even as they look to rebuild their country. ●

UNITED STATES

Armageddon election

A divisive unpopularity contest looms between Joe Biden and Donald Trump

IDREES KAHLOON Washington bureau chief, *The Economist*, Washington, DC

ASK VOTERS how they really feel and you find that the state of America's union is unusually dismal. In September 2023, when the Pew Research Centre asked Americans to reflect on their country's politics, 65% of respondents said that they were always or often exhausted; 55% said they were typically driven to anger; just 10% expressed frequent flashes of hope; only 4% found themselves regularly excited. When asked to describe politics in a single word, many plumped for divisive, corrupt, messy or bad. The coming year is likely to bring even greater malaise.

In the presidential campaign, all signs point towards an octogenarian rematch between President Joe Biden and his predecessor, Donald Trump. The main issue in the election will not be anything conventional, like the economy or foreign policy, but whether either man is fit to serve in the office. The yearlong unpopularity contest will see Mr Biden argue that his predecessor is an existential threat to the republic. Mr Trump, unashamed by the attempted insurrection on January 6th 2021 or the many related criminal indictments he is fighting, will argue that the current president is too old and weak to deal with America's problems. Both men will portray the other as a harbinger of the end of the country—and most members of their parties will subscribe to these competing eschatologies.

The current president will tout "Bidenomics" and argue that his massive spending on infrastructure has improved the lives of working people. Mr Trump will point to the discontent over inflation, which has eaten away at Americans' real disposable incomes since Mr Biden took office, and the size of the national debt, which has also grown considerably. It is unlikely that Mr Trump's policy proposals would improve the country's fiscal position: he aims to leave entitlement programmes untouched while cutting taxes and triggering a trade war with the rest of the world through a 10% tariff on all imports. But both men correctly see the road to the White House as running through discontented working-class voters. Both of their economic pitches will aim to curry favour with this bloc, regardless of actual feasibility.

The strategy of Mr Trump, a man never confused

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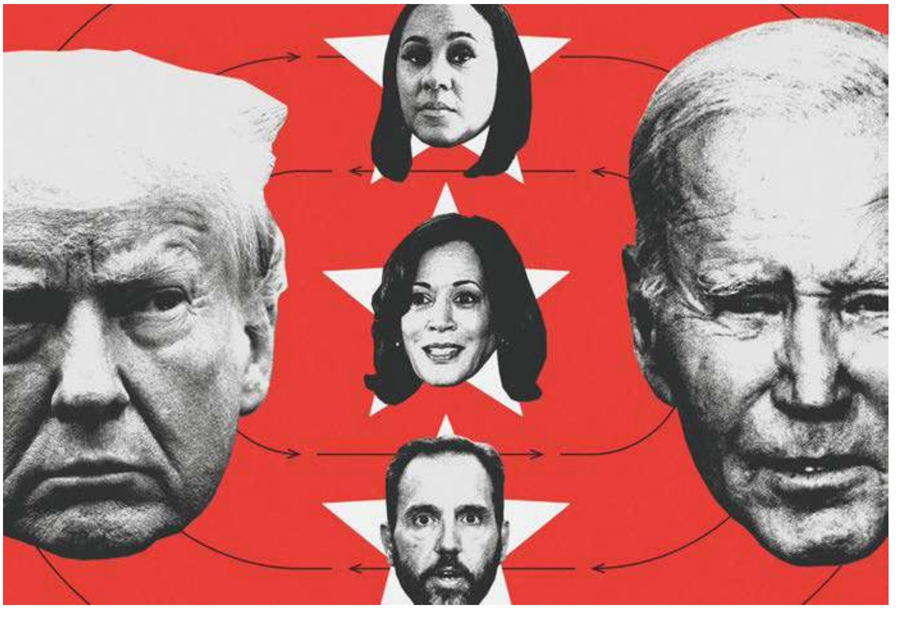
with a policy wonk, will be to whip Republicans into a state of frenzy. His campaign rallies will echo the "American carnage" that he invoked in his first inaugural address: that Mr Biden is threatening to destroy America by failing to secure the southern border, failing to curtail crime or drugoverdose deaths, and giving in to the leftist flank of his party, which aims to turn America into a godless haven for abortionists, criminals, the diversity-equity-and-inclusion bureaucracy and trans people. Rather than accept his loss in 2020, Mr Trump managed to convince most of his supporters that the election had been stolen. When the alternative to the Oval Office is likely to be a prison cell, his rhetoric will be even more extreme and corrosive to democracy in 2024.

There are of course real differences in policy between the two men, but often in arenas that most American voters ignore. The two would lead foreign policy in wildly divergent directions. Though both are staunch protectionists, Mr Biden is not the isolationist that Mr Trump is. Now that it has been subsumed by the America First movement, the Republican Party seems ready to give up on funding Ukraine's war effort against Russia. Though both parties try to outdo each other on hawkishness towards China, it is unclear whether Mr Trump would commit American troops to defending Taiwan. Allies in Europe worry about the permanent erosion of America's central position in NATO.

Mr Trump will whip Republicans into a frenzy

Fighting back against the onslaught of Mr Trump's pugilism requires a kind of vigour that Mr Biden seems to lack, and will probably lack in greater quantity by the time of the election. The hope from Mr Biden's supporters is that Mr Trump manages to defeat himself—through the constant reminder of January 6th that the criminal trials will bring, and the unpopularity of Republican positions on issues like abortion. American electoral margins tend to be slim, heightening the existential angst that members of both parties feel. The outcome cannot be predicted one year out. But an increase in the rates of exhaustion and anger looks very likely. ●

The people to watch in 2024



Some are well known, some are not

JAMES BENNET Lexington columnist, *The Economist*, Washington, DC

TIME WAS when American politics served up electrifying or at least surprising nominees to be president: Barack Obama, barely three years out of the Illinois state legislature, storming past Hillary Clinton; John McCain overcoming the scorn of conservatives; Donald Trump doing that thing he did in 2016; and even, lest you forget, Joe Biden, once counted out because of his age and past centrism, clearing the field in 2020.

Now comes the 2024 political cycle, a triumph of recycling. President Biden and former President Trump are preparing to star in a sequel most Americans do not care to see. That means that eyes will be on the vicepresident, Kamala Harris, as well. Because Mr Biden is the oldest president ever, and would be 82 at his second inauguration, voters will scrutinise Ms Harris with unusual care.

The sequel does, however, promise some new plot lines: for the first time in presidential politics, courtroom action will attract more attention than campaign events, and may prove more decisive. Mr Trump, the first president or former president ever indicted, faces 91 felony counts in four cases and four jurisdictions. In Fulton County, Georgia, where he is charged over his efforts to overturn the 2020 election, the trial will be televised and streamed live.

That will help make Fani Willis, the Fulton County district attorney, one of the most important players in American politics in 2024, alongside Jack Smith, the special counsel who has brought federal charges against Mr Trump in Florida, for absconding with classified documents, and in Washington, DC, for trying to overthrow democracy. Acquittals in these cases could help put Mr Trump back in the White House, but it is not certain that convictions would bar the door.

That would depend on how successful Mr Trump proves in damaging the credibility of the prosecutors and of the legal system itself. He is busy portraying Ms Willis and Mr Smith as villains. Beyond the prosecutors' own steely demeanours, their best defence will be the revelations of their witnesses and other evidence.

In the end, in a country of 340m, a small group will matter most. Mr Biden won the popular vote in 2020 by nearly 7m, but if about 44,000 votes in three states had gone the other way, he and Mr Trump would have been tied in the electoral college. The nonpartisan Cook Political Report rates four states as tossups in 2024: Arizona, Georgia, Pennsylvania and Wisconsin. In the suburbs of those states are some voters who have not yet sworn loyalty to one tribe. They will choose the next president. ●

Hard numbers

The economy has dodged a recession, but it is not out of the woods yet

SIMON RABINOVITCH US economics editor, *The Economist*, Washington, DC

AMERICA'S ECONOMY in 2023 provided a lesson in humility for forecasters. Before the year began, almost all predicted that it was heading for sluggish growth at best, and a recession at worst. The logic was simple: beating inflation was bound to be painful. Instead, America powered ahead at an annualised pace of roughly 2% growth, even as inflation receded.

This has persuaded many analysts to ditch their gloom. Their median forecast heading into 2024 is that America will avert a recession and get price pressures under control. This would qualify as a "soft landing" after the inflationary scare of recent years. But, given how wrong many were about 2023, it is worth asking if the same is possible about 2024. Three dangers stand out.

First, there is always a delay between when central banks raise interest rates and when the economy feels the effects. In 2023 consumers and companies had savings that limited their need for financing; in 2024 they will have thinner buffers, thus increasing their exposure to higher rates. Second, even though the Federal Reserve may have finished raising interest rates, real rates will become progressively more restrictive as inflation falls. Finally, cracks are showing. Unemployment, though still low, is ticking up. Once an economic slowdown gets under way, it risks feeding off itself.

Still, there ought to be one unambiguously positive factor for the economy in 2024: inflation will be less of a concern. It has already tumbled from a year-on-year pace of 7% in mid-2022 to about 3%. Some worry that the "last mile" of wrestling it down to the Fed's target of 2% will be especially challenging, perhaps prompting the central bank to raise its inflation target. It will have an opportunity to do so at the end of 2024, when it launches a quinquennial review of its monetarypolicy framework. But it is unlikely to be necessary.

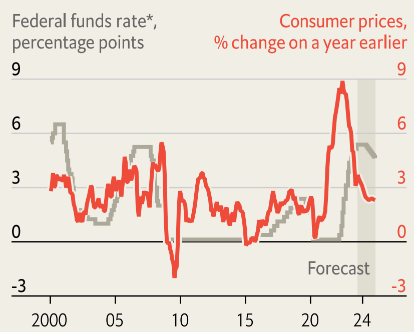
A softening in housing rents is already filtering into inflation readings, a process that will continue into 2024. Weaker demand for goods will combine with fully healed supply chains, weighing on retail prices. Most crucial, loosening in the once ultratight jobs market will lead to slower wage gains. So by the end of 2024 inflation will be weaker, even if not down to the 2% target. Indeed, the twin facts of slower growth and quiescent inflation will pave the way for the Fed to start cutting rates again, possibly as soon as mid2024.

The biggest question for the coming year is how these trends will play into the presidential election. President Joe Biden and the Democrats have been frustrated by the low marks that American voters have given him on economic policy. Fewer than four in ten adults approve of Mr Biden's handling of the economy, despite a concerted push by his administration to highlight its achievements: avoiding a recession, keeping unemployment low and reining in inflation, as well as passing laws boosting investment in green energy, infrastructure and manufacturing.

But, fairly or not, this messaging has not worked. Many people cannot look past the initial surge in inflation which took place on Mr Biden's watch. Prices are no longer rising quickly, but they are still nearly 20% higher than when he took office in January 2021. That is the steepest increase under any president since Jimmy Carter's single term in the late 1970s—an ominous precedent.

All is not lost for Mr Biden. As long as inflation continues to recede, there may be enough time for voters' perceptions to change. Scores for consumer sentiment, as measured by surveys, have risen since mid-2022, even if they remain low by historical standards. If the consensus is correct this time, and America does avoid a recession, Mr Biden will have a propitious economic backdrop heading into the election in November. But the downside risks to growth go against that scenario: the economy may end up being more of a hindrance than a help in his re-election bid. ●

After the spike
United States



*Mid-point of target range Sources: Blue Chip Economic Indicators; CME Group; Haver Analytics

Overstretched superpower

With crises in Ukraine and Israel, can America still defend Taiwan?

ANTON LA GUARDIA Diplomatic editor, *The Economist*,Washington, DC

WHEN JOE BIDEN entered the White House his priority was to establish "a stable, predictable relationship" with Russia and end America's "forever wars" in the greater Middle East, to concentrate on the economy at home and rivalry with China abroad. It did not work out that way. Russia invaded Ukraine; Hamas attacked Israel. As America helps its friends under assault, can it still defend Taiwan?

Strategists worry about a "window of vulnerability" in the Indo-Pacific this decade, as China's forces grow stronger and America's investments in new military equipment don't fully bear fruit until the 2030s. Concerns about this gap will deepen with the approach of 2027, the year when Xi Jinping, China's leader, wants the People's Liberation Army to be able to invade Taiwan if ordered to do so. But whether a war breaks out does not just depend on the military balance. Much will be determined by politics. And with both America and Taiwan holding elections in 2024, the danger period may start soon.

Despite talk of America's decline, it remains a military colossus, accounting for 39% of global defence spending at market exchange rates. But as Australia's defence strategic review concluded in April 2023, "The United States is no longer the unipolar leader of the Indo-Pacific." The changing balance places a premium on America's unparalleled network of alliances. Mr Biden has worked hard at repairing the damage to this network wrought by his predecessor, Donald Trump. NATO has united, expanded and rallied to support Ukraine.

Asian allies have helped, too. There is no NATO in the Indo-Pacific, but Japan is sharply boosting defence spending and America is building up its presence in Australia. It is also weaving a "latticework" of ad hoc partnerships. These include the AUKUS deal with Britain to supply Australia with nuclearpowered submarines and jointly develop other weapons; a defence-industrial deal with India to produce jet engines; and the Philippines' agreement to grant America access to several bases. Expect America to ▸▸

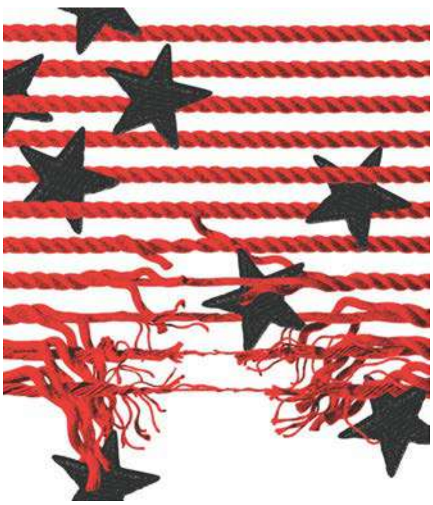
add more such strands in 2024.

Much depends on the perception of America's credibility and capacity. On credibility, critics of Mr Biden believe America's pellmell departure from Afghanistan in 2021 signalled weakness to America's foes. Similarly, others contend that cutting aid to Ukraine would grant a victory not just to Russia but to China, too. As for capacity, the Pentagon long ago abandoned the requirement that its armed forces be able to fight two major regional wars simultaneously. Instead it now seeks to "deter and, if necessary, prevail in conflict" against a major adversary, while also being able to "deter opportunistic aggression elsewhere".

In Europe Mr Biden has helped Ukraine without sending American forces, and deployed more units to Europe to deter attacks on NATO. In the Middle East, he sent two aircraftcarrier strike groups to the region, and strengthened other forces, to deter attacks by Iran and its proxies.

On the face of it, supporting friends is a cheaper way to preserve American power than direct involvement in wars, as in Iraq and Afghanistan. But American defence firms are struggling to boost production to supply allies while replenishing depleted American stocks. War games suggest America would run out of long-range anti-ship missiles within days of a war with China over Taiwan. "We have a one-war military and a two-week industrial base," notes Kori Schake of the American Enterprise Institute, a think-tank.

Perhaps the biggest obstacle to sustaining America's role in the world is political dysfunction at home. "America first" Republicans have hampered normal budgeting and have grown especially hostile to funding the war in Ukraine. If they succeed in cutting aid to Ukraine in 2024, allies everywhere will shudder—doubly so if their champion, Mr Trump, is again elected president. ●



Online safety v free speech

State internet-safety laws, meet the First Amendment

TAMARA GILKES BORR US public policy correspondent, *The Economist*

THE FIRST AMENDMENT—which prevents the government from "abridging the freedom of speech"—is foundational to America's democracy. Several states have recently passed legislation to regulate the tech industry that may violate this fundamental right. In 2024, tech companies will fight back.

The big question is whether a country with First-Amendment protections can regulate tech at all. The Children's Online Privacy Protection Act (COPPA), which went into effect in 2000, requires websites to obtain parental consent before collecting, using, or disclosing personal data from children under 13. Aside from this law, the tech industry operated with limited regulation for 20 years. Now statehouses on both sides of the political divide have stepped in to fill this void.

The state policies can be split into two broad categories. One type of law claims to protect children. California's governor signed the California AgeAppropriate Design Code Act in September 2022. It requires companies to be more careful about how they interact with children.

Florida and Connecticut have drafted similar bills, but in September a federal judge temporarily blocked California's law over FirstAmendment concerns. A related law in Arkansas was also blocked. The worry is that these laws restrict the publication of free speech.

A second type of law attempts to regulate how tech companies moderate content. A law in Florida prohibits socialmedia companies from "deplatforming" users. Texas's version of the law would prevent companies from removing posts or banning users based on their political viewpoints. A federal judge upheld Texas's law, but the policy in Florida was blocked by a federal judge. The tech firms argue that being able to decide what to publish and what to take down, without government interference, are constitutionally protected freedoms.

These cases will force America's legal system to reckon with complicated questions. The idea that the government cannot limit speech (with exceptions such as defamation and obscenity) extends to media companies and their right to edit content. But does it include tech firms' moderation of posts and feeds?

A further question centres on the First-Amendment rights of children. The Supreme Court has ruled that children do not "shed their constitutional rights to freedom of speech or expression at the schoolhouse gate" and have a right to read controversial books. But it also says harmful materials can be restricted. How this applies to the internet is unclear.

NetChoice, a trade organisation that counts Meta, Google and other tech firms as members, says the new laws are unconstitutional. It has sued Arkansas, California and Texas, and shows no sign of backing down. At least one case, relating to efforts by Florida and Texas to intervene in content moderation, may reach the Supreme Court in the coming year. ●

Small is beautiful

The places you haven't heard of are growing fastest

REBECCA JACKSON
Southern correspondent, *The Economist*, Austin

"KEEPING AUSTIN weird" has been more of a slog than locals anticipated. Inundated with Silicon Valley refugees and Manhattan defectors, the Texan city once known for its cool subculture has become a tech metropolis. Amazon, Apple, Google, Meta and Tesla set up shop there, offering jobs that made it a magnet. From 2010 to 2020 metropolitan Austin's population grew by more than that of any other big city, by onethird to 2.3m.

It has since burst at the seams. Housing supply has failed to keep up with rocketing demand. In September the Austin Board of Realtors said the city is short of 152,000 affordable two-person homes. Locals are getting priced out, homeless people line the downtown streets and traffic is hellish.

Cities across the Sun Belt, from Charlotte to Dallas, have seen an influx of newcomers over the past decade. Dubbed the "new great migration", it has been led by thousands of black college graduates moving south, fuelling urban renewal in Georgia, North Carolina and Texas, even as cities in the north-east, Midwest and west shrink. And small southern towns are growing fastest.

Some of that is because of a thirst for smalltown living and an ability to work remotely, brought on by the pandemic. In 2020 more people moved to places with fewer than 30,000 residents than to ones with more than 80,000. Even after mask mandates eased, the trend continued. Census counts up to July 2022 show that small metro areas in the South saw 0.9 new arrivals per 100 residents, while southern cities had just 0.6.

Daphne, Alabama, a fishing town on the Gulf coast, fared better than Birmingham, a city whose population did not budge. Spartanburg, South Carolina, had twice the in-migration rate of much larger Charleston.

This trend will continue in 2024. In 2020 the local council of a cluster of 31 mid-sized towns in the Ozark mountains of north-west Arkansas offered movers $10,000 and a bicycle. Now they no longer need incentives. At the current migration rate, the area is projected to double in size, hitting 1m residents by 2045. The towns are creating a more cosmopolitan feel by building hotels and transport services. In September the council was advertising 11,000 new jobs. A golden age for hamlets of the South is coming.

▲ *Welcoming everyone*

From long leg to silly mid-off

A cricket World Cup comes to America

LEO MIRANI Asia correspondent, *The Economist*, Mumbai

Cricket is coming to the world's most valuable sports market

IN 1994, WHEN America hosted the FIFA men's football World Cup, just 20% of Americans even knew it was happening in their country. Today, nearly a third of Americans who follow sports describe themselves as "avid" fans of soccer, no doubt helped by two consecutive World Cup victories, in 2015 and 2019, by their women's team.

Three decades after football's first big American outing, cricket is starting its own journey in the world's most valuable ▸▸

sports market. In June 2024 the United States will, jointly with the West Indies, host the men's Twenty20 World Cup—the shortest and most popular form of cricket, in which each game lasts three hours, not five days. Around a third of the 55 matches will take place in America. The American team, as host, automatically qualifies for the tournament—its first-ever top-tier competition—and is hoping it will be a coming-out party for American cricket.

For most Americans, cricket has (not unreasonably) a reputation as a sport with impenetrable rules. For now, it remains a niche interest pursued mostly by immigrants and their children. Indeed, the majority of the American cricket team consists of players with roots in South Asia and the Caribbean. But that is still a group numbering some 6.5m people in America, a sizeable audience.

A new professional tournament in America called Major League Cricket (MLC) debuted in 2023 tolargely positive, if slightly bemused, media coverage. MLC intends to organise its event back to back with the World Cup in 2024 to make it a "summer of cricket" in America. And the hope is that the momentum will build from there: in October the International Olympic Committee announced that both men's and women's cricket would be included at the Olympic games in Los Angeles in 2028.

Cricket is not the only sport trying to raise its profile in America

Cricket is not the only sport trying to raise its profile in America. In 2022 the United States hosted the World Athletics Championship for the first time. The next FIFA men's football World Cup, in 2026, will be hosted jointly by the United States, Canada and Mexico. And the rugby World Cup will be staged in America for the first time in 2031.

The fact that the United States team is unlikely to progress beyond the group stages of the cricket World Cup is beside the point. A cricket match framed against the skyline of a big American city is bound to generate publicity for the sport. And for the United States squad, playing against the world's best teams—with a global audience—is itself an opportunity unlike any it has had before.

Building a new audience for a sport is, after all, less like the action-packed Twenty20 version of the game, and more closely resembles its five-day incarnation, the Test match: a slow accumulation of small victories and close shaves that is a test of endurance and determination as much as it is of skill. ●

Is your city heatproof?

Extreme heat will bake America's cities, but there are ways to prepare

ARYN BRAUN West Coast correspondent, *The Economist*, Los Angeles

THE MONSOON is late again. Without the almost biblical rains, there is nothing to break the heat during a long stretch of days above 43°C (109°F). The pavement is scalding. Hospital wards are filling with burn victims. Even the cacti seem crispy. Many people venture out only in the early morning, before the sun rises. The rest of the time they take refuge in air - conditioned rooms: the invention that makes life in the desert possible.

This was the scene in Phoenix, Arizona in July 2023. But what if the demand for electricity to power those air-conditioners had stretched the grid to breaking point? A study published in *Environmental Science and Technology*, a journal, suggests that a five-day heatwave in Phoenix, with a blackout, could kill more than 13,000 people and send more than half of the city's residents to hospital.

This is Phoenix's worst-case scenario. But heatwaves do not not need to cause catastrophic power loss to threaten people's lives. The urban heat-island effect means that city centres can be much hotter than surrounding areas because roads and buildings absorb and trap heat. Los Angeles, Miami and Phoenix have hired "chief heat officers" to oversee emergency response and adaptation plans. In 2024, which may be the hottest year on record, more cities will appoint such officials. Ever more will adopt new technology such as cool pavements, which reflect rather than absorb sunlight. Trees will be planted for shade. City officials will open more cooling centres and try to coax unsheltered homeless people, who are among the most vulnerable to heat exhaustion, inside.

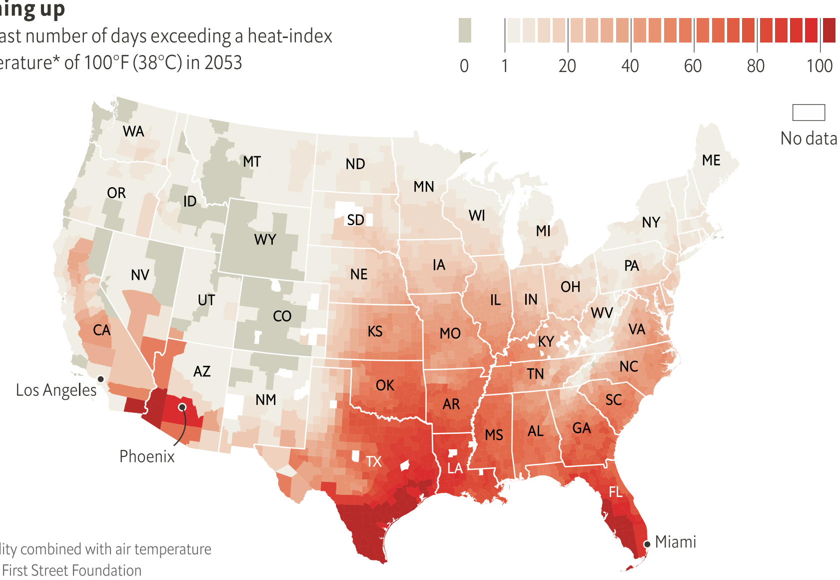
But 2024 will also bring political challenges. In America there are no federal heat protections for workers. President Joe Biden has directed the Occupational Safety and Health Administration to create a national standard for worker heat-safety, but that could take years. And if Mr Biden loses the election, pending climate regulation may be scrapped. Things look only mildly better at the state level. Just five states have enacted such worker protections; all of them are run by Democrats.

Some cities in Republican-led states are taking matters into their own hands. "The state hasn't really addressed extreme heat or carbon mitigation at all," says Jane Gilbert, the chief heat officer for Florida's Miami-Dade County. Yet she was the first in the world to hold her title, and, along with the mayor, has made heat a priority for the county.

Miami and Phoenix at least know that their summers will be hot. But climate change is also bringing extreme heat to places unaccustomed to it. The First Street Foundation, a non-profit group, reckons that an "extreme heat belt" will emerge in the centre of America over the next 30 years (see map). Perhaps these places, too, will soon have heat chiefs of their own. ●

Burning up

Forecast number of days exceeding a heat-index temperature* of 100°F (38°C) in 2053



*Humidity combined with air temperature
Source: First Street Foundation

By Invitation Five cold-war lessons

Military strength matters, as do allies, say Niall Ferguson and Condoleezza Rice of Stanford's Hoover Institution

THE INTENSIFYING rivalry between America and China has led to much talk of a new cold war. Some say that is going too far, but the two do seem now to have little space for co-operation and rather more for conflict.

The greatest difference with the first cold war is, of course, the origin of this rivalry. After the second world war, the two superpowers settled quickly into confrontation. They had little in common. The Soviet Union was a military giant but an economic recluse. China, conversely, was brought into the international economy after 1978. For 30 years it benefited from integration and access to foreign capital and know-how. Along the way, it acquired an aptitude for indigenous innovation, not just intellectual-property theft.

And China had been chipping away at American power for years. But it took the more direct approach of Xi Jinping, who speaks of surpassing America in frontier technologies and refers to the Taiwan Strait as Chinese national waters, to shock America into understanding the challenge ahead.

China has built an impressive global network of telecoms infrastructure, port access and military bases (or rights to build them) in client states. Chinese influence has steadily evolved from pure mercantilism to a desire for political influence. America has been slow to react. Too often it resorts to cajoling of other countries to resist Chinese investment, while offering few alternatives.

The truth is, though, that China's foreign-investment strategy is beginning to show cracks. Its "loan-to-own" approach, its reliance on Chinese rather than local workers and its infrastructure construction failures are arousing resentment.

In the cold war and after, the Marshall Plan, the Peace Corps, the American-backed "green revolution" in Indian agriculture and the PEPFAR initiative to tackle HIV/AIDS showed that America could improve the lives of people abroad. The question today is how far it can take advantage of Chinese missteps with an equally effective strategy.

From the 1940s to the 1980s the Hoover Institution, where we are both fellows, fostered the study of the cold war. Its archives remain crucial to scholars of the period. We would do well to understand it and to take its lessons to heart. Five stand out.

For deterrence, military capability must match rhetoric. Peace through strength really works

The first is that allies matter. China has clients that are beholden to it in one way or another. Russia, the most important, has become a liability because of Vladimir Putin's war on Ukraine. America, meanwhile, is blessed with a European alliance revitalised by its firm response to Russia's aggression, a stronger NATO and close allies in Asia.

Second, deterrence requires military capability to match rhetoric. China has been improving every aspect of its military capability, just as the war in Ukraine and wargaming about Taiwan have revealed weaknesses in the West's. The West must respond by procuring more advanced weaponry, developing secure supply chains for critical materials and components, and rebuilding the defence-industrial base. Peace through strength really works.

Third, we need to engage in efforts to avoid accidental war. To this day we benefit from contacts between the American and Russian armed forces (established during the cold war) to prevent an accident between them.

Fourth, remember George Kennan, the American diplomat based in Moscow who wrote the "long telegram" in 1946, predicting that the Soviet Union's own internal contradictions would eventually weaken it. China is economically stronger than the Soviet Union but has many of its own contradictions: a deflating property sector, high youth unemployment and disastrous demography.

The final lesson of the first cold war is that nothing is inevitable. Success today will require democracies to come to terms with their own flaws and contradictions—not least, the fractures in society amplified in online echo-chambers. Failure to safeguard the legitimacy of institutions that protect freedom has led to plummeting confidence in democracy itself.

Yet democracies have been counted out before by authoritarians who mistook the cacophony of freedom for weakness and assumed that the suppression of dissenting voices in their own societies was a sign of strength. The best cold-war leaders understood that the authoritarians were wrong. If this generation of leaders can show similar resolve, the outcome of this new superpower rivalry—whether it is a second cold war or something new—should be another victory for the free world. ●

THE AMERICAS

A libertarian wave?

The old divide between left and right may be disrupted in 2024

EMMA HOGAN Americas editor, *The Economist*

LATIN AMERICA has long been dominated by left-wing political parties. During a commodities boom in the early 2000s, a series of left-wing governments in the region came to be known as the "pink tide" for their statist policies and social handouts boosted by a sudden influx of cash. This was followed, however, by a "blue tide" of right-wing leaders, such as Mauricio Macri in Argentina and Jair Bolsonaro in Brazil, who pushed back in the 2010s.

By the start of 2023 it seemed that another era of progressive politics had dawned, as 12 of 19 countries were run by left-wing governments. That represented a whopping 92% of the region's population and 90% of its GDP. But 2024 looks set to be the year when the old divisions between left and right recede. Politics in the region will become far more complicated.

The first reason for this is the rise, in Argentina, of Javier Milei. A self-described "anarcho-capitalist", the radical libertarian was due to go head-to-head with Sergio Massa, the economy minister, in the presidential election run-off on November 19th. A win would make Mr Milei the first avowedly libertarian president in Latin America (and, indeed, the world). His rise has been meteoric. Even in the event of a loss to Mr Massa, he has upended the status quo in Argentina, long dominated by the left-wing populism of the Peronist movement, by making free-market ideas popular. Much of his appeal is due to the fact he is an outsider: the economist and former TV pundit entered Argentina's Congress only in 2021.

Mr Milei often talks in a populist mode. But his proposals are far more sweeping and radical than those of most right-wing populists. They include dollarising Argentina's economy (and scrapping the central bank), slashing public spending by at least 15% of GDP and reducing the number of government ministries from 18 to eight. He talks of achieving a zero primary deficit (ie, before interest payments) within a year. And although Mr Milei is pro-free-trade, he advocates pulling Argentina out of Mercosur, a free-trade agreement. He regularly bashes the governments of Brazil and China, the country's top two trading partners, for being left-wing.

The second reason for the new complexity is that many of the left-wing governments are going into 2024 with much weaker mandates. Consider Mexico. It has a presidential election in June. Claudia Sheinbaum, of the ruling Morena party, is likely to win (see next story). Ms Sheinbaum is seen as the hand-picked successor of Andrés Manuel López Obrador, the president since 2018 who has combined left-wing rhetoric with fiscal hawkishness. Although most Mexicans think his record on issues such as public security, corruption and the economy is poor, he has high approval ratings, of above 60%. It is unlikely that Ms Sheinbaum, if she wins, will be able to sustain such high levels of support. She will have to compromise, work with the opposition and curb some of her more radical plans as a result.

Similarly, in Colombia, some believe the government of Gustavo Petro, that country's first avowedly left-wing president, is unlikely to last until the end of its term in 2026. Mr Petro reshuffled his cabinet in April 2023, in order to try to push through his ambitious reforms of the tax, health and pension systems. But he has been stymied in his efforts. So far only the tax reform has passed, in a watered-down version. Mr Petro has also been tarnished by scandals involving members of his family and his staff.

Latin America seems set for a mixed political picture in the near future

In Chile, Gabriel Boric, a millennial social democrat who came to power on the back of huge protests against inequality, has seen his approval ratings drop because of rising crime and a weakening economy. He also backed an attempt to rewrite Chile's constitution that faltered in 2022, with 61% of voters rejecting it in a plebiscite, many of them because they felt it leaned too far left. A vote on another draft is due in December 2023. Mr Boric has surrounded himself with capable politicians, but the wrangling over the constitution has overshadowed his presidency and limited his successes.

So it seems unlikely that any new tides, pink or blue, will sweep the region in 2024. Instead, Latin America seems set for a mixed political picture in the near future. Perhaps the biggest question is whether other countries will follow Argentina's example—and include a wild card like Mr Milei in the mix. ●

First lady

Mexico will elect its first female president

SARAH BIRKE Mexico City bureau chief, *The Economist*, Mexico City

▲ *After AMLO*

MEXICO'S ELECTIONS on June 2nd 2024 will go down in history. Never before have there been so many voters on the electoral roll or so many posts up for grabs. Mexicans will elect a new president and all 628 members of the two chambers of congress, as well as nine state governors, multiple local legislatures and other local positions—around 20,000 roles. And it is almost certain that the top job will go to a woman for the first time: both the ruling Morena party and the main opposition coalition are fielding female presidential candidates.

Despite the democratic significance of these elections, they are taking place under difficult conditions. President Andrés Manuel López Obrador's divisive rhetoric and erosion of democratic norms have taken their toll. He has sought to weaken the authority of the Instituto Nacional Electoral, the electoral body. Though his policies have reduced poverty, the picture is nuanced. Social handouts have often been used to secure votes. and the number of people with access to health-care services has declined on his watch. Reported murders, although still shockingly high at around 30,000 a year, have fallen slightly, but disappearances (mainly murders without a body) have risen significantly to around 9,500 a year.

The economy is stable, but Mr López Obrador's anti-business actions have undercut the commercial benefits of proximity to the United States. The list of wrongheaded policies is long, including backing fossil fuels, empowering the armed forces and an ill-planned shake-up of the school curriculum.

But Mexicans may not see a radical change from their next president, who will assume office on October 1st. Claudia Sheinbaum, the Morena candidate, seems likely to prevail over Xochitl Galvez, of the opposition. Ms Sheinbaum, who was mayor (equivalent to state governor) of Mexico City from 2018 to June 2023, is the president's protégée, and has promised to continue his idiosyncratic mix of policies.

She is, however, less confrontational than her mentor and would bring her own approach to governance, indicating she would be more business-friendly and environmentally conscious. Her administration's adept management of security led to a faster drop in the murder rate in the capital than elsewhere.

She would also face more checks on her power. Morena and its allies are unlikely to win the super majority in congress that they had between 2018 and 2021, so negotiation and compromise will be necessary. Turbulence is likely, both before and after the elections. Criminal groups have become increasingly brazen, threatening and killing local candidates who refuse to co-operate with them. ●

Latinnovation

Startups flourish around the region's pain points

SARAH BIRKE Bureau chief for Mexico, Central America and the Caribbean, *The Economist*, Mexico City

STARTUPS HAVE been a bright spot for Latin America in recent years. The number backed by venture capital more than doubled between 2020 and 2023 to over 2,500, according to LAVCA, an association for regional investors. In 2021 Latin American startups attracted around $16bn in investment, roughly as much as in the previous ten years combined.

Startup activity exploded during the pandemic. As elsewhere, people confined to their homes wanted to shop, consult doctors and much more without leaving the house. Many existing firms did not have online portals, or at least not user-friendly ones. It helped that SoftBank, a Japanese investment behemoth, had launched its first fund for Latin America in 2019, worth $5bn. Other funds followed suit.

Since then investors have calmed down. Global economic conditions have been a factor, too. In 2024 startup funding will probably stabilise at around its prepandemic level. But the number of startups will increase. More will find backing from venture capital, including local funds, which are now proliferating.

As elsewhere, many Latin American startups aim to make life more convenient—groceries or takeaway food delivered to your door, for example. The likes of Cornershop, a Chilean app that started in 2015 and was bought by Uber in 2020, and Rappi, a Colombian app, are now used across the region. Both have expanded to do more, including delivering small parcels and running errands.

But startups also reflect the particular "pain points" faced by people in Latin America. Logistics is one fertile area. The region's postal services are shoddy and, slow and a lot goes missing. E-commerce startups such as Mercado Libre have established their own logistics arms. Startups are likely to expand into business-to-business deliveries, especially if Mexico attracts more manufacturers seeking to move operations from China.

Another pain point is low trust and lack of legal recourse when things go wrong. Kavak, based in Mexico, is a platform on which people buy and sell second-hand cars. Its founders realised buyers did not have confidence in sellers to tell the truth, so they stepped in as a middleman. Similar platforms exist for property. Loft, in Brazil, buys, remodels and sells apartments and houses. Users can sell their pad to Loft, apartment-swap or simply list property on its website.

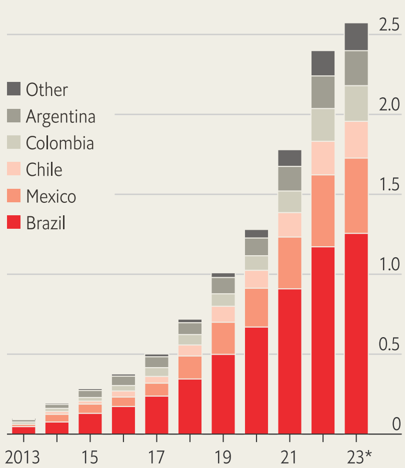
Brazil has long been the most established startup hub, followed by Mexico, Colombia, Chile and Argentina. Expect some countries to produce their first unicorns (companies valued at over $1bn) and more cities, not just capitals, becoming startup centres too. Other countries will also see more activity as startups expand across regional borders.

Nubank, a Brazilian firm, is one example to watch. In mid-2023 it became Brazil's fourth-largest bank by number of customers (it has 80m) and has expanded to Colombia and Mexico. The region is home to millions of unbanked people, and plenty of banks that stick to traditional, expensive models.

What will still be lacking in 2024 is substantial official support. Governments around the region have cheered on innovation, but none offers anything like the support services for entrepreneurs that made successful startup hubs of countries like Israel or Singapore. Slow bureaucracies and out-of-date rules continue to frustrate. Even so, startup activity will continue to thrive. Entrepreneurs in the region point out that they have to be resilient to get to where they are. Turning the region's obstacles to their business advantage is what makes Latin America's startups so dynamic. ●

Starting to motor

Latin America, cumulative number of startups receiving venture-capital funding, '000



Source: LAVCA *To June 30th

A resource blessing?

Latin America could lead the way on green power

ANA LANKES Latin America correspondent, *The Economist*, São Paulo

FOR CENTURIES Latin America has been dogged by the resource curse. Its abundant natural resources have never translated into a lasting, society-wide ascent into broader prosperity. Many are hoping this will change with the global transition to clean energy. The region holds more than half the world's lithium, used in electric-vehicle batteries; produces over a third of its copper, for electrical wiring; and churns out more than half its silver, crucial for solar panels. It is also home to around half of the world's biodiversity and a quarter of its forests. In the coming years, regional leaders hope that Latin America can take off as a green power.

Its resources are not just material. Thanks to ample wind and sun, and strong rivers, more than a quarter of its primary energy currently comes from renewable sources, twice the global average. According to the Global Energy Monitor, a San Francisco-based charity, 320 gigawatts of solar-and wind-power projectsare expected to come online by 2030, an increase of 460% over existing solar and wind capacity. The infrastructure to transmit this energy is expanding, too. In 2024 Brazil will auction transmission lines which, together with two auctions in 2023, could bring in as much as $14bn.

Latin America could also become a significant low-cost producer of so-called “green” hydrogen, made from renewable sources, a clean alternative to fossil fuels for some uses. Brazil’s congress is soon expected to pass regulatory frameworks for offshore wind and green hydrogen, which could unlock billions of dollars in investment. A quarter of all green-hydrogen projects are in Latin America, the highest share globally. Chile plans to produce the world’s cheapest by 2030, and be among the top three exporters by 2040.

The region is also at the forefront of climatefinance innovation. In 2022 Chile became the first country in the world to issue bonds with a reduced interest rate if it meets sustainability goals, raising $2bn. Uruguay followed suit, raising almost $4bn. In 2023 Ecuador conducted the world’s largest debt-for-nature swap, with the savings going towards protecting the Galapagos islands; the country’s departing president has called biodiversity a new “currency”. The trend will continue in 2024, including a sustainable-bond issue in Brazil worth an estimated $2bn.

The continent will offer two case studies of whether fossil-fuel-dependent economies can quickly go green. In August, Ecuadoreans voted to ban oil drilling in part of the Amazon rainforest, giving the state oil firm a year to shut down operations. The referendum was the first time in history that a country’s citizens voted to halt oil production. It could cost Ecuador, whose main export is crude, some $14bn in lost income over the next two decades. Gustavo Petro, Colombia’s unironically named president since 2022, has also pledged to end oil exploration, even though oil and its derivatives account for a third of exports.

Despite all the optimism, the shift will not be an easy one. Old reliances die hard. Brazil and Guyana are pouring money into oil exploration. Deforestation of the Amazon in Bolivia and Venezuela has rocketed. Moving up the value chain, from extracting raw materials to manufacturing green technologies, requires investment and expertise. And translating any of this into a broad increase in prosperity will linger as a challenge. But the green transition offers the region a historic opportunity to turn the resource curse into a blessing. ●

A quarter of all green-hydrogen projects are in Latin America

Trump to the rescue?

Justin Trudeau may find an unlikely ally in his bid for a four th term

JAMES YAN Former staff correspondent, *The Economist*, Vancouver

THE LAST time a Canadian prime minister won a fourth successive term, in 1908, the country boasted a population smaller than that of modern-day Toronto. Justin Trudeau, who has led Canada since 2015 and is now in his third term, is convinced he can eke out another victory. That is despite trailing the opposition Conservatives in the polls for most of 2023. If he can pull it off, he will have bested his father, Pierre Trudeau, who narrowly lost a fourth campaign in 1979.

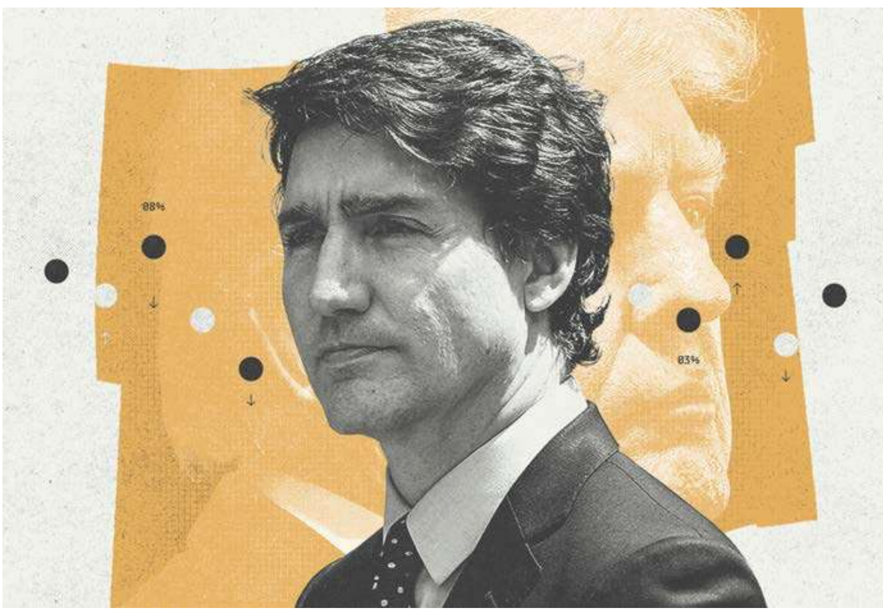
The younger Mr Trudeau is not obliged to call an election until 2025, thanks to a pact his minority Liberal government struck with a smaller left-leaning party. Even so, the prime minister may well be tempted to go to the voters in late 2024, for two reasons.

The first concerns the economy. Since 2022 Canada’s central bank has increased its benchmark interest rate ten times in a bid to curb inflation. That put a damper on business activity and raised mortgage rates for new borrowers. The economy unexpectedly contracted in the second quarter of 2023. Canadians will have borne the brunt of the pain, however, before the campaign begins. The central bank reckons that by the second half of 2024 growth will have picked up and inflation will have fallen to below 3% (from 8% in mid-2022). Voters have short memories.

The second reason is more cynical, and relates to America. Mr Trudeau portrays Canada as a bulwark against populism, and Donald Trump has been a useful foil. A survey in 2020 found just 14% of Canadians would vote for Mr Trump if they had the option. If he becomes the Republican nominee, expect Mr Trudeau to brand Canada’s Conservatives as an offshoot of Trumpism.

