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THE LAUDER GLOBAL BUSINESS INSIGHT REPORT | 2025

Transforming Fractures for a Thriving Tomorrow

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Transforming Fractures for a Thriving Tomorrow

The world is a fractured mosaic, but at the fault lines are opportunities for those who are willing to innovate. Change requires an open mind, strategic decision-making skills, visionary leadership, and collaboration to leverage local knowledge for international success. It's long, hard and heavy work that needs constant reiteration and unflagging commitment. This is not merely the task of any single person or organization, but a collective effort to build pathways toward progress and shared prosperity.

In this special report, students from the Joseph H. Lauder Institute for Management & International Studies take readers on a trip around the globe to showcase the nations, institutions, and individuals doing the work to solve some of society's most pressing and complex problems. Explore how Venezuelan immigrants have expanded Colombia's gig economy, often at their own expense. Dig into the sustainability efforts of French luxury fashion brands and why they don't always meet their goals. Find out how democratic backsliding in Tunisia is an existential threat to the civil society organizations that bloomed after the Arab Spring. Learn the ways in which African nations still grapple with the vestiges of European colonialism. And discover how Bad Bunny and other artists are using music to influence culture beyond their own borders.

The mission of the Lauder Institute is to develop outstanding business leaders who look globally, engage locally, and act responsibly to have a powerful impact in the world. This mission is embodied in each member of the Class of 2026. The following articles are based on their own interviews, site visits, observations, and research. They present this report with the goal of informing and inspiring change, because the future depends on mending the fault lines to create a world where everyone can thrive.

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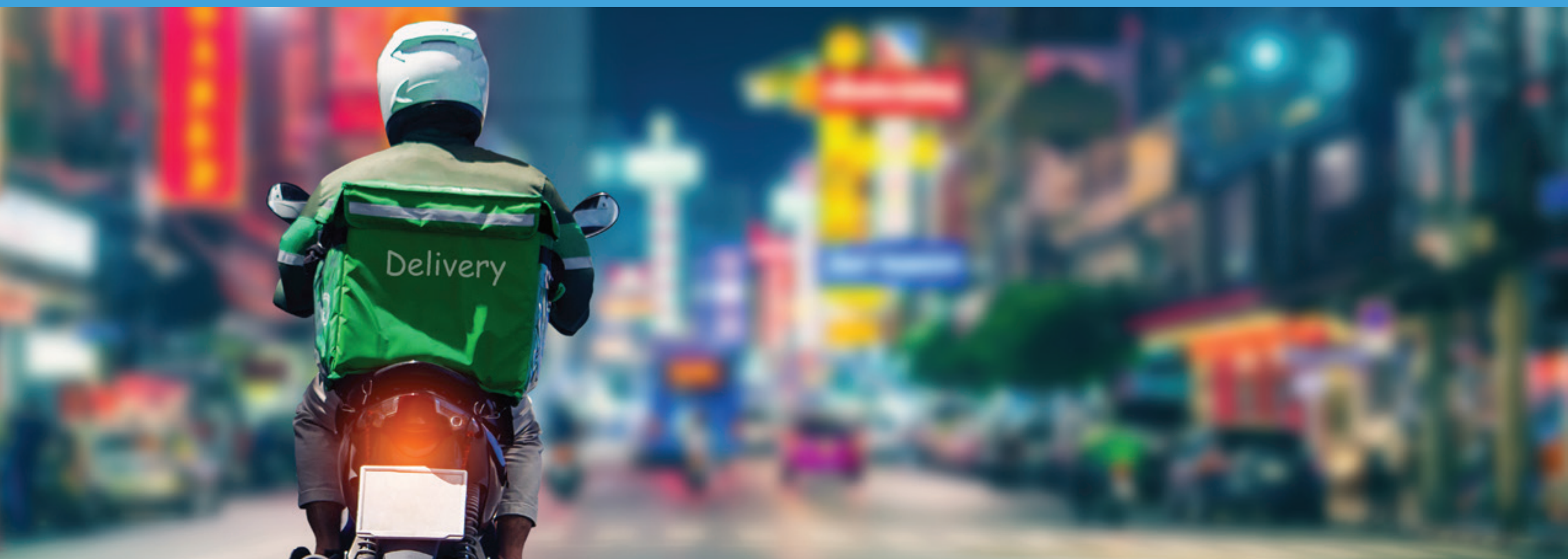

Migrant Vulnerability in Colombia's Gig Economy

Colombia has received millions of migrant Venezuelan workers, creating a surfeit of cheap labor that has been exploited by Rappi and other gig economy firms. This article explores the ramifications and potential solutions to protect these workers.