Perhaps anticipating this line of attack, Pierre Poilievre, the Conservative leader, has been wary of picking fights on culture-war issues such as immigration. In 2024 Canada is projected to admit 485,000 permanent residents—a new record. But instead of calling for a reduction, the 44yearold opposition leader proudly touts his proimmigration credentials. He often invites his wife, an immigrant from Venezuela, to join him on the stump. In his speeches he prefers to focus on bread-and-butter issues such as affordable housing and urban safety. So far he has kept a lid on the most excitable elements of his base.

But what happens south of the border always finds its way into Canadian public discourse. As America’s fractious general election in November draws near, expect Mr Trudeau to invoke the spectre of “northern populism” as a way of consolidating the left-of-centre vote behind his Liberal Party. It might not work. But for a government that is looking long in the tooth, it cannot hurt to keep attention focused elsewhere. ●



ASIA

More Modi

Narendra Modi's expected re-election will inspire fear as well as hope

JEREMY PAGE Asia diplomatic editor, *The Economist*, Delhi

IN A SPEECH on India's independence day in August 2023, his tenth as prime minister, Narendra Modi declared the country to be at a turning point. A new world order, he told the crowds, was emerging in the wake of the covid19 pandemic. India was poised to shape this new order, thanks to its "trinity" of demography, democracy and diversity. "The world can see a spark for itself in this beam of light that is emanating from India," he said.

India may indeed be at a turningpoint with a general election due in 2024—just not quite in the way that Mr Modi suggests. Since he took office, India has grown from the world's tenthlargest economy to its fifth (it could be third by 2027). It has become a key partner in America's pushback against China. But there have also been persistent allegations from critics at home and abroad that Mr Modi has repressed political dissent and marginalised Indian Muslims. The coming year could be critical for the future of India's democracy—and its relations with the West.

Leaders of Mr Modi's Bharatiya Janata Party (BJP) deny eroding Indian democracy. They point to his 78% approval rating and his government's record in tackling infrastructure, corruption and other problems that hindered growth under the Indian National Congress party, which ruled for 55 of the 76 years since India's independence. The BJP says its "Hindutva" ideology seeks not to marginalise Muslims but to restore a national identity suppressed under Mughal and British rule.

Mr Modi's opponents say he is undermining India's secular constitution by pandering to its 80% Hindu majority while encouraging discrimination, and violence, against its 14% Muslim minority. They accuse him of harassing critics, muzzling journalists and eroding judicial independence. Such abuses, critics say, mask a slew of failures, including botched agricultural reforms and a shortage of good jobs, especially for young Indians.

Opposition concerns were spelled out recently by Rahul Gandhi, a Congress parliamentarian who was given a twoyear jail sentence in March, later suspended by the Supreme Court, for mocking Mr Modi's name. "The concept of India, the concept of free elections, the concept of free speech, they are now under mortal threat," Mr Gandhi said. "We are now fighting for the soul of India."

A BJP victory looks likely. In the last general election in 2019, it won 303 of 542 seats in parliament's lower house, with 37% of votes. It now controls the central government and about half of India's 28 states and eight union territories. But it has struggled in richer southern states. It lost Karnataka, a technology hub, to Congress in May.

It also faces a more concerted national challenge after 26 opposition parties, including Congress, formed a coalition in July, called the Indian National Developmental Inclusive Alliance, or INDIA. Still, it will struggle to match the electioneering firepower of the BJP, which opinion polls suggest will win another majority, or lead a coalition government.

Either way, the political pitch could skew further in the BJP's favour with a revision of electoral boundaries due in 2026. That could expand the lower house to around 753 seats, with most new ones going to populous northern states, where the BJP does well.

A BJP victory looks likely. But it has struggled in richer southern states

Mr Modi has also proposed holding national and local elections simultaneously, in what critics see as another move to centralise power.

So far, Western countries have been reluctant to criticise Mr Modi in public. America, in particular, sees India as a partner in its efforts to counterbalance China. When Mr Modi visited America in June, President Joe Biden prioritised defence deals.

Privately, though, some Western officials worry that by failing to champion democratic values in India, they undermine their own efforts to defend the rulesbased order against China, Russia and other autocracies. Western anxiety was piqued further in September when Canada accused Indian officials of involvement in the killing of Hardeep Singh Nijjar, a Sikh activist and Canadian citizen, in Vancouver. The Indian government has denied involvement.

In his speech in August, Mr Modi promised that India would be a developed country by 2047, the centenary of independence. For his domestic critics and foreign partners alike, the question is not just how developed it will be—but how democratic. ●

Ctrl-Alt-Delhi

India plans to export its e-government technology to other countries

LEO MIRANI Asia correspondent, *The Economist*, Mumbai

BURIED ON page 22 of the 29-page G20 leaders' declaration (excluding annexures), produced in New Delhi in September and endorsed by the world's biggest economies, is a section with the anodyne title of "Technological Transformation and Digital Public Infrastructure". It is filled with the sort of forgettable jargon that big diplomatic summits are notorious for producing. It is also something that the world should expect to hear a lot more about in 2024.

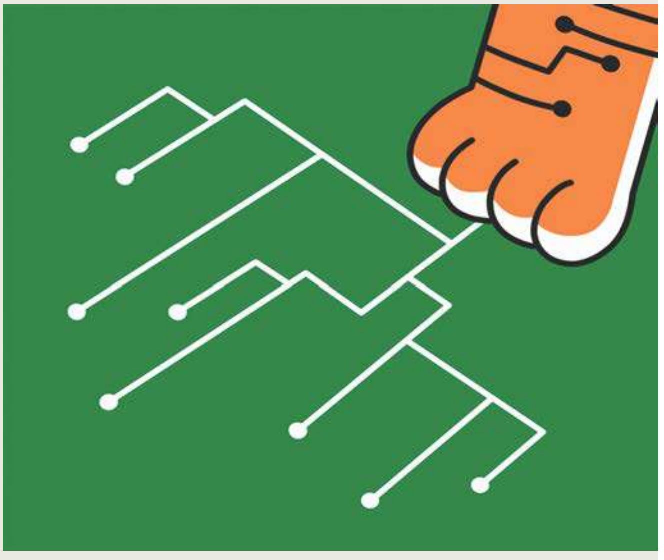
The statement defines digital public infrastructure (DPI) as "a set of shared digital systems [that] can enable delivery of services at societal scale." That means things like biometric identity systems, digital payments and data management. Over the past decade India has taken advantage of its huge pool of skilled technical labour to build such services for its own citizens. Aadhaar, its digitalidentity system, now covers nearly the entire population of 1.4bn. Transactions on its United Payments Interface (UPI) are growing rapidly—more than 10bn payments and transfers were made in August 2023, up from 1bn in October 2019. DigiLocker, an online warehouse for official documents such as drivers' licences and tax records, has made dealing with India's tiresome bureaucracy easier.

Buoyed by the success of such innovations at home, the government of Narendra Modi, the prime minister, wants to export its technologies to other poor countries. He sees it as a means to extend India's influence, diplomats relish winning goodwill at low cost, tech doyens see it as an endorsement of their abilities. But to reap these rewards, India needs a mechanism to institutionalise its efforts. So far it has relied on bilateral agreements, a slower and less flashy way of going about things.

The G20 offered the perfect stage to boost the profile of DPI. Among India's achievements at the summit was the adoption of a framework for "the development, deployment and governance of DPI" and endorsement of its plan for a global repository for DPI products. The UN Development Programme, the World Bank and the Bill & Melinda Gates Foundation, among others, have shown support.

The targets are chiefly in Africa and Asia. In 2024, more are likely to adopt India's identity system or its payments technology. Linkages will grow between UPI and homegrown systems in other countries, especially those with a large number of Indian migrants, making remittances easier.

The growing visibility and adoption of India's technology will also bring greater scrutiny. Some of India's digital systems, including its vaccination database and identity system, have proved vulnerable to data leaks. The success of UPI obscures the fact that its providers have yet to work out how to charge users without driving away merchants and buyers. Not every country has the technical capacity to implement and maintain complex digital projects without expensive outside support. In 2024, India hopes to see its technology celebrated. It should also be prepared to have its robustness tested.



Facing the dragon

▲ *We hope not to fight them on the be aches*

The next president will determine how the island prevents and prepares for war

ALICE SU China correspondent, *The Economist*, Taipei

ON JANUARY 13TH 2024 Taiwan's voters will elect a new president. The stakes are high. Tensions between China and America may reach a critical point in the next four years. America's intelligence agency, the CIA, has said that Xi Jinping wants China's military to be ready for an invasion of Taiwan by 2027. Taiwan's next president will determine the island's strategy to prevent that invasion, and preserve its sovereignty and democracy.

Taiwan's two main parties, the ruling Democratic Progressive Party (DPP) and opposition Kuomintang (KMT), have outlined opposing crossstrait strategies. The proindependence DPP favours strengthening relations with America and its allies while building military deterrence through increased defence spending and reform. The prounification KMT promises to relieve tensions by reopening dialogue with China on the basis that the two sides of the strait belong to one country. The KMT has said that this vote is a choice between "peace or war", while the DPP calls it a choice between "democracy or autocracy". Both parties suggest that the other's election will lead to Taiwan's demise, either by provoking a Chinese attack or by accelerating unification.

China has long made clear which it prefers. The Communist Party calls the DPP "separatists" and has put sanctions on several of its leaders. Over the past eight years of DPP rule, Beijing has steadily increased its "grey zone" activity against Taiwan—aggression that falls short of warfare but probes Taiwan's defences, such as cyber-attacks, disinformation and incursions into Taiwan's airspace. After Nancy Pelosi, then speaker of America's House of Representatives, visited Taiwan in 2022, China fired missiles over Taiwan in a mock blockade. If William Lai, the DPP's candidate, wins in January, China may respond with a similar show of force or go further, enforcing a longer blockade, interfering with Taiwan's internet or creating more crises in the Taiwan Strait.

A victory for the KMT, which has sent senior leaders to meet mainland officials and facilitates crossstrait exchanges, could reduce tensions in the short run. China might lift bans on Taiwanese agricultural products, which would allow the KMT to show Taiwanese voters it can deliver improved relations with the mainland. But China's military build-up at home would continue—as would its determination to take Taiwan by force if it does not give up its sovereignty peacefully.

A victory for the KMT could relieve tensions in the short run

The danger of a KMT victory is that it might lull Taiwan into a false sense of security, just at the time when it most needs to prepare for potential war. Hou You-yi, the KMT's candidate, says he is committed to Taiwan's defence. But he has also said that he would roll back Taiwan's recent reform of conscription, which is due to be extended from four months to one year in 2024. He has accused the DPP of inciting tensions with China and suggested that a KMT-led Taiwan would not need to strengthen its military, because it would no longer face a Chinese threat. This is may sound nice as a promise, but it is not true.

Taiwan's current president, Tsai Ingwen of the DPP, has had a more difficult and realistic message for her people: that in order to prevent war, they must unite and prepare for it. The aftermath of the 2024 election will show whether Taiwanese voters are ready to do so. ●

WHAT IF?

Imran Khan was removed as Pakistan's prime minister by a vote of no-confidence in 2022. He was sentenced in 2023 to three years in jail for corruption, and banned from politics for five years. Many in his pti party have been arrested ahead of an election in January. **What if the PTI wins the election?** Mr Khan's ousting by senior generals has made him a hero among people weary of economic and social chaos, and of military meddling. But a pti win would be unpopular with the generals, who might then try to intervene once again.

Stanning for the Stans

Can Central Asia reduce its ties with Russia?

JOANNA LILLIS, freelance correspondent, *The Economist*, Almaty

RUSSIA'S WAR in Ukraine has rattled its traditional allies in post-Soviet Central Asia. These countries are bound to Moscow by formal ties of politics, economics and energy supply, as well as informal ties of family, culture and language, and they have looked askance at Russia's invasion of another ex-Soviet neighbour. Yet even as they seek alternative alliances, in some ways they are becoming even more tightly entangled with their former colonial master.

The default position in the capitals of the five Central Asian republics, known as the "Stans" (see map), has been to profess neutrality over the war and refuse to give Russia diplomatic cover, beyond abstaining from UN votes condemning its aggression. That will continue in 2024. But so will Central Asia's efforts to cultivate relations with other partners.

Chief among them is China. President Xi Jinping hosted the first China-Central Asia summit in 2023, and relations will deepen further in 2024. Not to be outdone, President Joe Biden welcomed the Central Asian leaders to Washington for their first summit with an American president. Charles Michel, chairman of the European Council, has sat down with the five leaders twice since Russia's invasion. Ties with the West will continue to grow.

Kazakhstan—long close to the Kremlin but now feeling vulnerable along its 7,600kilometre border with Russia—will be particularly receptive to Western overtures. The interests of China, Europe and the Central Asians overlap in promoting the Middle Corridor, a transport route from China to Europe bypassing Russia, along which trade has soared in response to the war. There will be progress on removing bottlenecks and expanding transport links in 2024. Ties with the Arab world are also expanding, after an inaugural Central AsiaGulf Co-operation Council summit in 2023.

But some dependencies are here to stay. Kyrgyzstan, Tajikistan and Uzbekistan rely on Russia for migrantlabour remittances. They may become more dependent in 2024, as conscription in Russia intensifies labour shortages. Energy links will persist too: Kazakhstan exports over 90% of its oil via Russia, and is eyeing a deal to import gas; Uzbekistan has already signed one.

The risk of sanctions contagion will remain high. Trade with Russia has boomed as Central Asian states have acted as middlemen for many goods. Uzbek and Kyrgyz firms have been penalised for sanctionsdodging. Western efforts to encourage Central Asian compliance with sanctions on Russia will grow in 2024.

Central Asia is proof that Russia's invasion of Ukraine has disconcerted its allies, who are wooing, and being wooed by, alternative partners. But the region's symbiotic ties with Russia, forged over centuries, should not be underestimated. Russia will not retreat from a region it considers its backyard. Its influence in Central Asia will remain strong in 2024. ●

The green hand of friendship

The energy transition could create new and unexpected linkages in the region

DOMINIC ZIEGLER Banyan columnist, *The Economist*, Singapore

TO FOCUS ONLY on China's greatpower contest with America risks missing other shifts that will prove every bit as important to Asian nations. The biggest has to do with the region's energy transition. In 2024 burgeoning energy linkages across Asia could rewrite the way the region deals with itself, in ways that both reinforce and undermine a narrative of China's dominance.

Take the fastgrowing economies of South-East Asia. Their energy demand is expected to increase by a third by 2050. Yet the same nations have made promises to cut emissions to next to nothing. That will be a tall order, given that renewables account for a mere 15% of Asia's power generation to date. In Indonesia, Malaysia and the Philippines, coal remains king.

The region has potential for renewables. The Mekong river already generates plenty of hydropower, in Laos above all—albeit, right now, at a significant environmental cost to the mighty river. The huge island of Borneo, divided between Indonesia and Malaysia, is also rich in hydropower potential. Yet such generation is a long way from the region's key industrial and urban centres.

Hence the need for a network of long-distance cables and crossborder energy interconnections. Europe's grid, with 400-plus interconnections, brings huge savings by matching demand with spare capacity. A better-connected South-East Asian grid, currently non-existent, could slash clean-energy prices, turbocharging the energy transition. In addition, rolling out a super-grid could foster wider habits of co-operation in a region marked by prickly nationalism and bureaucratic sloth.

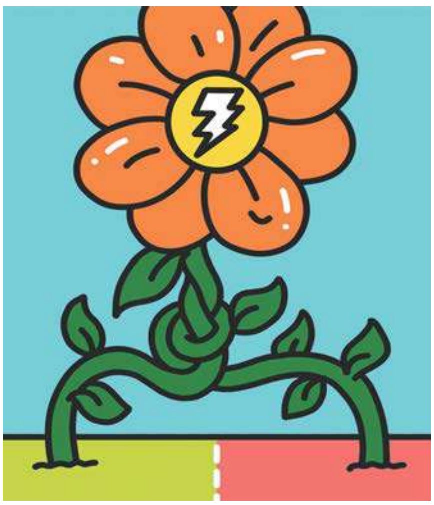
For years you could not go wrong betting against Asian interconnections. Yet the mood is changing fast—in part because of higher hydrocarbon prices, in part because grid technology has come on in bounds. A series of interconnection agreements were signed in August at a regional summit in Bali. In a promising pilot project, Laos now sends electricity via Thailand and Malaysia to Singapore. ▸▸

That island country, with little space for its own renewables, is in talks with the Malaysian state of Sarawak regarding an undersea cable from Borneo. In 2024 it will look more closely at connecting similar cables to Cambodia and to planned solar farms on nearby Indonesian islands. All this could supply nearly a third of Singapore's power needs in future.

Such projects can strengthen regional coherence, a boon in an era of greatpower turbulence. Energy projects can also provide valuable counterweights to an often assertive China. Thanks to abundant sun and wind, Australia has potential for "green" hydrogen, made by splitting water using renewable energy. Ambitious plans are being touted in the Pilbara region of Western Australia for a huge renewableenergy hub. Japan and South Korea are interested in taking hydrogen and ammonia (a way to store hydrogen in a more portable form). The technology is untested at scale, but if it works, the geopolitical consequence will be to draw three natural democratic partners closer.

Something similar is at play in attempts by Australia and other proAmerican countries to loosen China's grip on the supply and processing of rare earths and critical minerals, several of which are indispensable for renewable technologies. Some in democratic Mongolia want to use its abundance of rare earths to move closer to Western powers as a counterbalance to its problem of being uncomfortably squeezed between its giant neighbours, China and Russia.

None of these efforts poses any immediate threat to China's dominance in several fields critical to the energy transition. It remains the biggest solarpanel exporter, EVbattery supplier and criticalminerals processor. But the transition offers welcome new options to Asian countries in China's shadow. In the coming year, they will grab them.



After Jokowi

The leader will change, the policies probably not so much

SUE-LIN WONG SouthEast Asia correspondent, *The Economist*, Singapore

INDONESIA'S PRESIDENT Joko Widodo is leaving his decade in office on a high. A relentless focus on curating his public persona, coupled with the country's strong economic growth, means he is well-liked: his popularity hovers around 80%, according to surveys. That in turn means that Jokowi, as he is universally known, will be pivotal in deciding who the country's next leader will be when the world's third-largest democracy goes to the ballot box on Valentine's Day 2024.

Prabowo Subianto, the current defence minister, is leading in the polls, with Ganjar Pranowo close behind. Yet as well as wooing the electorate, they must also court Jokowi. Both men have said they will continue his signature policies, including development of Indonesia's booming nickel industry and other ambitious infrastructure projects, most notably carving a new capital city out of the jungles of Borneo.

Although Jokowi has not officially endorsed a candidate, many believe that he backs Mr Prabowo. The most obvious sign is that Jokowi's eldest son, Gibran Rakabuming, was selected as Mr Prabowo's vice-presidential candidate, after the constitutional court (whose chief justice is Jokowi's brother-in-law) made an exception to the rule preventing candidates under 40 from running for president or vice-president. Mr Gibran was the only putative candidate under 40. Many observers decried the ruling as undemocratic and nepotistic.

The two front-runners are very different. Mr Prabowo is the leader of the Gerindra party, the third-largest in parliament. He lost to Jokowi in 2014 and 2019. Both times, he rejected the result. A former army general, he has been accused of human-rights abuses in the 1980s and 1990s—accusations he strongly denies. But many Indonesians do not know or care about Mr Prabowo's past, and he enjoys strong support from the middle class. Known for his fiery personality, Mr Prabowo has emulated Jokowi's softspoken style as he tries to win over voters.

Mr Ganjar, a former governor of Central Java, has the backing of the PDI-P, Jokowi's party and the country's biggest. He has a ten-year track record in Central Java, a key province, where he is popular, and has articulated a clearer set of sophisticated policies than any other candidate.

The third candidate, trailing far behind in the polls, is Anies Baswedan, a former governor of Jakarta and former education minister. Both Mr Ganjar and Mr Anies have selected running mates from rival factions of a powerful Muslim organisation, Nahdlatul Ulama, which claims to have over 100m members. It represents an important voting bloc.

In the unpredictable world of Indonesian politics, anything could happen between now and the election. Surveys suggest no candidate will win outright in the first roundin February, so a run-off in June is likely. But Indonesian elections are won more on personalities than policies, so whoever wins, continuity is more likely than major change.

By Invitation India's growing influence

S. Jaishankar, India's minister for external affairs, says his country has an increasingly important global role

As India looks back at 2023, its G20 presidency and Chandrayaan-3 lunar mission surely rank as major accomplishments. They contribute to a national mood driven by a rapid postcovid19 recovery and robustgrowth.

The Indian G20 presidency witnessed a refocusing on the challenges of growth and development. It was expressed as an action plan to achieve Sustainable Development Goals, a green development pact, reform of international financial institutions, promotion of digital public infrastructure and encouragement of women-led development. Convening a global south gathering was a prelude to ensuring the permanent G20 membership of the African Union.

In the past decade, India's "neighbourhood first" approach has built new connectivity and deeper contacts. The rapid response to Sri Lanka's economic crisis reaffirmed the larger goodwill from pandemic-era support. The concept of the "extended neighbourhood" put down deeper roots in ASEAN, the Gulf, Central Asia and the Indian Ocean. From the Pacific to the Caribbean, intensified engagement is enabling a larger Indian footprint.

In that process, India demonstrated during 2023 how to navigate the east-west polarisation around Ukraine and bridge the north-south developmental divide. The impact of skewed globalisation, covid damage, conflict in Ukraine, bigpower competition, climate events and now violence in the Middle East have certainly made the world far more volatile and unpredictable. To rise in such challenging circumstances requires nimble and "multi-vector" Indian diplomacy. Working with partners on agreed issues was evident in the Quad mechanism, the Indo-Pacific Economic Framework, BRICS expansion and creative Middle East initiatives.

Some challenges require determination and staying the course. Delegitimising and countering terrorism is still a work in progress. This is a matter on which double standards cannot be countenanced. Relations with China, too, can become normal only when peace and tranquillity in the border areas is restored and the Line of Actual Control fully respected.

We support a re-globalisation that is diversified, democratic, fair and marketbased

The world is now addressing overconcentration that emerged in the international economy. Participating in resilient and reliable supply chains has consequently become a key Indian goal. Similarly, ensuring trust and transparency is vital in the digital domain. India is preparing for an era of artificial intelligence and the arrival of new tools of influence. We support a re-globalisation that is diversified, democratic, fair and marketbased.

A world increasingly focused on green growth and sustainable development is now recognising the value that India brings to the table. Recently, it has initiated the International Solar Alliance and the Coalition for Disaster Resilient Infrastructure, while proposing a global grid for renewables and greater reliance on millets for food security. India's own performance in embracing renewables and strengthening energy efficiency has been remarkable. At the same time, drawing on its own traditions, prime minister Narendra Modi's Mission LIFE (Lifestyle for Environment) initiative seeks to enhance the wellbeing of the planet through changes in our daily lifestyle.

India's increased visibility abroad is also because of what is changing at home. The pandemic saw not just a massive publichealth response but deep reforms as well. Establishing digital infrastructure on scale has transformed delivery of socio-economic benefits and public services. So, too, has the quality of governance since 2014, making it easier to do business and promoting ease of living. This is now buttressed by a nationally integrated infrastructure initiative, improved skill development and encouragement of innovation and start-ups.

The deepening of Indian democracy has also nurtured authentic and grounded politics. While valuing culture and heritage, the embrace of technology and modernity are equally visible in the progress of the last decade. Today's India is one of cashless payments, of 5G networks, of lunar landings and of digital delivery. It is equally one of women's political representation and "leaving no one behind". This is a society that is now more confident, capable and responsive. This is an India that is more Bharat. ●

CHINA

An undeclared cold war

China's Communist Party rulers will seek to exploit global divisions—while preaching harmony

DAVID RENNIE Beijing bureau chief, *The Economist*, Beijing

CHINA WILL pursue two contradictory goals at once in 2024. Xi Jinping and other Communist Party bosses will seek to rally and lead a bloc of countries that are sceptical of an American-dominated world order. But even as China's rulers prepare for an age of division and great-power competition, they will present their country as a defender of global unity.

To advance their first goal, Chinese leaders will accuse America and its allies of stoking a new cold war. They sense an opportunity to dislodge the West from the centre of world affairs. Their criticisms will have an economic component, too. With global growth slowing, including inside China, leaders in Beijing will charge America and other rich Western countries with erecting protectionist barriers to free trade and imperilling the future of globalisation.

In service of their second goal, Chinese rulers will call their country an upholder of the status quo. By this, they mean that China is a defender of the "basic principles" of the existing world order, as enshrined in the United Nations Charter. This selective reading of the UN's founding documents favours articles that defer to the inviolability of sovereign states, and downplays those relating to individual rights. Chinese officials will also cast their country as a supporter of the World Trade Organisation, or at least of those WTO rules that opened rich-world markets to China after its accession in 2001.

At times, these twin messages will blur and overlap. Because the rich world still has some know-how that China needs, Chinese leaders will, from time to time, deny that they harbour any animus towards the West. They may offer to co-operate on climate change and other global goods—only, that is, if America and allies stop such hostile acts as condemning Chinese rights abuses or controlling exports of semiconductors and other technologies.

This balancing act is hard. In 2024, it will be made still more challenging by two things: the war in Ukraine and a presidential election in America.

For China, the war offers risk and opportunity. In 2024 Chinese officials will tell leaders from Africa, South Asia and elsewhere that high food and energy prices are caused by Western sanctions, and accuse

American arms and energy firms of profiteering at Europeans' expense. China will claim neutrality in the Ukraine conflict (as it does in the Middle East). It will then deepen ties to the Russian regime of Vladimir Putin, a troublesome but vital partner.

China gains from an isolated Russia forced to turn away from markets in Europe and face eastwards. China is ready to step up purchases of oil, gas, minerals and weapons, paying with its own, nonconvertible yuan. Though China's leaders will not humiliate Mr Putin or challenge Russia as a provider of security in its formerSoviet backyard, they can now expand their influence in Central Asia or the Arctic without fear of a Russian veto.

Should 2024 bring talks to end the war in Ukraine, China will seize the chance to play peacemaker. Mr Xi will be helped by the Ukrainian government's insistence that he must be at the table, as a guarantor of any possible settlement. In such talks China's stance will be cold, unsentimental realism. Mr Xi will not endorse any Russian claim to all Ukraine. Indeed, because China claims to set great store by the principle of territorial integrity, it has never recognised Russia's annexation of the Crimean

For China, the war in Ukraine offers risks and opportunities

peninsula in 2014. Instead, China will stress the need to take Russia's "legitimate security concerns" into account, then offer to help rebuildUkraine.

The American election in November, meanwhile, poses a dilemma. America's dysfunctional politics strengthen Chinese arguments that the West is in decline, and that liberal democratic values are a dead end. China, like Russia, will be thrilled by isolationist rhetoric from the candidates, if it signals a return to the sort of 19th-century world order that they favour, with great powers enjoying impunity in their respective spheres of influence. But a wild American campaign presents dangers, as candidates out-hawk one another on China. Arguably, Mr Xi's best hope is that American democracy looks terrible during the 2024 election, but that China does not dominate headlines. That will require restraint from Chinese propaganda chiefs and "wolf-warrior" diplomats.

Shared resentment of the West is the force that binds China to its closest partners, an otherwise motley bunch. But making that scorn too explicit could backfire, if China ends up centrestage in American politics. Though Xi-era statecraft is not known for its subtlety, 2024 poses an exquisite test. ●

Less money, more message

Xi Jinping's offer to poor countries is changing

ROGER MCSHANE China editor, *The Economist*

NOT LONG after he assumed power in 2012, Xi Jinping began talking about reviving the historic Silk Road, a network of trade routes that once connected east and west. Little did the world know that these musings would turn into Mr Xi's signature foreign policy. In the years that followed, China laid thousands of miles of tarmac and poured an ocean of concrete, building ports and pipelines across the globe. In 2023 the country celebrated the tenth anniversary of this infrastructure binge, which came to be known as the Belt and Road Initiative (BRI).

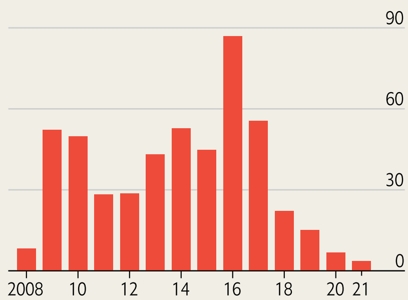
More than 150 countries signed on to the scheme, under which China doled out hundreds of billions of dollars in loans and grants. Many receiving countries badly needed the infrastructure China has helped provide. But there have been plenty of problems, too. So the anniversary festivities were accompanied by a reassessment. The BRI is changing, along with Mr Xi's message to the global south.

The strongest criticism of the BRI is that it has contributed to dangerous debt levels in poor countries, some of which are now teetering on the edge of default. During the scheme's first decade, Chinese lenders paid little attention to human rights, corruption or risk assessments. Deals were often secret, resulting in plenty of white elephants. When debt needs restructuring, China tends to go it alone, shunning other lenders and driving a hard bargain behind closed doors.

That has turned some countries off. Meanwhile, a lack of consistent returns on their investments has disappointed Chinese banks. But far from scrapping his project, Mr Xi is trying to make it more sustainable. Now, he says, China should seek "small but beautiful" projects—less risky, more profitable and with a focus on green energy and digital infrastructure. This is not just a concession to the global concerns of the day, but a sign that the normative part of the plan, which was always there, could now become as important as the economic part.

End of the road?

China, overseas-development financing, $bn



Source: Boston University Global Development Policy Centre

It may be pouring less concrete, but China has not lost its desire to lead the global south. It will always be a developing country, no matter how rich it gets, says Mr Xi: "We will continue to do our utmost in raising the representation and voice of developing nations in the global governance system." That may sound benign, but Mr Xi's words have a deeper meaning. He is trying to rally poor countries around his own vision of global governance, one that rejects universal values. He has staked out China's claim in several new foreign-policy proposals, such as the Global Development Initiative, Global Security Initiative and Global Civilisation Initiative.

These projects may appeal to countries that resent American bullying and Europe's colonial legacy. They represent a beefing up of the implicit message that has long existed, that China's development model, which downgrades human rights, is better for poor states than the one put forward by arrogant Western democracies. Beseeching countries to hold free elections or respect free speech is interfering in their internal affairs, say officials in Beijing. They regard liberal values as a form of racism propagated by the West.

China preaches a moral relativism that is music to the ears of autocrats. Its pitch will only grow louder in 2024. America and its allies should not underestimate the allure of China's message. Many countries are unhappy with the current world order. Those who see value in it must come to its defence. ●

Xi and the yes-men

How to read the comings and goings in the president's team

JAMES MILES Senior China correspondent, *The Economist*

CHINA'S LEADER, Xi Jinping, is fond of weather-related and nautical metaphors. He often talks of fierce storms that could impede the country's rise. In recent months, Mr Xi has warned officials to brace for "numerous major tests" amid "high winds, rough seas and daunting waves". These are certainly testing times for the team he installed in late 2022 and early in 2023 to help him navigate the country's growing economic, diplomatic and social challenges. Two prominent members of the team have already fallen. The coming year will not be plain sailing for Mr Xi's other underlings.

The president might have been hoping to breathe a sigh of relief in 2023. His sweeping reshuffle of the top echelons of government—and, a few months earlier, of the Communist Party's high command—had surrounded him with people he knew well and trusted. His abandonment late in 2022 of China's draconian "zero-covid" approach to tackling the pandemic had led to a surge of deaths, but officials were confident that an economic rebound would help to buoy the public mood.

But growth failed to reignite. And by summer, flaws were appearing in Mr Xi's political arrangements. First the foreign minister, Qin Gang, disappeared. A few weeks later the defence minister, General Li Shangfu, followed suit. Such a purge had not been seen in years.

In secret briefings, cadres were reportedly told that Mr Qin had "lifestyle issues" involving a mistress and a love-child. General Li was said to be under investigation for alleged corruption in a previous job. The clear message to China's ruling elite was that their political demise showed Mr Xi's probity and resolve: he would have no hesitation in punishing his own favourites if they misbehaved.

But among senior officials, the shake-up is likely to have raised questions: how much did Mr Xi know before he appointed them? If he had no inkling of their wrongdoing (the Communist Party bans officials from having extra-marital affairs) what does that suggest about the rigour of his vetting? Mr Xi has repeatedly stressed how tough this process should be.

There has been no sign that Mr Xi himself is in political trouble. State-controlled media still fawn over him as usual. More details may emerge about Mr Qin and General Li in the coming months. Reports will be sanitised to avoid any suggestion that Mr Xi made any mistake when appointing the two men, or showed any lack of judgment in his choice of close advisers.

But among Mr Xi's underlings, more surprises are possible in 2024. The president still has no designated successor. Tensions could emerge as would-be candidates jockey for attention—or simply when yesmen compete with each other, regardless of their long-term ambitions.

One person to watch is Cai Qi, who became Mr Xi's chief of staff in March 2023. He ranks only fifth in the sevenmember Politburo Standing Committee (PBSC). But his closeness to Mr Xi, with whom he worked in Fujian province in the 1980s and 1990s, and later in Zhejiang province, is evident. He oversees matters relating to party propaganda and ideology, as well as Mr Xi's personal security.

Li Qiang, the prime minister, who was also appointed in March 2023, ranks second in the PBSC, but his influence is less wide-ranging— his job focuses mainly on the economy. Many analysts regard him as an unusually weak holder of this title, despite his close work with Mr Xi in Zhejiang in the early 2000s. And with the economy in trouble, it will be hard for Mr Li to impress his boss.

It will also be hard for Mr Xi to burnish his own image. It is likely to have been dented by the country's economic malaise and its chaotic exit from nearly three years of strict pandemic controls—after scattered small-scale protests against the zero-covid policy, during which a few protesters even dared to call for Mr Xi himself to step down. In 2024 China's president will face the challenge of managing tense relations with the West. But he faces high winds and daunting waves at home, too. ●

WHAT IF?

China's property sector has been in disarray for the past two years. Many large developers have defaulted. Sales are way down. But a full-scale collapse has so far been avoided. **What if China's home prices fell by half?** The fragile economic recovery would stop, with implications for the world economy. More dangerous for the Communist Party would be the impact on social stability. People do not take to the streets to protest against one-party rule. But they might do so to protest against a big fall in their main investment.

The hardest target

China's rulers will face a trade-off between confidence and credibility

SIMON COX China economics editor, *The Economist*

IN THE SPRING of 2024 China's prime minister, Li Qiang, and his colleagues will face an awkward dilemma. They will have to choose between reviving the morale of entrepreneurs or safeguarding the credibility of the ruling Communist Party. Their choice will be revealed in Beijing in March, when Mr Li will read out his first report on the work of the government to China's legislature. The report will be full of party boilerplate, but it will also contain a consequential number: China's official economic growth target for 2024.

Such targets are easy to ridicule as a relic of central planning. In today's China, economic growth is the alchemical result of countless decisions by households, firms and officials. Surely even the party cannot engineer it to within half a percentage point?

In fact, China used to miss its growth target by a wide margin, exceeding it by several percentage points in some years (see chart). But recently, it has been a closer run thing. The target has therefore loomed larger in policymaking. In 2023, for example, the government's fear of falling short of its 5% goal prompted monetary and fiscal easing.

Many economists worry that these efforts to meet an arbitrary target distort China's policymaking, resulting in reckless lending or wasteful infrastructure projects. Some have urged China to drop its growth target altogether. Doing so "would serve as a clarion call that the government's priorities have shifted away from growth at all costs," said Eswar Prasad of Cornell University in 2014.

But 2024 would be the wrong year to make such a gesture. China's entrepreneurs will still be recovering from the property slump that began in mid-2021, the lockdowns that hobbled the economy in 2022 and the disappointing recovery of 2023. They will need the reassurance that an official growth target can provide.

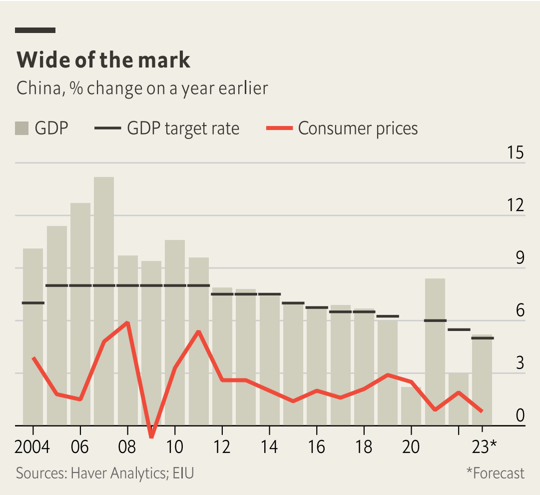
So what number should Mr Li announce in March? China's economy struggled in 2023 to reach the official target of around 5%, and inflation fell dangerously low. Economists worried that falling prices would erode profits and deter investment, further weakening demand. Low inflation is, however, an invitation as well as a threat. It is a sign that the economy has capacity to grow faster, if only spending were stronger. Mr Li's first growth target should therefore entice the private sector to spend, by signalling that the government will do the same if necessary. The way to do that is to set a growth target of at least 5%.

That would be tougher than the same target was in 2023, because the economy will be into its second year of recovery. It cannot count on the rebound that results from removing social restrictions and releasing pent-up demand. But after a disappointing reopening, China presumably still has some ground to make up. And if the economy runs hot at the end of 2024, putting upward pressure on wages and prices, that would not be all bad. It would help dispel fears of deflation and reduce the burden of China's debts.

The bigger worry is that a despondent, weakened China might fall short of such a target, even with extra government stimulus. That would be bad in itself. It would also be embarrassing for the Communist Party, denting the credibility of its economic management.

But setting an easy target entails risks of its own. It could depress private-sector expectations further, making a sub-par outcome more likely. In 2024, the Communist Party should know that reviving private-sector confidence is more important than safeguarding its target's credibility. ●

Some economists have urged China to drop its growth target



The new normal

Don't expect life to get easier for foreign firms doing business in China

DON WEINLAND China business and finance editor, *The Economist*, Shanghai

IN THE SPAN of a few days in September 2023, word spread that two businessmen working for global firms were not permitted to leave China. One of them, the head of a Chinese investment-banking division at Nomura, a Japanese bank, appeared to have been snagged in a corruption investigation. He had been hit with an "exit ban", meaning he could travel within the country but could not leave. Days later news broke that a senior executive at Kroll, a due-diligence firm, was subject to similar conditions. According to the *Wall Street Journal*, he has been stuck in China since July.

Nearly a year into China's reopening, after three years of isolation during the global pandemic, foreign executives are still trying to determine what the new normal is for doing business. Economic growth has petered out, making the market less appealing to global retailers. President Xi Jinping's ideological support for Russia in its war against Ukraine has scared investors. Fund managers now demand higher returns to justify the increase in geopolitical risk; many are simply not earning enough and are allocating capital elsewhere.

Executives making their first trips to China in three years cannot help but think that things have changed for the worse. Top-tier cities such as Beijing and Shanghai feel distinctly less international than they did before the pandemic.

The pandemic years were an inward-looking period for China's political leaders. They have emerged far more paranoid about America and other foreign rivals. This has led them to prioritise security above economic growth—and spurred the introduction of new laws and regulations that make it much harder for foreign firms to do business in the country.

New data laws, for example, mean it is unclear what information it is safe to send from a branch office in China to recipients abroad. A series of raids on foreign due-diligence firms have raised questions about whether such companies can carry out normal background inquiries on Chinese firms and executives. Access to official data sources has been limited. In a major blow to China's image as a global business hub, Dentons, a global law firm, said in August that it would drop its partnership with a domestic Chinese law firm. Insiders say data rules, and fears over arbitrary detentions, played a part.

The government is well aware of the complaints among foreign companies. Business-minded technocrats such as Li Qiang, China's new prime minister, are trying to ease the pain. In September the central government announced it would relax some data-transfer rules, at least for now. It has also postponed tough taxation rules for foreigners for another few years.

In 2024 multinationals will hope for a few more pro-business concessions from Beijing. But they should also not be surprised when more executives are hit with exit bans. China's covid years reshaped the way its rulers view the outside world. They are less concerned about how they are viewed by outsiders and are unlikely to back down from their emphasis on security over growth. The new normal, it seems, is here to stay. ●

Eating bitterness

The Communist Party will struggle to inspire the young

ALICE SU China correspondent, *The Economist*, Taipei

"A TREE CANNOT grow sky-high in a greenhouse, and a lazy person cannot accomplish great things," bellowed the People's Daily newspaper in a message to Chinese youth. The Communist Party has repeatedly exhorted the young to embrace suffering for the sake of national rejuvenation. China's president, Xi Jinping, says they should work in the countryside, where rural labour strengthens their sacrificial spirit. His calls for young people to "eat

▲ *Applying, themselves*

bitterness", or suffer for a worthy cause, will continue in 2024. But Chinese youths will persist in not doing so.

Mr Xi's rhetoric has inspired more online mockery than patriotic spirit. Young netizens talk often about "lying flat" and "letting it rot"—youth slang for exhaustion and a desire to quit the tedium of the rat race.

Malaise will spread in 2024 as China's economy continues to struggle. The urban youth-unemployment rate hit a record high of 21.3% in 2023 before the statistics bureau decided to stop publishing the numbers in August. It is unlikely to improve in the coming year. Some jobless young people have moved back in with their parents, becoming "full-time children". Many have applied to graduate school to put off job-hunting. When they finish, they will be competing with record-high numbers of graduates (more than 11m in 2023).

Some have sought the "iron rice bowl" of a government position. In 2023 some 2.5m, the highest number in a decade, applied for the civil-service exam. Others are applying for degrees or jobs abroad, or fleeing via smuggling routes through South-East Asia or South America. The UN refugee agency reports growing numbers of Chinese asylum-seekers, with 116,000 in 2022, seven times more than in 2012.

If the state loosened up, it might reinvigorate the youth. But the opposite is more likely. In a year of political uncertainty, bookended by elections in Taiwan and America, the instinct will be to stiffen controls.

MIDDLE EAST & AFRICA

→ Also in this section

Beyond Gaza

The Middle East's new balance of power

GREGG CARLSTROM Middle East correspondent, *The Economist*, Dubai

AT ITS START, 2023 was supposed to be a year of regional de-escalation in the Middle East. Saudi Arabia agreed to a detente with Iran in March; it was also talking with America about a three-way deal that would have seen it normalise ties with Israel. Civil wars in Libya, Syria and Yemen had ground to a stalemate. Prosperous and stable, the Gulf states were the new centre of power in a region exhausted by conflict—and they wanted everyone to settle down and focus on economic growth.

So much for that idea. A month after the Saudi-Iranian deal, Sudan tipped into a gruesome civil war. Then came the terrible massacre in Israel on October 7th, perpetrated by Hamas, and a long and ongoing Israeli war in Gaza. After a long period of relative quiet, the Middle East's oldest conflict roared back to life and brought the entire region to the brink of broader violence.

The consequences of the Gaza war will define 2024. Some of those seem contradictory. On the one hand, fragile detente between Iran and Saudi Arabia will continue. The events of October were a reminder of Iran's reach: its proxies fired missiles at Israel from Gaza, Lebanon and even faraway Yemen, while other militias attacked American bases in Syria and Iraq. Gulf states reacted with fear: they did not want to be targeted, as Saudi oil fields were in 2019. They will strive to keep the peace with Iran, though it will be a hollow one. Talk of big Gulf investments in Iran will remain just talk.

At the same time, efforts toward IsraeliSaudi normalisation have been delayed, but not completely derailed. Muhammad bin Salman, the Saudi crown prince and de facto ruler, has both economic and security interests in reaching a deal with Israel. Negotiations will continue, but they will be quieter and more complicated than before. The Saudis will want more concessions towards the Palestinians from Israel. There will be much to renegotiate—and an election year in America is a bad time to do that. Talks are unlikely to conclude in 2024.

Outside the Gulf, many Arab countries will be nervous as the new year begins. Egypt is one example. It now has two active wars on its borders (in Gaza and Sudan) and one frozen but unresolved (in Libya). It also must repay $29bn of external debt in 2024, a sum equivalent to 85% of its foreign reserves. King Abdullah of Jordan is worried that a long conflict in the Holy Land will spark unrest among his own large Palestinian population, who are already angry about a stagnant economy.

These regimes will be focused on survival. They will try to parlay the Gaza crisis into opportunity. Egypt, for example, might seek financial aid as compensation for its role as a provider of humanitarian aid for the enclave.

For years, Arab countries had talked of a new balance of power in the region. America seemed distant, while Russia and China tried to accumulate both hard and soft power across the Middle East. The attack on October 7th has brought the region's biggest crisis in decades. As a result, America has sent two aircraft-carrier groups, an array of missiledefence batteries and planeloads of troops, as its secretary of state embarked on some frantic shuttle diplomacy.

America might wish to be done with the Middle East—but the Middle East is not done with America

Russia appeared to content itself with taking jabs at perceived Western hypocrisy, while China seemed confused and disinterested.

America might wish to be done with the Middle East—but the Middle East is not done with America. It will have a chance to consolidate its role as a regional power. Before the Gaza war, it had been discussing a mutualsecurity pact with Saudi Arabia. That may now look much less attractive to leaders in Washington. The Saudis have sought to sit out any possible regional conflict, which suggests that a defence treaty would hardly be mutual. That, too, will need to be negotiated anew—but President Joe Biden will have little time to do so.

The Gulf states were not wrong to believe that economics is a pressing issue for the Middle East. Where they were mistaken was in believing that the region's frozen conflicts would remain frozen. With luck, the coming year will bring new efforts to resolve them, starting with the endless feud between Israelis and Palestinians. ●

Despots v democracy

Middle East autocrats offer sham elections. Real ones are too dangerous

NICOLAS PELHAM Middle East correspondent, *The Economist*

JUDGING BY ELECTION cycles, the Middle East is a paragon of democracy. Egypt will hold an election in December 2023, followed in 2024 by Algeria, Iran, Mauritania and Tunisia. Sadly, with the possible exception of Mauritania, the elections will be farcical. Results are decided in advance. Autocrats will record huge victories and extend their rule—while the region's moreorless democracies of Iraq, Kuwait, Lebanon and Morocco continue to flounder. Ah, but we offer stability, say the despots.

Think again. Denied the safetyvalve of democratic participation, their regimes will be haunted by the spectre of insurrection. An Israeli-Palestinian war is reawakening the Arab street for the third time in a decade. Bearing the flag of Palestine, malcontents will challenge unaccountable and corrupt rulers. Only greater repression will stop a domino effect, starting with the Palestinian Authority, then Jordan and Egypt.

The Gulf states will also tighten controls. They view democracy as no less of a threat than jihadism. Under its laws, Saudi Arabia should hold municipal elections every four years. But Muhammad bin Salman, the de facto ruler, views them as a slippery slope that might lead to demands for accountability and representation.. No one dares ask him why he has veered from the timetable.

Gulf despots will continue to bankroll fellow strongmen in Egypt and Tunisia. President Abdel-Fattah al-Sisi seeks to secure his third term by barring credible alternatives. Having locked up his rivals in Tunisia, Kais Saied, the incumbent, will win a second term. The Gulf states will also work with their nemesis, Iran, to prevent democracy spreading there. Ahead of parliamentary elections in April, the Council of Guardians will vet the candidates to ensure that only yesmen (and yes-women) can stand.

Kuwait's democracy will limp on, paralysed by the stand-off between the royal palace and parliament. Armed factions will tighten their grip in Lebanon and Iraq. As Lebanon's most powerful militia, Hizbullah will continue to veto the appointment of a president. Its counterparts in Iraq lost power in an election in 2021 but seized control regardless. They will not let democratic niceties get in the way.

Western powers will mostly watch from the sidelines. Having failed to spread democracy in Iraq, they have scant appetite to try elsewhere in the region. Aid for democracy projects will continue to fall. In a few places the demand for representation might rise again. But with grievances escalating and avenues for dissent largely curbed, the worry is that Hamas might offer an alternative model. Just as it was beginning to ebb, expect jihadism to surge again. ●

What next?

Three factors will determine the outlook for the Palestinian territories

GREGG CARLSTROM, Middle East correspondent, *The Economist*, Dubai

FOR MORE THAN a decade, life in the Palestinian territories was painfully static. The occupied West Bank was ruled by the corrupt nationalists of Fatah, and blockaded Gaza was run by the corrupt Islamists of Hamas. Residents of the West Bank endured the daily abuses of occupation. Those in Gaza suffered occasional short wars, and longer periods where life was calm but miserable. There was no progress towards a twostate solution—nor any reconciliation between the two estranged Palestinian factions.

Everything changed in 2023. Even before October 7th, it was the deadliest year on record for Palestinians in the West Bank. Then, on a quiet autumn morning, Hamas militants crossed the border into Israel and massacred more than 1,400 people, most of them civilians. Israel declared war immediately. Thousands of air strikes and, later, a ground invasion have laid waste to Gaza and killed more Palestinians than any war since 1948.

The coming year will reshape Palestinian life in a way unseen since 2007, when Hamas seized control of Gaza. How it will turn out is impossible to predict, but three important factors will do much to shape the outcome.

The first is when, and under what circumstances, Israel will end its war in Gaza. The army says it will stop when it has removed Hamas from power. It will certainly hope to kill the group's leaders. But Hamas has tens of thousands of militants and even more supporters. Israel could find itself stuck in a long guerrilla war, and the residents of Gaza stuck in a long displacement.

The second is what will follow the war. America and Israel hope the Gulf states will step in with money for reconstruction and, perhaps, troops for an international peacekeeping force. They would probably do the former; the latter is a harder sell. Arab leaders will, in turn, urge the Fatah-run Palestinian Authority (PA), which controls parts of the West Bank, to return to run Gaza.

That is a best-case scenario. But the PA might not want to return to Gaza with the help of Israeli tanks. And even if it did, it might find that it is unable to govern the territory (it has already lost control of bits of the West Bank). That would leave Israel in charge of security and basic services, perhaps with the help of a jerry-rigged government of local notables. Instead of reuniting the Palestinians, the war could reinforce their split.

That points to a third question: the fate of the pa and its leader, Mahmoud Abbas.

Half of Palestinians want to dissolve the PA, which they see as hopelessly corrupt, and 80% want Mr Abbas, who will soon start the 20th year of his fouryear term, to resign. He is unlikely to listen, and he lacks a clear successor. Various apparatchiks hope to replace him, such as Majed Faraj, who heads the PA's intelligence services, and Jibril Rajoub, a former security chief, but none is popular.

Optimists hope that there might be a silver lining in a blood-soaked 2023: that the pa (flawed, corrupt but much more moderate than Hamas) could emerge strengthened, and a shocked Israel could re-commit itself to peace talks. But these days, optimism is in short supply. ●

Arabic rhythms

The Middle East's music industry has huge potential

ANN HANNA News editor, *The Economist*

MUSIC HAS always spilled out of Cairo's cafés. But the lilting tones of traditional songs are now being replaced by the rapping of musicians such as Wegz, a 25-year-old Egyptian hip-hop artist. His music is popular across the region. In 2022 his song "El Bakht" ("Luck") was streamed 45m times—the most ever recorded by Anghami, the leading Arabic musicstreaming platform. In 2023 he became the first Arab artist to announce a world tour with Live Nation, an American concert promoter.

▲ *Local talent*

This growth is not just confined to Wegz. Revenues from recorded music in the Middle East and north Africa rose by 24% in 2022, says IFPI, a trade body. In 2021 it was the world's fastest-growing market.

Hip-hop is driving the trend. Spotify, another streamer, says hiphop consumption shot up by 479% in Egypt between January 2020 and August 2023, and by 143% in the United Arab Emirates (UAE). Other genres, such as Khaleeji pop from the Gulf, are growing, too.

Governments want to capitalise. Saudi Arabia's official music strategy, launched in 2021, includes building 130 recording studios by 2030. An industry conference hosted in the kingdom, XP Music Futures, attracts global heavy-hitters. The UAE will introduce a new system to protect intellectual property (IP) in 2024—the first of its kind in the Middle East. Egypt has also announced plans to create a new IP office.

The potential of the market—and the presence of so much local talent—is also attracting international investors. In August the world's biggest record company, Universal Music Group, acquired Chabaka, a firm in the uae which represents 150 artists across the region. Reservoir Media, in New York, has teamed up with PopArabia in Abu Dhabi to acquire 100Copies, an Egyptian record label which played a significant role in the popularisation of *mahraganat*, a genre that combines traditional elements with electronic beats.

Many in the industry hope a local star will achieve a global breakthrough hit. That may well happen in 2024.

It's all about the succession

The calculations of Iran's supreme leader

NICOLAS PELHAM Middle East correspondent, *The Economist*

As conflict again rages in the Middle East, one issue continues to fixate Ayatollah Ali Khamenei, Iran's 84-year-old supreme leader—the survival of his regime. War in Gaza; escalation in the region's Shia heartlands of Iraq, Lebanon and Yemen; America's floating military bases off its shores; and above all, the ructions of his disgruntled population: all his challenges will be seen through the prism of ensuring that his system, wilayat al-faqih, or clerical rule, continues after his death.

The answer to all of them is Mojtaba, the supreme leader's 54-year-old second son and unofficial successor. As the senior chaplain to the Islamic Revolutionary Guard Corps, the regime's praetorian guard, he sits at the apex of the republic's two principal pillars, its military and clerical establishment. As he enters his dotage, the father will entrust ever more power to his son. Ambitious clerics will prove their loyalty by calling him ayatollah, the senior scholarly rank required of any successor. Diplomats in Iran will study his place in official ceremonies to track his growing power.

In the region, Iran will continue to try to escalate without being dragged into direct confrontation with either America or Israel. Its regional satellites will struggle to find a balance between projecting strength while stopping short of provoking an impetuous war which might blow their deterrence capabilities. Iran will encourage Hizbullah in Lebanon, the Houthis in Yemen and proIranian Shia militias in Iraq to sabrerattle and launch sporadic missile strikes on American and Israeli targets.

Internally, the regime will project uncompromising power, while demonstrating sufficient flexibility to absorb domestic discontent. The dress code, the emblem of the Islamic Republic since the revolution in 1979, will ease. Men will go out in shorts and women cast off their veils, even as surveillance cameras keep watch. Some will receive fines, but as with satellite dishes in the 1990s, the regime will continue to give way to social pressure. Economically, Iran's oil sector will continue to benefit from high prices resulting from regional tensions.

Many challenges await Mojtaba's succession. Iran's various satellites could break ranks and lash out, as Hamas did in October in southern Israel. Its Lebanese counterpart, Hizbullah, might seek to emulate its incursion, in the north. Israel's strategists could try to seize the window of opportunity afforded by the presence of so many aircraftcarriers to precipitate an American attack on Iran. There is a considerable risk they will miscalculate.

Shia clerics might balk at blessing a dynasty—the very thing they staged a revolution to overthrow. Above all, Iran's 87m people might seek to slough off a stubborn theocracy that they increasingly consider an anachronism. Still, the mayhem raging elsewhere in the region will remind Iranians of the costs of upheaval. Mojtaba will get closer to taking the helm. ●

Struggling economies

Countries will scrimp on investment, dragging down future growth

KINLEY SALMON Africa correspondent, *The Economist*, Dakar

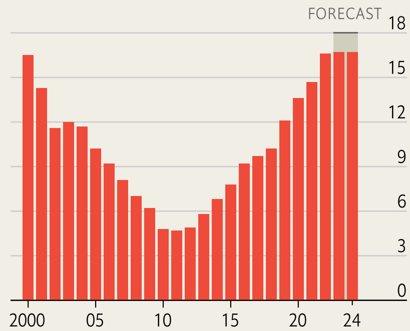
Sub-Saharan Africa's growth prospects for the coming year are modest. The region's GDP expanded by 4% in 2022 and 3.3% in 2023, and the IMF reckons on 4% in 2024. Alongside population growth of about 2.6%, that is not a combination for widespread prosperity. Worse, the region may not surpass these modest rates any time soon.

Most African economies lack what they need for transformational economic growth: a well-educated workforce, reliable roads and electricity, and well-resourced, clean government. When starting from a low base—and with access to enough finance—poor countries can spark stellar economic growth through big improvements in electricity, roads and literacy. But when finance is tight, and few of the drivers of growth are in place, they can undershoot their potential for long periods. That may well be the fate of many African countries in the coming years.

Cash has dried up for most African economies, points out the IMF, making investing in the future difficult. First, the mix of covid-19, the war in Ukraine and debt-fuelled spending, often with poor returns, has left many with heavy debts. Some, such as Ghana and Zambia, are already in default and working through painful IMF programmes.

The burden builds

Africa, average external government debt service as % of revenue



Source: World Bank

Fully 19 countries in Africa are forecast to spend more than a fifth of their revenues in 2024 servicing external debt. Among them are oft-lauded economies such as Ethiopia, Ivory Coast and Kenya. On average, across Africa, 17% of revenues will be spent on external debt service in the coming year (see chart on previous page). Alas, the continent's record at increasing tax revenues, the other side of the equation, is poor.

A second problem is that countries that still want to boost growth by borrowing and investing face soaring costs. Rising interest rates have locked most countries in subSaharan Africa out of global debt markets. None has issued a typical dollardenominated bond since early 2022. Even if they manage to borrow commercially, any debtfunded projects will need to achieve even higher returns.

There are few options. Ghana was borrowing $3bn a year from the market, but the IMF's whole programme is just $3bn over three years, points out Ernest Addison, the governor of Ghana's central bank. "Obviously the IMF and World Bank are not an alternative to the market."

One erstwhile alternative for Africa was loans from China. Yet those too are drying up. Disbursements from Chinese loans fell in 2022 to roughly 10% of their total in 2016. With China's economy struggling, a rebound seems unlikely.

A final problem is that Africa's big economies are too weak to pull others up. South Africa is in a prolonged rut, badly hampered by a plague of electricity blackouts and an often incompetent administration. The IMF forecasts just 1.8% growth in 2024. As for Nigeria, the fund forecasts 3.1% growth next year, helped in part by President Bola Tinubu's decision to end a wasteful fuel subsidy and interfere less in foreignexchange markets. That has excited investors.

Yet Nigeria is still battered by jihadism and kidnapping, and Mr Tinubu's government is muttering about controlling petrol prices again. Debt remains a headache. In 2022 Nigeria spent 96% of tax revenues servicing it. Even without burning $10bn a year on the fuel subsidy, it will still spend over 60% of revenues on debt service in 2026.

There are some bright spots. Senegal, which expects to begin pumping natural gas for export in 2024, should do well. Benin and Rwanda continue to grow healthily, as do other countries that are not reliant on natural resources. And rising oil and mineral prices could give countries dependent on pumping and digging a boost, too. Yet because many of Africa's commodity producers are poorly governed, high prices are unlikely to transform ordinary lives. For many, the future, again, looks like a struggle. ●

Of chaos and coups

The future looks grim in the Sahel, the world's most conflicthit region

KINLEY SALMON Africa correspondent, *The Economist*, Dakar

Draw an arc across Africa south of the Sahara, and it passes through not just a belt of junta-run countries but the most conflictridden region in the world. This arid stretch, known as the Sahel, takes in jihadist conflict in Burkina Faso, Mali and Niger; rampant banditry in northern Nigeria; the fight against the terrorists of Boko Haram and its offshoots by four countries around Lake Chad; civil war in Sudan; smouldering ethnic conflict in northern Ethiopia; and, to the south, the terrorists of al-Shabab in Somalia.

The devastation is shocking. In Mali, Niger and Burkina Faso, known as the central Sahel, more than 10,000 people were killed in armed conflict in 2022. By September 2023 that total had already been surpassed. In northern Nigeria, more than 7,000 people were killed in 2022. In five months of conflict in Sudan more than 9,000 people were slaughtered. A conservative tally of the number of people forced from their homes in the region, excluding Somalia, comes to 15m..

There will be no sudden silencing of the guns in 2024. The conflict in the central Sahel—in which jihadists linked to al-Qaeda and the Islamic State attack civilians, fight against government forces and each other—will probably grow even more violent. Jihadists see the recent coup in Niger as a chance to gain ground from a distracted army, and the army will then probably pursue a more scorchedearth approach against jihadism.

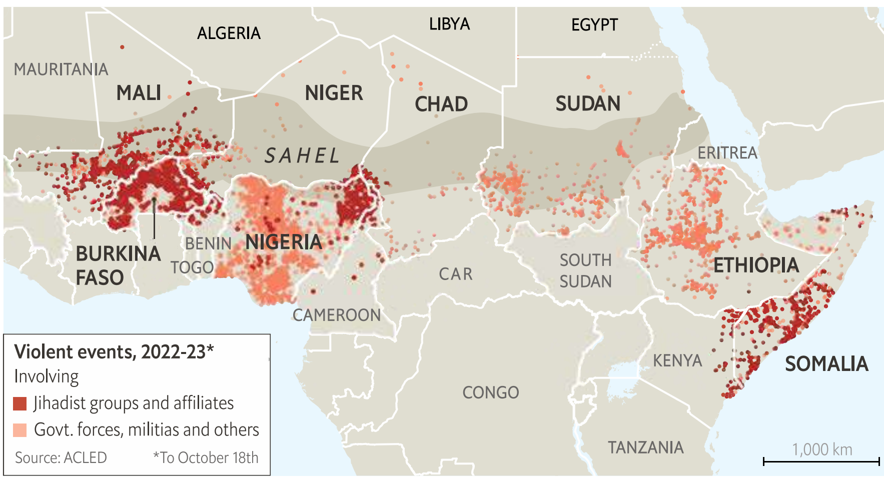
The conflict in the central Sahel will probably grow even more violent

In Burkina Faso the government's "total war" strategy, which involves arming tens of thousands of men in civilian militias, is already spiralling into chaos and spurring ethnic massacres. And in Mali over 10,000 UN peacekeepers will leave by the end of 2023, having been blamed for failing to stop the jihadists. A peace deal they had, in fact, been helping to maintain between the government and Tuareg separatists—a related but distinct conflict to that with jihadists—is already collapsing into open war.

In Sudan further clashes are almost certain between the Sudanese armed forces and the Rapid Support Forces, a paramilitary group, as is more ethnic cleansing in Darfur. The two at least have clear leaders, holding out the possibility, however remote, of a sudden peace deal, in a way that is impossible to imagine in the jihadist conflicts elsewhere.

Though most of these conflicts are separate, some countries such as Niger are battered by more than one. Refugees spill in all directions. Some wars are spreading. In Ethiopia the fighting between Tigray and the government officially ended, but clashes with other ethnic groups, such as the Amhara and Oromo, appear to be spiralling. And states such as Benin and Togo are already suffering attacks from jihadists crossing over from Burkina Faso.

All this violence has gone hand in hand with political chaos, most recently through coups in Burkina Faso, Chad, Mali, Niger and Sudan. If the violence spreads in 2024, expect political chaos to do so as well. ●



Source: ACLED *To October 18th

From apartheid to apathy

Thirty years after the end of white rule, South Africa faces a defining election

JOHN MCDERMOTT Chief Africa correspondent, *The Economist*, Cape Town

SOME OF THE happiest queuing ever took place in South Africa on April 27th 1994. On that day millions lined up to elect Nelson Mandela in the country's first general election under multiracial democracy. Some 86% of eligible voters turned out.

But when South Africans go to the polls in 2024 there will be no sense of jubilation. The country is profoundly fed up with corruption, crime and joblessness. Analysts expect turnout to be even lower than the 49% who cast their ballots last time, in 2019. It is possible that less than a quarter of the post1994, "born free" generation will bother to vote.

How many—and which—South Africans turn out will determine whether Mandela's African National Congress (ANC) wins less than half of the vote in a general election for the first time since 1994. Under the country's system of proportional representation, that would mean the ANC losing its majority in parliament and the possibility of a coalition government. But an even bigger question looms: what is the future of South African democracy itself?

In many ways life is better than in 1994. A liberal constitution protects rights and liberties. Most South Africans think racial tensions have eased somewhat. There is a basic welfare state. Black children do better at school. But there is justified disappointment with 30 years of ANC rule. Democracy's benefits have been fewer than expected, and skewed towards the elites, white and black. When Ipsos, a pollster, asked people from 29 countries in 2023 about the direction of their country, only Argentina and Peru had a higher share saying things were going wrong.

And little wonder. South Africa's rates of unemployment, murder and inequality are among the highest in the world. Adjusted for inflation, GDP per person is lower than in 2008. Electricity blackouts are frequent. Anyone who can afford private solutions to public problems pays for them. In 1997 there was roughly the same number of private security guards as police. Today there are almost four times as many.

Behind all of this is the mismanagement and graft of the ANC. Though corruption was at its most brazen between 2009 and 2018 under Jacob Zuma, it predated and outlasted the former president. The nature of the ruling party, which sees no distinction between itself and the state, and views the private sector as a malign force to be shaken down, means that patronage and venality are inherent to its modus operandi. At least 80% of South Africans believe that some or all people in government departments, municipalities and the presidency are corrupt, according to Afrobarometer, a pan-African pollster.

Other parties ought to be able to capitalise on this. The Democratic Alliance, the main opposition party, wants a "moonshot coalition" with smaller parties. But the compact will struggle to get anywhere close to 50% of the vote; its members are too dissimilar and its leaders too divided. For many black South Africans, who make up more than 80% of the population, the ruling party is still the devil they know. Those who stop voting for it often choose to stop voting altogether, rather than opt for another party.

So if the ANC can pick up enough votes using its formidable grassroots machine, it should stay in power, even if it requires a coalition with smaller parties. The widely feared scenario, in which the ANC's vote share falls so low that it must team up with the Economic Freedom Fighters, an ANC offshoot led by Julius Malema, a rabble-rouser, is seen as unlikely. Despite failing to deliver the "new dawn" after Mr Zuma that he promised, Cyril Ramaphosa will almost certainly remain as president.

The lack of alternatives to the ANC reflects the poor health of South African politics. Some 70% of South Africans say they are dissatisfied with the way democracy works. A stunning 72% say they would ditch democracy for an unelected leader if he—and in the patriarchal world of South African politics, it would be a he—could deliver jobs and combat crime.

A stunning 72% would opt for a strongman, if he created jobs and cut crime

Since 1999 there has been a Mandela-shaped chasm in South African politics. The country is crying out for the sort of intelligent and pragmatic leadership he embodied. The ANC may have one last triumph in 2024. But the battle for the soul of South Africa is only just beginning. ●

INTERNATIONAL

Distorting democracy

A global guide to the election-rigging tricks that will be used in 2024

ROBERT GUEST Deputy editor, *The Economist*

MEN RISE to great fortune "more through fraud than through force", argued Niccolo Machiavelli, a 16th-century adviser to unscrupulous princes. Modern potentates can find similar advice in "How to Rig an Election", a book by Nic Cheeseman and Brian Klaas. "In many countries around the world the art of retaining power has become the art of electoral manipulation," argue the two academics (who, to be clear, do not approve).

Only a handful of autocratic regimes, such as **China** and **Eritrea**, dispense with elections entirely. Most at least pretend to offer voters a choice, while making sure the opposition cannot win. It is a shrewd strategy. Regimes that practise what Mr Cheeseman and Mr Klaas call "counterfeit democracy" tend to last longer than pure dictatorships. Holding elections makes them seem more legitimate, so they are less likely to be ostracised internationally. And allowing an opposition gives them someone to demonise.

Several elections in 2024 will illustrate this sad truth. In some cases, the deception will be obvious. Paul Kagame, president of **Rwanda**, won 99% of the vote last time, so it is safe to say he will be re-elected in August. In **Mali** elections due in February were delayed for "technical reasons". Voting is impossible in jihad-racked parts of the country and few expect the junta that seized power in 2021 to step aside.

Most election-riggers are more subtle. They want to cheat just enough to win, but not so much that their country's reputation takes a nose-dive. Rather than crudely stuffing ballot boxes on election day, they try to tilt the playing field beforehand, in various ways.

This starts with steps that are not directly tied to elections, such as handsomely paying the police and army to ensure their loyalty, co-opting judges, turning the public broadcaster into a propaganda megaphone and hounding watchdog groups into bankruptcy with meritless tax probes. Some leaders deploy convoluted legal arguments to evade term limits, as in **El Salvador** and **Russia.**

All this sets the scene for stage two: nobbling the election itself. By fiddling with electoral boundaries, rulers can make opposition votes count for less. By not updating the electoral roll, they can keep dead people registered—and the dead generally vote for ▸▸

Only a handful of autocratic regimes dispense with elections entirely

the ruling party. Permits for opposition rallies will take months to process; ruling-party rallies proceed without a hitch. Some regimes quietly sponsor bogus opposition candidates to split the anti-incumbent vote. Expect plenty of this in Russia in 2024.

Real opposition parties are kept off balance with a thousand bureaucratic shoves. In **Zimbabwe** in 2023, strict but selectively enforced limits on campaign spending, combined with a sudden 20fold increase in registration fees for candidates, left the opposition with little cash for campaigning, while the president swanned around in a helicopter. On election day itself, a mysterious shortage of ballot papers in opposition strongholds forced voters to queue until the small hours. No such delays afflicted rulingparty strongholds, where ferocious "volunteers" (who actually worked for the security services) sat outside polling booths checking IDs and conducting an "exit poll" to make sure everyone voted for the president. All these tricks will be copied by others in 2024.

Popular opposition candidates are often barred from running for office—it is astonishing how many can't seem to fill in their paperwork properly. Some are locked up; not for political reasons, of course, but for ordinary crimes such as fraud—one of the charges for which Alexey Navalny is serving 30 years in Russia. Rahul Gandhi, the main opposition leader in India, was sentenced to prison for defamation in 2023 and barred from political office; he managed to get the ruling suspended in time for the world's biggest ever election in 2024, but it wasted months that could have been spent campaigning.

If **Bangladesh** were to hold a fair election in 2024, the opposition led by Khaleda Zia would probably win. But Ms Zia is under house arrest after being convicted of corruption, and the ruling party is expected to triumph. The last time **Belarus** held a presidential election, the wife of a disbarred and jailed opposition leader almost certainly won by a wide margin, but the incumbent despot Alexander Lukashenko says she didn't, and he has both guns and Vladimir Putin on his side. The next election, in February 2024, will be "fair, unlike elections in the United States", Mr Lukashenko says.

Many people fret that technology—especially AI—will make electionrigging easier. The volume and verisimilitude of fake videos of opposition leaders doing unspeakable things will surely increase in 2024, and that may sway some voters, especially in countries with low literacy and declining press freedom, such as India and **Pakistan**. But ruling parties already had ample tools to spread disinformation, so the effect may be marginal.

Institutions matter more. In a country with ingrained democratic habits and robust checks and balances, it is hard for a leader to alter the result, as the United States discovered in 2020. For institutions to survive, however, voters need to care about them. If, in 2024, Americans reelect the man who tried to overturn the 2020 election, they will have to live with the consequences. ●

Baked Alaska

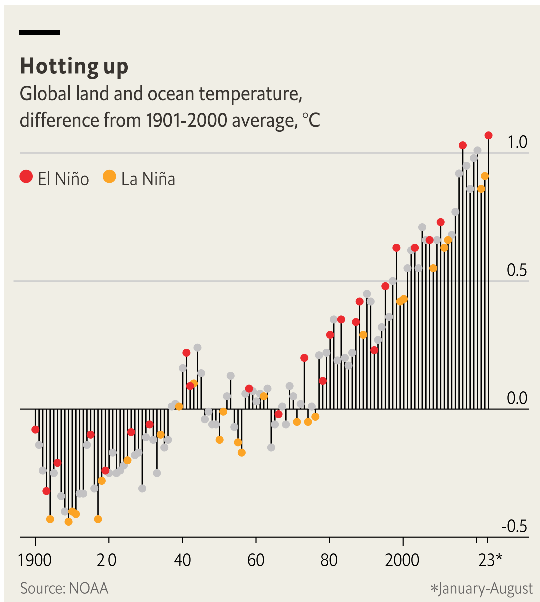
Global average temperatures may pass a significant threshold in 2024

CATHERINE BRAHIC Environment editor, *The Economist*

WHEN WILL the annual global average temperature rise by more than 1.5°C above preindustrial levels for the first time? There have been individual days when the global average temperature has exceeded that threshold, but so far no single year has, on average, been that hot overall. This may change in 2024, when the steady, centurylong rise in temperatures driven by greenhousegas emissions syncs with a natural cyclical warming pattern for the first time in nearly a decade.

Meteorological agencies collect temperature data from across the globe and throughout the year to determine the annual average global surface temperature. That number, published each January, has been rising since early in the 20th century, but not systematically. The line zigzags (see chart). This is because global warming, driven by greenhouse gases, is happening at the same time as natural variations in the global climate system, which cause some years to be hotter or colder than others.

The largest such hotandcold cycle is the El Niño Southern Oscillation (ENSO), a pattern that begins in and above the waters of the equatorial Pacific and affects the weather in the tropics and beyond. ENSO alternates between three states: La Niña, neutral and



El Niño. The two extremes are typically cooler (La Niña) and hotter (El Niño) than average; both bring enhanced probabilities of wild weather extremes.

From mid-2020 to early 2023, ENSO was in a La Niña pattern. As well as exacerbating some remarkable weather events, including record-breaking floods in Pakistan in 2022, this unusually long La Niña temporarily depressed global average temperatures, masking some of the warming caused by industrial emissions. There will be no such reprieve in 2024. In June 2023, ENSO flipped into a much-anticipated El Niño state, which will add to global warming. And this El Niño is forecast to be a strong one, bringing a greater likelihood of extremes.

This El Niño is forecast to be a strong one, bringing a greater likelihood of extremes

The last such event was in 201516. It brought record-breaking global temperatures in 2016, an annual record that still stands. There are two possibilities. El Niño is an end-of year phenomenon that starts in the later days of the boreal summer and peaks at Christmas and the new year (it was named after Baby Jesus by Peruvian fishermen who noticed the way its warmer Pacific temperatures chased anchovies into deeper, cooler waters). Typically, the year after an El Niño is the record-breaker. But the boreal summer of 2023 brought serious climate fevers in both the oceans and the atmosphere. Starting in July, daily temperatures rose to new heights. As a result, when all the data are in and published in January, it may turn out that 2023 was the hottest year ever. If it was not, then 2024 almost certainly will be.

So will either year's average exceed the Paris threshold? The Paris agreement talks of a rise in temperatures "above pre-industrial". Naturally, when the threshold is passed depends on what is used as the pre-industrial average (temperatures are now measured with a precision that is not available from the proxies used to estimate averages before the steam engine). So some predict it will happen in 2024, others that it could take one more El Niño cycle.

Paris signatories will, however, have a little longer before the overshoot of 1.5°C will technically have been reached. The deal refers to a vaguely defined long-term average, taken over several years. So there will be a few more ups and downs before that average exceeds the threshold. Not many, though—climate models suggest the game will be up in the 2030s. ●

Full metal jackpot

The energy transition will mint new fortunes in surprising places

MATTHIEU FAVAS Commodities editor, *The Economist*

A NET-ZERO GLOBAL economy, if it materialises, will not just be carbon-neutral. It will also consume far fewer raw materials. Going from here to there, however, will require a heap of them. In the next few decades, supplying them will create new fortunes.

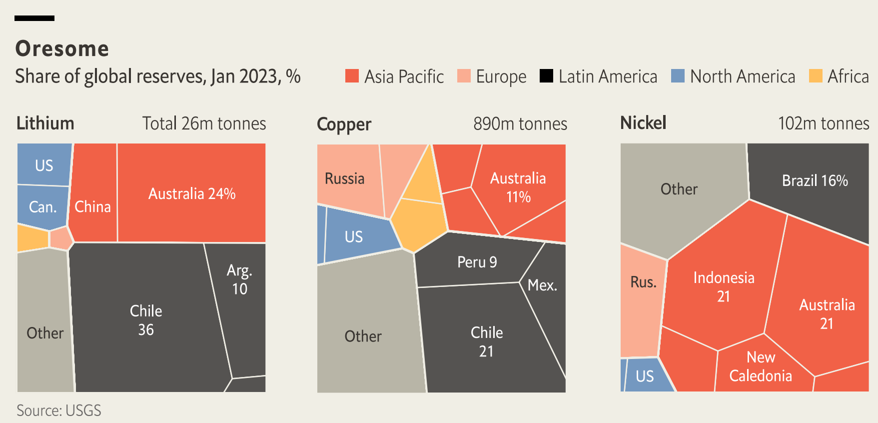
A planet moving towards a cleaner energy system will still need dirty fuel. And even when oil consumption peaks, countries that can produce high-quality crude at low cost will be strengthened rather than weakened, as their market share and pricing power rise in tandem. Gulf giants such as Saudi Arabia and the uae will be obvious beneficiaries. Less on the radar is tiny Guyana, where recent discoveries—enough for it to extract 1.2m barrels a day, or 1.1% of global supply, by 2028—could allow it to produce more oil per person than any country in the world.

Appetite for natural gas, a cleaner alternative to coal in fossil-fuel-fired power plants, may last longer still. As Europe has weaned itself off Russian gas, America, Australia and Qatar, which are cranking up output of the fuel in liquefied form, will pocket the proceeds. But so may Argentina. And African countries, meanwhile, could see their share of the global gas market double by 2050.

More durable riches may be earned through exporting the billions of tonnes of metal the planet needs to build new, low-carbon infrastructure. Chile and Peru already supply much of the world's copper; their vast remaining reserves will be tapped as the roll-out of everything green, from wires to wind turbines, boosts demand for the red metal. Declining copper content of ores in ageing mines is raising costs, however, and pushing miners to riskier frontiers. Barrick Gold, a Canadian firm, wants to invest $7bn in a copper mega-project in the volatile borderlands between Pakistan and Iran.

The Democratic Republic of Congo is already well known as the world's biggest source of cobalt, used in electric-car batteries. Less well known is the fact that cobalt is a by-product of the extraction of other minerals. In recent years that has allowed Indonesia, the largest exporter of nickel, another battery metal, to become a big and growing supplier of cobalt as well. The world's fourth-largest producer of nickel, by the way, is New Caledonia, a French territory of 300,000 people in the Pacific that holds 7% of global reserves.

When it comes to lithium, the king of battery metals, Latin America, Australia and China look like the obvious champions (Latin America alone hosts 60% of known resources). But they may face unexpected competition. In March, Iran said it had discovered what may be the world's second-largest deposit. Atlantic Lithium, an Australian firm, is developing Ghana's first lithium mine. And in September a huge deposit was found in America, on the Nevada-Oregon border. Demand for "green" metals will redraw the global mining map in ways that are hard to predict. ●



More BRICS in the wall

The group will host its largestever summit in 2024

JOHN MCDERMOTT Chief Africa correspondent, *The Economist*

WHEN THE BRICS meet in Russia in October 2024 they will need a bigger stage than ever. Leaders of the five countries that gave their name to the bloc—Brazil, Russia, India, China and South Africa—will be joined by those from an additional six. The admission of Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates will reflect how geopolitics is changing: the world is becoming more multipolar and middle powers more assertive in challenging the Western-led order. But the summit will also show the limits of what a heterogeneous "global south" can achieve.

In the 2010s the bloc was derided by the West. The economies of China and India grew rapidly but stagnation elsewhere meant the brics became synonymous with underperforming emerging markets. Other forums, such as the G20, were better places to thrash out thorny global issues. The BRICS lacked a purpose.

Not any longer. Rising tensions between the West and China, and Russia's invasion of Ukraine, mean emerging powers see the BRICS as a vehicle for more independent foreign policies. For China, the driving force behind expansion, the bloc is a potential counterweight to the G7.

The group will forgo becoming BRISIESAUCE and retain the brics name. It looks, at first glance, to be a formidable outfit, accounting for 46% of world population and 29% of GDP. It will include two of the three largest oil producers, and the most powerful countries in the Gulf, Latin America and, arguably, Africa. A bigger BRICS will have a louder voice to critique the Westernled order.

Yet the bloc is too economically diverse to embrace a currency union or freetrade area. Its members also have different political systems and contradictory strategic aims. So it will never have a unified position on, say, reform of the UN Security Council—due to be discussed at the organisation's annual meeting in New York in September. Ultimately, the BRICS are the geopolitical version of Manchester United or Paris Saint Germain: 11 players that are less than the sum of their parts. ●

The BRICS lacked purpose. But not any longer

Deep down and dirty

Deep-sea miners are due to get down to work

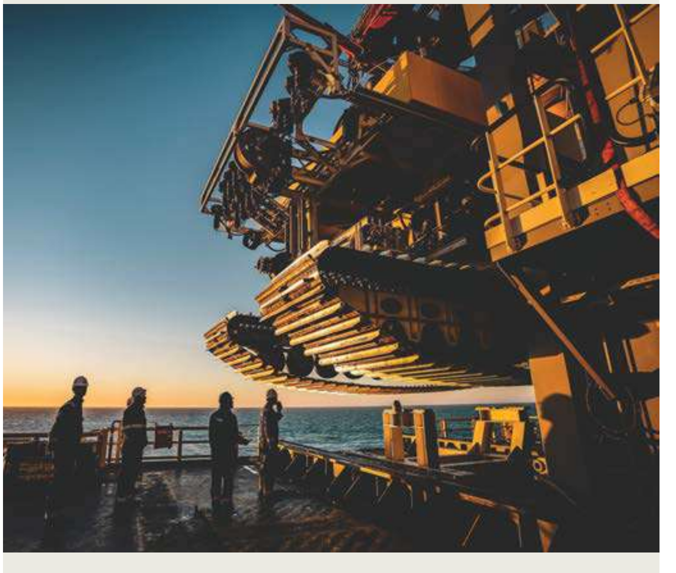
HAL HODSON Special projects writer, *The Economist*

MINING IN the deep is an arresting prospect. It involves robotic vacuums the size of combine harvesters lowered thousands of metres onto the abyssal plains of the Pacific ocean. They rumble along the seabed, sucking up nodules of manganese, copper, cobalt and nickel—metals whose supply is crucial to efforts to electrify the global economy. These nodules sit unattached on the seabed thanks to millions of years of accretion of metal particles in one of the stillestplaces on the planet. A patch of the Pacific ocean seabed called the Clarion Clipperton Zone (CCZ) holds nodules containing quantities of these metals that are roughly equivalent to all terrestrial reserves.

Collecting this metal means going through the International Seabed Authority (ISA), a UN body set up in 1994. But it has been mulling mining rules for three decades. In 2024 one of two things is likely to happen: either the ISA will publish its rules, most likely at a meeting in July, or companies will decide to go ahead without it.

One firm in particular, The Metals Company (TMC), says it is ready to start. In tests, it has already gathered thousands of tons of nodules. It has had the right to file an application to mine its CCZ concession since July 2023, after the ISA failed to meet a two-year deadline to finalise its rules. If those rules are not put in place in 2024 then TMC's hand may be forced. Without a flow of nodules, and the resulting revenues, it will run out of money.

TMC says it will submit an application to mine after the July meeting, new rules or not. Either outcome will create conflict. Environmental groups want deep-sea mining to be banned entirely, arguing that access to green metals does not justify damage to deepsea ecosystems. But mining metals on land also causes damage, for example in the Indonesian rainforest. As it considers mining's impact on the ocean, the ISA would do well to weigh the harms of sourcing metals on land, too.



▲ *Into the abyss*

A new nuclear era?

A nuclear test by one of the big three powers could start a new arms race

ANTON LA GUARDIA Diplomatic editor, *The Economist*, Washington, DC

SEISMOLOGICAL DETECTORS around the world could soon twitch not to the tremors of earthquakes, but of an underground nuclear explosion, at Novaya Zemlya in Russia's Arctic region, or Lop Nur, in the Xinjiang region of China. Then, soon enough, a blast at the Nevada National Security Site in America.

None of the big three powers has detonated a nuclear device since 1996, the year the Comprehensive Test Ban Treaty (CTBT) was negotiated. Yet satellite imagery suggests intense activity at their test sites. A detonation at any of them could start an arms race more dangerous than that of the cold war.

Nuclear arms-control has been eroding since America withdrew from the AntiBallistic Missile Treaty (which limited antimissile defences) in 2002. But nuclear dangers have become more acute with Russia's invasion of Ukraine and its threats to use nuclear weapons. America and Russia have stopped exchanging information under the New START Treaty, which limits each side's long-range "strategic" nuclear weapons. Russia is deploying tactical nuclear weapons to Belarus, and in late 2023 it set out to reverse its ratification of the CTBT. According to the Pentagon, China's stockpile of nuclear weapons will grow from 500 warheads to more than 1,000 by 2030.

America and Russia are still abiding by the limits of New START (for instance, a maximum of 1,550 deployed strategic warheads, out of total stockpiles of 5,000 each). But after decades of twosided nuclear stability, the new three-sided rivalry—"an existential challenge for which the United States is illprepared", says a bipartisan commission of experts—will put pressure on President Joe Biden to build up America's stockpile. For now, his administration is just modernising existing forces. A Republican successor might conduct a test, and expand the arsenal after New START expires in February 2026, if not sooner.

How likely is a test? Computer simulations can do a lot using data from previous tests. But they do not provide certainty. China has the greatest appetite for fresh data, having conducted just 45 tests, compared with 1,030 by America and 715 by Russia.

A new arms race would be hard to stop

Russia probably has the greatest political incentive to test a weapon. It says the rationale for revoking the CTBT is to mirror America. If so, Russia would not test if America refrains from doing so. But President Vladimir Putin also says the warheads for new weapons may need testing. The deciding factor may be the war in Ukraine. The worse Russian forces perform on the battlefield, the likelier Mr Putin is to reach for nuclear weapons. An underground test would be a less risky form of escalation.

A new arms race would be hard to stop. Nuclear agreements are usually based on parity. Russia and China will each insist on parity with America. But America may want more than either, to fend off the two combined.

Counting warheads is hard enough. But if limits on their numbers are gone, it will be harder to control other technologies such as hypersonic missiles, anti-satellite weapons and artificial intelligence. The arms race could become a stampede. ●

WHAT IF?

Betelgeuse, a red supergiant star, is 570 light years away. When its core collapses, as it must within 100,000 years or so, it will become the brightest thing in the galaxy. If that collapse happened in the year 1454, which it might have, the flash would arrive in 2024. **What if Betelgeuse exploded in a supernova?** For a few months, it could be visible by day, outshining all stars. It would have no practical impact, so some would look up simply in wonder. Others, as of old, might see it as a worrying portent.

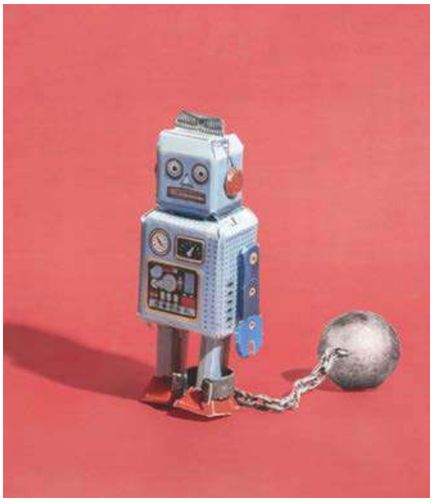
AI's regulatory challenge

Setting up a global agency to oversee AI is as complex as the technology itself

LUDWIG SIEGELE European business editor, *The Economist*, Berlin

INTERNATIONAL BODIES often start small. The International Civil Aviation Organisation (ICAO), established in 1944, held decades of discussions before it began to set airtraffic rules. In 1952 the European Organisation for Nuclear Research, or CERN, started life in unused offices at the University of Copenhagen. And until 1979 the International Atomic Energy Agency (IAEA), the world's nuclear watchdog, was based in a hotel in Vienna.

These three organisations, each embodying a different way to govern a powerful technology, are now the preferred templates for a new global entity. The ICAO is mainly a standards-setter; CERN is a research outfit; the IAEA is a nuclear cop. Over the coming year, the world's governments are expected to



decide what kind of global body they want to regulate another technology: artificial intelligence (AI).

Discussion of AI often blurs three types of risk. AI-powered software that, say, interprets medical images, may not be perfectly accurate. Large language models (LLMS), which power "generative AI" services such as ChatGPT, may display prejudice or bias. And some fear that the most powerful "frontier models" could be used to create pathogens or cyber-weapons, and might lead to superhuman "artificial general intelligence" that could even threaten humanity's survival.

National laws might be able to deal with simpler AI applications and LLMS, but frontier models may require global rules—and an international body to oversee them. Microsoft, for instance, has advocated for an agency similar to the ICAO; OpenAI has called for "an IAEA for superintelligence"; AI researchers, meanwhile, are keener on a CERN-like entity. A compromise would be to create something akin to the Intergovernmental Panel on Climate Change, which keeps the world abreast of research into global warming and develops ways to gauge its impact. Ursula von der Leyen, the president of the European Commission, has endorsed the idea, as has a group of tech executives.

Yet this is unlikely to be the last word. some call it, could lead to the creation of other global organisations. Based on research about the international institutions spawned by other major technologies, the authors of a recent research paper imagine an entire constellation of bodies. These range from an "AI Safety Project" for risk research to a "Commission on Frontier AI" to build consensus around critical questions. As Margaret Levi of Stanford University, one of the authors, puts it: "a single institution cannot do it all." Expect to have to learn the meaning of even more acronyms. ●

How we did in 2023

You win some, you lose some

TOM STANDAGE Editor, *The World Ahead 2024*

ECONOMISTS, AS THE old joke goes, have successfully predicted nine of the last five recessions. The main thing we got wrong in *The World Ahead* 2023was being too gloomy about Western economies, predicting a brief recession in America, a deep one in the EU and a long one in Britain during 2023. But a mild winter in Europe (which softened the economic blow of high energy prices) and the strength of the labour market in America meant we were wrong. Recessions could still happen in 2024, of course, but that is the point of the joke: any prediction of a recession will come true eventually. Timing matters.

China's abrupt dropping of its zero-covid rules in December 2022 also caught us out. We had expected some loosening during 2023, but not a total reversal of the policy (though we did suggest it as a wild-card "What If?" item). Nor did we predict October's surprise attack on Israel by Hamas.