"No des papaya." Literally translated, this Colombian saying means, "Don't give papaya." But in Bogotá, it's a warning: Don't let yourself be taken advantage of. This popular phrase communicates the importance of street smarts, urging people to avoid putting themselves in vulnerable situations. Normally, those vulnerable situations are easy to watch out for: don't walk alone at night, avoid wearing flashy jewelry, keep valuables in a zippered pocket. Yet for thousands of Colombia's poorest inhabitants, *"no des papaya"* isn't so simple.

"Over the past decade, the gig economy has exploded in Latin America, especially within the food delivery space."

Over the past decade, the gig economy has exploded in Latin America, especially within the food delivery space. In fact, Colombia is home to one of Latin America's most important delivery companies – unicorn mega-startup Rappi. For thousands of poor and migrant workers who depend on gig-based employment with companies like Rappi, avoiding being taken advantage of is often complicated. Desperate for work, they've become easy recruits for companies that require cheap labor to keep costs down, with little recourse in a system that benefits from their vulnerability. In a digital age fueled by the demand for convenience and low-cost services, it seems the ability to *"no des papaya"* doesn't apply equally to everyone in the region.

In the face of claims of workers' rights abuses, gig-based platforms like Rappi and Colombia's left-wing government have begun a public battle over employee protections. However, in a developing economy that depends on major success stories like Rappi to fuel national growth and international investment, it's unclear whether these new policies will be sufficient to

protect the ongoing exploitation of the region's most vulnerable.

An Exploding Market

The global food delivery market has seen explosive growth in recent years, reaching a valuation of over $150 billion in 2021, with a strong acceleration during the COVID-19 pandemic. Lurking underneath these astronomic valuations lies a margin-challenged business model: After paying for driver fees, operating expenses, and promotional discounts, the margin in the industry often does not exceed 3%, according to a McKinsey & Company analysis. Regardless, these firms have received billions of dollars from venture capitalists and have seen multibillion-dollar IPOs and acquisitions.

This growth has extended to Latin America with a shining star company – Rappi. Founded in 2015 as a food delivery service, the company has scaled into a "super app," offering a multitude of services across e-commerce, travel, groceries, and even banking. Today, Rappi operates in nine markets throughout Latin America. According to Contrary VC's research team, the Latin American food delivery market was valued around $79 billion in 2023 and is expected to double by 2030. More broadly, e-commerce was worth $509 billion in 2023 and is expected to grow to $923 billion by 2026, representing a 23% CAGR. In simple terms, Rappi is well-positioned to capitalize on secular economic growth in the Latin American market. The company achieved the milestone of unicorn status (i.e., a valuation of $1 billion) in 2018, and is expected to IPO in 2025.

Undergirding this growth is the availability of cheap labor in the form of rappitenderos or delivery drivers. Similar to drivers in the U.S. and EU markets, they are gig workers. The definition of gig work is varied, but it can be thought of as work obtained via "a staffing agency, digital platform, contractor, or other intermediary."

Fuel for the Fire

As the growth of gig economy platforms has skyrocketed in Colombia's economy, its neighbor, Venezuela, has experienced quite the opposite. After the 2014 oil price slump, the Venezuelan government's mismanagement of state spending plunged the country into economic collapse. President Nicolás Maduro's attempts to maintain power through election fraud, autocratic policies, and political oppression have only augmented the country's instability and global isolation. Seeking refuge from violence, hyperinflation, and the dismantling of public services, Venezuela has seen the largest exodus of emigrants in known history. Thus far, nearly 8 million citizens, or 20% of the country's population, have fled their homeland seeking both safety and economic stability. The vast majority of those migrants have relocated to nearby Latin American countries.

Colombia, as Venezuela's closest Spanish-speaking neighbor, has taken in almost 3 million Venezuelan migrants since the start of the crisis, the most of any other country. To help incorporate the influx, Colombia's 2021 Temporary Statute for the Protection of Venezuelans grants immigrants a 10-year permit that provides the ability to work with full labor protections, access to public benefits, and a path towards permanent citizenship. Since the legislation's passage, Venezuelan migrants have contributed significantly to the Colombian economy. The U.N. International Organization for Migration estimates that in 2022, Venezuelan workers contributed almost US$530 million in economic impact to the Colombian economy, accounting for almost 2% of the entire country's tax revenues. This share is fueled by a high employment rate, with 90% of the working-age population of Venezuelan migrants employed.

> "Rappi co-founder Simón Borrero rejects the assertion that much of its workforce is comprised of Venezuelans."

Despite these high employment rates, the Venezuelan population still faces barriers to income generation. In fact, only 18% of employed Venezuelan migrants are working in a field where they have experience or training. Empirical studies on the impact of Colombia's temporary work permits on migrants' access to formal work opportunities have found that they have done little to increase the appearance of displaced Venezuelans in the formal labor market. Often struggling with discrimination or poverty, the majority look to informal

sectors for work. And this is where the gig economy plays an important role: With little need for prior qualifications and minimal barriers to entry, gig work is often the first resort for foreign workers seeking employment in a new country.

The gig economy is often seen as an important stepping stone to better work for immigrants. But, as with most other informal work, gig-based jobs offer little career advancement or benefits. Additionally, the International Labor Organization reports that even within the same informal jobs, Venezuelans work "longer hours for considerably lower wages" than their Colombian counterparts. As Colombia's largest gig-based platform, Rappi has been uniquely poised to take advantage of this boom in potential low-cost workers. In Bogota, BBC journalist Luis Bandera reported, "It's widely assumed that most Rappi workers are Venezuelans fleeing hunger and poverty across the border." Bandera's reporting illustrates the blind eye that companies and consumers alike often turn to the migration history of the gig workers whose labor they rely on. Rappi co-founder Simón Borrero rejects the assertion that much of its workforce is comprised of Venezuelans, stating, "This is absolutely not true. We are very proud that we hired Venezuelans, but we would be in the same place if it wasn't for them. We did not plan to hire them because they were cheaper."

A Step Forward?

In a business model where prices are determined by the willingness of drivers to accept a delivery, an increased workforce often means drives go for less, depressing overall income from the app. Additionally, error handling for incomplete orders or failed deliveries often lead to driver confusion and sometimes a loss of app access. To attempt to combat these issues, in October 2023 Rappi launched the *defensoría al repartidor* (DAR), an in-house ombudsman designed to protect the interests and well-being of delivery workers. The DAR focuses on four main areas: supporting migrant workers, ensuring safety and well-being, resolving app-related issues, and combating gender issues. To ensure fair treatment, the intermediary was designed to facilitate communication between Rappi's different stakeholders, including commercial partners, users, and authorities.

Despite its intentions, this service has proved anything but impartial. Within months of the DAR's implementation, rappitenderos publicly raised concerns about the organization's effectiveness as a likely "form of fairwashing," according to Derly Yohanna Sánchez, a principal investigator at Fairwork Colombia, an organization that investigates working conditions in digital labor platforms. DAR employees, who are responsible for investigating claims submitted by rappitenderos, are technically employees of Rappi and paid by the company, creating a clear conflict of interest.

Many rappitenderos fear that even contacting the DAR could lead to retaliation from Rappi. Additionally, the process of filing a complaint after reporting an in-app issue is arduous. To file an official claim, delivery workers must wait 48 hours after they've flagged the error in the app before reaching out to the DAR via WhatsApp. The chatbot then connects them to a DAR employee who may or may not respond. Many of these claims simply remain unaddressed. This was the experience of Yusneibi, a Rappi driver who, after a customer incorrectly entered their address, was required to pay $34 out of pocket for the order. After contacting the DAR, the charge was cleared from her account only to reappear days later. She was subsequently locked out of the app, unable to work until she paid the debt. Without any further response from the ombudsman, Yusneibi began working shifts at an ice cream parlor to provide for her two children. Yusneibi's case is just one example of how the DAR's lack of independence blocks drivers from receiving fair treatment and much needed support.

More recently, Rappi has been making steps to support delivery drivers. With the urging of President Gustavo Petro's government, the Colombian delivery apps reached a deal in August 2023 to provide 120,000 workers with social security payments. The deal represented a win for delivery drivers, allowing them to access payments of up to 60% of their workers' health and pension contributions, all while maintaining independent contractor status. However, these benefits aren't accessible to the large population of Venezuelan drivers who lack work permits or documentation to work legally in Colombia. Even though Colombia established the Temporary Protection Statute for Venezuelan Migrants (ETPV) in 2021, making it easier

for Venezuelan migrants to obtain visas, many Rappi drivers don't obtain a work visa because of a lack of resources and necessity. To become a Rappi driver, one only needs to download the app, create an account, agree to the terms of service, and start driving. Without a more robust effort from the company to support Venezuelan migrants, the DAR will likely remain ineffective at tackling the structural causes that permit the perpetuation of exploitative labor practices.