We did better elsewhere. The war in Ukraine did indeed become a grinding stalemate, with Russia trying to string out the conflict in the hope that Western support would crumble. The war accelerated adoption of renewable energy, hastening the clean-energy transition by five to ten years. There was much talk of "Peak China", American politics settled into a Biden-Trump

rematch, the BRICS signed up new members, arguments over "ESG" investments intensified and YIMBYS gained ground, all as we expected. (Acronyms!)

When it came to elections, we said Recep Tayyip Erdogan would probably win in Turkey, and Peter Obi would probably lose in Nigeria, much as we might wish otherwise. Sadly we were right on both counts. We noted that tensions between Sudan's president and vice-president "could spell trouble"—and in fact a civil war broke out in April. In Argentina, we suggested keeping an eye on Javier Milei, who who is indeed in a run-off for president in November.

In technology, as anticipated, Apple revealed its mixed-reality headset, the Vision Pro—but did not use the word "metaverse", instead preferring the term "spatial computing". We did not, however, foresee the "iPhone moment" for artificial intelligence (AI), namely the launch of ChatGPT in late November 2022, which abruptly catapulted AI into the cultural mainstream.

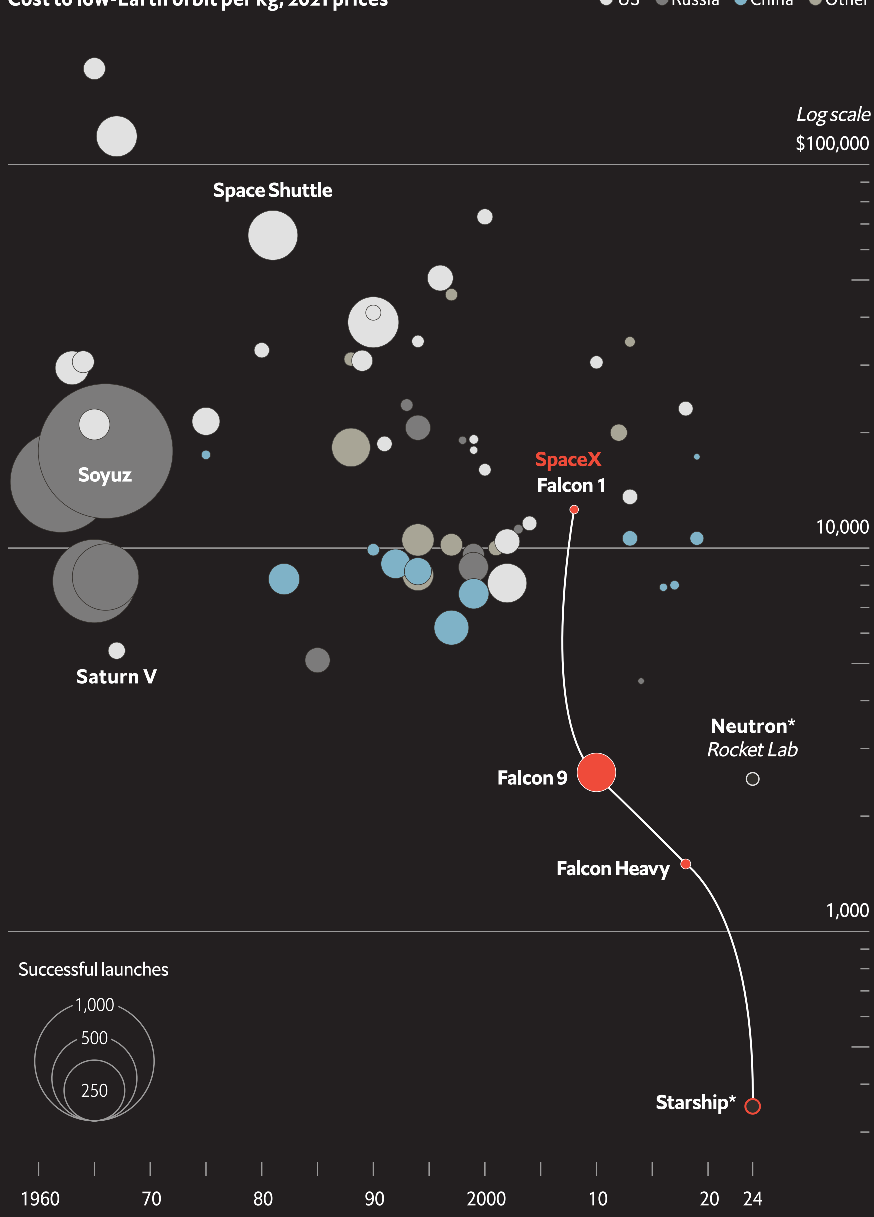
So have we asked a chatbot for its predictions for 2024? No, because we think human expertise has the edge over machine learning, for now at least. But who knows what might happen in future?

TRENDLINES

Sometimes the best way to follow a trend is to plot it on a chart. Here is a selection of noteworthy metrics that are worth keeping an eye on in 2024, from solar-cell technology to superhero movies. Some are merely fun—while others are potentially world-changing

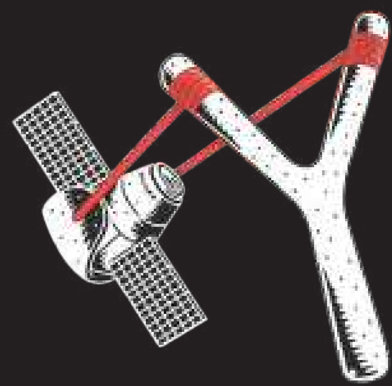
Compiled and written by GILEAD AMIT, RACHEL LLOYD, JONATHAN ROSENTHAL, TOM STANDAGE, PRATIBHA THAKER AND CHRISTOPHER WILSON

Cost to low-Earth orbit per kg, 2021 prices



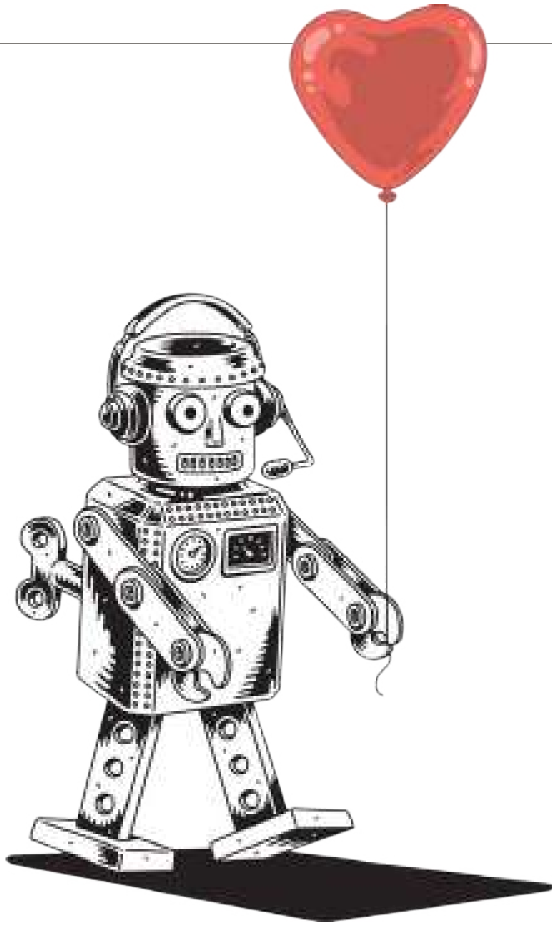
Source: CSIS

*The Economist estimate



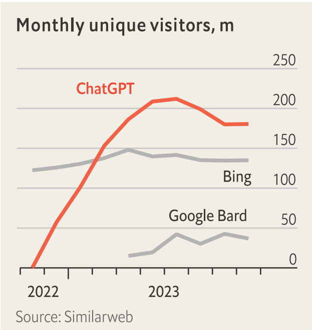
WILL THE COST OF LAUNCHING THINGS INTO ORBIT FALL FURTHER?

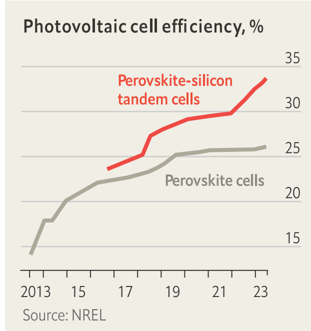
The cost of launching things into space has plunged over the past decade, a direct consequence of the development of reusable rockets by SpaceX, the rocket-launch company founded by Elon Musk. Its Falcon 9 rocket has a reusable booster stage, which can send a payload on its way to orbit and then return to Earth, touching down either on land or on a drone ship. Not throwing away the booster, which costs tens of millions of dollars, but instead reusing it up to 15 times, has slashed launch costs, and SpaceX now carries more to orbit than the rest of the world combined. But launch costs could soon fall even further, if two new rockets make successful flights in 2024. The first is SpaceX's Starship, the largest rocket ever built, which is fully reusable and can carry as much as 150 tonnes into orbit, ten times more than Falcon 9. But keep an eye, too, on Neutron, a new reusable rocket from Rocket Lab, a rival startup. It aims to be competitive on a cost-per-kilogram basis with the Falcon 9, but for smaller payloads. To open up new opportunities in space, what goes up must come down—in price.



IS ENTHUSIASM FOR AI CHATBOTS IN DECLINE?

ChatGPT attracted 100m users within two months of its launch in November 2022, but user visits peaked in mid-2023 and have since levelled off. This may indicate flagging enthusiasm for chatbots in general. Or it may just signal that users have become more discerning, and have switched to other chatbots that are better suited to particular tasks. Another possibility is that the mid-year decline is the result of school holidays: watch to see if the numbers tick up again in late 2023.





WILL PEROVSKITE SOLAR CELLS TAKE OFF?

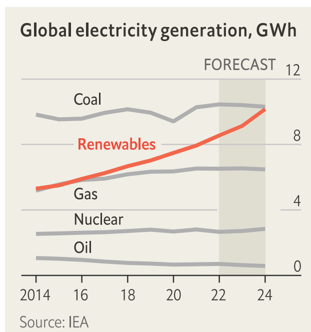
Most photovoltaic cells are made of silicon, and convert sunlight to electricity with an efficiency of about 23%. Perovskite cells, which use other elements in a particular crystal structure, cost more but offer higher efficiency: over 25%, and over 30% when combined in a "tandem" cell with silicon. So the extra expense can be worth it, particularly in situations where space is tight. Firms in America, Britain, South Korea and Sweden aim to start selling perovskite cells in 2024.

100BN

Amount saved, in euros, in the European Union by new solar and wind capacity introduced since the beginning of the energy crisis

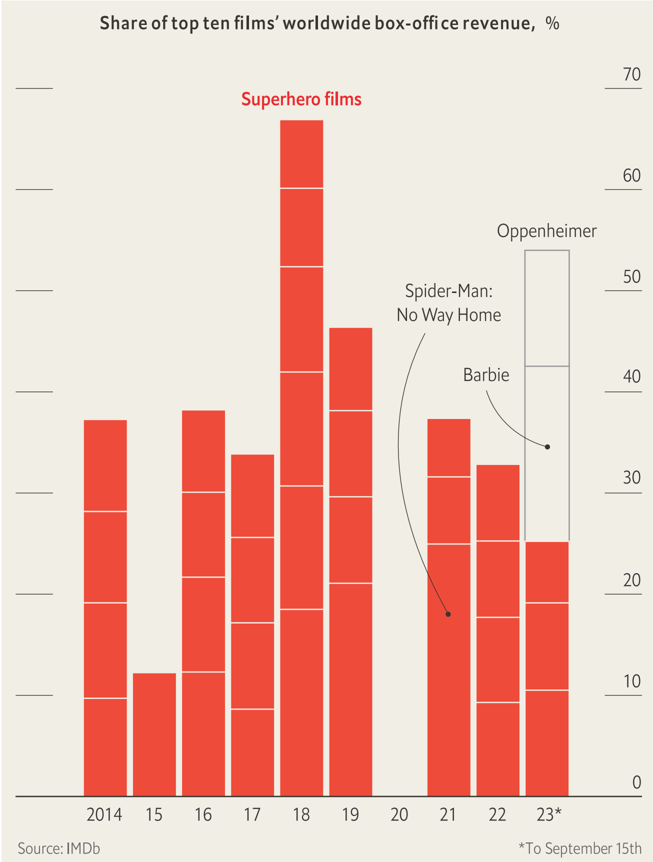
WHEN WILL RENEWABLES OVERTAKE COAL?

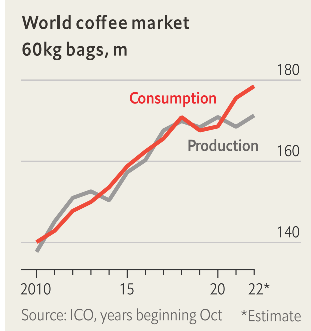
Renewable supplies of energy, such as solar and wind power, will soon overtake coal-fired power stations to become the world's largest single source of electricity, according to the International Energy Agency (IEA). But when? Having previously said it would be in 2025, the IEA now thinks it could happen in 2024, "as a result of the accelerated pace of renewable capacity additions" and "the plateauing of electricity generation from coal". Adoption of renewables in Europe has been accelerated by the war in Ukraine: EU countries added 41 gigawatts (GW) of solar capacity in 2022, and are expected to add more than 50GW in 2023. China added 107GW of solar capacity in 2022, roughly equivalent to all existing capacity in America, and is expected to have added two Americas' worth of solar capacity in 2023. Meanwhile, use of coal for generation rose by 1.7% in 2022, as high natural-gas prices prompted gastocoal switching. But use of coal in Europe and America in 2023 and 2024 is predicted to drop sharply, more than offsetting a slight increase in Asia.



WILL SUPERHERO FILMS MAKE A COMEBACK?

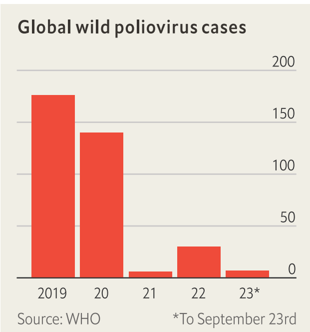
Superheroes may have met their match—at the box-office, that is. In 2023 superhero films were overshadowed by "Barbie", whose plastic heroine battled the patriarchy with frequent wardrobe changes, rather than superhuman powers, and "Oppenheimer", a biopic of an non-super (but very clever) human. Much speculation ensued about whether the appetite for endless superhero flicks from Marvel, and its imitators, had cooled. The scene is thus set for a showdown in 2024, when superhero releases include "Captain America: Brave New World", "Deadpool 3" and two Spider-Man spin-offs, "El Muerto" and "Madame Web". They face off against "Mickey 17", Bong Joon Ho's follow-up to "Parasite"; "Challengers", Luca Guadagnino's tennis drama; "It Ends with Us", based on Colleen Hoover's book; and "Gladiator 2", Ridley Scott's follow-up to his epic of 2000. Let battle commence.





WILL YOUR CUP OF COFFEE GET MORE EXPENSIVE?

Consumption of coffee is now outstripping production, according to the International Coffee Organisation. The gap could widen in 2024: extreme weather in Brazil in late 2023 may reduce harvests of *arabica* beans, while El Niño threatens to depress yields of *robusta* beans in Indonesia. Coffee producers may need to consider cultivation in new areas as the planet warms, and encourage coffee-drinkers to embrace a third species, called *liberica*, which is more heat-tolerant.

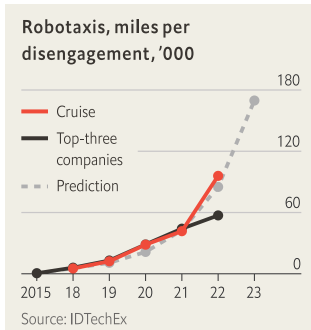


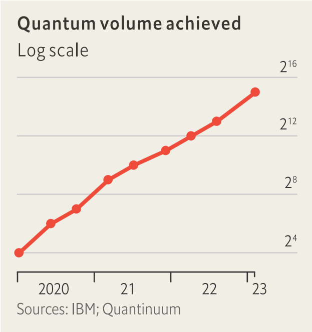
WILL WILD POLIO BE ERADICATED?

2024 could be the first year without wild polio. Pakistan and Afghanistan are the last countries where the disease is endemic. Cases have dwindled (the chart shows the number of cases, not thousands or millions) and are limited to small geographical areas. Eradication programmes have a good chance of eliminating the wild virus in the coming months. The focus is shifting towards eliminating a new form of the disease, vaccine-derived polio, which is on the rise.

WILL ROBOTAXIS TURN THE CORNER?

After much hype five years ago, plans for self-driving robotaxis were delayed and scaled back, as ironing out the bugs from the technology proved harder than expected. But they have since made quiet progress, with the distance between "disengagements" (mistakes requiring intervention by a safety driver) ticking up across the industry, and commercial roll-outs in more cities. More will follow in 2024. But Americans' trust in self-driving cars fell for the second year running in 2023, according to a survey by J.D. Power. People who have ridden in one, however, were more positive. The question for 2024 is: can robotaxis get better more quickly than perceptions of them get worse?

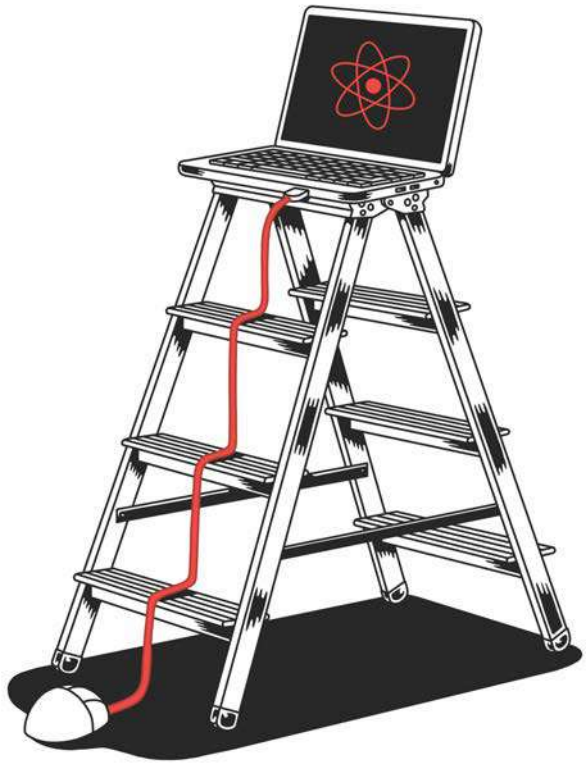




WILL QUANTUM COMPUTING BECOME USEFUL?

A race is under way to harness the spooky, counter-intuitive laws of quantum physics to build a new kind of computer. For some tasks a quantum computer could outperform any non-quantum machine that could ever be built, blazing through calculations in cryptography, chemistry and finance. But when will a useful machine arrive?

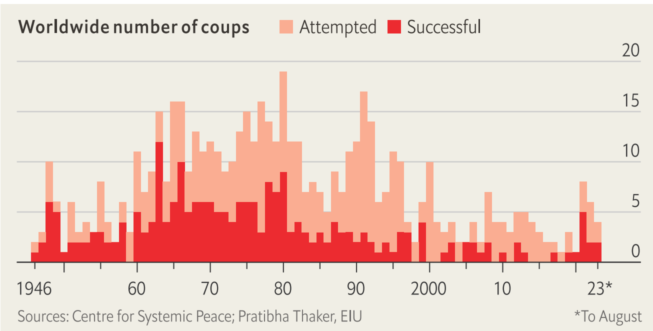
One measure of a quantum computer's capability is its number of quantum bits, or qubits. But existing machines, which implement qubits in



various different ways, all have a fatal flaw: the delicate quantum states on which they depend "decohere" after a fraction of a second.

A better measure may be so-called "quantum volume" (QV), which depends on the "width" of a computer (its number of qubits) and its "depth" (the number of operations they can perform before decohering). A computer with 14 qubits that is able to execute 14 operations is said to have a QV of 2 to the power of 14, or 16,384.

The maximum QV achieved is rising steadily, but the volume needed to perform useful operations, not just small-scale tests, remains unclear. IBM, a leader in the field, has set itself a QV target of 2 to the power of 100. Like artificial intelligence, which disappointed for decades before its sudden, spectacular success, quantum computing is likely to go from useless to ubiquitous very quickly—just as soon as researchers figure out how to turn up the volume.



WILL THE NUMBER OF COUPS CONTINUE TO RISE?

Coups are back, and in sub-Saharan Africa in particular, after a lull in the 2010s. You can walk from the Red Sea to the Atlantic entirely within countries that have had coups in the past three years. Of 18 attempted coups since 2021, nine have succeeded. Coups tend to occur for one of two reasons: either a collapse of security, as in Niger and Mali, where generals claimed to be restoring order; or when an unpopular leader outstays his welcome, as in Gabon.

Instability in the Sahel shows no sign of abating, so further coups are possible. But where? Analysts at BMI, a research firm, reckon South Sudan is at most risk, followed by the Central African Republic, much of which is no longer under government control. SBM Intelligence, a Nigerian firm, reckons the chances are highest in the Democratic Republic of Congo. And keep an eye on Equatorial Guinea, which is ruled by Africa's longest-standing leader, Teodoro Obiang Nguema Mbasogo, now 81 years old. A succession crisis could trigger a coup.

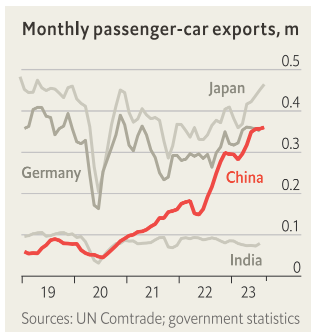
WHEN WILL CHINA TAKE THE LEAD IN CAR EXPORTS?

The switch to electric vehicles (EVs) has reshaped the car industry. In many ways, EVs have more in common with smartphones on wheels than they do with combustion-engine vehicles; they contain fewer moving parts and are mechanically much less complex. Incumbent manufacturers, which excel at building engines and gearboxes, have lost their competitive advantage. Chinese manufacturers spotted an opening—and have charged into it.

Some time in 2024 China will overtake Germany and Japan to become the world's largest car exporter, driven by demand for EVs. Admittedly, Chinese car exports include a lot of vehicles made by Tesla, an American firm, in its Chinese factory. But Tesla, the world's biggest maker of EVs, will be overtaken by BYD, a Chinese firm, which will sell more vehicles, both within China and globally.

330%

Increase in Chinese car exports from 2019 to 2023 (12 months to August)



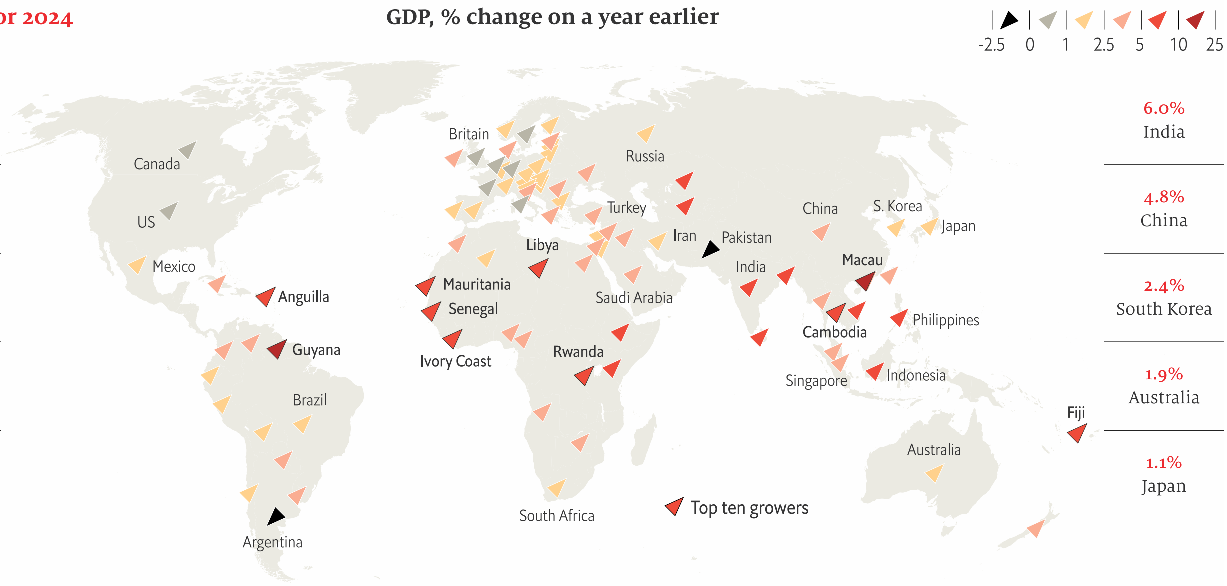
THE WORLD IN NUMBERS

COUNTRIES

Forecasts for 2024

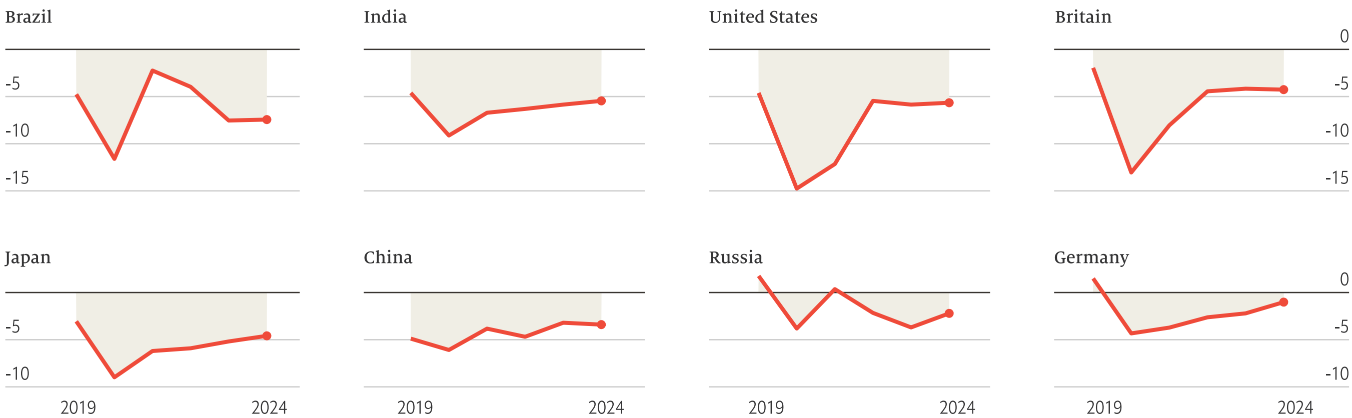
GDP, % change on a year earlier

0.9% Canada	6.0% India
0.8% United States	4.8% China
1.5% Brazil	2.4% South Korea
0.7% Britain	1.9% Australia
0.9% Germany	1.1% Japan



THE FASTEST-GROWING ECONOMIES IN 2024 will account for less than 1% of global GDP, a triumph of the minnows over the larger fish. The world's bigger economies are facing headwinds, including war, inflation, high interest rates and a slowing China. Indeed, the days when China cracked the top ten are long gone. But China will indirectly support the world's fastest grower in 2024, Macau (23.2%), as gamblers from the mainland stream into the punters' paradise. For others, strong GDP-growth rates reflect one-off factors, such as a post-pandemic tourism recovery in Anguilla (7.0%) and a rally after Cyclone Cody in Fiji (6.9%). Others are enjoying natural-resource booms: oil in Guyana (20.0%), Senegal (9.7%) and Libya (7.7%), and gas in Mauritania (8.0%). Only in Rwanda (7.1%), Ivory Coast (6.9%) and Cambodia (6.7%) does economic growth reflect policy-led improvement.

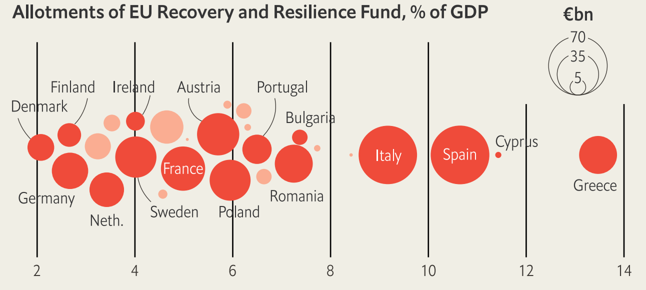
Budget balance as % of GDP



2024 forecasts unless otherwise indicated. 2023 figures in charts are estimates. Dollar GDP calculated using 2024 forecasts for dollar exchange rates (GDP at PPP, or purchasing-power parity, shown in brackets).

ECONOMIST INTELLIGENCE

Europe



Allotments of EU Recovery and Resilience Fund, % of GDP

Austria

GDP growth	0.4%
GDP per head	$62,476 (PPP: $74,610)
Inflation	3.1%
Budget balance (% GDP)	-2.4
Population	8.7m

The ruling coalition is unpopular but the centre-right Austrian People's Party will probably retain a place in government after elections due in September, this time as a junior partner to the far-right Freedom Party (FPÖ). This will be FPÖ's fourth foray into government after a corruption scandal ended their latest in 2019; its popular anti-immigrant rhetoric will moderate as it seeks peace with its coalition partner. Economic growth will remain weak in 2024.

Belgium

GDP growth	1.1%
GDP per head	$55,595 (PPP: $ 70,230)
Inflation	2.4%
Budget balance (% GDP)	-3.7
Population	11.7m

The seven-party "Vivaldi" coalition government will struggle to agree on policy, and major reforms of taxes and pensions will stay out of reach. The regions of Wallonia and Flanders will remain split, the former leftward and the latter to the right. The economy will rally slightly as supply pressures fade and trade partners recover.

TO WATCH: Gas guzzler. Belgium's industrial sector is the most gas-intensive in Europe. A new supply shock would flatten the economy.

Bulgaria

GDP growth	2.4%
GDP per head	$16,561 (PPP: $37,410)
Inflation	3.3%
Budget balance (% GDP)	-1.8
Population	6.4m

The post of prime minister in the country's coalition government will rotate every nine months between the dominant parties, the centre-right Citizens for European Development of Bulgaria and the centrist We Continue the Change-Democratic Bulgaria. There is broad consensus about reforms designed to ready the country for entry into the euro zone in 2025. Political reforms, including an anti-corruption drive and greater judicial independence, will help release funds from the EU's Recovery and Resilience Facility, lifting economic growth towards its pre-covid trend rate.

Croatia

GDP growth	2.6%
GDP per head	$22,397 (PPP: $41,890)
Inflation	3.4%
Budget balance (% GDP)	-0.9
Population	4.0m

The centre-right Croatian Democratic Union, which dominates the ruling coalition, is polling well and will retain power in elections scheduled for July, though the composition of the coalition may change. Andrej Plenkovic is on course to serve a third and final term as prime minister, despite a succession of scandals that have undermined confidence in his leadership. Membership of the Schengen free-travel area and the adoption of the euro, triggered at the start of 2023, will support tourism, which contributes around a quarter of GDP. The flow of EU funds will further support economic recovery.

Czech Republic

GDP growth	1.9%
GDP per head	$33,568 (PPP: $54,230)
Inflation	2.7%
Budget balance (% GDP)	-2.9
Population	10.5m

Tensions in the centre-right coalition government are set to grow as its five member parties gear up for elections in 2025, with decisions over balancing the budget a key area of disagreement. Opposition parties have been gaining ground and popular protests can be expected as they seek to press their case in the election run-up. The economy should share in Europe's growth bump as the energy market stabilises and demand in the trade bloc picks up. Even so, supply-chain disruptions and a transition in the car industry towards electric vehicles will cap growth potential.

Denmark

GDP growth	2.6%
GDP per head	$83,366 (PPP: $82,850)
Inflation	2.5%
Budget balance (% GDP)	1.0
Population	5.9m

The centre-left "red bloc" coalition government under Mette Frederiksen, the prime minister, will press a socially liberal agenda alongside a hostile immigration policy as it seeks to head off the threat from the Danish People's Party and others on the far right. The government will press for both tax cuts and higher military spending, eroding the country's fiscal strength, while encouraging more people into work and beefing up energy security. The economy will rebound as both industry and services normalise.

TO WATCH: Bean there. Copenhagen will host the World of Coffee in June, including the World Latte Art Championships.

Estonia

GDP growth	2.6%
GDP per head	$36,741 (PPP: $52,090)
Inflation	3.1%
Budget balance (% GDP)	-0.4
Population	1.3m

A coalition comprising three like-minded centrist and centre-left parties will use its comfortable majority to advocate tight budget management (including tax increases and the roll-back of cost-of-living support), a faster green-energy transition and a robust response to Russian security threats. The economy's reliance on business services and information and communications technology will help cushion the impact of weak manufacturing, and growth will revive after a recession in 2023.

Finland

GDP growth	1.0%
GDP per head	$57,174 (PPP: $64,230)
Inflation	2.2%
Budget balance (% GDP)	-2.1
Population	5.6m

The four conservative parties in the ruling coalition—ranging from centre-right to far right—support stronger energy security and defence policy but compromise on much else, including the EU, climate policy and immigration, and relations will be tense. The working-age population is in decline and looser immigration rules would help, but the far-right Finns Party, in government for the second time, wants tighter border controls. Finnish exporters are heavily exposed to Western sanctions on Russia, but demand elsewhere will pick up and the economy should rally.

TO WATCH: Meeting of minds. The European Academy of Neurology will hold its tenth annual congress in Helsinki in June.

France

GDP growth	0.8%
GDP per head	$51,131 (PPP: $63,250)
Inflation	2.7%
Budget balance (% GDP)	-4.7
Population	64.9m

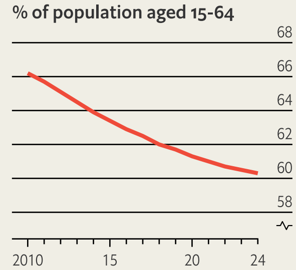
The decision of the second-term president, Emmanuel Macron, to ram through a controversial pension reform without a vote has estranged mainstream parties previously willing to support the minority government on matters of common interest. A second major reform proposal, on immigration, may require similar tactics, exposing the government to a new round of popular protests. The economy will be supported by a €30bn ($32.1bn) programme to boost local industry and "green" initiatives, and a €100bn recovery and stimulus plan, partly funded by the EU. Even so, growth will be below the EU average.

Germany

GDP growth	0.9%
GDP per head	$58,245 (PPP: $68,550)
Inflation	2.4%
Budget balance (% GDP)	-1.0
Population	82.8m

The country's first left-right-Green coalition government has struggled for consensus, and its right-leaning opponents are faring well in the polls. The rise of the far-right Alternative for Germany,

→ Finland
% of population aged 15-64



in particular, which will begin 2024 with more than 20% support, will galvanise the mainstream parties, who repudiate its anti-immigrant and Eurosceptic stance. Tensions within the coalition will intensify as its popularity is challenged. The economy will rebound in 2024 as the energy squeeze eases.

Greece

GDP growth	2.6%
GDP per head	$24,630 (PPP: $41,950)
Inflation	2.6%
Budget balance (% GDP)	-1.5
Population	10.3m

The centre-right New Democracy government under the prime minister, Kyriakos Mitsotakis, expanded its majority in the 2023 election and will take a pro-business tack in its second term. Upgrading infrastructure will be a priority after a deadly train crash in 2023, potentially delaying the further planned privatisation of transport assets. The government will aim to reduce the economy's dependence on tourism and strengthen the public finances.

TO WATCH: Brussels boost. Money from the EU's covid-19 recovery fund, of which Greece is the biggest beneficiary as a proportion of GDP, will raise economic growth.

Hungary

GDP growth	2.4%
GDP per head	$26,331 (PPP: $43,520)
Inflation	4.8%
Budget balance (% GDP)	-3.8
Population	10.0m

The tight grip of the prime minister, Viktor Orban, has irked his EU partners but conferred a degree of stability on the political and economic landscape, though this may change if the budget fails to generate resources for patronage. Living standards have been eroded by a rising cost of living. Mr Orban will blame Western sanctions against Russia, and enough will believe him to keep him in power.

TO WATCH: A very bully pulpit. Mr Orban will use Hungary's EU presidency in 2024 to push his hard-right social agenda.

Ireland

GDP growth	3.1%
GDP per head	$120,154 (PPP: $142,550)
Inflation	2.4%
Budget balance (% GDP)	1.2
Population	5.1m

Tensions between members of the ruling coalition, the centrist former rivals Fine Gael and Fianna Fáil and the Green Party, will surface as elections due in March 2025 approach, and the coalition may collapse. The advance of the left-wing nationalist Sinn Féin (SF) party—leading in polls by a consistent margin—has suppressed those tensions so far, but that will change as prospects of electoral victory for the coalition parties recede. SF will dominate any early election but will struggle to form a stable coalition.

TO WATCH: Foreign figures. The impact of balance-sheet movements by big foreign companies based in Ireland will distort GDP growth calculations.

Italy

GDP growth	0.7%
GDP per head	$40,684 (PPP: $56,330)
Inflation	2.5%
Budget balance (% GDP)	-5.3
Population	58.7m

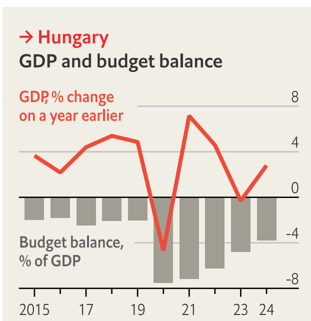
Giorgia Meloni, Italy's first woman prime minister and its most right-wing since Mussolini, will benefit from the death in June 2023 of Silvio Berlusconi, whose Forza Italia party, a fractious member of her coalition, will ebb in his absence. The European Parliament elections in June 2024 will offer a preview of the new alignment. Simplifying taxes and tinkering with the pension system will be priorities. Concerns about the sustainability of Italy's public finances and its economic policies will continue to spook investors.

TO WATCH: Group dynamics. The southern region of Puglia will host the 50th annual G7 summit in June.

Latvia

GDP growth	2.0%
GDP per head	$27,567 (PPP: $31,050)
Inflation	2.7%
Budget balance (% GDP)	-3.2
Population	1.8m

Latvia's parliament approved a new three-party government coalition, led by Evika Silina of the centrist New Unity (JV) party, in September 2023. JV has partnered with the conservative Union of Greens and Farmers and the green/social



2024 IN PERSON

Austria's Freedom Party (FPÖ), founded in 1956 by a former Nazi minister and SS officer, has been the junior partner in three ruling coalitions (1983-86, 1999-2006 and 2017-19) and is on course to return to government in elections expected in September. Its last stint in coalition ended in scandal and brought down the government, but its fortunes were revived under the charismatic **Herbert Kickl**, who would serve as chancellor in an FPÖ-dominated coalition. Mr Kickl coined populist slogans such as "More courage for our Viennese blood" and the less original "Make Austria Great Again". A vociferous proponent of nationalist, anti-immigrant ideas, Mr Kickl is a star on Europe's right, but his extremism will be checked by his coalition partners.

democratic Progressives in an ideologically disparate government coalition. Differences will make the coalition unstable and susceptible to shocks. The government will remain pro-EU, strongly Atlanticist and a robust supporter of Ukraine. GDP growth will accelerate as inflation drops by two-thirds.

TO WATCH: State sell-offs. The government could start a new round of privatisations in 2024 to expand Latvia's capital market.

Lithuania

GDP growth	2.0%
GDP per head	$31,709 (PPP: $55,090)
Inflation	3.0%
Budget balance (% GDP)	-1.8
Population	2.7m

The government of the prime minister, Ingrida Simonyte, and her ruling coalition limped through a corruption scandal in mid-2023, but it should last until the election in October 2024. The opposition Social Democratic Party will probably displace the conservative Homeland Union-Lithuanian Christian Democrats at the head of the next coalition. Until then, reform of the health-care, education and social-welfare systems will languish as near-term politics dominate. After courting recession, the economy will revive.

Netherlands

GDP growth	0.3%
GDP per head	$62,381 (PPP: $76,100)
Inflation	3.0%
Budget balance (% GDP)	-2.4
Population	17.6m

The focus in early 2024 will be on forming a new government after snap elections in November 2023. Political fragmentation will mean another large multi-party coalition, centrist in policy but with more of a hard line on immigration. The new government will struggle to tackle the same problems that dogged its predecessor, including the thorny issue of how to cut nitrogen emissions without damaging the agricultural sector. The open economy will be affected by a downturn in global trade and growth will remain weak.

TO WATCH: Petal power. Museum Square in Amsterdam will host the start of tulip season on January 20th, National Tulip Day.

Norway

GDP growth	1.8%
GDP per head	$108,586 (PPP: $(123,170)
Inflation	2.8%
Budget balance (% GDP)	9.8
Population	5.6m

The Labour Party and its Centre Party ally lead a minority government, but this is nothing new, so the country will be stable politically. The government will aim to raise spending on health and education, and to nudge the country away from oil and gas and towards sustainable fishing, professional services and light manufacturing. For now, though, fossil fuels will remain the mainstay of the economy. Growth will pick up in 2024.

Poland

GDP growth	2.3%
GDP per head	$21,368 (PPP: $43,990)
Inflation	4.9%
Budget balance (% GDP)	-4.5
Population	40.2m

The conservative Law and Justice (PIS) party came up short in elections in October 2023 and was facing the prospect of losing power after eight years on top. The main opposition Civic Platform (PO) party and its allies were poised to take over despite efforts by PIS to portray PO as soft on Russia. A PO government will face a hostile legislature, but will stress mending fences with the EU and moving away from the power grabs of the PIS. A recovering Europe will boost the economy.

Portugal

GDP growth	1.6%
GDP per head	$29,547 (PPP: (45,580)
Inflation	2.8%
Budget balance (% GDP)	-0.1
Population	10.4m

António Costa, the prime minister and head of the centre-left Socialist Party, resigned in November 2023 after the state prosecutor said he was being investigated in a corruption probe involving mining and energy concessions. The president, Marcelo Rebelo de Sousa, has called a snap election for March 2024, the second in as many years. After the election, raising pensions and the minimum wage and tackling labour shortages will be priorities.

Romania

GDP growth	3.4%
GDP per head	$19,902 (PPP: $45,300)
Inflation	4.7%
Budget balance (% GDP)	-4.1
Population	19.6m

A grand coalition between the centre-right National Liberal Party and the centre-left Social Democratic Party (PSD) has brought stability, and it will probably win the election expected in late 2024. The PSD, a more cohesive group, will dominate policymaking, pressing for looser budgets and a "made in Romania" economy, but a weak civil service and endemic corruption will go unresolved. Improving trade will boost growth.

TO WATCH: Falling frontiers. Entry into the Schengen free-movement area some time in 2024 will lift investment and tourism.

Russia

GDP growth	1.4%
GDP per head	$13,193 (PPP: $38,860)
Inflation	5.7%
Budget balance (% GDP)	-2.6
Population	147.0m

Trapped in a war of its own choosing, the authoritarian regime of Vladimir Putin will tighten its grip on every aspect of national life. Loyalty to the regime—both real and manufactured—and a formidable apparatus of domestic repression will protect it from popular uprising. Still, sources closer to the centre of power may seek to topple Mr Putin, either in a coup or a more subtle shift in the locus of authority. The economy will grow modestly, but will remain distorted by the demands of war.

TO WATCH: Asset grab. Foreign companies still operating in Russia may face expropriation as the state tries to keep assets and jobs.

Slovakia

GDP growth	2.4%
GDP per head	$26,590 (PPP: $39,220)
Inflation	2.7%
Budget balance (% GDP)	-4.3
Population	5.7m

The populist-nationalist Direction-Social Democracy (Smer-SD) party, led by Robert Fico, won the most votes in the election in September 2023 and now leads a coalition government with centrist and ultranationalist parties. The new government will be unstable, but Mr Fico will mostly rule pragmatically. Relations with the EU will deteriorate, but Slovakia needs EU recovery funds, so major clashes will be avoided. Business investment will hold up and the energy crisis will fade.

Slovenia

GDP growth	2.4%
GDP per head	$36,017 (PPP: $54,850)
Inflation	3.8%
Budget balance (% GDP)	-2.9
Population	2.1m

The three-party centre-left coalition under the prime minister, Robert Golob, enjoys a comfortable legislative majority, though tensions exist with The Left party, the minority partner. The cost-of-living crisis has eroded public support and the populist right-wing Slovenian Democratic Party is formidable. Reconstruction from catastrophic floods in August 2023 will boost growth.

Spain

GDP growth	1.2%
GDP per head	$35,151 (PPP: $50,460)
Inflation	2.7%
Budget balance (% GDP)	-3.5
Population	47.5m

The leftist Spanish Socialist Workers' Party (PSOE), led by the acting prime minister, Pedro Sanchez, struck a deal with a separatist party late in the year that seemed likely to keep Mr Sanchez and the PSOE in power. The deal includes amnesty for Catalan separatists. The country had been in a stalement since snap elections in July 2023 delivered the most votes for the centre-right People's Party but left it and its allies short of a majority. The unstable PSOE government will limp on with little room to get anything done. Political uncertainty means that, after a weak 2023, the economy will lose further momentum.