Paving a Fairer Road Ahead for Drivers

What does a path forward look like for Colombia and its gig workers? It is clear that the current system of undocumented migrant labor, lax accountability, and informal labor contracts has built an unstable foundation for Colombia's gig economy. In envisioning potential solutions, it's important to take stock of the existing landscape of protections for gig workers around the world. Two regions in particular – the United States and the European Union – offer potential blueprints for further intervention.

In the United States, federal law has historically classified gig workers as independent contractors, which limits their access to protections such as minimum wage, unemployment benefits, and health care. The U.S. Department of Labor recently has pushed for more clarity on who can be classified as an independent contractor by eliminating the 2021 Independent Contractor Rule and updating the language of the Fair Labor Standards Act. There also have been state efforts to extend rights to gig workers. California's AB5 law, passed in 2020, aimed to reclassify many gig workers as employees rather than independent contractors. Later that year, however, California voters passed Prop 22, exempting app-based companies including Uber, Lyft, and DoorDash from AB5. This was the result of extensive lobbying efforts by such companies. In sum, while there has been some positive traction in the space, gig workers remain vulnerable at both the state and federal level within the U.S.

The EU, in contrast, has adopted a more pro-worker approach to the gig economy. In April 2024, the European Parliament voted in favor of several rules to extend additional rights to gig economy workers. The legislation, called the EU Platform Workers Directive, has three pillars. First, it aims to "provide workers with all employment rights they should have." Second, it requires all EU countries to assume gig workers are full employees of the platforms, which "exercise de facto direction and control over people working for them." Finally, it institutes an outright ban on termination of employment via an algorithm or automated decision-making system.

The European Union provides a compelling blueprint for Colombia to consider as it grapples with its own questions about the gig economy. The EU's model emphasizes proper classification of workers as full employees, transparency in algorithms, and robust collective bargaining, all of which would help ameliorate many of the challenges faced by gig workers in Colombia.

> "The Colombian government must strengthen regulations that protect all gig workers, particularly vulnerable migrant populations."

Although the EU represents a potentially promising pathway forward for countries considering how to address their respective gig economies, in a developing country such as Colombia, many structural impediments make it difficult to implement such policies. For companies such as Rappi that depend on low-cost, informal workers, restructuring these contracts to allow for social security benefits, health care, and a minimum wage would require a significant undertaking. The onus, therefore, will likely fall on the Colombian government to help open additional, accessible pathways to formal work opportunities for the country's most vulnerable, often migrant, workers. With increased access to the formal work market, gig economy work could become a temporary stepping stone to better employment opportunities, rather than continuing to serve as a primary income source for many families.

Conclusion

As the gig economy continues to grow globally, it is imperative that governments and businesses clearly define the role that delivery workers play within the

system. The explosive growth of Colombia's gig economy, driven by companies like Rappi, has created significant opportunities but also severe vulnerabilities for workers, especially migrants. The influx of Venezuelan migrants has been crucial to the success of the platforms, but many of these workers continue to face exploitation due to the lack of formal protections. While recent efforts, such as the defensoría al repartidor and social security contributions for gig workers, represent a step forward, they fall short of addressing the structural issues that enable worker abuse.

The Colombian government must strengthen regulations that protect all gig workers, particularly vulnerable migrant populations. Following the lead of the EU, Colombia should adopt regulation surrounding mandatory classification of certain gig workers as employees, which will enable access to health care, minimum wage protections, and fair dispute resolution mechanisms. Additionally, expanding access to formal work opportunities for migrants through streamlined documentation processes would reduce the reliance on variable gig jobs and promote fairer working conditions. These changes will create a more equitable and fair system for all involved in Rappi's value chain.

Finally, each customer who places an order through a delivery app should give some consideration to the driver who brings it right to their door. Think about the individual behind the delivery. The gig worker who rushes through traffic, braves the elements, and juggles multiple orders isn't just fulfilling a task – they're often trying to make ends meet under precarious and informal labor conditions. Many of these workers are migrants who have fled violence in their home countries. Most lack access to benefits, job security, or fair wages, realities that are often hidden behind the convenience of the service.

This article was written by Cameron Clark, Tatum Lee, Akash Raman, and Christo Ritter, members of the Lauder Class of 2026.

Sustainability and Luxury: A Paradox in the French Fashion Industry?

The luxury fashion industry, traditionally rooted in exclusivity and craftsmanship, is facing increasing pressure to adopt sustainable practices due to shifting consumer preferences and regulatory demands.

Climate change and its pressing challenges have altered consumers' preferences, driving demand for more sustainable practices. Meanwhile, policymakers have enacted legislation, such as the 2023 EU Corporate Sustainability Reporting Directive, to require greater transparency from corporations on environmental factors. These changes have left few industries untouched. In luxury fashion, brands have consequently shifted to employ more sustainable materials and practices. But for an industry that dictates trend cycles, fuels consumerism, and disguises wants as needs, it is important to consider progress critically and question whether the industry can truly adopt greener practices, or if the principles of sustainability and the foundations of the luxury fashion industry will forever be diametrically opposed.

On the consumer side, in tandem with greater calls for sustainability, some demand has shifted in recent years toward "minimalist luxury," an interesting trend with distinct roots. In their paper, "Less is More: The Case of Minimalist Luxury," John Zhang and Pinar Yildirim, marketing professors at the University of Pennsylvania's Wharton School, describe this phenomenon as a growing desire to consume less but better, directly attributable to the rise in high-quality knock-off luxury goods that has rendered traditional signals of wealth (e.g., conspicuous consumption) less powerful. While the origins of this trend are not inherently environmental, the implications for sustainability are clear, particularly if companies can respond accordingly.

In theory, French luxury is a pillar of fashion and can thus take advantage of consumer trends to drive substantial sustainability impact within the industry. However, theory does not always measure up to practice. To evaluate French luxury brands' sustainability efforts, we compare three companies with different profiles: Hermès, a family-run heritage brand; LVMH, an extensive holding of various high-end maisons; and Chloé, a French luxury brand owned by Swiss group Richemont. Each has taken its own approach in adopting sustainable practices and reducing emissions, and each has shown hints of progress. Ultimately, however, the industry has yet to address the fundamental misalignment between the principles of sustainability and the drivers of luxury fashion.

> "The industry has yet to address the fundamental misalignment between the principles of sustainability and the drivers of luxury fashion."

Hermès

Hermès' sustainability actions were set into motion not by environment-related pressures but by human rights concerns, including the 2013 collapse of the Rana Plaza garment factory in Dhaka, Bangladesh. This disaster, a result of factory owners' negligence, led to the deaths of over 1,100 workers and shook the fashion industry. "The 2013 Bangladesh Rana Plaza labor disaster … caused Hermès to embrace wider ESG initiatives," said an Hermès supply chain coordinator who asked to remain anonymous. It appears that while sustainability awareness was originally a byproduct of other ESG concerns, its importance within the organization has since risen.

Hermès' sustainability efforts became more palpable in 2023 when it created functional ESG silos tailored to each *métier* (specialist) category, setting it apart from other luxury firms that employ more generalist, company-wide sustainability teams. According to our contact, waste at the downstream supplier level is a notable area of focus, accounting for 80% to 85%

of the company's carbon footprint. Creating métier-based teams is thus crucial because waste types vary significantly across categories. Our contact believes the company will continue to expand ESG teams year-on-year.

Nonetheless, the effects on Hermès' downstream efforts seem ambiguous. Some initiatives can be found with a bit of investigation, yet their prioritization within the company and overall impact remain unclear. In 2010, for example, Hermès launched its *petit h* workshop, which repurposes material scraps into unique, handcrafted objects to reduce waste. Products are often one-off creations, perhaps implying an appeal to minimalist luxury; however, these products are still peripheral to Hermès' core business and classic offerings made from net-new materials. Another initiative was the introduction of mycelium, a mushroom-based leather alternative, in the production of one of Hermès' most popular bags, the Victoria. While this move ignited hope for a shift toward more sustainable materials, its impact is uncertain — nothing made from mycelium can be found on Hermès' website today.