Sweden

GDP growth	1.0%
GDP per head	$64,529 (PPP: $69,070)
Inflation	4.0%
Budget balance (% GDP)	-0.2
Population	10.5m

An unwieldy political set-up, comprising centre-right and right-wing parties in a minority government, with the far-right Sweden Democrats offering support from outside, may collapse before its term ends in 2026. But the opposition Social Democratic Party, although well ahead in the polls, is no better placed to bring stability. The political uncertainty will slow policymaking, but an agenda focused on fighting crime, beefing up security and reaching climate goals will advance gradually.

Switzerland

GDP growth	1.0%
GDP per head	$99,502 (PPP: $91,060)
Inflation	1.3%
Budget balance (% GDP)	-0.3
Population	8.9m

The country's unique political system, in which the legislature elects a seven-person executive, ensures that interests across the ideological spectrum are represented. Policy will focus on rebuilding trust in the financial sector after a crisis-ridden 2023, reinforcing energy security and green-energy initiatives and repairing the public finances after a period of fiscal laxity (by Swiss standards). Improving market conditions will help the economy.

Turkey

GDP growth	2.7%
GDP per head	$11,147 (PPP: $41,400)
Inflation	49.3%
Budget balance (% GDP)	-4.0
Population	86.3m

Entering his third consecutive presidential term (after three as prime minister), Recep Tayyip Erdogan will preside over an increasingly autocratic and unpredictable government. Local elections will provide a test of his popularity in March 2024, especially in the biggest city, Istanbul, an opposition stronghold. Mr Erdogan's foreign policy with the West will remain transactional.

The government will focus on reducing inflation by adopting more conventional economic policies, but inflation will not fall decisively until mid-2024.

Ukraine

GDP growth	3.2%
GDP per head	$5,209 (PPP: $13,390)
Inflation	5.2%
Budget balance (% GDP)	-18.3
Population	37.0m

The presidential election, due in early 2024, may be postponed under martial law. If so the government and the president, Volodymyr Zelensky, will remain in place, backed by wide popular support. Prosecuting the war with Russia will be the overwhelming priority, while mitigating the humanitarian crisis at home and reinforcing foreign support. Anti-corruption efforts will remain a priority for both the population and Ukraine's Western backers. The economy will grow but will not recover to pre-war levels for years.

TO WATCH: Poll dance. If there is no presidential election at home, Ukrainians will focus on America's, in which a victory for Donald Trump could shift the balance of the war.

United Kingdom

GDP growth	0.7%
GDP per head	$54,800 (PPP: $58,640)
Inflation	2.6%
Budget balance (% GDP)	-4.3
Population	68.0m

Following a catalogue of disasters both global and self-inflicted, the Conservative Party under the prime minister, Rishi Sunak, is likely to lose power after 14 years to the opposition Labour Party in elections expected in late 2024. Deep internal divisions will prevent Mr Sunak from using his final months to rebuild his party's popularity despite commanding a comfortable parliamentary majority. Public spending will increase as budget constraints ease, but not by enough to revitalise parlous public services.

Asia

Australia

GDP growth	1.9%
GDP per head	$66,969 (PPP: $71,240)
Inflation	3.2%
Budget balance (% GDP)	-1.1
Population	26.6m

The centre-left Labor Party government, supported from outside by the Greens and independents, will work to strengthen public services, improve business conditions and accelerate the green transition. The party's grip will hold, even though its proposal to boost the political representation of indigenous peoples failed in a referendum in October 2023. The AUKUS alliance with America and Britain will strengthen security at the cost of friction with China. High interest rates will be a drag, but rallying global demand for commodities will buttress trade.

Bangladesh

GDP growth	6.2%
GDP per head	$2,615 (PPP: $8,740)
Inflation	8.8%
Budget balance (% GDP)	-5.4
Population	174.7m

The Awami League (AL) will retain its parliamentary dominance, building on its entrenched patronage system and army backing. The prime minister, Sheikh Hasina (see In Person), will win a fourth term at the start of 2024, though speculation over succession may arise thereafter, straining relations in the AL. Popular discontent with the rising cost of living may emerge in public protests, but these will pose little threat to the government's tenure. Economic growth has topped 6% each year since 2011 save one, and will do so again in 2024, outpacing the regional average.

TO WATCH: Bay watch. Leveraging its strategic Bay of Bengal location, Bangladesh will secure concessions and aid from regional powers.

China

GDP growth	4.8%
GDP per head	$13,601 (PPP: $25,250)
Inflation	1.9%
Budget balance (% GDP)	-3.4
Population	1,400.0m

President Xi Jinping will tighten his grasp in his third term, using institutional reshuffles to assuage the discontent that arose over his "zero-covid" policy. China will contain its Taiwan ambitions, for now. The economy is shifting to a lower gear, weighed down by excess manufacturing capacity, soft demand, property-sector turbulence, youth unemployment and debt concerns. The switch to a consumption-driven economy will prove slow amid sinking demographics—fewer people and a declining workforce.

TO WATCH: Can you dig it? The World Tunnel Congress will meet in Shenzhen in April under the slogan "Tunnelling for a Better Life".

Hong Kong

GDP growth	3.2%
GDP per head	$53,227 (PPP: $75,610)
Inflation	1.6%
Budget balance (% GDP)	0.0
Population	7.6m

Enforcement of the 2020 national-security law will quell major social unrest, limiting political freedom and subduing the opposition, but the government will ensure that the legal and judicial systems remain stable for commercial matters. Legislative reforms will streamline policymaking while reducing opposition scrutiny and further concentrating power under the chief executive, John Lee, and his mainland handlers. The economy's unique role linking China and the global economy will boost growth.

India

GDP growth	6.0%
GDP per head	$2,727 (PPP: $9,890)
Inflation	4.8%
Budget balance (% GDP)	-5.5
Population	1,442.0m

The Bharatiya Janata Party government will retain power in elections due in April and May, thanks to the popularity of the prime minister, Narendra Modi, and his policies, including "last-mile" delivery of public services. Nevertheless, Congress, the main opposition party, will offer stiff competition in some state-level elections. Government will remain focused on an infrastructure upgrade and regulatory reforms to plug India more closely into supply chains. Economic growth will slow as pent-up demand is satisfied.

TO WATCH: Go West? Assumptions about India's Westward tilt will be tested by the dispute with Canada over the killing of a Sikh separatist.

Indonesia

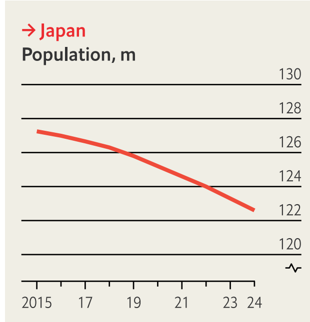
GDP growth	5.1%
GDP per head	$5,359 (PPP: $17,110)
Inflation	2.2%
Budget balance (% GDP)	-2.5
Population	276.4m

Politics will be dominated by the departure of the term-limited president, Joko Widodo (Jokowi), after February elections, though his centre-left party will retain its majority and its candidate, Ganjar Pranowo, the governor of Central Java, will secure the presidency. Jokowi's "big tent" strategy will endure, aiding political stability. The country will maintain cautious but amicable relations with China. The economy will keep growing at 5%-plus, thanks to commodities exports and consumer spending.

Japan

GDP growth	1.1%
GDP per head	$39,009 (PPP: $50,990)
Inflation	1.5%
Budget balance (% GDP)	-4.6
Population	122.6m

The prime minister, Kishida Fumio, is expected to call an early general election in the opening months of 2024, at which he will lead the ruling Liberal Democratic Party to victory. This will allow him to push his agenda of raising tax revenue to fund increases in the defence budget and social-welfare spending, with the latter aimed at boosting childbearing. Foreign policy will add stronger regional defence and economic ties to Japan's core relationship with America. Domestic demand will keep the economy going.



TO WATCH: Beijing balm. While relations with China are strained, Japan will seek to balance security and economic interests to avoid direct conflict.

Kazakhstan

GDP growth	5.5%
GDP per head	$14,143 (PPP: $36,600)
Inflation	8.6%
Budget balance (% GDP)	-1.3
Population	19.8m

The president, Kassym-Jomart Tokayev, will use a nominal opening-up of politics introduced after violent protests in 2022 to appease an unhappy public. In fact, the country remains a dictatorship and genuine political pluralism is nowhere in sight. Economic growth will pick up owing to robust oil production and exports amid elevated global prices. Still, export routes will be at risk of disruption from sanctions aimed at Russia.

TO WATCH: Get your goat. Astana will host the fifth World Nomad Games, featuring wrestling, archery and Kok boru, in which mounted teams manoeuvre a goat's carcass.

Malaysia

GDP growth	4.4%
GDP per head	$13,581 (PPP: $37,800)
Inflation	1.9%
Budget balance (% GDP)	-4.3
Population	34.7m

Anwar Ibrahim is a reformist leader at the head of a coalition that includes powerful conservative factions, so his room for manoeuvre will be limited. In particular, aspirations to dismantle the *bumiputra* system, which favours ethnic Malays and other indigenous groups, will be shelved to keep the political peace, while the reluctance of the previous government coalition to work with the main opposition party, the Islamist Pan-Malaysian Islamic Party, will shore up Mr Anwar's authority. Consumer spending will keep growth on trend.

New Zealand

GDP growth	2.6%
GDP per head	$50,856 (PPP: $54,200)
Inflation	2.3%
Budget balance (% GDP)	-1.0
Population	5.3m

After six years of Labour Party-led governments, the conservative National Party won a decisive victory in the election in October 2023. A cost-of-living crisis brought on by high inflation sank Labour, as did concern over crime and taxes. The new prime minister, Christopher Luxon, a former businessman, has pledged to shrink the state, boost the housing market and spend less time on the indigenous Maori. The economy will recover after a dip.

Pakistan

GDP growth	-0.3%
GDP per head	$1,295 (PPP: $6,630)
Inflation	21.3%
Budget balance (% GDP)	-6.7
Population	245.2m

Despite discontent over a misfiring economy, the ruling Pakistan Muslim League (Nawaz) government was poised to retain power in elections scheduled for early 2024—not least because the main opposition figure, Imran Khan, was imprisoned before the vote. The risk of political instability lingers due to potential protests over high inflation and taxes. The powerful military will quell unrest, but public opposition to an IMF agreement will fester.

Philippines

GDP growth	5.9%
GDP per head	$3,982 (PPP: $11,500)
Inflation	3.3%
Budget balance (% GDP)	-6.3
Population	119.1m

Political jockeying will intensify as midterm elections approach in May 2025, but the president, Ferdinand "Bongbong" Marcos Jr, will press ahead with an agenda that includes improving the business environment and consolidating ties with America (despite China's disapproval). Robust catch-up growth will resume as the effects of the pandemic and Russia's invasion of Ukraine diminish, though the hot economy will stretch the budget gap and the current-account deficit.

Singapore

GDP growth	2.5%
GDP per head	$95,929 (PPP: $137,000)
Inflation	3.1%
Budget balance (% GDP)	-0.1
Population	5.8m

A general election will be delayed until 2025 to allow the long-ruling People's Action Party time to recover from scandals in 2023. This will also give the deputy prime minister and finance minister, Lawrence Wong, who is expected to succeed Lee Hsien Loong as prime minister after the election, time to establish his authority. The economy will revert to trend after high inflation and weak exports clipped GDP growth in 2023.

TO WATCH: Home sweet home. Multinationals will favour Singapore for their regional HQS given China's grip on Hong Kong.

South Korea

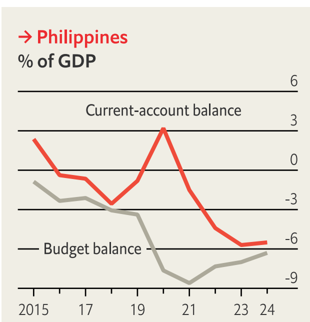
GDP growth	2.4%
GDP per head	$34,666 (PPP: $55,300)
Inflation	1.8%
Budget balance (% GDP)	-2.3
Population	51.7m

The conservative People Power Party (PPP) government of President Yoon Suk-yeol will aim for tax cuts and deregulation to loosen job restrictions and boost private investment. Mr Yoon will face resistance from trade unions and the opposition Minjoo Party, but this may ease after legislative elections in April, from which the PPP is likely to emerge with a majority. The global economic rally will support the country's export-oriented manufacturing sector.

Sri Lanka

GDP growth	5.6%
GDP per head	$5,707 (PPP: $15,150)
Inflation	3.3%
Budget balance (% GDP)	-6.9
Population	22.0m

As the sole representative of his party in parliament, the president, Ranil Wickremesinghe, is heavily reliant on forming alliances to advance his policies, but this won't be easy in a deeply divided political landscape. He will seek re-election in late 2024, but will probably fail, with Anura Kumara Dissanayake of the left-of-centre National People's Power best positioned to replace him. The shifting power balance bodes ill for an IMF deal, but a measure of stability could help the economy to bounce back from recent catastrophe.



2024 IN PERSON

Sheikh Hasina is a symbol of continuity in Bangladesh. Born a month after the partition of India, she was in her mid-20s when Bangladesh came into being (her father, Sheikh Mujibur Rahman, was the first president). She first became prime minister in 1996 and has served four terms since, becoming the world's longest-serving female head of government. She is set to win a fifth in January. Her ruthlessness and authoritarian bent have won her the title of Asia's iron lady. She has overseen sustained growth and a sharp reduction in poverty. But troubles await, including rising living costs, the threat of radical Islam and climate change in her low-lying country. Storm clouds, real and metaphorical, are gathering.

Taiwan

GDP growth	3.2%
GDP per head	$32,775 (PPP: $80,040)
Inflation	1.7%
Budget balance (% GDP)	0.1
Population	23.2m

Parliamentary and presidential elections are set for January, with the ruling Democratic Progressive Party gaining another term, aided by increasing public scepticism of China. The current vice-president, Lai Ching-te, will take the top job, deepening tensions with China, where he is considered pro-independence. The economy will rebound, though technology tussles between America and China will continue to loom over the semiconductor industry.

TO WATCH: More carrot, less stick. China will boost outreach to Taiwan, aware that military threats have not swayed public opinion.

Thailand

GDP growth	4.2%
GDP per head	$8,186 (PPP: $23,470)
Inflation	2.7%
Budget balance (% GDP)	-3.4
Population	71.9m

Srettha Thavisin of the former opposition Pheu Thai Party (PTP) will lead the new 11-party coalition government, which includes military-aligned parties, the PTP's former rivals. This signals a new political alliance among old rivals to block the reformist Move Forward Party, which came top in the election in 2023,from taking power. The new government will attempt some democratic reforms but won't challenge the status quo. Fiscal support and a recovery in tourism will boost the economy.

TO WATCH: Southern discomfort. Insurgencies in three Muslim-majority southern provinces will smoulder, but without threatening national stability.

Uzbekistan

GDP growth	5.2%
GDP per head	$2,636 (PPP: $12,910)
Inflation	8.4%
Budget balance (% GDP)	-2.4
Population	35.7m

President Shavkat Mirziyoyev will dominate the political scene, enabled by the removal in 2023 of term limits. He will focus on economic liberalisation to lift foreign and private investment. Consumer spending will support the economy, but corruption, state meddling and geopolitical tensions will cap growth.

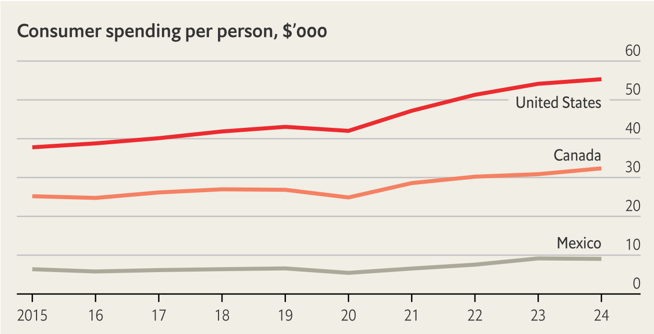
Vietnam

GDP growth	6.0%
GDP per head	$4,937 (PPP: $15,610)
Inflation	2.4%
Budget balance (% GDP)	-2.6
Population	99.5m

Nguyen Phu Trong, the general secretary, is in his third term, with his own poor health the main threat to his tenure. He has not endorsed a successor, but the prime minister, Pham Minh Chinh, and the chair of the National Assembly, Vuong Dinh Hue, are the top candidates to take over when his term ends in 2026. The regime will liberalise business rules and go after the very corrupt, but graft will remain endemic. The economy will respond to improving trade and rally.

TO WATCH: Unfriendly neighbour. Protesters will want a more forceful response to Chinese threats, which the regime will resist.

North America



Canada

GDP growth	0.9%
GDP per head	$57,859 (PPP: $62,930)
Inflation	2.3%
Budget balance (% GDP)	-1.3
Population	39.1m

The minority Liberal Party government, led by the third-term prime minister, Justin Trudeau, relies on co-operation from the left-leaning New Democratic Party to pass legislation, but should serve out its term, which ends in 2025. The government will aim to reduce emissions, protect indigenous rights and battle inflation. Provinces led by the opposition Conservatives will act as a brake on policy. Lower interest rates and "green" spending will help growth.

TO WATCH: Poll watching. Elections could come early if an investigation shows the Liberals were soft on election-meddling by China.

Mexico

GDP growth	1.9%
GDP per head	$14,561 (PPP: $24,540)
Inflation	3.9%
Budget balance (% GDP)	-4.9
Population	129.4m

The left-leaning Morena party will retain its legislative majority in elections due in June, but without its term-bound leader, the president, Andrés Manuel López Obrador. AMLO, as he is known, remains popular even as he increasingly centralises power. His probable replacement, Claudia Sheinbaum, a former mayor of Mexico City, will benefit from reflected glory (see In Person). American efforts to bring production closer to home will boost growth, but safety fears and low productivity will be a drag.

United States

GDP growth	0.8%
GDP per head	$82,620 (PPP: $82,620)
Inflation	2.2%
Budget balance (% GDP)	-5.7
Population	341.8m

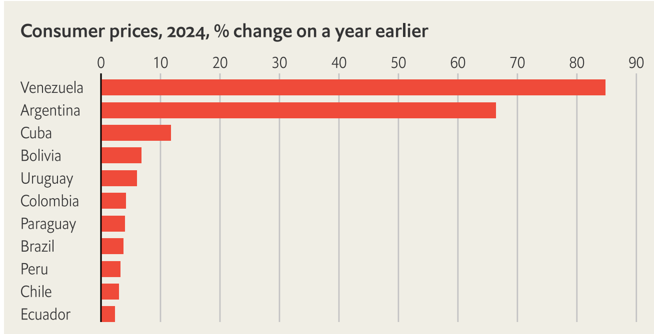
Slim majorities—for Republicans in the House and Democrats in the Senate—will limit the president, Joe Biden, to implementing policy mainly through executive orders as his term enters its final year. He will stand for re-election in November 2024 against the former president, Donald Trump, who still insists he won the 2020 contest that brought Mr Biden to power. The economy will avoid a recession, but growth will be tepid as consumers deplete their covid-era savings.

TO WATCH: Cell division. Mr Trump's campaign under the Republican Party banner will be the first by a candidate under criminal indictment.

2024 IN PERSON

Mexico has never elected a female president, but the contest in June 2024 may boil down to a race between two women. Xóchitl Gálvez will run for the opposition right-left alliance, but polling suggests she will lose to **Claudia Sheinbaum** of the ruling leftist Morena party. Ms Sheinbaum, a physicist, environmental engineer and former mayor of Mexico City, was anointed in 2023 by the current president, Andrés Manuel López Obrador, who cannot stand again. She will take up his push for equality and a green transition but also increase police numbers and set up an anti-corruption agency as she works to forge a legacy of her own.

Latin America



Argentina

GDP growth	-2.1%
GDP per head	$10,931 (PPP: $25,270)
Inflation	139.5%
Budget balance (% GDP)	-2.2
Population	46.1m

The country was headed for a run-off election for president late in the year, pitting the economy minister and Peronist candidate, Sergio Massa, against Javier Milei, a far-right libertarian who wants to slash public spending, sell all public companies and ditch the peso for the greenback. The contest will be close, but Mr Milei, who has secured the backing of third-place finisher Patricia Bullrich, may need to soften his positions. Whoever wins will face the challenge of reining in triple-digit inflation.

Bolivia

GDP growth	2.1%
GDP per head	$3,418 (PPP: $9,840)
Inflation	5.9%
Budget balance (% GDP)	-6.7
Population	12.6m

The ruling left-wing Movement to Socialism is in disarray. The party leader, Evo Morales, a former president, led an internal vote in October 2023 that expelled the president, Luis Arce, and chose Mr Morales as its presidential candidate for the 2025 election. Mr Arce is forming his own political group in response. Legislative activity will grind to a halt as anti-government protests intensify. Currency pressures could bring a balance-of-payments crisis.

Brazil

GDP growth	1.5%
GDP per head	$10,813 (PPP: $20,160)
Inflation	3.8%
Budget balance (% GDP)	-7.5
Population	211.5m

The left-wing president, Luiz Inácio Lula da Silva, will struggle to push his agenda through a hostile legislature, including the repeal of liberalising economic reforms and privatisations implemented by the right-leaning forces now in opposition. His campaign to curb logging in the Amazon and protect indigenous rights will also face headwinds, though congress did approve a new fiscal framework that keeps spending growth below revenue. A flagging economy under Lula's interventionist agenda will sap his popular support.

Chile

GDP growth	2.0%
GDP per head	$17,030 (PPP: $33,270)
Inflation	3.3%
Budget balance (% GDP)	-2.5
Population	19.7m

The left-wing president, Gabriel Boric, has suffered a succession of blows and was heading towards another, with a second attempt at constitutional reform due before voters at the close of 2023. An emboldened right-leaning opposition will water down the constitutional draft and block the more radical proposals in the government's agenda. Mr Boric's prudent approach to monetary and fiscal policy will meet resistance from some government factions that want higher social spending.

TO WATCH: All mine. A new mining-royalty regime for copper producers will come into force, generating revenue equivalent to 0.5% of GDP for regional development.

Colombia

GDP growth	2.8%
GDP per head	$8,292 (PPP: $22,260)
Inflation	4.0%
Budget balance (% GDP)	-4.1
Population	52.3m

The opposition-dominated legislature will force a degree of pragmatism on the populist left-wing president, Gustavo Petro, whose manifesto included public-sector jobs for the unemployed and a halt to new licences for oil and gas exploration, along with labour, health and pension reforms. The economy will rebound following a slow year, but investor concern about prospects for Mr Petro's statist reforms will cap growth.

TO WATCH: Underground, overground. A project to build a metro for the capital, Bogotá, may stall as the president and the city's mayor feud over whether to build tunnels or viaducts.

Cuba

GDP growth	3.6%
GDP per head	$2,556 (PPP: $16,570)
Inflation	11.4%
Budget balance (% GDP)	-7.2
Population	11.2m

The Communist Party government will face public discontent over a lack of freedoms, shortages of goods and declining living standards but will remain in power. The government will proceed cautiously with its liberalising reforms, which will improve competitiveness. Helped by a post-pandemic tourism rally and some easing of American sanctions, the economy will pick up.

Ecuador

GDP growth	1.7%
GDP per head	$6,798 (PPP: $13,760)
Inflation	2.0%
Budget balance (% GDP)	-1.9
Population	18.3m

Daniel Naboa, a centre-right political outsider and heir to a banana fortune, won the presidency in October 2023 in an election held against a backdrop of surging drug and gang violence. He will complete the term of Guillermo Lasso, who dissolved congress to avoid impeachment; new elections are due in 2025. Mr Noboa will maintain market-friendly policies, but high interest rates to defend the dollarised economy will sap growth.

Paraguay

GDP growth	4.1%
GDP per head	$6,320 (PPP: $16,340)
Inflation	4.0%
Budget balance (% GDP)	-2.0
Population	7.7m

The right-wing Colorado Party began a third consecutive term in August 2023 under the new president and former finance minister, Santiago Peña. Spending on education, health care and infrastructure will be a priority, as will narrowing the budget gap. Intra-party rivalries will be a risk to political stability. Prone to weather, the economy can be volatile but should expand comfortably.

Peru

GDP growth	2.5%
GDP per head	$8,487 (PPP: $16,090)
Inflation	3.6%
Budget balance (% GDP)	-2.0
Population	34.0m

The president, Dina Boluarte, installed after the chaotic government of left-wing populist Pedro Castillo collapsed, is due to serve until 2026. Her term could, however, be shortened by a fragile legislative coalition or renewed anti-government demonstrations. Political instability and policy paralysis have disrupted a period of high growth, as has poor weather. Strong trade links will support a modest recovery in 2024.

Uruguay

GDP growth	3.0%
GDP per head	$25,353 (PPP: $30,140)
Inflation	5.5%
Budget balance (% GDP)	-3.2
Population	3.5m

The centre-right coalition under the president, Luis Lacalle Pou, has achieved some wins for its pro-business agenda, despite stiff opposition from labour unions, but is fraying as it nears elections in October 2024. The populist-nationalist Cabildo Abierto party may defect from the coalition to establish a separate brand ahead of the election, denying Mr Lacalle his legislative majority. Growth will rally after a drought-hit 2023.

Venezuela

GDP growth	3.5%
GDP per head	$3,545 (PPP: $6,370)
Inflation	94.2%
Budget balance (% GDP)	-2.8
Population	28.3m

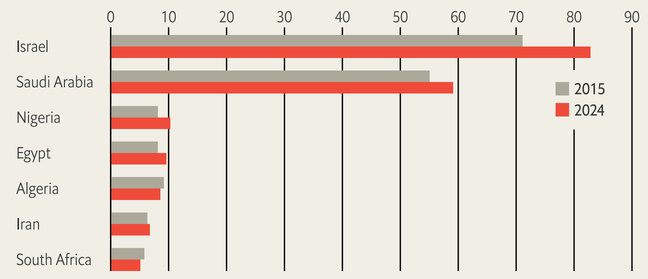
Elections early in 2024 will be little more than a rubber stamp for the government of the president, Nicolás Maduro, who will use his grip on the security forces and the judicial system and an entrenched patronage network to sideline the opposition. Weak business conditions and chronic underinvestment will constrain economic growth.

→ Ecuador
Murders per 100,000 people

Source: Statista

Middle East and Africa

Median household income, 2019 prices, $'000



Algeria

GDP growth	2.5%
GDP per head	$4,821 (PPP: $13,820)
Inflation	7.5%
Budget balance (% GDP)	-7.3
Population	48.0m

The president, Abdelmadjid Tebboune, who came to power after the ousting in 2019 of long-term leader Abdelaziz Bouteflika, has largely consolidated his grip on his predecessor's power network and will win another term in elections scheduled for 2024. Oil and gas exports, boosted by Europe's pivot from Russia, will stay high, but revenue will be constrained by falling prices.

Angola

GDP growth	3.0%
GDP per head	$2,399 (PPP: $7,250)
Inflation	17.8%
Budget balance (% GDP)	-0.7
Population	37.8m

The government of the president, João Lourenço, will counter public protests over joblessness and the cost of living with a mixture of open-handed welfare support and heavy-handed repression. The government will tout its long-term economic diversification plans, but the economy will remain reliant on oil and gas in the short term. Oil output from overworked wells will fall short of the country's OPEC quota, but the economy will rally as agriculture and other sectors respond to government incentives.

Cameroon

GDP growth	4.6%
GDP per head	$1,964 (PPP: $4,850)
Inflation	3.9%
Budget balance (% GDP)	-0.5
Population	29.4m

The government of the president, Paul Biya, will face increasing security threats and a stagnating economy but will remain in power. Separatist conflict in western Anglophone regions will persist, as will conflict with armed groups in the far north. The economy will slow as oil production declines and the government faces pressure to reduce its budget deficit. IMF funding will remain important despite concerns over fiscal management and slow progress on improving business conditions.

TO WATCH: Après moi. Mr Biya, who turns 91 in 2024 and is the world's oldest head of state, is grooming his son to succeed him, but his sudden departure would trigger unrest.

Egypt

GDP growth	3.1%
GDP per head	$2,809 (PPP: $17,770)
Inflation	26.9%
Budget balance (% GDP)	-8.3
Population	107.4m

The third term of the president, Abdel-Fattah el-Sisi, expected to begin after an election win in December 2023,will be his most challenging yet as a cost-of-living crisis stokes popular discontent. He will respond by tightening his grip on power. Exports will drive a modest rally in the economy, but intense fiscal pressures and high food and fuel prices will require financial aid from Gulf patrons.

Ethiopia

GDP growth	6.2%
GDP per head	$1,252 (PPP: $3,200)
Inflation	27.2%
Budget balance (% GDP)	-4.4
Population	129.7m

A peace deal with separatists in the northern Tigray region is fragile and the risk of renewed conflict is high. The government of the prime minister, Abiy Ahmed, will pursue economic reforms, such as privatisation and currency stabilisation, to attract foreign investment and improve the economy's performance. Growth will be impressive but still short of the 10-11% annual rates recorded less than a decade ago.

Iran

GDP growth	2.1%
GDP per head	$3,386 (PPP: $18,240)
Inflation	30.0%
Budget balance (% GDP)	-4.4
Population	89.2m

The government will face growing risks from public unrest, with previous bouts of repression only serving to erode further the regime's legitimacy. The supreme leader, Ayatollah Ali Khamenei, is ailing, and an unscheduled succession battle would further destabilise the country. Iran will seek export markets for its oil, but will find few customers other than China. Inflation will hit 30%.

Iraq

GDP growth	2.9%
GDP per head	$5,843 (PPP: $11,050)
Inflation	3.3%
Budget balance (% GDP)	-9.2
Population	44.4m

The government of Mohammed Shia al-Sudani has delivered an unaccustomed period of relative calm, but protests will reappear as elections approach, probably in 2024. Outside Baghdad, armed militants will disrupt the peace. Security risks will hurt investment. Oil output, though sharply higher, will not hit official targets.

Israel

GDP growth	3.4%
GDP per head	$56,778 (PPP: $54,120)
Inflation	2.6%
Budget balance (% GDP)	-2.5
Population	9.9m

The armed forces have bombarded Gaza after the brazen Hamas attack in October, but the presence of Israeli hostages will complicate matters. The new unity government will strengthen the hand of the right-wing prime minister, Binyamin Netanyahu, and scupper a rapprochement with Arab states. The resulting instability, plus conflict over judicial issues, will hold back the economy.

Jordan

GDP growth	2.5%
GDP per head	$4,766 (PPP: $12,190)
Inflation	1.8%
Budget balance (% GDP)	-5.2
Population	11.4m

Social unrest will swell, reflecting high unemployment and falling living standards, but the king, Abdullah, will use his firm grip on the security forces and timely adjustments to the constitution to retain power. Policy will focus on easing shortages of basic goods and services. Elections in November 2024 will be an exercise in apathy.

TO WATCH: Net gain. Orange and Umniah, two telecoms companies, will expand the reach of 5G services in 2024, marking a step change in the country's digital infrastructure.

Kenya

GDP growth	5.2%
GDP per head	$1,976 (PPP: $6,460)
Inflation	5.8%
Budget balance (% GDP)	-4.4
Population	56.2m

The first-term president, William Ruto, and his Kenya Kwanza alliance will use their legislative majority to push pro-market reforms against fierce political opposition and a culture of corruption. The government will aim to improve business conditions through technology and infrastructure spending.

Lebanon

GDP growth	2.1%
GDP per head	$3,641 (PPP: $13,180)
Inflation	96.3%
Budget balance (% GDP)	-2.4
Population	6.7m

A deal to resolve a political impasse over installing a permanent government was possible in late 2023, suggesting some recovery in confidence after a devastating six-year recession. International support and recovering trade, investment and tourism will help the economy grow, but not enough to recover recent losses.

Libya

GDP growth	7.7%
GDP per head	$7,024 (PPP: $24,070)
Inflation	2.1%
Budget balance (% GDP)	10.2
Population	7.3m

Prospects for much-delayed elections are improving, which would allow a united government to take office, though renewed civil war cannot be ruled out. Under either scenario, security will be precarious, owing to both bitter domestic rivalries and spillover from conflict in neighbouring Sudan. Oil exports will support a sustained economic recovery.

Morocco

GDP growth	3.1%
GDP per head	$4,063 (PPP: $10,600)
Inflation	3.9%
Budget balance (% GDP)	-4.1
Population	38.2m

Morocco's mountainous area around Marrakech, a tourist city, was hit by a major earthquake in September. Reconstruction is under way, but tourists, at least initially, will avoid Marrakech. Economic output will be hit, but not dramatically. A slow earthquake response would add to tensions over unemployment and inflation.

Nigeria

GDP growth	2.6%
GDP per head	$1,506 (PPP: $6,240)
Inflation	23.5%
Budget balance (% GDP)	-4.6
Population	229.2m

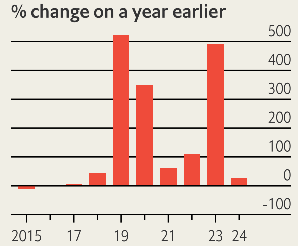
The new president, Bola Tinubu, is facing high inflation, security threats and ethnic tensions. His pro-market reforms will be unpopular with some voters, but will attract foreign investment and boost the economy over time. Secessionist pressures in the oil-rich Niger Delta will persist, despite a new legal framework intended to make the revenue share-out fairer. Exports will support the economy.

Saudi Arabia

GDP growth	2.9%
GDP per head	$32,097 (PPP: $69,980)
Inflation	2.1%
Budget balance (% GDP)	1.0
Population	33.7m

The crown prince, Muhammad bin Salman, will gradually consolidate his role as de facto ruler, whether or not his father, the king, formally hands over power. He will press on with plans to diversify and liberalise the economy, but his political grip will be unyielding. Discontent among the young will fester. The kingdom will spearhead OPEC's output strategy, stabilising oil-related income.

→ Zimbabwe
Consumer prices,
% change on a year earlier



South Africa

GDP growth	1.8%
GDP per head	$6,971 (PPP: $17,390)
Inflation	4.7%
Budget balance (% GDP)	-6.0
Population	61.0m

The president, Cyril Ramaphosa, is more popular than his African National Congress party and should secure a second term in elections due in May. The ANC may nevertheless fall short of a legislative majority, and may need partners. Coalition politics would be a stern test for a party that has led the country alone since its first democratic elections in 1994.

Syria

GDP growth	4.6%
GDP per head	$5,699 (PPP: $4,290)
Inflation	45.3%
Budget balance (% GDP)	-4.9
Population	18.5m

The president, Bashar al-Assad, will remain in power with the help of his army, which now controls most of the country. The government will negotiate with the Syrian Democratic Forces, a Kurdish-led armed coalition, to boost its influence in the oil- and gas-rich Kurdish areas. Price and currency pressures will ease, helping growth.

Zimbabwe

GDP growth	3.2%
GDP per head	$1,457 (PPP: $2,940)
Inflation	40.8%
Budget balance (% GDP)	-1.0
Population	15.8m

The ruling ZANU-PF party won a flawed election in August 2023, handing a second presidential term to Emmerson Mnangagwa. The economy suffers from little investment and a weak currency. 2024 will end with inflation at about 20%, down from 85% or so a year earlier and over 500% in 2019.

2024 IN PERSON

If democratic credentials are measured by official vote tallies, Rwanda's president, **Paul Kagame**, is a paragon. After lifting a constitutional term limit in 2015, a proposal backed by 98% of voters, he romped to a third term in 2017 with 99%. The opposition Democratic Green party candidate in that election celebrated progress since "no one in our party has been killed or imprisoned". As Mr Kagame seeks a fourth term in 2024, expect more fabulous numbers. International observers may again cry foul, but his record is surprisingly good. Under his leadership, the economy has quadrupled in size and poverty has fallen from over 60% to under 50%. A fourth term will focus on improving business conditions—and may well lead to a fifth.

THE WORLD IN NUMBERS

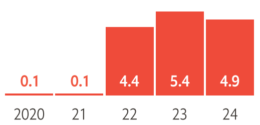
INDUSTRIES

TEN BUSINESS TRENDS FOR 2024

1

Central banks including America's Federal Reserve start to reduce interest rates as price rises slow. With global inflation still at 5%, however, consumers remain thrifty.

Federal funds rate, year end, %



2

Amid efforts to slow climate change, renewable-energy consumption climbs by 11% to a new high. But fossil fuels still meet over four-fifths of energy demand.

3

IT spending picks up, rising by about 9%. Artificial intelligence generates remarkable hype but produces precious little revenue and plenty of scrutiny.

4

The gap between the infrastructure the world needs and what it gets amounts to $3trn. To plug its infrastructure hole, Asia's gross fixed investment expands by 4%.

5

Revenue in the advertising industry increases by 5%, thanks to America's presidential election and big sporting events such as the Paris Olympics.

6

International tourism rises above geopolitical and economic uncertainty to create record revenue of $1.5trn, fuelled by high prices and post-pandemic wanderlust.

7

A greying world spends vigorously on health. With about one in ten people aged 65 or older, health care makes up one-tenth of global GDP.

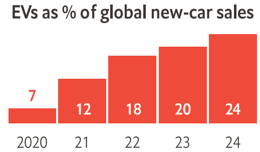
8

America shells out $886bn on defence, supporting Ukraine and countering China—whose neighbours, including Japan, Taiwan and the Philippines, also bolster their defences.

9

Electric vehicles speed forth, driven by strong government support. One in four new cars is a plug-in, with more than half of these sold in China.

EVs as % of global new-car sales

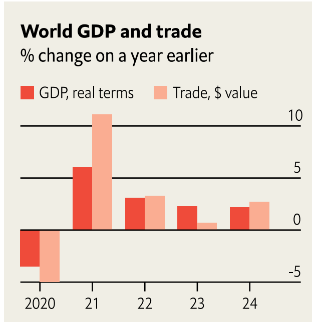


10

With 60% of America's firms allowing working from home, a fifth of American offices lie empty. The EU's less relaxed employers will keep its vacancy rate at just 8%.

Forecasts are for 2024 unless otherwise indicated. World totals based on 60 countries accounting for over 95% of world GDP. london@eiu.com

ECONOMIST INTELLIGENCE



Business environment

Geopolitics will again loom large in 2024, as US-China tensions mount and the wars in Ukraine and Gaza rumble on. Inflation will fall and interest rates level off; supply-chain kinks will ease, along with commodity prices. But global GDP will grow by only 2.2% amid lacklustre expansions in rich countries. Developing economies will do better, though China will lose corporate investment to competitors. Companies will face new environmental rules and perhaps a global minimum tax rate.

Automotive

The car industry will stay in low gear in 2024. Global sales will miss pre-pandemic levels, with just 3% more new cars and 1% more commercial vehicles sold than in 2023. Diesel will fall foul of more low-emission zones, as French cities go off-limits. But electric vehicles (EVs) will speed ahead. Nearly 25% of new cars will be plug-ins, over half sold in China. The barely profitable market for EVs will still rely on government support. Chinese carmakers will benefit from extended tax breaks (and rising exports). American buyers will be able to transfer tax credits for EVs to dealers, lowering sticker prices. Britain's carmakers must make plug-ins 22% of sales and pay post-Brexit tariffs if vehicles do not use enough locally made parts.

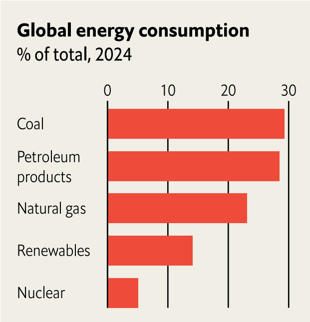
Similar content rules will rankle widely, as America, China, Japan and the EU compete for investment in EV and battery production. America will gain from the $108bn or so promised towards this end, nearly doubling its battery capacity. Renault intends to list its electrics business, Ampere, with its partner, Nissan, taking a stake. Tesla-type chargers will vie with European and Chinese ones, as network standards diverge. Autonomous driving will get new rules in the EU as well as a federal regulator in Washington.

TO WATCH: Better batteries. Lithium-ion batteries will encounter new challengers in 2024, including Gotion's lithium-manganese-iron-phosphate batteries and BYD's cheaper sodium-ion ones. Revolutionary solid-state batteries may take longer: China's SAIC says they will be ready in 2024 but Toyota and others are targeting 2027.

Defence and aerospace

As Ukraine fights on and US-China relations fester, military powers will increase defence budgets. Around a third of NATO members are expected to hit a long-standing target of spending over 2% of GDP on defence—a welcome 75th-birthday present for the alliance. Finland, a new recruit to NATO, will be among them. Britain and Poland will stay nicely on target but France will record a near miss. Sweden, another new joiner, will also fall short.

America, the world's biggest defence spender, will shell out around $886bn. Some $13bn will go to Ukraine, adding to the $45bn sent so far. Further outlays will equip America's air force with new-generation fighters. Uncle Sam's spree will attract venture capital into high-tech military startups and bolster space defence, as Americans revisit the Moon (in a fly-by) after a 52-year hiatus. America's total defence budget, however, will grow by just 3%, trailing both inflation and typical Chinese increases of around 7%.



Fear of China will boost defence spending in Asia. The Philippines plans a double-digit hike, Japan a record-high budget. Taiwan will extend compulsory military service and develop anti-drone defences. India, still the biggest buyer of Russian weaponry, will hedge its bets with orders from Western countries. China's weapons-makers will benefit from a spending surge in Pakistan. And America, China and Japan will speed ahead with efforts to develop and detect hypersonic missiles, as Russia deploys them more widely.

Energy

Although renewable-energy use will rise by 11% to a new high, fossil fuels will meet around 80% of energy demand in 2024. Oil consumption will grow by 1% as economies recover. But higher output in Saudi Arabia and America will keep oil prices below $85 a barrel. Coal and gas use will edge up, too, despite investors' doubts about coal. Britain and perhaps Italy will close their coal-fired power plants, but Asia's craving for the dirty stuff will intensify.

Burning fuel will produce 70% more carbon emissions in 2024 than in 1990, defying clean-energy aims. Britain's net-zero target will apply emissions cuts on companies there. The EU will provide subsidies under its Green Deal. America will aim for energy savings, China for less carbon-intensive growth.

Wind and solar consumption will reach twice 2019's level, boosted by America's Inflation Reduction Act and the REPowerEU plan. The cost of producing renewable energy will fall, but will still be 10-15% above 2020 levels. At least 11 nuclear reactors will open, including in new adopters such as Bangladesh and Turkey. Hydrogen investment is climbing in Germany, Jordan and elsewhere. Even so, nuclear and renewables together will provide less than 20% of all energy. One barrier will be climate change itself, as droughts stem the flow of hydropower.

Financial services

Interest-rate rises will stall in 2024 and many banks' profits will slip. Narrowing net-interest income and hits on commercial-property portfolios will hurt American lenders. Most EU banks will see bad loans fall after a tough 2023 and reduce their reliance on the central bank by issuing debt. Asian banks will record stronger growth as China extends support for its troubled property market.

The number of bank branches and cash machines will decline further amid a shift to digital banking. EU banks will contemplate bank stablecoins and Brazilian banks will back a digital real. Even so, the shake-out in fintech is not over, with many investors demanding profitability from startups. Equity markets will prosper, thanks to buoyant emerging markets and tech stocks. London will resist EU attempts to wrest away share trading; in Asian finance, India will gain ground.

Regulations will tighten across finance. Implementation of Basel III banking-risk rules will enter its final phase in two-thirds of countries. America will raise bank-capital requirements. Insurers, too, will face new capital rules—and mounting climate claims.

TO WATCH: Financial environment. Climate reporting will heat up in 2024. The International Sustainability Standards Board will roll out two global standards for environmental, social and governance (ESG) risks, vying with stricter EU rules and possibly looser American ones.

Food and farming

Economist Intelligence, a sister company of *The Economist*, predicts that declining fuel and fertiliser prices, and good harvests in 2024, will push down its index of agricultural prices for a second year running. But there are plenty of risks to this forecast—and to the world's food supplies. War and bad weather will inflict hunger on more than 345m people. Uncertainty is rife in the Black Sea food belt: a Russian blockade of Ukraine's grain exports could endanger global supplies. The El Niño phenomenon, caused by warmer waters in the Pacific ocean, will produce erratic weather that could cost the world economy $3trn. Although El Niño should recede by mid-2024, it threatens to cut crop yields in Africa, Asia and Central America (see **What if**?).

Governments will respond to such problems with subsidies and price controls—India, a big food producer, has curbed exports of rice and sugar. Healthy eating will be back in vogue. Canada will discuss limits on junk-food ads. Poland plans to ban energy-drink sales to minors. Even developing countries such as Colombia and the Philippines will increase tariffs on sugary drinks and processed food.

TO WATCH: Powder power. In 2024 a Finnish firm, Solar Foods, will manufacture a protein powder using gas fermentation to feed microbes. Made without photosynthesis, Solein can supposedly satisfy a person's amino-acid needs. The product, already approved in Singapore, could help counter an impending shortage of protein.

$13.6TRN

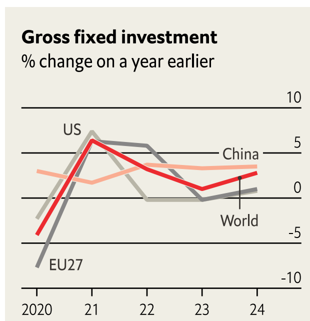
Projected global demand for food, beverages and tobacco in 2024, up 5% from the year before.

Health care

Money will not cure all ills for the health-care industry in 2024. Health spending, still boosted by the pandemic and inflation, will grab more than 10% of global GDP but Nigerians' life expectancy will remain 30 years below Hong Kongers'. Even so, 10% of humanity will be 65 or older. Developed countries with ageing populations will compete for health workers. Many more medical staff will suffer burnout; some will quit.

Governments will try to fill the gaps. Nearly 80% of spending will come from public sources such as tax or compulsory insurance, up from 75% before covid. Egypt will extend its universal health-insurance plan to more cities; Slovenia will prepare a long-term care plan. India will struggle to raise health spending before elections. America will concentrate on cost-cutting and ending or defending abortion rights, depending on the state. Private care will see patchy growth: Amazon and Walmart will roll out new clinics but CVS Health will cut staff.

Global pharmaceutical sales will surpass $1.6trn, with America swallowing over a third and China a tenth. Patent expiries are mounting. In 2024 medicines worth $38bn in sales, including many biotech drugs, will meet competition from cheaper generics. Researchers will battle over MRNA patents, as trials of anti-obesity drugs bulk up. The pandemic will



WHAT IF?

Climate change's threat to business is steadily growing. Global temperatures are certain to breach 1.5°C above pre-industrial levels, which world leaders agreed in Paris in 2015 must not happen; it is merely a question of when. Scientists say there is a 66% chance of this occurring in 2023-27—and the El Niño weather pattern that arrived in 2023 heralds more warm weather. **What if global temperatures crossed the 1.5°C threshold in 2024?** Higher temperatures would hit crop yields, puncturing hopes of falling inflation. That and sweltering conditions could keep shoppers at home, hurting consumer-goods makers, who would face renewed pressure to slash prices. Warm winters and scorching summers would harm businesses ranging from French ski resorts to American amusement parks. In logistics, delivery and construction, labour productivity would suffer. Already, baking conditions have helped spark strikes at firms such as UPS and Amazon. Greater use of air-conditioning could cause electricity outages worldwide. Home-insurance premiums would rise in areas vulnerable to hurricanes or wildfires, and much of America could become uninsurable. A poor climate for business, then—and for much else.

10.3%

Projected global spending on health care in 2024 as a share of GDP, up from 10% during pre-pandemic 2019.

be nearly gone, but not forgotten: a draft global accord will help prepare for the next one.

TO WATCH: Defining death. To determine a person has died, some jurisdictions focus on expiry of the brain stem, crucial to bodily functioning. Others insist all brain activity must cease. Reforms to America's Uniform Determination of Death Act, due in mid-2024, aim to iron out such differences—scant comfort to families and doctors deciding when to cut life support.

Infrastructure

Improving America's ageing infrastructure may not be voters' top priority when choosing a president. Joe Biden will nonetheless boast of his efforts to reboot power and transport. Rewards could be slow to arrive, however. America's gross fixed investment, a proxy for infrastructure spending, will rise by less than 1% in real terms in 2024, versus 2.7% worldwide. At that rate, the gap between America's infrastructure spending and its needs will hit $2.6trn in the decade to 2029, or $260bn a year.

Asia's gap is bigger, at $459bn a year, within a global total of $3trn. But Asian gross fixed investment will climb by a brisk 4% in 2024. Indonesia alone will allocate $28bn, splashing out on a new capital. China will focus on digital infrastructure and waste disposal. Germany will lead the EU's 1% investment growth, pouring $61bn into green infrastructure.

Investment in solar and wind, much of it in China, will set global records. Fearful of power plays by Moscow, the Baltic countries will unlink their grids from Russia's to join them with central Europe's. Tesla and other carmakers will build out charging networks. India will lay highways, its investment matching car-mad America's.

TO WATCH: Belt or brace? After more than a decade, China's Belt and Road Initiative (BRI) needs a reboot. Investment in Africa has fallen, Pakistan is debt-laden and Italy wants to quit. In 2024 China will again be the second-largest source of foreign direct investment after America. But it will vet BRI projects more carefully—and look to the BRICS for influence (see **What if?**).

Information technology

After a slow couple of years, global IT spending will pick up in 2024, growing by almost 9%, according to Gartner, a consultancy. Spending on hardware will climb again. Shipments of personal computers will rebound to 261m—still below 2019's tally. Artificial intelligence (AI) will be the buzziest of tech buzzwords. Businesses will look to AI and other new technologies to enhance productivity, cut costs and manage risks. But AI will not generate as much revenue as advocates hope.

The EU will reinforce its status as the default global tech regulator when the Digital Markets Act enters into full force in 2024. AI-specific legislation will be gestating, and regulators will try to impose checks on the bots. Algorithms will fuel worries about disinformation and cyber-security, and EU regulators will again respond with gusto. By October, the bloc's members must comply with a directive to fend off cyber-miscreants. Meanwhile, the European Central Bank will stress-test top banks' cyber-resilience amid uncertain economic times.

Technological advances will stimulate demand for more advanced semiconductors, even as supply gluts affect things like memory chips (mainly used in consumer electronics). Western governments will dangle subsidies to lure semiconductor manufacturers to their shores and combat China's dominance. But expect headlines about labour shortages and delayed factory openings. One noteworthy postponement is the launch of TSMC's first American chipmaking plant, originally slated for 2024 but now down for 2025. Re-engineering supply chains for geopolitical ends could make technological innovation itself look easy.

49.2

Projected stock of personal computers per 100 people globally in 2024, up from 45.7 in 2019.

WHAT IF?

Could the Chinese yuan become the world's dominant currency? Despite China's efforts to push its use for international trade and payments, this has long looked a distant prospect. The yuan's share of global trade finance is just 5%, whereas the American dollar claims 85%—and 59% of foreign-exchange reserves. The yuan's unconvertible nature is a big drawback. From January 2024, however, it could get a shot in the arm, as the BRICS group (Brazil, Russia, India, China and South Africa) becomes BRICS+ (adding Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates). **What if BRICS+ started using the yuan for trade?** Its members control 25% of all exports and 42% of the oil trade. True, most brics countries rely on the dollar, some pegging their currencies to it. But Brazil and Russia already transact with China in yuan. Iran bypasses sanctions by selling oil to China in yuan. Argentina has paid off imf debt using yuan swaps. If, in 2024, Saudi Arabia and the uae agreed to conduct BRICS+ oil trade in yuan, and Brazil adopted it for trading with Argentina, the dollar's dominance would be weakened.

Media and entertainment

Hopes are high that global advertising revenue will bounce back after a disappointing 2023. Dentsu, a media giant, forecasts an expansion of almost 5% in 2024, to $762.5bn: thank America's presidential election, the Paris Olympics and football's Euro 2024 tournament. Digital advertising will make up almost half of this spending. Magnifying this will be retailers' efforts to sell slots for electronic ads displayed in their stores and on their websites, in the hope of offsetting a slowdown in consumer spending.

As digital ads surge, privacy worries will intensify. In 2024 Google will at last follow Apple's lead in blocking third-party cookies. But regulators will direct their ire towards Google's digital-ad dominance. Even as trouble brews in the EU, a federal antitrust case—the second against Google in recent years—will reach America's courts. Though American officials often favour self-regulation, they may also intervene to restrict the use of AI in political advertising during an election year, aiming to stem the spread of disinformation.

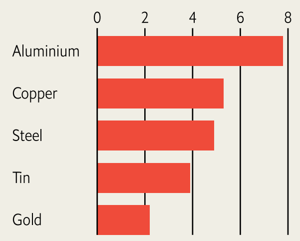
AI-generated content will trouble Hollywood, too. Concerns about competition with the bots helped ignite strikes by writers and actors. Their flounce-outs could delay the release of possible blockbusters such as "Mission Impossible: Dead Reckoning Part Two" (in which Tom Cruise battles an evil AI). This may hamper the return of America's box-office revenues to their pre-covid bounciness. As for streaming services, cinemas' arch-rivals, they will struggle to boost subscriptions. Disney+, keen to increase take-up, will stop subscribers sharing passwords, mimicking Netflix. It will take over Hulu, another streamer, under an agreement from 2019. Whether this affords Disney+ a fairy-tale ending—finally turning a profit—remains to be seen.

Metals and mining

Though many farm commodity prices will fall in 2024, most metals will get pricier. Copper will shine as green investment and the digital economy spur demand for electric cables and batteries. Aluminium prices will be driven up by Asian construction firms and carmakers. Steel prices will also climb but remain 36% below their peak in 2021. Gold and platinum will gleam as investors seek safe havens and interest-rate rises stall.

Not every metal will glow. Nickel and zinc peaked in 2022; galloping Indonesian and Chinese production will now suppress prices. Lead will be weighed down by the shift away from petrol and diesel vehicles. Lithium markets could reach surplus as Zimbabwe, which has large reserves, and others ramp up output. Coal prices

Metal prices
% change, $ terms, 2023-24



will soften as the Russia-induced energy crisis recedes. Steel and aluminium producers will face new fees under the EU's carbon border-adjustment mechanism.

Europe and America will try to stop China dominating the processing of critical minerals needed for clean energy. That could mean investing in mines everywhere from Australia to Chile. Angola and Botswana will team up to extract diamonds; the privatisation of Angola's diamond producer may help.

TO WATCH: Mine, mine, mine. The UN's International Seabed Authority is letting companies bid for licences to mine the seabed—even before finalising rules to govern their activities. Canada, Norway, Japan and South Korea are among countries keen to start exploring for critical minerals in 2024, ignoring howls of protest from environmentalists.

Property

Investors in commercial property face a reckoning in 2024 as high interest rates, lease expiries and changed working patterns dent demand. With roughly 60% of American companies allowing working from home, a fifth of offices will stand empty—a new peak. Office-vacancy rates will rise to 15% in Canada but just 8% in the EU, which has less hybrid working. China's property market (and regional finances) will stay wobbly, despite government support. The rest of Asia will see a fitful rebound.

A slowdown in supply will support prices in some places, however, as projects are delayed or cancelled. Core business districts will be fuller, and greener buildings more popular. Warehousing and factory demand will recover. Health-care property and data centres will be in vogue. In late 2024, as interest rates start falling, investors will return to property. Britain will try to attract real-estate investment trusts; several Indian REITS will go public. China's property woes will send buyers to Dubai or Australia.

Some obsolete offices and shops will be converted to housing as regulations ease. Even so, high mortgage rates and scarce new housing will make property hunting hard. House prices, inflated by covid, will fall in much of Europe but stay high in America. Buyers will find it cheaper to rent in America but not in London, despite government efforts to improve renters' rights. Some cities will add new limits on short-term letting.

$3.5TRN

Projected global online retail sales in 2024, up 10% from 2023 and 72% from pre-pandemic 2019.

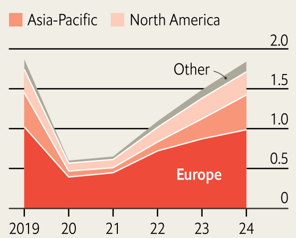
Retail

Fading inflation will cause retail sales to rise by 2% in real terms in 2024, about twice as fast as in 2023. But consumers will not readily shrug off high interest rates, reduced household savings and rising credit-card defaults. Thus Western retail markets will be soft again. After two years of contraction, Britain and Germany will be slow to recover. America will suffer another sluggish year.

Even China, the world's second-largest retail market, will grow by just 4%, compared with 7% on average before covid. Blame the shaky Chinese property market and a paucity of jobs for the young. Retailers eager to tap Asian consumers will look to South-East Asia, where Malaysia, Thailand and Vietnam will be among the zippiest growers. Helping this along will be the spread in developing countries of a pandemic-induced boom in e-commerce. The fastest rate of online-sales growth will be in India, where policymakers are pushing hard to promote financial technologies, or fintech, and other forms of digitalisation.

TO WATCH: Aldi but goodie. As more bricks-and-mortar chains scale back or close, one "old-fashioned" retailer will buck the trend. Aldi, a German supermarket chain, will expand aggressively. In the first half of 2024, it should close a deal to buy 400 shops in America's south-east. For now, Aldi's share of the American grocery market is just 2%. But it hopes its cheap private-label brands will win over inflation-battered shoppers.

International tourist arrivals, bn



Sources: World Tourism Organisation; EIU

Sport

Paris will host the Olympics for a third time in the summer of 2024, a century after its last games. After an opening ceremony on the River Seine, the Olympic and Paralympic events will tour France's landmarks, with dressage at Versailles and blind football at the Eiffel Tower. Breakdancing will make its Olympic debut on the Place de la Concorde, while surfing will rock up in Tahiti. Tighter regulation of rental sites will not stop Parisians renting out their homes to more than 1m expected visitors.

Other sporting events will compete for attention. The Euro 2024 football tournament will kick off in Germany in June, six weeks before the Paris games. But the African Games in Ghana, postponed for a year, will compete head-on with the Olympics in August. The Copa America will head to the United States after Ecuador withdrew as host for security reasons. The Africa Cup of Nations will take place in Ivory Coast, and the America's Cup will set sail for the Spanish coast off Barcelona.

Women's events will gain traction. Cyclists will pedal the Le Tour de France Femmes for the third time. And while America will hold its first cricketing World Cup—the T20 for men—Bangladesh will host the women's version. This will include a transgender player for the first time. Contrast that with the Olympics, where trans women with high testosterone are banned.

Telecoms

In 2024 5G will overtake 4G to become the dominant mobile technology in China, says the GSMA, an industry body. But 5G adoption will touch only 20% globally. Ericsson, which builds telecoms infrastructure, expects a quarter of the world's population still to lack mobile-broadband access in 2024.

Help will arrive from above. After aiding Ukrainian efforts to stay connected during the war, Elon Musk hopes to gain approval to expand coverage of Starlink, his satellite-internet service, to Indonesia in 2024. That would improve access and transfer speeds in a country with one of Asia's worst internet-penetration rates. Another tech billionaire, Jeff Bezos, backs Project Kuiper, which plans to put its first commercial satellites in space in 2024. Not all governments are happy to acquiesce in American dominance of the skies: China, the EU and Russia will launch satellites of their own. The spread of internet connectivity should help pull the global smartphone market out of a funk—just about. Samsung and Apple will remain the biggest smartphone companies, but China's Transsion (owner of the Tecno, itel and Infinix brands) will break into the top five, says IDC, a market-research firm.

TO WATCH: Reality check. Vision Pro, Apple's augmented- and virtual-reality headset, will at last go on sale in 2024. At $3,499, it will be pricier than Meta's competing product, the Quest 3, which costs $499. But Apple is expected to launch cheaper versions in future.

Travel and tourism

The travel industry hopes for brighter times in 2024—without too much sun. To avoid wildfires and record heat, more child-free travellers will spurn summer trips. Airlines will alter schedules to match. International tourism arrivals, at 1.8bn, will rise, almost back to 2019 levels, despite the caution of Chinese travellers amid geopolitical and economic worries in many parts of the world.

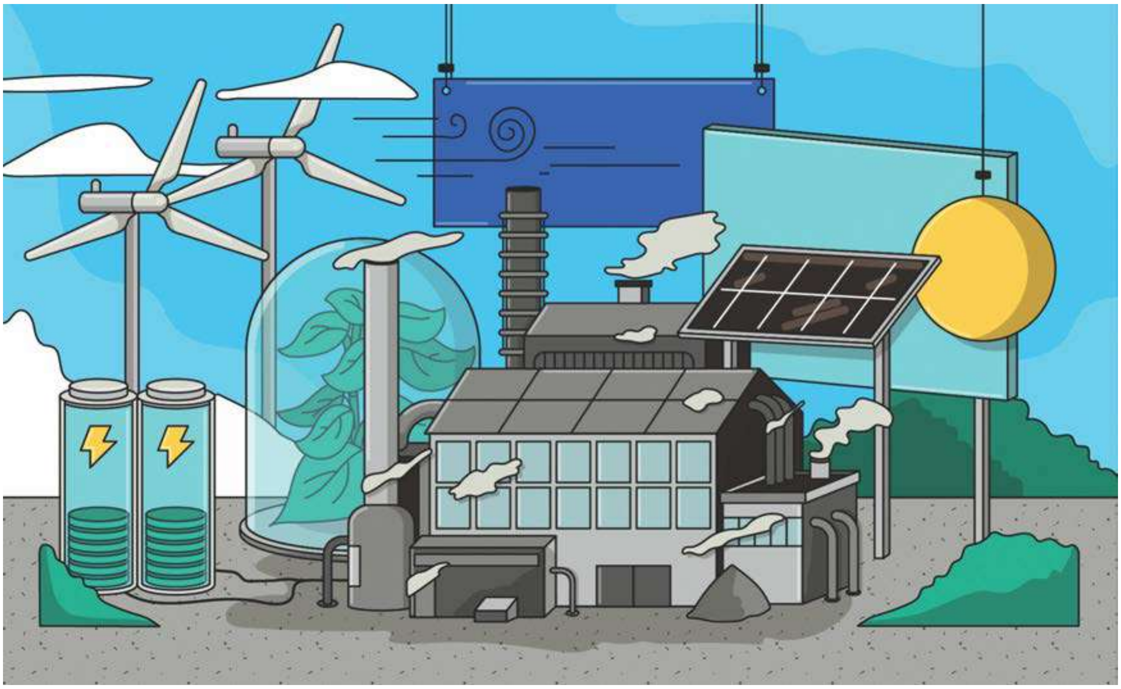
Even so, international tourism spending will hit a record $1.5trn, spurred by loftier prices. Add in domestic flights, and air travel will reach pre-pandemic heights. Profits will stay aloft. Aerospace companies will struggle with order backlogs, but provide airlines with a soaring number (1,484) of new planes—among them Airbus's new narrow-body A321XLR, able to fly 8,700km non-stop. Air New Zealand will offer sleep pods in economy class. Travellers seeking novelty might visit the world's tallest hotel, in Dubai, or a 3D-printed hotel in Texas. Still, higher prices will cut hotel occupancy rates.

TO WATCH: Waiving hello. From late 2024 visa-free travellers to the EU's Schengen zone will have to prebook a €7 ($8) ETIAS visa waiver, valid for three years. The aim is to capture data to improve security. But the charge will apply to 1.4bn potential travellers from 60 countries—a big headache for tourists.

44%

Projected increase in global outlays on hotels and restaurants in 2024 compared with 2020's covid low.

BUSINESS



Now for the hard part

The process of decarbonising industrial activities is getting under way

VIJAY VAITHEESWARAN Global energy and climate-innovation editor, *The Economist*

THE FIRST shots of the nascent "brown-to-green" revolution will be fired in 2024. In the global effort to tackle climate change, governments have focused on cleaning up the generation of electricity by promoting renewables, and greening transportation by boosting electric cars. So far, industrial sectors such as steel, cement, manufacturing and petrochemicals have escaped serious scrutiny.

That is because it can be difficult and costly to tackle emissions from industrial activities. Many involve high-temperature heat or chemical processes (such as steelmaking in blast furnaces) for which fossil-fuel inputs, like coal and natural gas, are not easily replaced by electricity. The only viable alternative for many industrial firms today is to use carbon-capture equipment bolted onto existing kit, but this is expensive and cumbersome. Fossil inputs can be replaced by hydrogen and ammonia made with clean energy, but these have been slow to take off.

That is why these sectors are called "hard to abate". But the dirty little secret is that heavy industry is the biggest global emitter of net greenhouse gases (GHGS), on a par with the much more visible, coal-guzzling electricity sector. Cement-and steelmaking each contribute 5% of global emissions, compared with 1% for aviation, which attracts far more criticism.

In its baseline scenario for 2050, BloombergNEF, a research firm, predicts there will be "almost no emissions abatement from industry" without significant technological and policy changes. The challenge is compounded by the industrial boom to come in India and other emerging economies.

But the wheels are turning at last. For example, the First Movers Coalition, a group of multinational companies, has agreed to buy clean technologies in seven hard-to-abate sectors, including cement and steel, to seed the market and drive down prices. Other public-private partnerships, focused on trade corridors, ports and shipping, are in the works.

The technology itself is also improving. Areas to watch include new cement-making methods that do not require "clinker" (a carbon-intensive input); the production of low-GHG steel through the application of electrified methods; and energy-storage technologies that can store intermittent renewable power cheaply and release it on demand as high-temperature heat. With the right support, reckons Bill Gates, an early investor in numerous decarbonisation startups, "we will see the beginning of real industrial change".

That points to policy. The coming year will reveal if the EU's pioneering effort to impose carbon border-adjustment taxes will take hold. If it does, several American senators stand ready with matching proposals. This approach would, albeit more clumsily than co-ordinated carbon pricing, encourage manufacturers and exporters around the world to decarbonise in order to retain access to big markets.

Investment in carbon capture and hydrogen in America slowed in 2023 thanks to uncertainties about how the Inflation Reduction Act, its landmark climate law, will be implemented. As the regulations around its generous subsidies are clarified, expect press releases promising green infrastructure to give way in 2024 to lots of real shovels in the ground.

Press releases about green infrastructure will give way to real shovels in the ground

The final big force is a shift in global finance. Recoiling from the excesses of "ESG" activism, which called for spurning legacy industries, many investors are shifting to a more pragmatic approach. BlackRock, the world's biggest asset manager, has even launched an explicitly brown-to-green materials fund. Look for other investors to follow suit.

The coming year will show how much the decarbonisation of heavy industry is really hotting up. Given its sheer scale, it will require the eventual redirection of trillions of dollars, which would have otherwise gone into carbon-spewing infrastructure for legacy industries, into greener capital stock instead. This shift will spark renovation and decarbonisation in the rich world, and leapfrogging to cleaner industries in the emerging world.

As Larry Fink, BlackRock's boss, puts it, "We need to pass through shades of brown to shades of green." As this happens, profit-minded climate investors may see that sectors considered hard to abate today will in time become hard to resist. ●

Power archipelago

Europe needs to build energy islands. But what sort?

LUDWIG SIEGELE European business correspondent, *The Economist*, Berlin

"OBLIVION", A FILM starring Tom Cruise and released in 2013, was quickly relegated to the fate of its title. Still, it was memorable for one thing: gigantic contraptions of alien origin called "hydro-rigs". They hovered over the Earth's oceans and sucked up water. Europe's ambitious plans to build an archipelago of artificial "energy islands" in the North and Baltic seas evoke a similar sci-fi vibe. Some will be huge, the size of dozens of football fields, designed to collect the power generated by hundreds of surrounding wind turbines. In March 2024 Elia, a Belgian power-grid operator, will start building the first one 45km off the country's coast. But does Europe require such pharaonic projects?

You need not be an engineer to see the benefit of such islands. Today each offshore wind farm has its own cable connecting it to the grid on land. But as Europe gears up to produce 300 gigawatts (GW) from its northern seas by 2050—enough to power all of the continent's homes—this method will become increasingly inefficient. It is much cheaper first to gather the electricity from several wind farms offshore and then send it onshore through one large cable. Energy islands could also feed power to multiple countries based on demand.

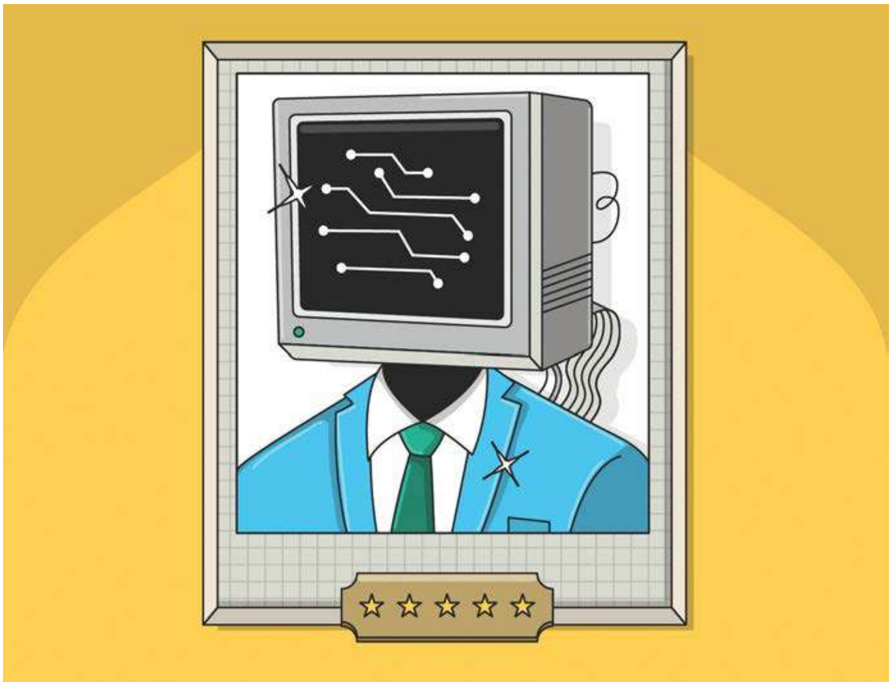
Elia's "Princess Elisabeth Island" will be the world's first such electric-network node. It will gather up to 3.5GW from a nearby offshorewind zone. The power will be processed by two substations on the island and sent to Belgium through a cable, as well as to Britain and Denmark. Costing an estimated €2bn ($2.1bn), the five-hectare island will take a couple of years to build. Based on sand-filled concrete caissons resting on the seabed, it will also have a small harbour and a helicopter pad for maintenance visits.

Others have even bigger goals. Denmark plans to build an island 80km off its coast that will be more than twice the size, to have space for all sorts of add-ons: accommodation for crews (and even tourists), spare parts for wind turbines and, crucially, devices called electrolysers, which turn water into hydrogen and oxygen using electricity. Producing hydrogen would be a key source of revenue. Industries like steelmaking could use it to reduce carbon emissions.

But the project has hit some snags. In June 2023 Denmark again postponed a tender to build the island owing to its anticipated cost. The Danish state, which is meant to own slightly more than 50% of the island, would have had to cough up nearly €7bn on its own. The government has now gone back to the drawing board.

This does not mean the islands are doomed, but their final design is uncertain. Even Elia's smaller plans may turn out to be overkill. They could end up resembling boring old oil platforms. ●

AI goes to work



Generative AI will go mainstream. Data-centric firms will benefit first

GUY SCRIVEN US technology editor, *The Economist*

WHEN NEW technologies emerge they benefit different groups at different times. Generative artificial intelligence (AI) first helped software developers, who could use GitHub Copilot, a code-writing AI assistant, from 2021. The next year came other tools, such as ChatGPT and DALL-E 2, which let all manner of consumers instantly produce words and pictures.

In 2023 tech giants gained, as investors grew more excited about the prospects of generative AI. An equally weighted share-price index of Alphabet, Amazon, Apple, Meta, Microsoft and Nvidia grew by nearly 80% (see chart). Tech firms benefited because they supply either the AI models themselves, or the infrastructure that powers and delivers them.

In 2024 the big beneficiaries will be companies outside the technology sector, as they adopt AI in earnest with the aim of cutting costs and boosting productivity. There are three reasons to expect enterprise adoption to take off.

First, large companies spent much of 2023 experimenting with generative AI. Plenty of firms are using it to write the first drafts of documents, from legal contracts to marketing material. JPMORGAN Chase, a bank, used the technology to analyse Federal Reserve meetings to try to glean insights for its trading desk.

As the experimental phase winds down, firms are planning to deploy generative AI on a larger scale. That could mean using it to summarise recordings of meetings or supercharging research and development. A survey by KPMG, an audit firm, found that four-fifths of firms said they planned to increase their investment in it by over 50% by the middle of 2024.

Second, more AI products will hit the market. In late 2023 Microsoft rolled out an AI chatbot to assist users of its productivity software, such as Word and Excel. It launched the same thing for its Windows operating system. Google will follow suit, injecting AI into Google Docs and Sheets. Startups will pile in, too. In 2023 venture-capital investors poured over $36bn into generative AI, more than twice as much as in 2022.

High on AI

Big AI-focused technology companies*

Share prices, January 1st 2023=100

*Equally weighted basket of Alphabet, Amazon, Apple, Meta, Microsoft and Nvidia

Source: Refinitiv Datastream

The third reason is talent. AI gurus are still in high demand. PredictLeads, a research firm, says about twothirds of S&P 500 firms have posted job adverts mentioning AI. For those companies, 5% of adverts now mention the technology, up from an average of 2.5% over the past three years. But the market is easing. A survey by McKinsey, a consultancy, found that in 2023 firms said it was getting easier to hire for AI-related roles.

Which firms will be the early adopters? Smaller ones will probably take the lead. That is what happened in previous waves of technology such as smartphones and the cloud. Tiddlers are usually more nimble and see technology as a way to gain an edge over bigger fish.

Among larger companies, data-centric firms, like those in health care and financial services, will be able to move fastest. That is because poor data management is a big risk for deploying AI. Managers worry about valuable data leaking out through AI tools. Firms without solid data management may have to reorganise their systems before it is feasible to deploy generative AI. Using the technology can feel like science fiction, but getting it to work safely is a much more humdrum affair. ●

WHAT IF?

Since Elon Musk took over Twitter—now renamed X—in 2022, the social-media platform has had a problem with nasty posts. America's government is in no hurry to do anything about online misinformation and aggression. But the EU has had enough, and its new Digital Services Act allows it to police social media. **What if the EU takes X to task?** Mr Musk, who claims to be a free-speech absolutist, might balk and pull X out of Europe. That could hasten the platform's decline by cutting off users and advertisers.

Head to head

The fight to control the next big tech platform intensifies

TOM WAINWRIGHT Technology and media editor, *The Economist*

THE MOST eagerly awaited gadget of 2024 is Apple's Vision Pro, a sleek headset that can transport users to the middle of a "Star Wars" battlefield, or simply project the world's biggest Excel spreadsheet into their office. The magic goggles combine virtual reality (VR) with "mixed reality", using front-mounted cameras to show the user a live video-feed of the outside world, onto which computer graphics can be superimposed. The device is controlled with eye movements and hand gestures. Apple calls it the most ambitious product it has ever made. At $3,499 its price is ambitious, too.

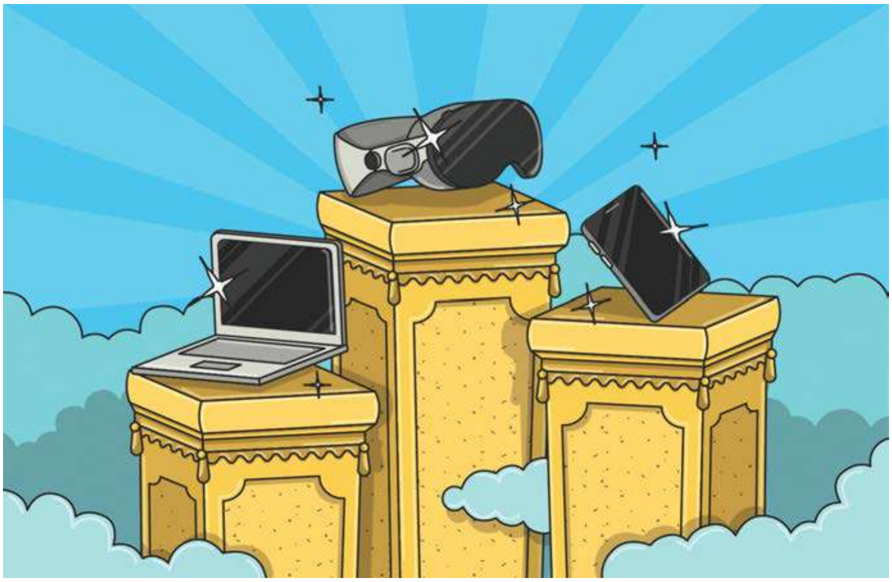
Apple will be jostling for consumers' attention with various rivals. Chief among them is Meta, formerly known as Facebook, which had a big hit with its Quest 2 headset during covid19 lockdowns, when the metaverse was briefly more enjoyable than real life. It launched an upgraded Quest 3 late in 2023, offering mixed reality. The Quest 3 is more basic than Apple's device, but at $499 will outsell it. Fancier models will follow.

Google may re-enter the headset race. A decade ago it launched cameratoting smart specs called Google Glass, which flopped. Plans for high-tech glasses called Iris seem to have gone the same way. Its latest gambit is a partnership with Samsung, a South Korean giant, and Qualcomm, an American chipmaker. The three are working on a mixed-reality project which may produce a headset.

Smaller firms are creating their own niches. Valve, an American videogame company, makes vr headsets for gamers, as does Pico, a Chineseowned VR firm. Pico's parent company, Bytedance, also owns TikTok, an app that has aroused suspicion in America—a situation that might make it hard to sell a device that tracks your eyeballs.

Don't expect any headset to take the world by storm just yet. Worldwide sales of video headgear will grow by a third in 2024, but will still total only 18m units, forecasts Omdia, a marketresearch company. (Smartphone sales will exceed 1bn.) Apple's Vision Pro will probably sell fewer than 200,000 units, because of supply constraints on components, as well as the price tag. It "will be a hit with developers in 2024 and then consumers in 2025", predicts Dan Ives of Wedbush Securities, an investment company.

The thing to watch in 2024 is what those developers find to do with the device. Smartphones took off only after the launch of apps that turned internet-connected phones from novelties into vital everyday tools. Headsets, used mostly for gaming, still lack compelling use cases for most people. But as programmers begin to play around with the Vision Pro, that could change. In the months ahead, tech-watchers will have their eyes on Apple's new gadget—and it will have its four internal cameras looking right back at them. ●



Chip wars, continued

Semiconductors will remain central to America's tech rivalry with China

DON WEINLAND China business and finance editor, *The Economist*, Shanghai

AS SOON AS the Huawei Mate 60 Pro handset went on sale on August 29th, technologists raced to smash it open and see how it worked. The Chinese telecoms-equipment maker had somehow succeeded in creating a new 5G smartphone—something few thought it could accomplish. Huawei had been forced to give up making such devices in 2020 after American sanctions blocked it from buying advanced semiconductors or the equipment needed to make them. Sales of Huawei smartphones, which at one stage even outsold Apple's iPhones globally, collapsed. Yet as they sifted through the innards of the Mate 60 Pro, engineers discovered a Chinese-made chip that seemed to show that American sanctions had been overcome by indigenous innovation.

This chip, the Kirin 9000S, was manufactured by SMIC, the leading Chinese chipmaker, and its appearance was a deeply symbolic moment. China's tech war with America began in earnest in 2019 when Donald Trump's administration banned the sale of high-end chips to Huawei. In 2022 President Joe Biden built on the framework of those sanctions to introduce a blanket ban on the sales of advanced semiconductors to all companies in China. Since then leaders in Beijing have retaliated by banning the sales of some chips made by Micron, an American firm, to Chinese companies, on security grounds. They also began restricting exports of gallium and germanium, two rare metals needed to make state-of-the-art chips.

Huawei's new phone, and the chip that powers it, are thus seen in China as signalling a paradigm shift. "People can see from this that American sanctions cannot stop China's technological progress," read an editorial on September 12th in the *People's Daily*, a government mouthpiece. Photos on local social media showed children bowing in front of Huawei advertisements in Shenzhen. In America, the Mate 60 Pro was used as evidence both to argue that sanctions on China were failing and should be abandoned and to argue that they should be tightened. In fact, it highlights just how difficult it will be for Huawei and other Chinese firms to make new breakthroughs in 2024 and beyond.

The performance of the Mate 60 Pro is on a par with Samsung's Galaxy s20, a handset released in 2020 and powered by a chip manufactured by TSMC of Taiwan, the world's leading chipmaker. Being three years behind may not sound like a lot, but SMIC is using a previous generation of lithography machines, based on a technology called DUV, to etch its chips.

Industry observers reckon that the Kirin 9000S represents the limit of DUV technology. TSMC's superior chips are made using more advanced EUV technology. And that is offiimits to SMIC and other Chinese chipmakers because EUV machines are made only by ASML, a Dutch company, and are covered by American sanctions.

Impressive as it is, in short, the Kirin 9000S probably marks the boundary of what China can achieve without EUV technology, which it will have to develop on its own. That is likely to take many years—and TSMC will continue to race ahead in the meantime. The Mate 60 Pro is not the decisive blow in the tech war that it seemed. And other aspects of the phone's innards signal the direction the tech war will take in 2024.

The handsets were found to contain memory chips made by SK Hynix, a South Korean firm. It says it has not done business with Huawei in years. But Chinese companies have found clever workarounds to get their hands on chips via underground markets. For this reason, America is likely to step up global enforcement of its sanctions. The Biden administration has already dragged allies such as Japan, the Netherlands and South Korea into the fight, to the displeasure of companies in those countries. In 2024 it may expand that group, perhaps in places such as the Middle East, where Chinese firms are rumoured to be buying chips.

That may hamper Chinese firms' ability to create new high-tech products, from smartphones to the specialised systems needed to train artificial-intelligence models. But it will also sap the patience that America's friends have for its tech war. ●

China charges ahead

Its lead in battery-making will make it the world's biggest car exporter

HAL HODSON Special projects writer, *The Economist*

▲ *Saving the planet*

COMBUSTION ENGINES in motor vehicles account for about 15% of carbon-dioxide emissions each year. Eliminating them requires the electrification of transport, which in turn requires batteries in unprecedented quantities. In 2024 the outlines of a new global battery-production infrastructure will come into focus in China, Europe and America—a network of factories capable of churning out batteries in sufficient amounts to store the energy required to propel the global fleet of vehicles.

The majority of battery factories, existing and planned, are in China. Many in Europe are being built by Chinese firms. Benchmark Mineral Intelligence, a firm of analysts, says that China will have 69% of global battery-production capacity by 2030, down from 78% in 2022, but still sufficient to make enough batteries for 90m cars every year. Europe and America, in contrast, are each forecast to have around 14% of global capacity by 2030, enough for 19m vehicles each.

China holds this lead in part because its government has been supporting electric-vehicle (EV) manufacturing and adoption for longer. Tax breaks for EV purchases began in the early 2010s, and by 2022 the Chinese government had poured around $30bn into supporting the market through consumer incentives alone; EV manufacturers received further support through local governments. These subsidies created competition between many new ev companies. Most have now gone bust, leaving winners such as BYD and CATL in a strong position. China's pre-existing strengths in the electronics supply chain also gave EV manufacturers a boost. By 2010 there were already more than 100m electric bikes in China, thanks to government bans of petrolpowered motorcycles in city centres.

Europe and America have only recently started to catch up. In America the Inflation Reduction Act (IRA), passed in 2022, provides tax breaks for ev buyers, but only if the car contains no parts from China or Russia. The IRA also offers battery-makers a tax credit which covers about one-third of the cost of production. All told, Benchmark calculates that American automakers will receive $140bn in subsidies over the next decade. In early 2023 the European Union proposed a similar measure, the Green Deal Industrial Plan, which opened the way for member-states to offer subsidies of their own, as well as providing some funding.

Thanks to these stimulus efforts, it now looks as though both Europe and America will have sufficient battery-production capacity to cover domestic demand for EVs by 2030. China is set to have three times more battery capacity than it needs to service its home market. As 2024 begins, China is poised to become the world's largest car exporter for the first time. And no matter how much money Europe and America spend trying to catch up, China's battery dominance will last for the foreseeable future. ●

Out of office

As the fight over remote work heats up, reality will set in for landlords

RACHANA SHANBHOGUE Business affairs editor, *The Economist*

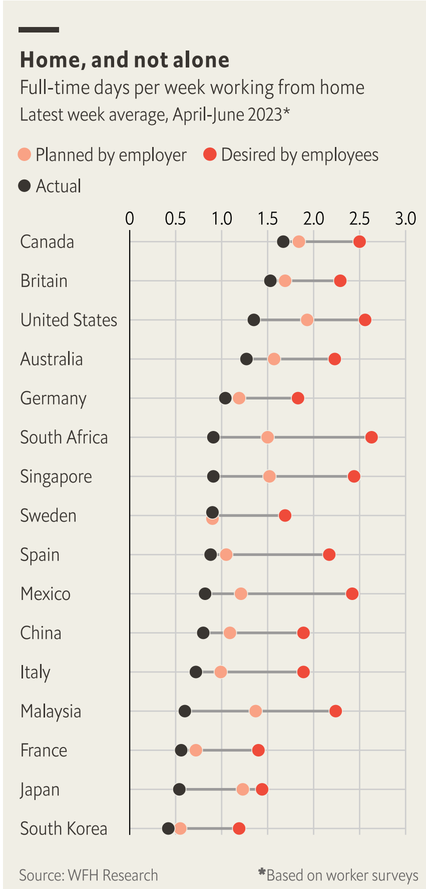
WHEN COVID-19 forced office workers to toil from their spare rooms and kitchen tables, it triggered the biggest shift in professional life for decades. And, as with any big shift, the consequences are still working their way through corporate hierarchies and the financial system. In 2024 reality will start to set in, for workers, bosses and landlords.

Managers and their employees do not quite see eye to eye on the vexed question of where work should be done. According to a survey by WFH Research, a group of academics, full-time workers with at least a secondary education in America, Britain and Canada work, on average, a day and a half a week from home. And, on average, they want to double their time doing so. Employers, however, have different ideas. Everyone from Goldman Sachs, a Wall Street giant, to Zoom, of video-calling fame, is asking its reluctant workers to show up to the office more often.

No one is expecting, or even looking for, a return to five days a week. The most likely outcome is that bosses and workers meet in the middle, with a little less work done remotely than employees would prefer. But a lot depends on whether rising interest rates eventually weaken the economy. If unemployment starts rising and workers are no longer in short supply, bosses will drive a harder bargain.

The shift to remote work has so far had a curiously muted effect on the commercial-property industry. Offices are certainly less busy than they used to be: according to Kastle, a firm that operates swipe-in systems for offices, occupancy in America is roughly half what it was before the pandemic. Yet the long duration of office leases means that vacancy rates, though rising, have been relatively low. Goldman Sachs reckons that 12% of leases will come up for renewal in 2024, more than twice as many as in 2023.

The bank reckons that remote working could contribute to an extra 46m square feet (4.3m square metres) of office space lying vacant in America—equivalent to all the floor space built in 2022. Whereas swish offices that comply with tightening environmental standards will stay in high demand, the offices most likely to stay empty are in older buildings.



None of this is welcome news for landlords. Their refinancing costs have gone up as well, as interest rates have risen. In America most commercial-property loans are owed to smaller lenders, which are especially under strain after the collapse of Silicon Valley Bank in March 2023. And financing costs for less desirable office space are likely to be higher still. The yields on commercial mortgage-backed securities, for instance, are higher for low-quality offices than they are for "prime" properties.

Expect to see more of these buildings being sold at a discount, so that they can be refurbished or demolished. Those that have sufficient light and the right plumbing may be turned into homes. Though this is unlikely to be financially viable for most unwanted offices, the number of conversions in places like London and New York is growing. In Manhattan, 25 Water Street, which used to house a newspaper and a bank, is being converted into a residential block with 1,300 flats, a spa, a swimming pool—and a co-working space. The pandemic may be over, but in 2024 the remotework revolution will continue to change how and where people work and play. ●

No escape from travel chaos

Demand is recovering faster than supply, which means delays and higher prices

THOMAS LEE-DEVLIN Global business correspondent, *The Economist*

NOBODY ENJOYS starting or ending a hard-earned holiday by wasting hours in an airport waiting for a flight. Alas, that is what many travellers will face in 2024.

People have recovered their appetite for whizzing around the world. The UN World Tourism Organisation estimates the global number of travellers will be at 95% of pre-pandemic levels in 2023, up from 63% in 2022, driven by a post-pandemic "revenge tourism" boom. Business travel is also rebounding faster than expected: the Global Business-Travel Association now anticipates a return to prepandemic levels of business-travel spending in 2024, rather than its previous estimate of 2026.

For the airline industry, however, restoring capacity has not been straightforward. Reversing the mass lay-offs triggered by the pandemic is taking time. With demand for flights outstripping supply, prices have risen faster than inflation, padding airlines' profits. But operations are buckling under the pressure. In America, the share of flights delayed continues to rise.

Flying will not be the only pain point for travellers in 2024. Cities around the world are cracking down on short-term rentals like those accessed through Airbnb. A new law that came into effect in New York in September requires hosts to register with the city and be present during a guest's stay. Airbnb calls the law a "de facto ban". Berlin, Paris and Rome have also implemented restrictions, and others including Vienna will follow suit in 2024. Municipal governments hope these curbs will ease pressure on rents and house prices for residents. For travellers, the result is less choice and higher prices.

China could yet throw out a wild card. The World Travel and Tourism Council, a trade group, forecasts that Chinese outbound travel-and-tourism spending will reach roughly nine-tenths of 2019 levels in 2024, up from half in 2023. But a flagging Chinese economy could derail that recovery. That would be bad for businesses counting on Chinese demand. For other tourists, however, it might mean a less crowded return to globetrotting. ●

Missing money

Sluggish investment is holding India back. Will 2024 be different?

TOM EASTON South Asia business and finance editor, *The Economist*, Mumbai

STRONG HEADLINE growth, and the possibility of offsetting China as a location for global production, have raised expectations for India. It is the world's fifth-largest economy, and potentially larger than Germany by 2025, so it would be reasonable to assume that businesses, foreign and domestic, are pouring in cash. New factories pumping out iPhones, wind turbines and batteries suggest they are.