With respect to upstream production, Hermès recently changed the glues used in shoe production, known to be heavy pollutants, with water-based glues, according to the same supply chain coordinator we interviewed. While this small step is laudable, it is uncertain whether initiatives of this scale are enough to push meaningful change, especially across other, larger *métiers* like handbags, or if structural shifts are possible in an industry fueled by conspicuous consumption.

Analysis of Hermès' emissions is similarly mixed. The company reports Scope 1, 2, and 3 emissions in accordance with the Greenhouse Gas (GHG) Protocol, the global standard for defining emissions. Scope 1 corresponds to companies' direct emissions, while Scope 2 consists of indirect energy-related emissions, and Scope 3 encompasses all emissions associated with upstream and downstream activities, including raw materials and goods purchases, transport, and distribution. Despite a commitment to reduce Scope 1 and 2 emissions by 50.4% and Scope 3 emissions by 58.1% between 2018 and 2030, overall emissions actually increased from 622,000 tonnes to 666,000 tonnes of CO2 during this period, driven by an increase in Scope 3 emissions by 66,000 tonnes (and offset by a reduction in Scope 1 and 2 emissions from 44,000 to 22,000 tonnes). And while Hermès' carbon intensity, a measure of how inefficiently a company uses carbon, has declined, one could argue that absolute carbon levels, which have increased, are more relevant. According to its 2023 Climate Transition Plan, Hermès intends to use "voluntary carbon offset actions" to decrease net emissions, but its lack of substantial progress through organic means reveals the difficulty of revamping the value chain meaningfully from within.

Clearly, while Hermès has made progress in some aspects, the company has yet to fully adapt to emerging business trends, to step outside of the framework of its original business model and effect significant, positive change — evidence of the luxury industry's challenging transition towards sustainability.

LVMH

As an extensive holding company, LVMH has positioned itself differently than Hermès, organizing its ESG efforts by portfolio brand rather than by specialist category. Some have been optimistic about the group's management of its sustainability goals. For example, professor and sustainability expert Belén López of ESIC University argued in a 2023 article that since the group's CO2 emissions have stagnated while market share growth rate has increased, LVMH has achieved a higher degree of efficiency. However, Business of Fashion's 2022 Sustainability Index gave LVMH a low score of 36 out of 100, while other indicators suggest LVMH still has much room for progress. The company's Fashion & Luxury Goods (FLG) division accounted for 3.93 million tonnes of CO2, or 55% of the company's Scope 3 emissions, according to LVMH's 2023 Social and Environmental Responsibility (SER) Report.

Despite LVMH's portfolio-based ESG strategy, the company has increasingly embraced a more holistic, R&D-led approach, particularly since the 2019 EU Green Deal, to better align ESG across brands. To monitor and quantify performance across its *maisons*, LVMH introduced an action program called LIFE 360 in 2020 and invested in Maison/0 — an innovation partnership with Central Saint Martins University — to meet new goals under this program. These initiatives involve not

only value chain shifts, but also external complementary actions such as African reforestation programs. In an interview with former Maison/0 strategist Oshadhi Samarasinghe, she indicated that LVMH's primary concern has been to "close the loop" by harnessing the circular economy. While it has made headway in packaging and procurement, two priorities remain for emissions reduction: overturning rigid transport systems and resolving scalability issues within materials innovation.

LVMH's 2023 SER Report highlights these same challenges: While FLG lowered non-transport CO2 emissions by 21% to 104,000 tonnes between 2022 and 2023, downstream transportation has shown only a slight 2% decrease to 208,000 tonnes. The company's 2022 SER Report highlights another important issue: More than 90% of FLG transport emissions are from air shipping, an area for which LVMH has yet to come up with a satisfactory solution, according to Samarasinghe. While sea freight is prevalent in beauty and fragrance transport, for example, it is often not fast or agile enough to keep up with FLG demands. Today, LVMH continues to experiment with new transport strategies and has shifted its focus towards sustainable aviation fuel and decarbonized shipping.

Material waste also represents an important concern for LVMH, as disposal and treatment of waste increases Scope 3 emissions, per the sustainability consultancy Carbon Neutral Group. LVMH brands have thus launched projects to achieve material substitution, upcycling, and recyclability. LVMH brand Stella McCartney, for instance, partnered with Veuve Clicquot to develop the first vegan leather using Champagne grape waste. The question is, however, whether consumers are ready for substitutes. According to Samarasinghe, most luxury brands find vegan leather difficult to scale due to reservations around its true carbon footprint and customer preferences for leather. Efforts are mainly concentrated on other circularity-oriented projects. LVMH's Nona Source program, for example, facilitates the resale of deadstock materials that would otherwise be trashed.