But behind the headlines the reality is more subdued. Investment as a fraction of GDP, which exceeded 40% in 2008, is now 34%, says Barclays, a bank. The money is not going into factories, research and other parts of private business, but rather infrastructure, often with government involvement. According to one recent estimate, 36.5% of banksanctioned funding is for roads and bridges and another 20% for power. Chemicals, often an indicator for broader manufacturing, represent just 2.3%, down from 3.4% over the past decade. Foreign portfolio investment only recently turned positive after more than two years of outflows, and foreign direct investment fell by 16%, to $71bn, in the fiscal year to March 31st 2023.

The paucity of investment has come despite a strong recovery in the financial health of companies, which have reduced their leverage, and banks, which have written off bad loans and now produce better returns than their Western counterparts. There is room to borrow for growth, and demand as well. India, says Barclays, is at "a breakout moment".

Perhaps. A jump in money spent on new projects earlier in 2023 suggested something similar, yet the numbers proved illusory, boosted by large one-time orders for aircraft by India's two big airlines. New announcements have since crashed to a 20-year low, reflecting insufficient "animal spirits", concludes Mahesh Vyas, managing director of the Centre for Monitoring Indian Economy.

Investment as a fraction of GDP has fallen from over 40% in 2008 to 34% now

There is much debate about potential reasons for the investment hesitancy. Narendra Modi, the prime minister, and his administration have been aggressive in pushing investment. Fourteen sectors receive direct production-linked incentives. Taxes have been cut overall. The new bridges and roads are intended to provide the crucial underpinnings for manufacturing to come. Because these efforts are still unfolding, it is still early days, the government says.

A counter-argument is that, even with improvements, the Indian business climate remains difficult. The touted tax changes have too many tiers and leave too much discretion in the hands of feared revenue agents. Tariffs are altered overnight. And the playing field is not seen to be level, with a few local giants perceived to have gamed the system.

Of the $120bn-worth of projects scheduled to be completed by the end of March 2023, only $72bn were finished. The largest completed in the quarter ending in September was a steel plant on which work began in 2003. All of which suggests that India's breakout may still come—but for wary businesses, not yet. ●

Wheels within wheels

Self-driving cars are inching towards wider adoption

SIMON WRIGHT Industry editor, *The Economist*

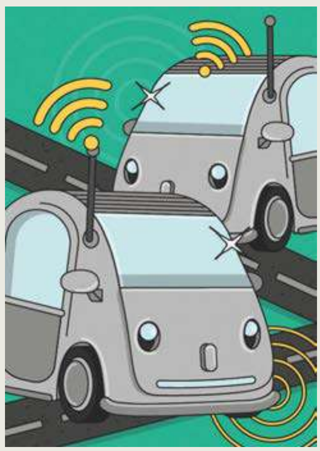
A HIGH-PERFORMANCE sensor is not needed to detect the list of missed targets for the widespread adoption of self-driving cars. General Motors once promised autonomous vehicles (AVs) in abundance by 2019. Ford and Lyft, a ride-hailing firm, had reckoned 2021 was more plausible. For a decade, Elon Musk has loudly proclaimed that fully autonomous Teslas were a year away at most. Taking a nap behind the wheel on a tediously long drive remains a distant dream. But broad adoption of AVs will inch closer in 2024.

In the coming year robotaxis will spread beyond test zones and powerful self-driving features will become available to more motorists. The pursuit of autonomy has split into three camps: firms working on fully autonomous robotaxis; carmakers focused on various forms of driver assistance; and Tesla, which does its own thing.

Hailing robotaxis will become more commonplace. Waymo (owned by Alphabet) and Cruise (GM's AV arm), have long been testing vehicles. They have been charging for rides in San Francisco around the clock, with no need for safety drivers (though Cruise's licence was suspended in October after an accident involving a pedestrian).

In 2024 such vehicles, already operating in Austin, Los Angeles and Phoenix, as well as AVs from Amazon's Zoox, may pop up in other American cities including Atlanta, Miami and Seattle. In China, Baidu, a tech giant, and Pony.ai, also both with small operations in Beijing and other cities, have similar expansion plans—in Baidu's case to 65 cities by 2025.

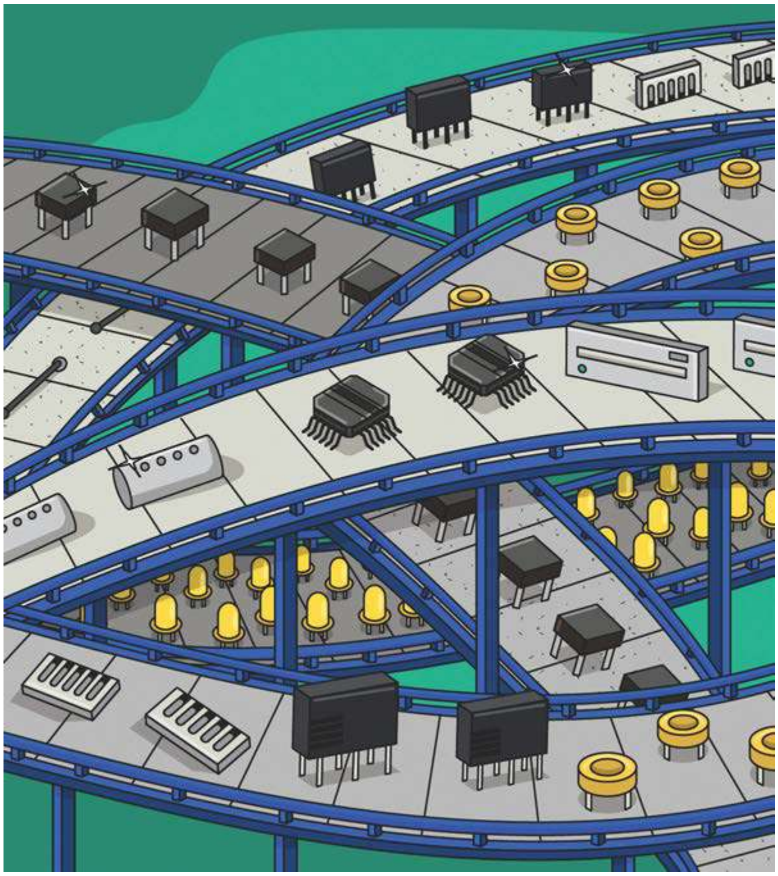
Establishing a robotaxi business requires years of investment, and the prospects remain uncertain. Many carmakers think a faster route to profit is to add selfdriving tech to ordinary cars. Some



already have "level 2" systems that can steer, brake and change lanes. But Mercedes-Benz is leading the way with Drive Pilot, a "level 3" system that does not require constant supervision. Already available in Germany, it will become available in several American states in 2024, as a $2,500-a-year subscription option in some of the firm's fanciest models. Crucially, Mercedes assumes full legal liability when Drive Pilot is on. Other carmakers are not far behind: Ford, Stellantis and others are likely to launch similar "level 3" systems in 2024.

And that leaves Tesla. Despite much hype, its self-driving system is "level 2", requiring constant supervision and hands on the steering wheel. Mr Musk claims the next version, likely to be made available in 2024, provides a far higher level of autonomy. Perhaps it will. One way or another, the driverless journey is creeping ever closer.

Conscious decoupling



Can the high-tech supply chains that bind America and China be untangled?

MIKE BIRD Asia business and finance editor, *The Economist*

GWYNETH PALTROW introduced the world to the concept of "conscious uncoupling" in 2014 during her divorce from Chris Martin. Much mockery ensued. But in 2024 it is not an actress and a rock star who want to gently step back from an interdependent relationship. America and China now face that challenge, as relations become increasingly chilly.

The most common term for it is "decoupling", though the American government prefers "de-risking", and applies it narrowly, to a few areas of advanced manufacturing. But whatever you call it, the difficulties in making a separation work are clear.

In some respects, decoupling is under way. The Rhodium Group, a research firm, says that the annual level of greenfield investment by Chinese companies in America dropped to below $1bn from 2019 to 2022—less than investment by Norway and Spain. In 2023, Mexico surged past China to retake its historical position as America's largest trading partner.

America wants to bring production of some semiconductor manufacturing back home, and is subsidising firms to invest. It also wants to move supply chains to friendlier Asian countries, but that sometimes clashes with business reality.

Take solar-panel production. America imposed steep tariffs on Chinese solar-panel makers, and buyers switched to producers in South-East Asia. But the content of solar panels destined for America is still often Chinese. In August, the Department of Commerce said five large Chinese firms were skirting tariffs by manufacturing in South-East Asia.

The reorientation of massive, lowmargin contract manufacturers also illustrates the challenges of decoupling. Foxconn, a Taiwanese giant with factories in China which lists Apple, Dell and HP among its clients, aims to expand in India. But it pulled plans for a $20bn chipmaking venture in Gujarat in July, after running into difficulties.

Foxconn is investing heavily in Vietnam, but continues to grow in China. In 2023, the company acquired land for further production in Henan province and began production at two other sites. Wistron, another Taiwanese manufacturer with factories in China, ended its own presence in India after a decade and a half, selling its operations to Tata, an Indian conglomerate. Wistron did not confirm the reason for its move, but Indian media reports suggested that even with the country's lower labour costs, it struggled to turn a profit.

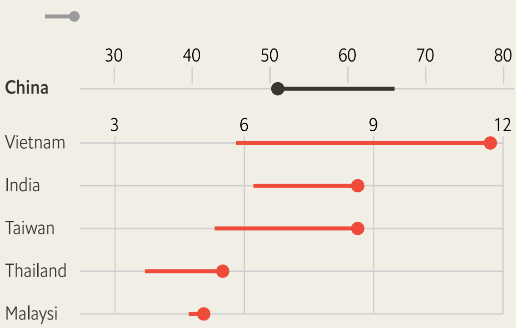
Many Western firms are relying on such manufacturers to do their decoupling for them. Those firms' ability to rearrange their supply chains will make the difference between successful de-risking and messy half-separation.

South-East Asian countries like Vietnam will benefit. With no intention of limiting trade and investment flows to and from China, they are of growing interest to both China and America. The two sides in the trade war may both end up losing, while the non-combatants win big. ●

America wants supply chains in friendlier countries

Chain reaction

United States, % of total manufactured goods imported from selected Asian countries*



*Bangladesh, Cambodia, China, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam

Source: Kearney

By Invitation Stopping harmful AI systems

The labour movement has a vital role to play, says Timnit Gebru of The Distributed AI Research Institute

THE FIELD of artificial intelligence (AI) cycles through what are called AI summers, epochs where every other news headline seems to be about AI and there is ample funding for the field, and AI winters, which come from the disappointment of undelivered overpromises during the summers. We are currently in perhaps the most intense AI summer ever, where just the mere mention of "AI" gets startups 15-50% more funds in investment.

But just like past summers, even the current hype cycle is an "AI summer" only for those profiting from building these systems or the researchers who get funding to work on the dominant paradigm of the day. For many people in the AI pipeline—from the exploited workers supplying and labelling data that power these systems and the content moderators who filter out toxic content, to the marginalised groups who live in apartheid states being overpoliced because of AI—it is a nightmare that shows no signs of abating.

A number of countries around the world are scrambling to propose regulation pertaining to AI, and some have passed laws. Many are feeling the pressure to act because of the current fascination with AI and daily headlines about the utopia that its boosters promise, or the doom that, some predict, it will bring to humanity.

Groups parroting unfounded claims about the impending AI utopia or apocalypse have brainwashed students at some of the prestigious universities that supply Silicon Valley's engineers and scientists, and have influenced multilateral organisations and governments. One group they have not influenced so far, however, is the labour movement.

Those working on the repetitive task of providing examples to train or evaluate systems like ChatGPT or DALL-E do not expect an all-knowing machine on the horizon. They clearly see how hiding the extent to which their labour powers these systems helps multinational corporations sell the supposed power of their technology, while exploiting millions of people around the world. These workers are organising to improve their working conditions and curb the development and deployment of harmful AI systems.

The current cycle is an "AI summer" only for those profiting from it

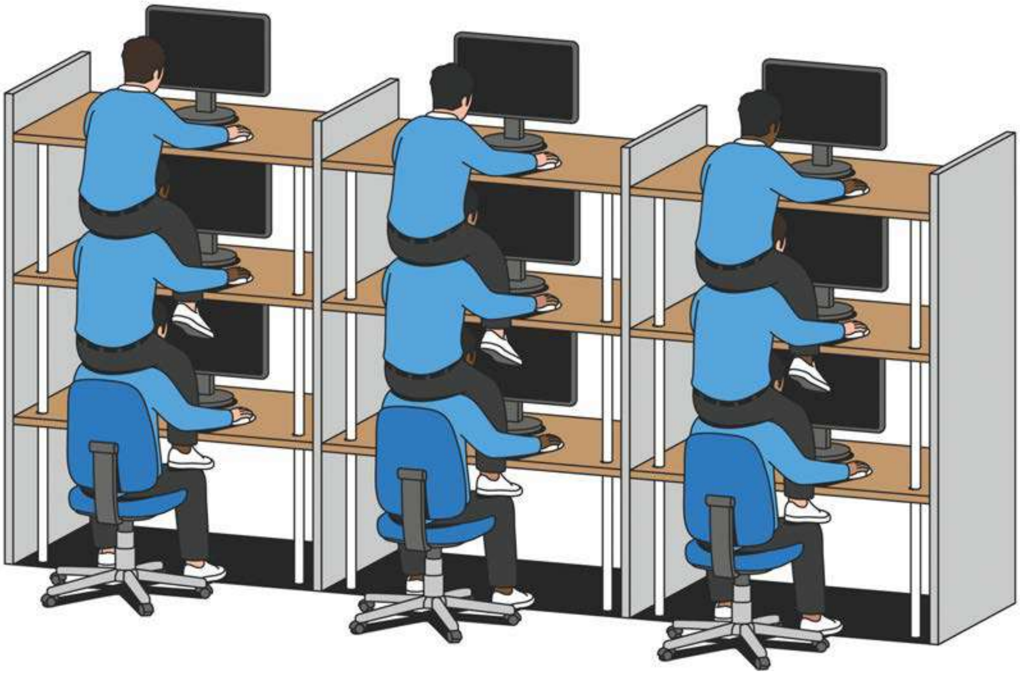
For example, in 2023 Kenyan workers employed by third-party outsourcing companies for the likes of Meta, OpenAI and ByteDance, established the first African Content Moderators Union, and one of them sued Sama, an outsourcing company, for union-busting. As noted by Adrienne Williams, a former Amazon delivery driver who campaigned for better working conditions, the less labour that companies are able to exploit, the less they are able to develop harmful AI systems, because it would not be profitable to do so.

Higher-paid tech workers are also organising with their lower-paid counterparts, not only to advocate for better working conditions but also to stop their organisations from developing harmful AI systems. From Google workers protesting against the company's involvement in developing computer-vision technology for drone warfare in partnership with the American government, to the NoTechForApartheid campaign started in partnership with Google and Amazon employees, tech workers are protesting against the use of their labour in creating harmful technology.

The labour movement's pushback against the proliferation of harmful AI systems is not limited to tech workers: many industries that are affected by the potential uses of AI systems have joined the fight. AI was a key topic of contention in the historic strikes by writers and actors in Hollywood in 2023. Concept artists hired lobbyists and filed class-action lawsuits against companies that generated "AI art" using their work as training data, without consent or compensation. Creatives refused to accept studio terms stipulating that their material could be used to train generative-AI systems that could then put them out of work or devalue their labour.

Given widening inequalities around the world, the climate catastrophe pushing more people into the margins, and the growing number of refugees, which is projected to rocket while tech billionaires amass more money than ever, the labour movement is only going to grow in importance during 2024. It has a vital role to play as it becomes one of the key ways in which the development of harmful AI systems can be curbed. ●

FINANCE



The rise of the hoarders

Rich-world labour markets will remain strong—even in the event of a recession

CALLUM WILLIAMS Senior economics writer, *The Economist*, San Francisco

AFTER THE lifting of lockdowns in 2021, rich-world labour markets roared back to life faster than anyone had expected. In 2022 and 2023 they continued to strengthen, breaking records in the process. The economic outlook for 2024 is uncertain: will the post-pandemic expansion come to an end? Even if the world falls into recession, though, expect labour markets to remain strong. Finding a job will rarely have been so easy.

The unemployment rate across the rich world, at less than 5%, is at historical lows. For a broader measure of labour-market health, consider the share of people aged 16-64 who are actually in a job. This "working-age employment rate" is at an all-time high in around half of OECD countries. Even in countries synonymous with high unemployment, such as Italy and Portugal, employment rates are smashing records. Labour markets, to a greater extent than at almost any time in recent economic history, are delivering for workers, especially those on low incomes and with poor skills.

This strength confuses many economists. Wasn't there supposed to be a "jobspocalypse", with positions eliminated by the millions, as companies deployed artificial intelligence and robots? In fact the latest research finds that in many cases the opposite could be happening. Companies that adopt technology often end up hiring more workers, not firing them—possibly because they are able to grab more market share and, therefore, need more people to service orders. One recent paper looks at Japanese manufacturing between 1978 and 2017, and finds that an increase of one robot per 1,000 workers boosts firms' employment by 2.2%.

Three structural factors set the scene for this jobs boom. The first relates to demographics. Richworld populations are ageing rapidly. Older people are, on average, less likely to be registered as unemployed than younger folk, in part because they are more skilled. They may also feel more shame at being out of work. The second factor is policy. In recent decades governments have cut out-of-work benefits, in some cases to the bone. The returns on finding a job are therefore relatively higher. And third, technological improvements—including platforms such as Indeed and LinkedIn—have made it easier for people to find work that is right for them.

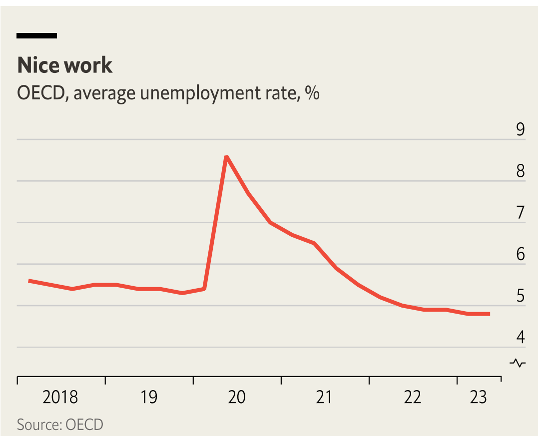
Thus primed, labour markets were able to deliver huge numbers of new jobs from 2021 to 2023. Consumers, flush with government stimulus payments and accumulated savings, and looking to make up for lost time, splurged on labour-intensive services such as hotels, restaurants and entertainment. Total demand for labour across the rich world quickly outpaced the available supply of workers, showing up in a surge of unfilled vacancies—and howls from employers about a labour shortage. Wage growth across the rich world has for months hovered at almost 5%, year on year.

With demand and supply still so out of whack, it would probably take a deep recession to truly damage jobs markets. Demand for labour has ebbed in recent months, but so far this has largely resulted in a decline in vacancies rather than a fall in employment. In Australia vacancies on Indeed have fallen from their peak by over 20%. Yet the working-age employment rate keeps rising to new record levels. Vacancies still have a long way to fall before reaching a historically normal level. In the average rich country for which there are data, there are still about a third more unfilled positions than before the pandemic.

There is another reason to expect continued labour-market strength. During the depths of the lockdowns many companies let workers go, only to struggle to rehire them when the economy opened up again. Bosses do not want to make the same mistake twice. So, assuming any recession is fairly mild, they may be inclined to hoard workers, even if they cannot really afford it.

This theory of "labour hoarding" is consistent with the data, which show that unemployment across the rich world is even lower than expected given the current rate of GDP growth. In 2023 some rich countries, including Germany and New Zealand, actually fell into brief, shallow recessions. Is there any sign that the labour market has cracked? Hardly.

Firms will have another reason to keep workers if they can. As baby-boomers retire, the available pool of labour is shrinking fast. Someone willing and able to work is an increasingly prized commodity, meaning the labour shortage could, over time, turn from a temporary phenomenon to a permanent one. Whatever happens in 2024, the world of ultrahot labour markets is likely to endure. ●



No more offshore

The global minimum corporation tax comes into force

MARK JOHNSON International correspondent, *The Economist*

MORE THAN 130 countries struck a historic deal in 2021 that sought to change the way big companies are taxed. This agreement promised to alter how countries divvy up the right to tax multinational companies' profits. It also decreed that no big firm should pay tax at a rate lower than 15%, no matter where it books its profits (an idea known as the "global minimum tax"). But the fanfare underplayed quite how much of the nitty-gritty was still to be worked out. In 2024, however, some elements of this big deal will at last start to have an impact.

The changes that are coming soonest relate to the global minimum tax. In 2024 laws that bring it closer will go into force in Britain, the EU, Japan and elsewhere. Most of these places already tax companies more than 15%. But from now on they will also start collecting "top-up" taxes from big firms that use legal loopholes to shift profits to places such as Caribbean tax havens which charge lower rates. The idea is to halt a "race to the bottom" in which for years governments have slashed corporate-tax rates to attract investment. Though at first only a handful of big countries will enforce the minimum tax, more will follow.

Even as plans for a global minimum tax move forward in 2024, however, another important part of the big international tax deal could fall apart. For years governments have complained that fast-rising sales of digital products and services have allowed big foreign firms to make a mint from their citizens without setting up local outfits they can tax. To tackle this, the agreement in 2021 granted governments a firmer right to tax some of the profits that the world's largest companies earn from selling stuff in their markets. In exchange countries agreed to drop plans to impose new taxes of their own on tech giants, which would make doing business across borders more complex.

The problem is that most companies affected by these provisions are American—and America's Congress is unwilling to grant foreigners more rights to tax its firms (even though Joe Biden's administration was instrumental in arranging the global deal). If this remains the case by the end of 2024, some 30 countries may press ahead with new tariffs. That could prompt angry American politicians to hit back with levies of their own. As 2024 slides to a close, efforts to avoid a costly skirmish will grow more fraught.

Another year in limbo

Geopolitical tensions have frozen the process of debt restructuring

CERIAN RICHMOND JONES International economics correspondent, *The Economist*

TWENTY YEARS ago, debt restructurings were a triumph of multilateralism. Governments and banks, watched over by the IMF, worked together to reduce the debts of countries that could no longer pay their bills. In return, poor countries agreed to the kind of free-market reforms that had made their creditors prosper. An official "Heavily Indebted Poor Countries" (HIPC) plan made write-downs of huge swathes of debt routine and relatively painless. Restructurings were proof of globalisation going well, and of the benevolence of rich countries at the helm.

Not any more. In 2024 the collapse of that system will continue. It has been at least three years since China agreed to a deal that writes down debts. The world's fragmenting geopolitics now plays out in miniature in each creditor meeting. Beijing refuses to play by Western financiers' rules, but as the world's biggest creditor, it is too big to ignore. At least 21 countries were in default or seeking restructuring but only Zambia managed to get a deal done involving China.

Many other poor countries will remain stuck as relations between their lenders fray. Governments have to agree on a deal before private lenders can start negotiating. Sri Lanka's biggest official creditors, China and India, refuse to sit in the same room. Each stage that was once a bureaucratic formality now takes months. Progress will continue to be slow or will stop altogether. Lebanon, Mozambique and Venezuela have all been in default for more than three years; none has even managed to started negotiations.

More countries now borrow from their own banks and populations in their own currency. Sri Lanka and Zambia face the formidable challenge of restructuring this domestic debt in order to keep their international deals moving forward. This requirement is, perhaps, the only thing in international finance on which China, the IMF and Wall Street can agree. A light touch will not satisfy the IMF. Too heavy, and the banking system will crash.

So it is hardly surprising that many countries on the brink of restructuring, such as Pakistan and Sri Lanka, are clinging to the pretence of solvency however they can, often with unstable dollars deposited by China or Gulf countries in their central banks. But the developing world is engulfed in the worst debt crisis since the 1980s. Ignoring insolvency has steep costs too. It makes restructuring, whenever it is done, more painful. But, with restructurings frozen, in 2024 that will seem to many countries like a price worth paying. ●

Rollercoaster ride

When violent ups and downs bring you back to where you started

ALICE FULWOOD Wall Street correspondent, *The Economist*

IN "THE GAP IN THE CURTAIN", a novel written by John Buchan in 1932, a scientist picks five subjects who are shown the front page of a newspaper, one year in the future—the figurative gap in the curtain of time which gives the book its title. Two see their own obituaries and spend the next year driving themselves mad in their efforts to prevent their fate. As the day arrives one realises he was mistaken: it was not his obituary, but one for a man of the same name.

Hugh Hendry, an eccentric hedge-fund manager, has called this the "best investment book ever written" because it taught him to worry about the journey, as well as the destination, of asset prices.

In October 2023 American stocks, as measured by the level of the S&P 500, are hovering at around 4,100 points. If she had been able to peer through the gap in the curtain, your correspondent would have seen, at various points in 2021, 2022 and 2023, that stocks at the end of 2023 would be largely unchanged from their level at the time.

But that would not have revealed much about their ups and downs along the way. In 2021, with the bull market roaring, investors might have assumed a serene plateau. In 2022, with shares plunging like a falling knife as interest rates were jacked up, they might have thought monetary tightening had stopped. Instead, the three-year chart of American stocks looks like a rollercoaster, with steady climbs and violent plunges.

Now the situation is stranger than even science fiction might predict. Despite extreme and continuing increases in interest rates, which caused the failure of several medium-sized banks in the spring of 2023, unemployment is still just 3.8%. And despite continued strong economic growth, inflation has become much more manageable. During 2023 markets have embraced this unusual mix of strong growth, moderate inflation and rising interest rates, although not without some wild gyrations along the way.

But the destination is only half the story. The journey matters just as much. It is hard to imagine that even higher rates will not break more things in America's financial system, perhaps enough of them to upset economic growth. Already alarm bells are ringing in the commercial-property sector, and the value of many bank assets will have fallen further in 2023 as rates climbed. The so-called "shadow banks" which have sprung up in corporate loan-making might struggle if growth starts to slow.

Still, many of these risks are already apparent. None has dimmed growth or investor enthusiasm yet. The pollyanna-ish story is that of the "soft landing" in which growth remains robust, inflation floats gently back to Earth and the Federal Reserve can start trimming rates from their elevated levels in 2024 or 2025. This scenario would surely fuel a surge to new all-time highs (stocks are around 13% shy of that level now).

Peeking through the curtain to October 2023, in 2021 or 2022, might not have helped an investor understand the wild unpredictability of post-pandemic financial markets. In 2024 markets may finally chart new territory. ●

Building new walls

An onslaught of protectionism will change trade, but not diminish it

CERIAN RICHMOND JONES International economics correspondent, *The Economist*

▲ *Still sailing*

WHAT'S GOING on with global trade? 2023 should have been a disaster. America and China entered an all-out trade war, with export bans, import tariffs and investment restrictions. Europe agonised over a riposte to the Inflation Reduction Act (IRA), America's plan to kickstart manufacturing with $1trn in subsidies and tax incentives. India threw up import bans of its own. War in Ukraine played havoc with grain supplies and shipping. The World Trade Organisation, enfeebled by America's disengagement under Donald Trump, looked on in horror. Predictions about the death of trade came thick and fast.

And yet the world ended up buying more from China, relative to the country's GDP, in the first nine months of 2023 than in the same period in any previous year. As a portion of its GDP, China bought just as much from the rest of the world as it did in 2022. India's manufacturing share of GDP rose for the first time in five years. Including intermediate goods, America bought as much as from China relative to its GDP as it had in the previous five years. In 2024, policy and reality will continue to diverge. Though protectionism will continue to flourish, firms and countries will carry on adapting, not retreating.

For a start, expect more intermediated trade. Tensions over Taiwan, the source of 65% of the world's semiconductors, as well as concerns about military uses of ai and a battle over the supply of rare-earth metals, make an economic thaw between the West and China unlikely. But laws to scrub China from supply chains will make Western companies nervous and eager to find alternatives. Chinese firms are looking for ways to skirt the West's trade barriers. Both will settle on countries friendly to both but allied to neither. More goods made in China, or by Chinese companies, will be traded via countries like Vietnam, which is already prospering as a result.

The race to build the hardware of the green revolution will add to the need to adapt. In 2023, Indonesia banned the export of bauxite, necessary to make aluminium, after a similar ban in 2020 on nickel, a crucial component of green batteries. In 2024, other countries will follow suit, though few foreign firms will want to go to unstable countries.

Firms and countries will adapt, not retreat

In June, policymakers in Washington, DC, carved out green minerals from the IRA's tariff regime, as long as the exporting country has a free-trade agreement with America. More developing countries could start negotiating similar arrangements. Should China's economic slowdown continue to cool its demand for green commodities, the West could benefit from lower global prices (though poor producers such as Turkmenistan and Zambia, which rely heavily on exports to China, could suffer).

Many things will not change. China has long protected its chipmakers and car industry, but trade has continued. The West's new industrial policies will take years to pay off. Europe's desire to reduce its reliance on Chinese cars, particularly evs, will take time. It will be a while before new factories in America's rustbelt start producing chips and evs. That is good news for trade in 2024. But it also means that the logic of national security will drive trade for years, regardless of the economic merit of the argument. ●

WHAT IF?

In 2023 a number of financial institutions, including Silicon Valley Bank in America and Credit Suisse in Europe, collapsed as depositors fled. Intervention by regulators on both sides of the Atlantic halted any contagion. **But what if new pressures developed into a full-blown crisis?** Central-bank officials say interest rates will remain higher for longer than expected, as America's economy remains strong. Small banks hold lots of bonds and are exposed to commercial property. Things could turn ugly quickly.

Are CBDCs dead?

They solve few problems, and create new ones

ARJUN RAMANI Global business and economics correspondent, *The Economist*

NEW TECHNOLOGIES have changed the nature of money many times in the past. The Lydians invented coins in the seventh century BC; paper money emerged in seventh-century China. Credit and debit cards spurred a shift away from paper money and cheques. In the 2010s, smartphone-based payments took off. Use of cash is now plummeting: its share of retail transactions in ten of the world's biggest markets fell from about three-quarters to one-half from 2011 to 2021, according to McKinsey, a consultancy.

As the world goes cashless, central bankers have been pondering the next evolution of money. Some are keen on "central bank digital currencies" (CBDCs). Most money is already digital, so what is different about a CBDC? It is a liability of a country's central bank, rather than of a commercial bank. So CBDCs do not come with the run risk of commercial banks. But not all are the same. China's e-CNY has programmable rules; Brazil's is only for retail use. Yet all major CBDCs are intermediated by commercial banks, easing the management burden for central banks.

In 2016, CBDCs were barely on the central-banking agenda. But things changed, for two reasons. First, Facebook's announcement of a global digital currency called Libra in 2019, and the rise of cryptocurrencies such as Bitcoin, prompted fears among central bankers that the bank-based financial system would lose clout to digital alternatives.

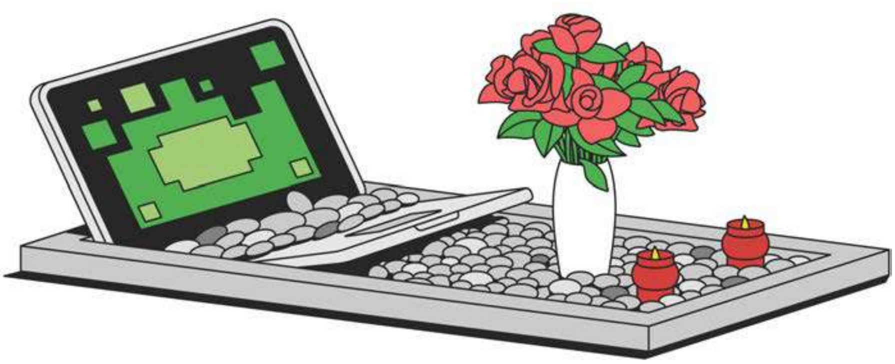
Second, many countries grew enamoured with the idea of instantly settled cross-border CBDC payments to reduce fees and even sidestep the dollar. Interest in building new cross-border payment methods grew after the West imposed sanctions on Russia for its invasion of Ukraine. The Atlantic Council, a think-tank, now says that 130 countries, representing over 98% of global GDP, are exploring a CBDC.

More recently, though, there have been murmurs of dissent. "What actual problem would a CBDC solve?" asked Neel Kashkari, president of the Minneapolis Federal Reserve, in May. Libra was scrapped because of regulatory pushback, and cryptocurrencies have failed to gain wide adoption. Cross-border CBDC projects have struggled to find sources of liquidity outside traditional capital markets, and remain in the pilot stage.

After doing their homework, central bankers from Sweden and Denmark to Japan have expressed scepticism. Sweden's Riksbank released a 900-page report in March arguing that the case for a CBDC was weak, citing the nation's already advanced payment system. An economist at a major central bank observes that digital-payment systems already provide most of the benefits of a CBDC.

CBDCs also pose new questions. For example, if they are safer than commercial-bank deposits, customers may flock to CBDCs in times of stress, which might increase financial instability. That is why major CBDCs have caps on holdings and offer no interest, relegating them to the sidelines. Technological innovation will continue, and some new and improved type of CBDC may yet become important. But that is unlikely to happen in 2024. Expect the FOMO around CBDCs to continue to fade. ●

Conventional digital-payment systems already provide most of the benefits of a CBDC



Through the roof

A trio of commodities could get very hot in 2024

MATTHIEU FAVAS Commodities editor, *The Economist*

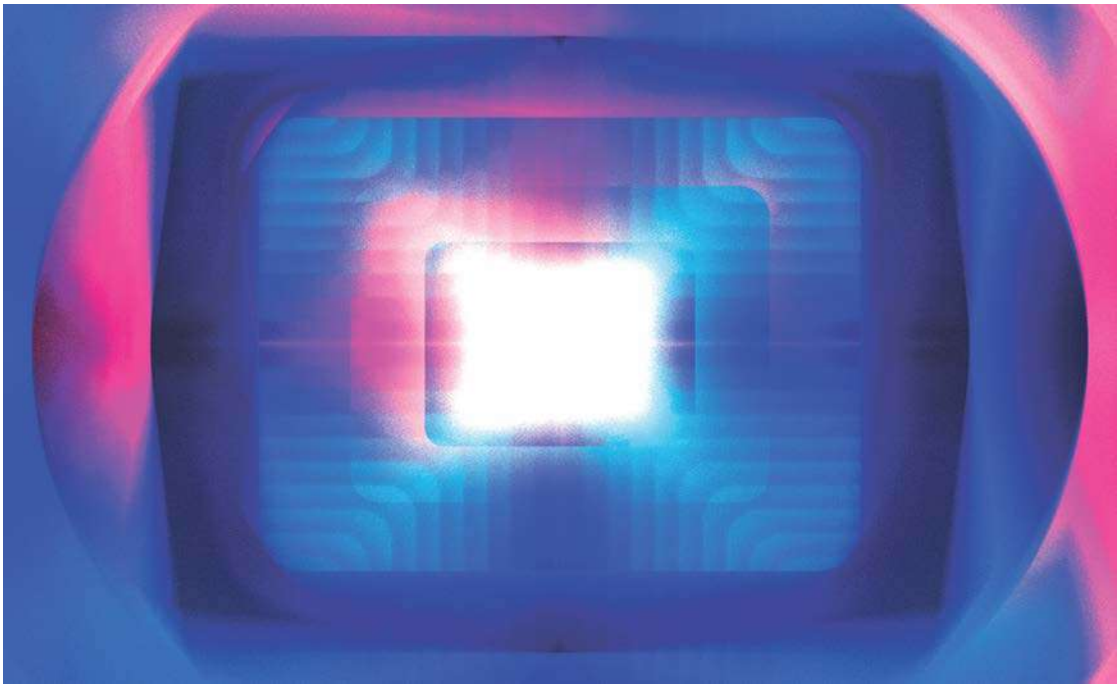
FOR MUCH of 2023 commodity markets were treading water. Russia's invasion of Ukraine, on top of supply-chain snarls from covid-19, had sent rawmaterial prices soaring in 2022. But a subdued economic outlook turned a busy market boring. Some excitement returned in late 2023, as oil prices perked up. But worries about demand kept indices on the floor.

In 2024 supply problems, together with resurgent demand, could cause three markets to take off. The first is crude oil. Most analysts reckon that new supply will combine with slow economic growth to cause a gradual decline in price, from more than $90 in September 2023 to $80 a barrel or less during 2024. But that could prompt Saudi Arabia, the world's biggest producer, to announce deeper output reductions than the 1m barrel-per-day cut—equivalent to 1% of global demand—it adopted in July. Iran's production may also be dented by sanctions or shipping problems. That could setthe stage for a squeeze when economic growth returns.

Some metal markets also look vulnerable. Those for cobalt and lithium, two green metals on everyone's radar in 2022, look well supplied. Instead watch copper, prices for which fell during 2023 because of low Chinese growth. The hottest of all metal markets could be the ultra-niche one for uranium. The search for steady sources of low-carbon power and the war in Ukraine have made governments hungrier for atomic energy just as coups and conflicts have disrupted uranium production. Prices for the metal, already at their highest for a decade, could rise further as market deficits remain.

The third area to watch is the market for grain. Russia's invasion of Ukraine did not jolt the market for long: wheat prices, at $12 a bushel in March 2022, hit $5 in autumn 2023. But Ukraine, the world's fifth-biggest exporter of the grain, now exports 35% less. Bumper crops from Russia have made up the difference, but bad weather and escalating tensions could jeopardise that. Stocks at large exporters have been falling for years. Buffers against shocks are slim. ●

SCIENCE & TECHNOLOGY



What's next for AI research?

How artificial intelligence might improve in the year ahead

ABBY BERTICS Science correspondent, *The Economist*

INTEREST IN artificial intelligence (AI) reached fever pitch in 2023. In the six months after OpenAI's launch in November 2022 of ChatGPT, the internet's most famed and effective chatbot, , the topic "artificial intelligence" nearly quadrupled in popularity on Google's search engine. By August 2023, one third of respondents to the latest McKinsey Global Survey said their organisations were using generative AI in at least one capacity.

How will the technology develop in 2024? There are three main dimensions on which researchers are improving ai models: size, data and applications.

Start with size. For the past few years, the accepted dogma of AI research has been that bigger means better. Although computers have got smaller even as they have become more powerful, that is not true of large language models (LLMS), the size of which is measured in billions or trillions of "parameters". According to SemiAnalysis, a research firm, GPT-4, the LLM which powers the deluxe version of ChatGPT, required more than 16,000 specialised GPU chips and took multiple weeks to train, at a cost of more than $100m. According to Nvidia, a chipmaker, inference costs—getting the trained models to respond to users' queries—now exceed training costs when deploying an LLM at any reasonable scale.

As AI models transition to being commercial commodities there is a growing focus on maintaining performance while making them smaller and faster. One way to do so is to train a smaller model using more training data. For instance, "Chinchilla", an LLM developed in 2022 by Google DeepMind, outperforms OpenAI's GPT-3, despite being a quarter of the size (it was trained on four times the data). Another approach is to reduce the numerical precision of the parameters that a model comprises. A team at the University of Washington has shown that it is possible to squeeze a model the size of Chinchilla onto one GPU chip, without a marked dip in performance. Small models, crucially, are much less expensive to run later on. Some can even run on a laptop or smartphone.

Next, data. AI models are prediction machines that become more effective when they are trained on more data. But focus is also shifting from "how much" to "how good". This is especially relevant because it is getting harder to find more training data: an analysis in 2022 suggested that stocks of new, high-quality text might dry up in the next few years. Using the outputs of the models to train future models may lead to less capable models—so the adoption of LLMS makes the internet less valuable as a source of training data. But quantity isn't everything. Figuring out the right mix of training data is still much more of an art than a science. And models are increasingly being trained on combinations of data types, including natural language, computer code, images and even videos, which gives them new capabilities.

What new applications might emerge? There is some "overhang" when it comes to AI, meaning that it has advanced more quickly than people have been able to take advantage of it. Showing what is possible has turned into figuring out what is practical. The most consequential advances will not be in the quality of the models themselves, but in learning how to use them more effectively.

At present, there are three main ways to use models. The first, "prompt engineering", takes them as they are and feeds them specific prompts. This method involves crafting input phrases or questions to guide the model to produce desired outputs. The second is to "fine-tune" a model to improve its performance at a specific task. This involves giving a pre-existing model an extra round of training using a narrow dataset tailored to that task. For instance, an LLM could be fine-tuned using papers from medical journals to make it better at answering health-related questions. The third approach is to embed LLMS in a larger, more powerful architecture. An LLM is like an engine, and to make use of it for a particular application, you need to build the car around it.

There is "no reason to believe...that this is the ultimate neural architecture"

One example of this is "retrieval augmented generation", a technique that combines an llm with extra software and a database of knowledge on a particular topic to make it less likely to spit out falsehoods. When asked a question, the system first searches through its database. If it finds something relevant, it then passes the question, along with the factual information, to the LLM, requesting that the answer be generated from the information supplied. Providing sources in this way means users can be more confident of the accuracy of responses. It also allows the LLM to be personalised, like Google's NotebookLM, which lets users supply their own databases of knowledge.

Amid all the focus on AI's commercial potential, the hunt for artificial general intelligence continues. LLMS and other forms of generative AI may be a piece in the puzzle, or a step on the way, but they are probably not the final answer. As Chris Manningof Stanford University puts it: there is "no reason to believe...that this is the ultimate neural architecture, and we will never find anything better." ●

Curing obesity

Expect a bumper year for weight-loss drugs

NATASHA LODER Health editor, *The Economist*

FOR DECADES, weight-loss drugs have been a disappointment, delivering ineffective or even dangerous treatments. The recent arrival of drugs that are both effective and safe is therefore a medical milestone. Some now talk of a long-term future in which obesity might be cured. That is no small claim: obesity is a serious global problem, with 1.1bn people, or roughly 14% of the world's population, being obese.

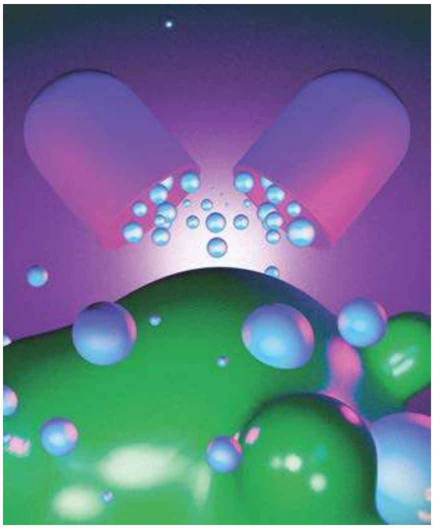
In 2024 the two companies, Novo Nordisk and Eli Lilly, will battle for dominance of what could be a $77bn market by 2030. Their drugs Wegovy (semaglutide) and Mounjaro (tirzepatide) are going to be blockbusters. The size of the market is attracting a lot of competition and innovation. More than 70 other obesity treatments are in development, according to STAT, a medical news site. Most firms are chasing the same idea, namely glucagon-like peptide 1 (GLP-1) agonists. These mimic the hormones the body produces after a meal, thus regulating glucose in the blood, which is why GLP-1 drugs worked so well to treat diabetes.

Unexpectedly, though, GLP-1 drugs also work on weight loss. They do this by slowing down the rate of "gastric emptying", keeping people fuller for longer. They also affect the brain's hypothalamus, which controls hunger. And they seem to make fat more likely to break down. Although GLP-1 will probably continue to be the primary target for new medications, some firms are exploring additional cellular targets in the hope of making ever more effective drugs that shed ever higher percentages of body fat.

Ray Stevens, the boss of Structure Therapeutics, says the challenge is to ensure patients tolerate the medicine and find it easy to use. A number of firms, including his, are chasing oral versions of GLP-1 drugs. They are betting that oral drugs will be cheaper to make and deliver, and will be more tolerated by patients, who don't like injecting themselves. Novo Nordisk hopes to deliver a new oral version of semaglutide as early as 2024.

The drugs have proved so popular that demand has continually exceeded supply. Supply is likely to improve in 2024, but shortages of the medications are expected to continue. GLP-1 drugs are generally regarded as safe but there are risks of gastrointestinal complications such as pancreatitis and bowel obstructions. Another quibble is durability. The drugs have to be taken continuously to keep weight off. Amgen, which is developing a longer-lasting drug, will get results from phase-2 trials in the coming year.

Human trials may also start in 2024 on a one-time gene-therapy GLP-1 drug, which triggered a 23% weight loss in obese mice. Biotech Fractyl Health, based in Lexington, Massachusetts, injected the

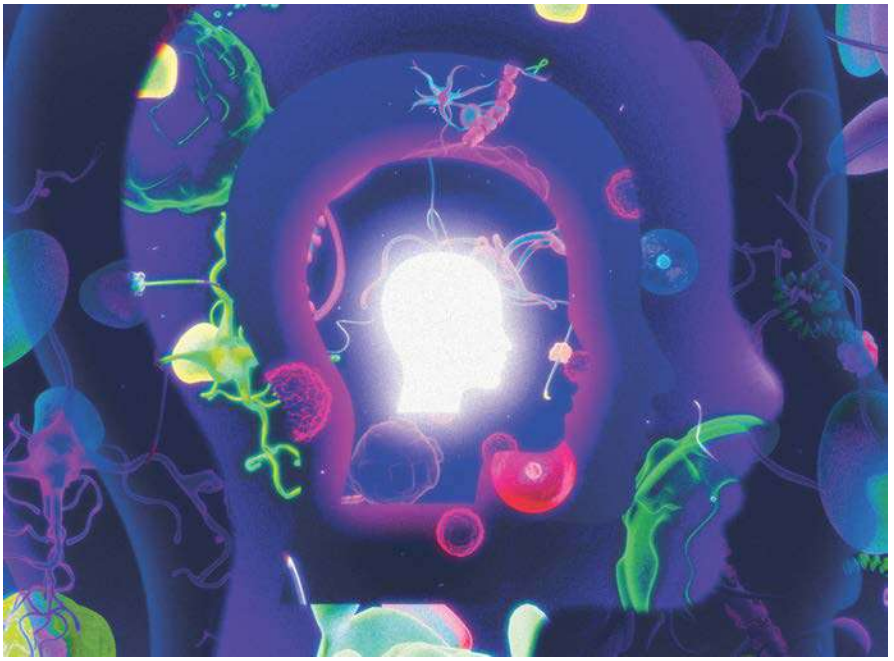


drug into the pancreas, allowing mice to make their own GLP-1 agonists. This sort of research will need many years of work before it is deemed safe and effective in humans. Gene therapy also poses the challenge that, unlike with a medication, patients cannot stop taking it if there are unwanted side-effects.

One factor driving interest from doctors is that obesity is increasingly seen as a medical, rather than cosmetic, concern. A recent paper on Wegovy showed that it can reduce the risk of major cardiovascular events, such as strokes and heart attacks, by 20%. Given widely, weight-loss injections in America could prevent hundreds of thousands of heart failures. Globally, such drugs could transform public health. In 2024, more data on the health impacts of obesity medicines will bolster the case for prescribing these drugs.

Ahmed Ahmed, a reader in metabolic surgery at Imperial College London, says he expects a flurry of consumer interest in nutraceuticals, such as konjac fibres, that enhance or amplify the body's own gut-peptide systems. Those who have been lucky enough to be able to get hold of prescription GLP1 drugs are, says Mr Ahmed, "reasonably happy with them, as long as they don't expect too much weight loss". The catch, though, is that you have to keep taking them. He says one patient has likened the psychological need to take the drug to an opiate addiction. But eventually, taking a cheap oral drug every day may become widely accepted. For now, the revolution is just beginning.

Medical marvels



Treatments arriving in 2024 will use genetic scissors and other new tricks

NATASHA LODER Health editor, *The Economist*

NEW MEDICINES to treat sickle-cell disease and beta thalassaemia, two genetic blood disorders, will make headlines in 2024. Most notable of these is the first CRISPR-gene-edited drug, which made its historic arrival in late 2023. Gene editing uses molecular scissors to edit DNA. It is a more precise form of modification than gene therapy, an older technology that uses a viral vector to inject a working gene into a cell. Gene editing has moved astonishingly quickly through drug pipelines—much faster than gene therapies, which have been slow and difficult to develop.

For sickle-cell disease, the gene-edited therapy, exa-cel, developed by Crispr Therapeutics and Vertex, is likely to be approved just ahead of a gene-therapy drug from Bluebird Bio, lovo-cel. In both cases, stem cells are first extracted from a patient's body. They are then either edited (exa-cel) or transfected with the viral vector (lovo-cel), and returned to the body, where they correct the genetic defect. The effects are said to last a lifetime.

But these drugs will cost more than $2m per patient. Even in America some patients will struggle to get hold of them. In poorer countries, where most patients with sickle-cell disease live, they will be impossible to obtain.

The great flexibility of the gene-editing technology, and its ability to target non-genetic diseases, means it has a particularly bright future. The coming year will see progress in efforts by Crispr Therapeutics and Caribou Biosciences to develop off-the-shelf cell products that can treat cancer and other diseases.

The workhorse of the immune system, the T-cell, can be gathered from donors and reprogrammed, via gene editing, to fight cancer without triggering an immune rejection by the patient's body. This approach means that powerful CAR-T treatments no longer have to be manufactured individually, and expensively, for each patient.

Crispr Therapeutics is developing similar technology to create replacement insulin-producing cells in the pancreas. There are also efforts to develop "in vivo" gene editing, to allow geneediting treatments to be delivered into the body by packaging them in lipid nanoparticles.

Gene-editing technology is advancing in other ways, too. Verve Therapeutics is focusing on cardiovascular disease using a more precise approach to gene editing known as "base editing", which can change a single base in the genome without damaging the DNA molecule itself. Look for news of its early-stage work, on a treatment to lower cholesterol levels. Meanwhile another treatment, EBT-101 from Excision, which aims to use gene editing to eliminate HIV infection from the body, will complete enrolment of patients for its first phase-1 trial in 2024.

Other coming highlights in the year ahead include a hotly anticipated decision on a new antibiotic for urinary-tract infections, many of which are resistant to existing antibiotics; two "pentavalent" meningococcal vaccines that protect against a wide range of serotypes of meningitis; and an innovative "microinvasive" eye implant that continuously releases minuscule amounts of a drug for glaucoma, an eye disease. It promises to deliver far better results than eye drops, which patients often forget to apply regularly. Yet another exciting new treatment to keep an eye on, you might say, in the coming year.

Do look up

The launches, missions and rockets to watch for

ALOK JHA Science editor, *The Economist*

Astronauts are due to return to the Moon—well, sort of

BY THE END of 2024, astronauts are due to return to the Moon for the first time in more than half a century. Well, sort of. As part of NASA's Artemis II mission, four astronauts—Reid Wiseman, Victor Glover, Christina Hammock Koch and Jeremy Hansen—will travel 7,400km beyond the Moon, swing around and return to Earth, without landing on the lunar surface. Their ten-day voyage will test the Space Launch System (SLS) rocket and the Orion spacecraft for future missions. As well as being the first humans to reach the vicinity of the Moon since those of Apollo 17 in 1972, Mr Glover, Dr Koch and Mr Hansen will be the first black man, first woman and first non-American respectively to leave Earth orbit.

The earliest that Artemis II can launch is November, and it may be delayed to 2025. It will certainly be beaten to the Moon in May by the latest mission in the Chinese Lunar Exploration Programme (known as Chang'e). Like *Chang'e 5* before it in 2020, *Chang'e 6* aims to deliver a robotic lander to the Moon's surface, collect a few kilograms of rocks and bring them back to Earth. The target location is on the far side of the Moon and the mission will also carry instruments from France, Italy, Pakistan and Sweden.

In September Japan will attempt to join the Mars club by launching its Martian Moons Exploration (MMX) mission to study the planet's moons, Phobos and Deimos. Because the moons are too small to gravitationally capture the spacecraft, MMX will instead enter a "quasi-satellite orbit" around them. It is due to land on Phobos in 2025 to scoop up rock samples for return to Earth by the end of the decade.

In October NASA plans to launch *Europa Clipper,* a probe dedicated to studying the habitability of one of Jupiter's moons. The observation in 2012 of water vapour near Europa's south pole reignited interest among planetary scientists in studying the big moons of Jupiter and Saturn, which seemingly harbour subsurface oceans of water, and could be home to alien life. When it arrives at Europa in 2030, *Europa Clipper* will perform 45 fly-bys of the moon, varying in altitude from 2,700km to 25km, to study Europa's magnetic field and icy shell, and the nature of the water and rocks underneath.

In December the Indian Space Research Organisation aims to build on the success of its *Chandrayaan-3* mission in August 2023, which landed a spacecraft near the Moon's south pole, by launching *Shukrayaan* to Venus. This will be the first dedicated mission to Earth's "evil twin" since Japan's *Akatsuki* in 2010. Scientists hope to study everything from the chemistry of Venus's atmosphere to its lava flows—and find out whether or not the planet harbours phosphine (a molecule suspected to be present, which is normally associated with life).

Closer to home, private companies will be testing out new rockets. Blue Origin, Jeff Bezos's company, could test its *New Glenn* rocket for the first time in 2024. It is a reusable heavy-lift vehicle, capable of placing 45 tonnes into low-Earth orbit, compared with 64 metric tonnes for SpaceX's *Falcon Heavy*, or 95 tonnes for the expendable SLS. Rocket Lab, a startup, plans to fly its reusable *Neutron* rocket for the first time. ArianeGroup's *Ariane 6*, an expendable rocket, may also make its maiden flight in 2024.

All these rockets, though impressive, will eventually be dwarfed by SpaceX's reusable *Starship* which, when it works, will be capable of lofting 150 tonnes into orbit. Expect to see more trials of that behemoth in 2024. ●

▲ *Heirs to Apollo*

WHAT IF?

Celestial phenomena can sometimes bring terrestrial enlightenment. **What if a flood of particles from space revealed new physics?** Were radiation from the supernova explosion of a nearby star to hit the Earth in 2024, not only would the skies be lightened, but a flood of neutrinos would be picked up in the specialised detectors which look for such things in subterranean caverns and under icecaps—and possibly traces of mysterious dark matter, too. A new intellectual dawn could break deep below the surface.

Lights out

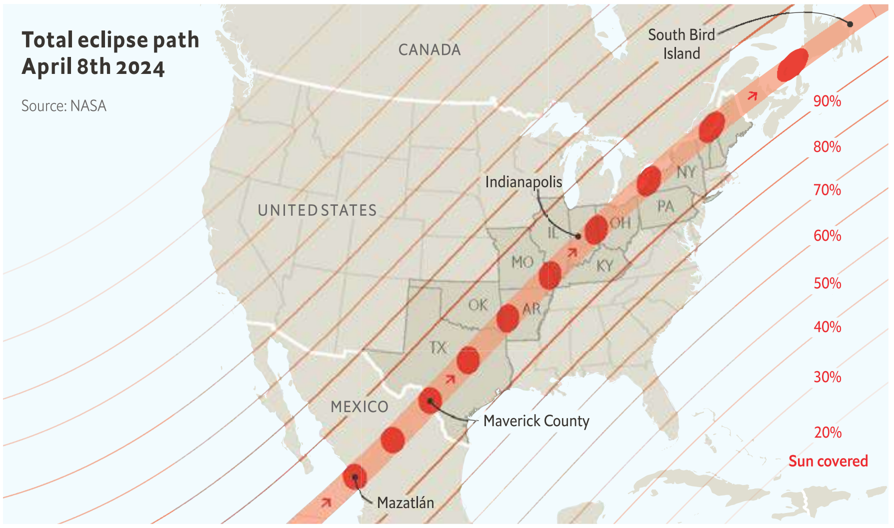
One event that is guaranteed to happen in 2024

GEOFFREY CARR Senior editor, science and technology, *The Economist*

TOTAL SOLAR eclipses are elusive. The tracks of the shadows cast when, from Earth's point of view, the Moon passes in front of the Sun, can be calculated millennia in advance. But those shadows may fall on the ocean, or in sparsely populated regions.

Of the 17 total eclipses since 2000, two were visible only from Antarctica and the sea surrounding it. A third could, just, be seen at the North Pole. And the track of a fourth brought visitors from all over the planet to Easter Island, which jostles with Tristan da Cunha for the title of "most remote inhabited territory".

Some eclipse-watchers consider all this a challenge, and enjoy making their way to places that they would otherwise be unlikely to visit. Most people, however, are content to wait for an eclipse to come to them. So it is excellent news for readers of *The Economist*, half of whom live in



North America, that on April 8th an eclipse is coming their way.

And it is a good one, which is why it is being called the Great North American eclipse. When the shadow of totality makes landfall near Mazatlán, on Mexico's Pacific coast, at 11.07am local time, totality will last four minutes and 27 seconds. It maxes out at a mere second longer in Durango province and then starts slowly shrinking. As the shadow crosses the border from Mexico to Texas near Radar Base, totality will be down to four minutes 26.9 seconds. By the time it passes Indianapolis it will last precisely four minutes and will carry on shrinking until it grazes the southern tip of South Bird Island, off the coast of Newfoundland, at 5.13pm and 46.9 seconds local. By this time totality will last two minutes 53.5 seconds.

Once, eclipses were events of fear and portent. Now they are a good excuse for a party. From one coast to the other, Mexicans, Americans and Canadians will flock to the track of totality, open a beer or two and watch the show. Though they are no longer deemed portentous, eclipses are still awesome. Your correspondent has seen four, including Easter Island's and one of the Antarctic manifestations. However noisy the crowd is beforehand, the black hole in the sky punched by the Sun's obliteration is guaranteed to reduce everyone to thoughtful silence. ●

The next pandemic?

Plant diseases are spreading globally. More scrutiny is needed to halt them

CAITLIN TALBOT Social-media editor, *The Economist*

WHEAT BLAST, a fungal disease, is poised to turn the world's breadbasket into a chalky mess. It has spread more than 15,000km in a decade—from Brazil to Argentina, and then Zambia and Bangladesh. It may yet get to India, the second-biggest producer of wheat.

Crop-killing diseases are spreading fast. The same fungus that causes wheat blast destroys enough rice a year to feed 60m people. Potato blight, a water mould, causes up to $10bn in losses annually. Spuds are ravaged too by blackleg, a bacterial disease, and potato virus "Y". Such pathogens bring chaos to a food system already weakened by war, climate change and export bans.

A plant pandemic could tip the world towards mass hunger. In 2024, that looks ever more likely. Most farmers rely on monocultures, which are efficient but vulnerable. If one plant is infected, the whole crop can be lost. Some diseases thrive in rain, spelling trouble for countries like India as monsoons become more erratic. Global warming also increases the range of pathogens, by enabling them to survive in hitherto hostile regions.

A blueprint is offered by the tracking of avian flu

Fungi can travel hundreds of miles as spores in the wind. Viruses and bacteria journey with insects. The largest jumps are made with the help of humans. When diseases arrive in fields, methods of attack are devious. Blast fungus uses specialised infection cells to generate pressure around 40 times that of a car tyre to break open the leaf's cuticle. Once inside, it kills young plants within four days.

Shipments of grain are inspected for disease, but pathogens manage to hitchhike anyway. Coffee rust, a fungal disease, evaded America's biosecurity efforts to reach Hawaii. Pesticides afford some protection, but they are pricey and energy-intensive.

The best way to stop diseases, so far, has been to genetically engineer resistant crops. Scientists at the John Innes Centre, a plant-science institute in Britain, found two genes that confer resistance to wheat blast. Crops bred with those are safe. But the fungus will, in time, evolve to overcome them.

Greater scrutiny is needed to stop it. A blueprint is offered by the tracking of avian flu, which threatens human health. Scientists, poultry farmers and the World Health Organisation collaborate to stop its spread. Without similarly dynamic surveillance, wheat will be defenceless when disaster strikes.

By Invitation Reinventing the carbon economy

This must be the year we get serious about a circular carbon economy, says Jennifer Holmgren, ceo of Lanzatech

CARBON IS A main component in the make-up of all living things. It is the primary ingredient in the threads in our clothes, the materials in our homes and the fuel we use to power vehicles. It is also the source of our biggest environmental challenges.

It is best known in its gaseous form, carbon dioxide, a potent greenhouse gas that is overheating our planet. Most of the carbon in the Earth's atmosphere is a by product of industrial processes like the production of fossil fuels, refining of petrochemicals and manufacture of metals which feed into our carbon-dependent global supply chains. This linear carbon economy is out of balance: it depends on energy-intensive industries to extract non-renewable resources underground to make necessary, yet disposable, things. Our "take, make, waste" system is deeply entrenched in society—but is untenable.

To protect life on Earth, we must reimagine this extractive, linear carbon economy as a circular model. We must rebrand the many forms of carbon-rich waste as valuable, abundant resources rather than inevitable, harmful liabilities. Instead of pulling virgin fossil carbon out of the ground to make things we discard, we can reduce emissions and make more sustainable products by capturing and reusing the gigatonnes of carbon already above ground.

Companies like mine provide carbon-recycling technologies to make this circular carbon economy a reality. We capture industrial-waste carbon at the source, preventing it from entering the atmosphere. We transform it into more sustainable versions of chemicals like ethanol, a critical ingredient for everyday products typically sourced from virgin fossil carbon. Our bioreactor hardware can be attached to any facility generating carbon waste, including oil refineries, steel mills and landfill sites. Four commercial facilities are already operational, with two more starting production by 2024. Combined, these six plants can abate 500,000 tonnes of carbon each year.

However, our industries are a long way from a truly circular carbon economy. To meet such a huge challenge, we need a gigatonne-scale solution. Getting there requires collaboration between consumers, industry and government to enact systemic change. We are running out of time, but we can make significant progress in 2024.

We must reimagine our linear carbon economy as a circular model

The decisions we collectively make over the coming year will determine how quickly we can redesign our carbon economy. If we let "business as usual" continue, we will bake in even more warming for years to come, and the extreme heat and natural disasters we saw intensify in 2023 will escalate. Wealthier nations causing the most emissions will have to foot the bill for poorer countries dealing with disproportionate impact.

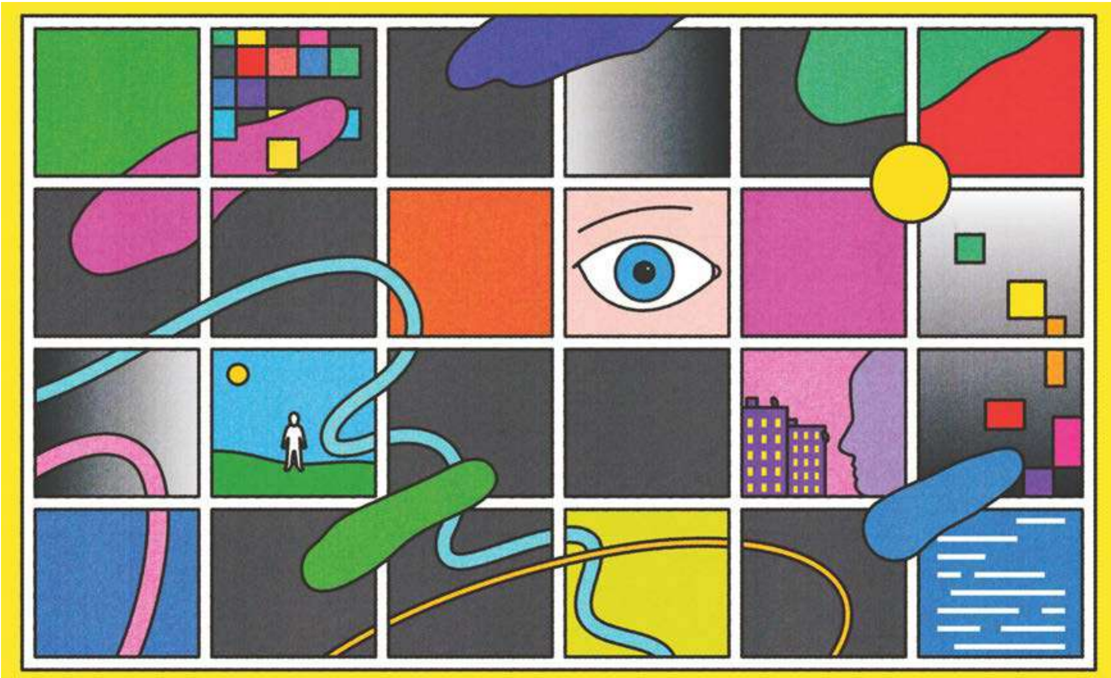
If we decide to break free of the current system, we can invest the money for disaster relief into expanding circular technology. Forward-thinking governments are already making these investments, such as the European Union's strategy for sustainable and circular textiles, and subsidies in America's Inflation Reduction Act for technologies like carbon capture and utilisation. In emerging economies such as India, leaders are exploring carbon recycling to better control their domestic resources and supply chains.

Consumer education will be critical for this transition, as shoppers pay more attention to their purchases' environmental impact. When people vote with their dollars, companies will offer more sustainable products. Global brands like Adidas, H&M Move and Zara already sell products made with recycled carbon, and in 2024 more options will come to market.

Some energy-intensive industries will embrace new circular technologies, and the local jobs that follow. Others will cling to the linear status quo by focusing solely on storing carbon emissions. To push back against industry's call to inaction, we must support myriad solutions that accelerate the transition to more environmentally friendly business models.

To bring the circular carbon economy to life, we must resist the urge to do things the way we've always done them. Technology that got us into this situation will not get us out of it. If we commit ourselves to rethinking our systems, we can make meaningful progress toward a circular carbon economy in 2024. Let's get to work. ●

CULTURE



→ Also in this section

Once upon AI time...

AI will transform every aspect of storytelling, in Hollywood and beyond

ALEXANDRA SUICH BASS Culture editor, *The Economist*

REUNIONS OFFER a chance to reflect on how much has changed. One will happen during the coming year in Hollywood when "Here" premieres, bringing together the actors, director and writer behind "Forrest Gump" 40 years later for a new, unrelated film. Set in a single room over decades, "Here" is very much a film of the here and now. The stars, Tom Hanks and Robin Wright, will be "de-aged" using new AI tools, rendering them more youthful in some scenes and enabling the film-makers to see the transformation in real time while shooting.

Generative AI now means images can be produced in seconds. Songs can be created in the style of singers dead or alive. More than 3,000 books on Amazon name ChatGPT as the author or co-author, lending new meaning to the term "ghostwriter".

It is still early days, but 2024 will be a preview of what is to come. Three things are worth watching. The first is how AI will be used to tell new types of stories, as storytelling becomes more personalised and interactive. Films will change and so will gaming, an industry where people can choose their own adventures more easily than moviegoers can. The amount of entertainment available will also balloon.

Like the arrival of the internet, which led to an explosion of "user-generated content" being posted to social media and YouTube, generative AI will contribute to reams of videos and other material proliferating online. Some predict that as much as 90% of online content will be AI-generated by 2025. Curation and good search tools will be vital, and there will be debates about whether, and how, to label AI-generated content.

No one is quite sure how the nature of storytelling will change, but it is sure to. David Thomson, a film historian, compares generative AI to the advent of sound. When movies were no longer silent, it altered the way plot points were rendered and how deeply viewers could connect with characters. Cristóbal Valenzuela, who runs a company called RunwayML, which offers AI-enhanced software tools to creative types, says AI is more like a "new kind of camera", offering a fresh "opportunity to reimagine what stories are like". Both are right.

▸▸

The Hollywood writers' strike shone a spotlight on the question of whether AI would start producing scripts. For now, studios have agreed to concessions and will not bypass writers' rooms to employ ChatGPT instead. It will probably be a few years before a full-length blockbuster is produced entirely by AI.

Instead, the second big development to watch is how AI will be used as a time-saving tool. Generative AI will automate and simplify complex tasks like dubbing, film-editing, special effects and background design. For a glimpse of the future, watch "Everything Everywhere All at Once", which won the Academy Award for Best Picture in 2023. It featured a scene that used a "rotoscoping" tool offered by RunwayML to edit out the green-screen background and make a talking rock more believable. It compressed into hours what might have otherwise taken days of video-editing.

The third thing to watch for is more dramatic clashes between creators (otherwise known as copyright-owners) and those who run AI platforms. The coming year is likely to bring a deluge of lawsuits from authors, musicians, actors and artists about how their words, music and images have been used to train AI systems without consent or payment. Perhaps they can agree on some sort of licensing arrangement, in which AI companies start paying copyright-holders for content to train their models. But that will not happen without an intense legal brawl.

It will be a few years before a blockbuster is produced entirely by AI

AI presents bigger questions about the future of stories and the nature of collective storytelling. For example, will generative AI simply imitate previous hits, resulting in more derivative blockbuster films and copycat interpretations of pop songs that lack depth, rather than original stories and art forms? And as entertainment becomes more personalised, will there still be stories that become part of humanity's collective consciousness and move large numbers of people, who can talk about them together?

As creators grapple with ai's rise, they will channel their anxieties about technology into their work. Look out for more "Terminator"-style clashes between man and machine. Life imitates art—and art life. ●

Night at the museum

From robots in Seoul to Go-Go music and Shakespeare

IMOGEN WHITE Co-ordinating editor, Culture, *The Economist*

▲ *To the last syllable of recorded time*

THE PANDEMIC plunged the world's 104,000 museums into crisis. Though masks are now off and lockdowns are over, spiralling living costs and expensive travel mean many cultural institutions are still suffering from what industry figures call "the tourism equivalent of long covid".

In London, big venues like the British Museum and Tate Modern reported visitor numbers in 2022 well below the heights of 2019. Despite this gloom, some countries have recovered well. Attendances at Danish and Polish museums have rebounded to pre-pandemic levels. In Seoul, the National Museum of Korea was more popular in 2022 than 2019.

The Korean capital's culture-lovers may be thrilled, then, by the opening of the country's first Robot & AI museum, delayed from 2023. The building's designers, Melike Altinisik Architects, used robots to construct the orb-shaped 2,500-square-metre museum. Elsewhere in South Korea, a new museum dedicated to Park Seo-bo, the founder of Dansaekhwa, a monochrome abstract-art movement, will welcome guests in 2024 on Jeju Island, south of the mainland. In Japan, meanwhile, Nintendo's former factory site in Kyoto will reopen as a museum of video-game history.

In 2024 Adriano Pedrosa, a Brazilian curator, will be the first Latin American to organise the Venice Biennale, the world's most important contemporary-art gathering. His region's galleries are booming. In March in Argentina, the Latin American Art Museum of Buenos Aires is opening a second site in Escobar. In late 2024, the Museu de Arte de São Paulo's 180m reais ($36m) expansion will increase its size by two-thirds.

Nintendo's former factory site in Kyoto will reopen as a video-game museum

In February, a small but mighty museum will open in Washington, DC, dedicated to Go-Go music, a style entwined with the history of the city's black community. In recent years gentrifiers making noise complaints have threatened the genre's survival. Built on a budget of less than $100,000, the space will push back, loud and proud.

Across the pond in London, Shakespeare buffs will be able to visit a new immersive museum dedicated to the bard, due to make its debut in spring on the site of the freshly excavated Curtain Playhouse, where "Romeo and Juliet" was performed in the late 1590s. Head there to explore the wordsmith's life through whizzy installations and AI trickery. All the world's a stage, indeed. ●

Robots, Russia and romance

What to expect from the biggest books of 2024

RACHEL LLOYD Deputy culture editor, *The Economist*

IN 2023, BESTSELLER lists continued to be populated by medical tomes in the wake of the pandemic and by scientists sounding the alarm about climate change. In 2024 there will be a distinct change of tack, as other topics take the lead.

Artificial intelligence (AI) is one of them. Several books will look at how it might reshape the world: "AI Needs You", a "humanist manifesto for the age of AI" by Verity Harding, formerly of Google DeepMind; "The Heart and the Chip: Our Bright Future with Robots" by Daniela Rus, director of the AI laboratory at MIT; and "Literary Theory for Robots", an examination of how machine intelligence will influence the way we read, write and think, by Dennis Yi Tenen, a professor of English at Columbia University.

Geopolitics will also dominate publishers' frontlists. Dale Copeland, a professor of international relations, will chronicle how commerce has shaped America's foreign policy; Jim Sciutto of CNN will explore "The Return of Great Powers: Russia, China and the Next World War". Several authors will focus on the war in Europe. Eugene Finkel, who was born in Ukraine, will offer a "deeper history of Russian violence against civilians" in the country; in "Putin and the Return of History" Martin Sixsmith will look back over a thousand years to put the Russian president's aggression in context. Peter Pomerantsev's "How to Win an Information War" will apply the perspective of a propagandist during the second world war to the conflict.

For those hoping for a few hours of diversion, there will be plenty of novels to look forward to. Bestselling authors including Percival Everett, Yann Martel, David Nicholls, Kiley Reid, Colm Toibin and Amor Towles will return with new stories in 2024. James Patterson will be completing an unfinished manuscript left behind by Michael Crichton, the author of "Jurassic Park".

An unseen work by Gabriel Garcia Marquez, who died in 2014, will also be released. In "En Agosto Nos Vemos" ("Until August"), a novella of fewer than 150 pages, the late Nobel laureate told the tale of a middle-aged woman's affair. His children opposed its publication but now say it has the author's trademark "capacity for invention, his poetic language [and] his captivating storytelling". True or not, García Marquez will probably enjoy a resurgence, as an adaptation of his most celebrated work, "One Hundred Years of Solitude", is also in production at Netflix. If you want a fantastical tale, who better to turn to than the Colombian master of magical realism? ●

All-singing, all-dancing

A spate of new musicals will cheer the spirits

RACHEL LLOYD Deputy culture editor, *The Economist*

MUSICALS ARE finding their rhythm again. After an off-beat couple of years, attendance on Broadway and in the West End is approaching or exceeding pre-pandemic levels. Theatres are once again bolstering the economies of New York and London. The musical genre, long derided as uncool, has been given a boost by "Barbie", 2023's biggest film, which was partly inspired by the technicolour musicals of the mid-20th century.

A host of productions will hit the stage in 2024. Several will be adaptations of existing films or stories. "Starter for Ten", David Nicholls's novel about television quizzes, was turned into a hit film in 2006; its musical iteration will be performed at the Bristol Old Vic in Britain. In America, fans of "The Notebook" and "Water for Elephants" can watch all-singing, all-dancing versions on Broadway. "El Otro Oz", a bilingual production billed as a "Mexican folk-infused musical inspired by 'The Wizard of Oz'", will open off-Broadway.

In Boston, meanwhile, "Gatsby" will have its premiere. A stellar creative team has adapted F. Scott Fitzgerald's classic tale of wealth, deceit and longing: Florence Welch of Florence and the Machine, a British indie band, and Thomas Bartlett, an Oscar-nominated songwriter, wrote the tunes; Martyna Majok, who won a Pulitzer prize in 2018, penned the script; Rachel Chavkin, a Tony award winner, will direct.

In hard times musicals, on stage or screen, offer an appealing reverie

Real-life figures have also inspired forthcoming shows. "Ali" will have its premiere in its subject's home town of Louisville, Kentucky, in the autumn. It chronicles the boxer's supremacy inside the ring and his civil-rights activism outside it. The recent wave of media involving Marilyn Monroe—which has included "Blonde", a film; a musical version of "Some Like It Hot"; and James Ellroy's novel "The Enchanters"—will continue with "Smash", a Broadway musical. Somewhat confusingly, it is based on a television series of 2012-13 which was itself about the creation of a Broadway musical of Monroe's life.

For a more surreal yarn, book tickets to "42 Balloons", playing in Salford, England, in the spring. It reimagines the true story of Larry Walters who, unable to become a pilot owing to bad vision, realised his dream of flying in 1982 by attaching helium balloons to his patio chair. He ascended to 16,000 feet and, after 45 minutes of drifting over California, safely came back down to Earth. "It was something I had to do," he said.

That desire to escape will resonate with many in 2024, as people the world over face sluggish economic growth and political instability. In hard times the reverie offered by a musical, on stage or screen, is appealing. Consider that in 1929, the year the Depression began, all of the ten highest-grossing films in America were musicals. As someone famously once asked: "What good is sitting/Alone in your room?/Come hear the music play."

Constructive progress

Three buildings exemplify a new era for west African architecture

CLAIRE MCQUE Assistant culture editor, *The Economist*

THE HISTORY of colonisation still stands tall across west African cities. Benin's politicians pass laws in a Frenchbuilt villa. Modernist architecture was brought to Ghana by British colonists. If public buildings help shape a country's identity, perhaps it is no wonder the region is looking for new ones. In 2024 several *grands projets* will be completed across west Africa, heralding an exciting new era of architecture that represents democracy, modernity and sustainable development.

A new National Assembly will grace Porto Novo, Benin's capital, and an elegant cultural centre for the Goethe-Institutwill be finished in Dakar, Senegal's capital. Both are designed by Francis Kéré, the first black architect to win the prestigious Pritzker prize. Nigerians will have a cultural space to marvel at, too. The colourful John Randle Centre (JRC) will open to visitors in Lagos with a mission to celebrate the culture of the Yoruba, one of the country's largest ethnic groups. A sloping, grass-roofed building, it will be the first public museum to open in Nigeria's largest city since 1957.

Through design, these projects bridge pre-colonial traditions and post-colonial modernity. For Benin's new seat of democracy, Mr Kéré drew inspiration from the palaver tree, a typical meeting spot. The JRC's complex is based on a traditional Yoruba village; its façade of woven steel nods to their traditional crafts.

The new buildings will provide space for cultural diplomacy, too. At the JRC, visitors will eventually be able to see Yoruba artefacts on loan from the British Museum and other Western institutions, says Seun Oduwole, the architect behind the project. Mr Kéré describes the German-run Goethe-Institut as "a marketplace to exchange ideas without tension". A baobab tree, a symbol of Senegalese resilience, stands at its centre.

These buildings reflect surging interest in African architecture. Western-trained African architects are winning prominent commissions and awards. In 2023, for the first time, more than half of the participants at the architectural biennale in Venice were from Africa and the diaspora. Ideas are travelling in both directions, particularly because of climate change. Ancient building methods from Africa's hot, dry regions are inspiring designers trying to protect city-dwellers from extreme heat around the world.

Nurturing a pipeline of architects from the continent will take time. Africa is home to few architecture schools relative to the size of its population, though some new ones have opened in recent years. A culture around architecture has not yet taken root, explains Lesley Lokko, who curated the Venice show. Funding remains a perpetual barrier. But architects who overcome these hurdles are making a mark on west Africa's fast-growing metropolises. Expect more innovative structures to come. ●

▲ *Bringing it all back home*

Hear me roar

In China female rock stars are becoming increasingly popular

ANONYMOUS Freelance correspondent, Beijing

AT A MUSIC festival in the Chinese city of Shijiazhuang in mid-October, a fan in the crowd waved a banner that read "Let all women embrace bigger, limitless dreams". Though its earnestness clashed a little with the smash-it-up attitude of some of the bands, it was clearly a sentiment close to the hearts of many of those present. As 45-year-old Helen Feng, lead singer of Nova Heart, an electronic rock band, strode out on stage, men and women in the mosh pit screamed "Niu bi, niu bi", a crude term most politely translated as "You're a bad-ass".

The early stages of China's post-Mao music scene in the 1980s and 1990s were dominated by male artists. It was then subsumed in a sea of cutesy boy bands and ditzy girl bands all dancing in time. Now female musicians and all-female bands are making themselves heard. Observers of China's music scene expect more outspoken female musicians to come to the fore during 2024.

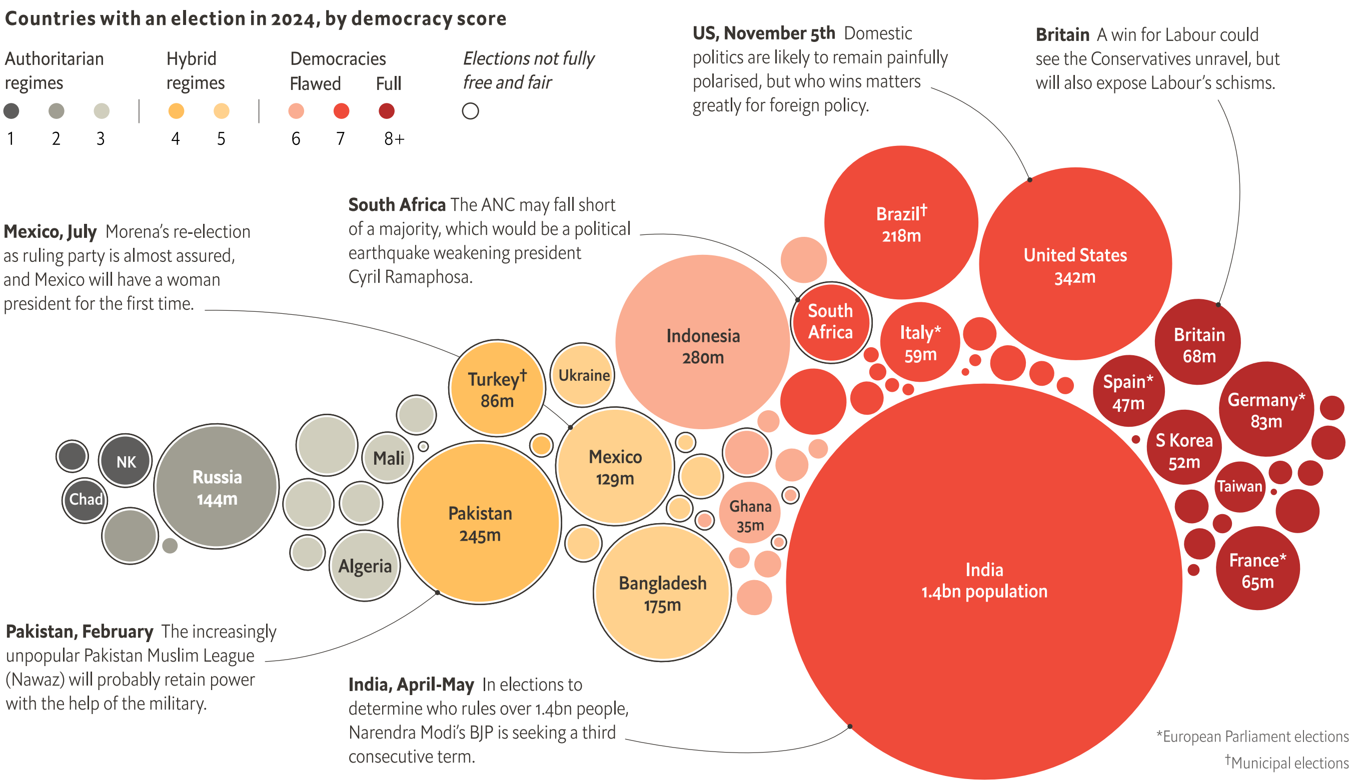
Not surprisingly, they write songs about the empowerment of women, breaking out of stereotypes. "I can be beautiful, all I have to do is change," sang Ms Feng at a recent music variety show. "Screw that, I don't really want to change," she continued, to roars from the crowd. The Hormones, an all-female band from the southwestern city Chengdu, said in a recent interview, "We should go out there and express ourselves more. With more women doing this, the negativity around female bands will decrease."

But musicians, like everyone, have to keep one eye on politics. Censorship has increased with President Xi Jinping's crackdown on civil society. Singers are sometimes asked to submit lyrics and spoken remarks for approval before performances. Women are especially in the spotlight. A feminist movement that challenged the Communist Party over misogyny was crushed in 2015. Since then, Chinese authorities have kept a close eye on women's groups, wary of any disruption to social stability. Some leeway is permitted in music, for now—but bad-ass rock stars walk a fine line. ●

Graphic detail

There is more to democracy than voting

2024 is the biggest election year in history, but the quality of democracies varies widely



JOAN HOEY, Editor, EIU Democracy Index

IN 2024 COUNTRIES accounting for 4.2bn people, or more than half the world's population of 8.1bn, will go to the polls to elect governments, presidents, governors and municipal representatives. Based on the number of potential voters, 2024 will be the biggest election year since the advent of universal suffrage. According to our calculations, 76 countries are due to hold nationwide elections of some form.

But quantity is not the same as quality. When it comes to democracy, elections are necessary but not sufficient. Elections are meant to allow people to choose who governs them. That requires elections to be free and fair, and all sections of society to be represented in a competitive party system. Without these things, democracy is a sham.

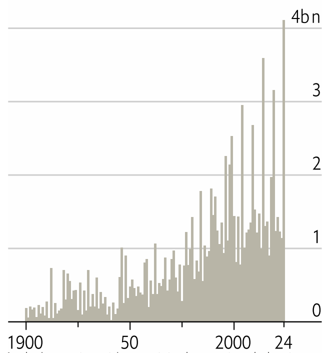
Many undemocratic countries have held elections for decades without power changing hands, while many democratic countries change governments but fail to deliver what voters want. When political systems become uncompetitive, as they have in many mature democracies, people can lose confidence in democracy itself.

According to the Democracy Index, produced annually by EIU, a sister organisation of *The Economist*, voting will be free and fair in only 43 of the 76 countries that are due to hold elections in 2024. Of these, 27 are EU member states. Eight of the ten most populous countries in the world—America, Bangladesh, Brazil, India, Indonesia, Mexico, Pakistan and Russia—will hold elections in 2024.

In half of these, elections are neither free nor fair, and many other prerequisites of democracy, such as freedom of speech and association, are absent. In countries such as Bangladesh, Pakistan and Russia, where opposition forces are subject to various forms of suppression by the ruling party, elections are not likely to bring about a change of government. Elections in America, India and Indonesia, all classified by the EIU index as "flawed democracies", at least allow for the possibility of change. ●

4.17BN

Number of people living in countries with an election in 2024–equivalent to 51% of the global population



Includes nationwide municipal or regional elections in 2024, and from 1950-2023 only for countries with over 100m people. Sources: EIU; V-Dem; UN

Obituary
Lines on paperlessness

As several airlines prepare to phase out paper boarding passes in 2024, our obituarist invokes the spirit of Ogden Nash to lament the decline of paper tickets of all kinds

ANN WROE Obituaries editor,
The Economist

A mantelpiece doth furnish a room,
but of late mine has been looking
decidedly bare,
For lack of invitations there.
Proper ones I mean, stiff and shiny, with
gilt edges and copperplate font,
The sort we all want
To impress the Armstrong-Baxters when
they call, or the Finkelstein-Ferrers,
And make them wildly jealous.

Well, I have to admit there's a lot
to be jealous about,
For such a card evokes visions of
splendour both inside and out,
Oak panels and Aubusson carpets, marble
terraces and sweeping lawns, black tie
and beautiful women, silver salvers
and carriages at eleven,
And a good deal else I'd choose for my
section of heaven.

Alas, though, the last two summonses
did not come by the usual post,
But popped up on my screen as virtual
as the Holy Ghost,
One paperless wedding and one soirée,
floating from their envelopes in misty
landscapes of roses and bounding deer,
To hover limply here.
No proper RSVP, just the options of
"Will Come" or "Will Not",
In tones both rude and curt,
And nothing grand or beautiful to put
up on my shelf
To generally enhance myself.

Now take card concert tickets, or I wish
that someone would,
And not insist that they were waved
in their faces from a screen, which
is no good
When they are hidden deep in emails
that resist my feverish scrolling
and scrolling and scrolling
And the third bell's tolling.
Besides, such tickets also had
mantlepiece cachet,
Tasteful, though tidy, in an
understated way,
Proving that I would just as soon go to
a Pinter play or a jazzmen's gala

as a symphony by Mahler.
How evocative they were of the brouhaha
of theatre, the smoky dive or the
hushed hall, and the pause
before the baton falls, or the applause!
Alas, alack for my old paper friends,
drowned in the flux to which all
history tends!

Talking of which, the ancient
Romans knew how to put on
a family-friendly show,
And if you cared to go
To see Christians turned into salami
by ravening lions, or a gladiator
minced in a net,
Your ticket was a free clay token, nicely
stamped up with your row and seat.
As for the ancient Greeks, they could offer
you an evening of Aeschylus or
Euripides or some other learned,
bearded head
For one solid coin of lead.
Those tickets, like ours, ended up in the
gutter or the jakes, or otherwise tossed
away,
But you'll pay a dollar to admire
such things today.

Tickets for the stagecoach were fine,
handwritten things,
Allowing you to proceed from New York
to Elizabeth, New Jersey with
maximum inconvenience and
a minimum of springs,
Clinging to the roof in a blanket, since
only wimps or the chronically sensitive
travelled inside,
And whiskey was not supplied.
But tickets in their true pomp came with
the age of steam,
When countless slow-scribbling clerks in
shirtsleeves with eyeshades and cigar
stubs parked behind their ears gave
way to one swift machine,
And whatever you needed, whether train
or ship or show
Was pressed out as promptly as the
ancients did it, aeons and aeons ago.

A train ticket was a companion, one you
could needlessly but pleasurably pat
As it sat in your pocket, or stick in the
band of your hat
Where any inspector could read it and,
if a considerate chap,
Would not disrupt your nap.
But now, when you must prove that you
have paid to travel from Great Neck
via Des Moines to Yellowstone,
the proof is in your phone,
Which when you are rudely woken
may turn out to have died
In the course of the ride.
So where once a ticket gave you firm
reassurance that the trip you had
planned and packed and considered
taking out a second mortgage for
would actually occur,
Now all seems queasier.

I blame boarding passes for the
modern manner
Of conducting all life's meaningful
events by phone and scanner,
For they were the first to convince us
that "Have QR code, will fly"
Was not pie in the sky,
And that moreover we would save the
planet, and stop destroying trees,
With habits such as these.
Personally I'd rather learn the number of
my seat, and whether aisle or window,
and the gate, from a piece of reliable
white card I am given
Than from some algorithm.

However, this is the age we live in,
and we must accept the proposition
That reality has inverted from its
previous position:
Digital now being substantial,
and card and paper
Just so much mist and vapour. ●


GOLDEN PENNY FOODS
The HOME of GOOD FOOD
More Reasons
To Love
Golden Penny Pasta
Rich in Protein
CONTAINS FIBRE
GOLDEN PENNY FOODS
The HOME of GOOD FOOD
GOLDEN PENNY PASTA SPAGHETTI
Contains Fibre and Rich in Protein
PROUDLY MADE IN NIGERIA
Great Taste,
Good Nutrition