Perhaps most promising is the fact that LVMH brands are beginning to intertwine sustainability with their brand equity. Capsule collections and limited editions, while often integrating eco-friendly materials at smaller scales, have helped to expose customers to the concept of minimalist luxury. LVMH brand Loewe, for example, underscores a "less is more" concept as core to its image. The brand's new limited-edition Flamenco Surplus bag highlights this intention by recreating an iconic product using leftover leather. The marketing language draws parallels between luxury and nature, while valorizing reuse: "[T]actile layers of color recall the undulating forms of rock strata or topographical illustrations." This imagery deviates from conventional luxury marketing to adopt a more modern and introspective consumerist tone, one that more closely aligns the concept of luxury with sustainable principles. While it is unclear how deeply such changes will infiltrate luxury fashion, these are certainly first steps.

"…most luxury brands find vegan leather difficult to scale due to reservations around its true carbon footprint and customer preferences for leather."

LVMH has undoubtedly made advances toward its sustainability goals, but it has also come face to face with the unique challenges at each stage of the value chain. Overhauling transport networks will be a slow, difficult process, and scaling sustainable material procurement and production to fulfill the group's vision of circularity will be contingent on the direction of research, consumer awareness, and lasting changes (or lack thereof) to the very concept of luxury.

Chloé

Unlike Hermès and LVMH, Chloé is a French brand managed by a non-French group, Switzerland-based Richemont. While adhering to Richemont's broader circularity vision, Chloé has carved its own path in the sustainability space, becoming in 2021 the first luxury fashion house to obtain B Corp certification for its adherence to environmental and social standards. Chloé's approach has also been multifaceted, often tied

with other ESG principles. The brand is highly vocal about ethical sourcing and has banned fur and exotic skins, once hallmarks of luxury, from its collections. While not entirely driven by environmental goals like reducing waste, this move reflects an alignment between the brand and broader industry trends as consumers demand more responsible practices.

> “In line with Hermès and LVMH, Chloé faces significant challenges with respect to emissions.”

In line with Hermès and LVMH, Chloé faces significant challenges with respect to emissions. Specifically, its Scope 3 emissions make up the vast majority of the company’s carbon footprint (62,000 of the 63,000 tonnes of CO2 emitted, according to Chloé’s 2024 Sustainability Strategy Report), driven primarily by purchased goods and services and product transport. While the company aims to reduce its impact by using sea shipments for 60% of its carryover products, much like LVMH, Chloé struggles with air freight pollution.

To mitigate these figures, Chloé has also focused on what it calls “lower impact” materials. Compared to their conventional counterparts, these materials “take into account … carbon emissions, water footprint, biodiversity loss, and … animal welfare,” as outlined in Chloé’s sustainability report. This initiative has proved promising. In 2023, Chloé was able to produce 66% of its ready-to-wear collection and 90% of its leather goods collection with lower impact materials. Reduced water consumption was another benefit. Water use for ready-to-wear products decreased from 66% to 52% between 2019 and 2023, according to the Chloé Mission Report.

From a marketing perspective, Chloé presents an interesting story. Under the leadership of former Creative Director Gabriela Hearst and former CEO Riccardo Bellini, sustainability was placed at the forefront of the brand’s identity. In a 2023 interview with Design & Art Magazine, Hearst emphasized that “reducing the Maison’s carbon footprint and prioritizing materials that enable this are of the highest priority, without compromising on design and desirability.” Such messaging was significant, addressing fears that luxury fashion might suffer from sustainability. Bellini took Chloé’s stance a step further. In an interview with British Vogue, he questioned the purpose of the company, concluding that “growing the bottom line is not efficient or related to why any of these fashion companies were founded,” and calling for “a reframing of the entire economic growth model and the relationship between company and society … to instill purpose … at every level.” These two former leaders’ public statements and actions dovetail sustainability with the Chloé brand, a genuine step forward toward the structural changes needed for a sustainable future.

However, recent leadership changes have raised questions about the lasting impact of Chloé’s sustainability efforts. Both Hearst and Bellini left the company in 2023, and the debut collection of new Creative Director Chemana Kamali lacked explicit connections to sustainability, instead focusing on paying homage to Chloé’s heritage and long-serving creative director Karl Lagerfeld. In a Vogue article, Kamali highlighted inspirational imagery associated with the collection, including the appeal of the 1970s. She made no mention, however, of sustainability. Chloé’s journey from a sustainability-first brand back to one focused on heritage underscores important complexities of enacting lasting change in luxury fashion. While the brand’s initial embrace of sustainability under previous leadership demonstrated the potential for companies to adapt to demands, the recent pivot highlights the potential fragility of such changes.

A Path Forward

While French luxury fashion companies appear outwardly to be making progress toward more-sustainable practices, it seems that few major players are addressing the key issue: the current culture of consumerism that drives conspicuous consumption and wasteful use of resources. A more positive outlook, however, is provided by Bain and Co., which argues that successful luxury companies are those that will be able to decouple growth from sales volumes in the future. Certain brands — particularly small, independent brands — have already adopted alternative business models to begin promoting more minimalist and thoughtful

consumption. And coupled with consumer trends like minimalist luxury, these top-down shifts toward sustainability may start to make a significant impact.

Crucially, as a global leader in the luxury fashion space, French brands may actually have a unique advantage in promoting a version of luxury founded on sustainable consumption behaviors. While France has not been spared by the issue of growing consumerism, French society, as a whole, still remains generally critical of excessive consumption in a way that American society, for example, is not. In this sense, French brands may have at their disposal a unique form of soft power, the ability to lean on their French heritage for the benefit of sustainability, the world, and our future.

This article was written by Serena Chiang, Catelyn Huang, Alexandre Kern and Samantha Pecan, members of the Lauder Class of 2026.

Brew or Bust: How Colombia's Coffee Industry Can Stay Ahead in the Digital Age

Colombian artisanal coffee, known for its exceptional quality, is at a crossroads. Without adopting modern e-commerce platforms, both small farms and large producers risk falling behind in the global market.

Getting to a coffee plantation in the *Eje Cafetero* of Colombia is no easy task. The trip begins with the arrival into Pereira's international airport in the capital of Risaralda Province, the country's coffee-producing region. From there, paved roads lead to one of the surrounding small towns such as Salento. Within towns like this, most of the transportation happens in brightly colored 1970s-era Jeeps. The vehicle's old, stiff suspension system combined with the unpaved roads result in a bumpy ride. Driving the winding dirt paths through the jungle, one realizes how distant modern infrastructure is. The jungle landscape and amount of biodiversity instill a sense of exploration along the drive. After a rough journey, the Jeep pulls up to a coffee plantation. There are no trucks or warehouses because anything larger than the Jeep cannot traverse the winding road.

> "Despite the rich flavor and craftsmanship behind Colombia's artisanal coffee, producers face a major challenge: expanding their reach globally."

The absence of large-scale equipment reflects Colombia's focus on small, carefully cultivated batches. In their operations, *caficultores* do everything by hand. Every single coffee plant is planted by hand. One by one, coffee pickers determine whether a coffee bean is ripe and ready for harvesting. Scales are spring loaded rather than digital. There is no lighting system in the fields to work at night, and a small generator provides the little electricity required. As economist Juan D. Barón wrote in his paper, "Geography, Coffee and Prosperity in the Western Andes of Colombia," operations like this take advantage of their location near the equator. The year-round temperate climate and fertile volcanic soil create ideal conditions for growing high-quality coffee. These geographical advantages make Colombian coffee stand out, particularly in the luxury and arabica artisanal coffee markets. The amount of labor and specialization that goes into understanding the terrain and techniques of cultivating Colombian arabica beans usurp that of robusta farming. The delicate arabica beans in Colombia require special care in picking and processing, unlike the hardy, industrially harvested robusta beans typically found in countries like Brazil and Vietnam. Coffee enthusiasts appreciate not just the taste but the story behind each cup — one rooted in a deep tradition of craftsmanship and dedication to quality.

Despite the rich flavor and craftsmanship behind Colombia's artisanal coffee, producers face a major challenge: expanding their reach globally. Colombia's coffee industry, although produced in an ideal geography and with a reputation for high quality, risks losing market share if it doesn't innovate its digital infrastructure and e-commerce platforms. To remain competitive in the premium coffee market, both large organizations like the Federación Nacional de Cafeteros de Colombia (FNC) and smaller Colombian farms like Montaña Cafetera must adopt direct-to-consumer strategies and tap into the growing demand for artisanal, sustainable coffee.

The E-Commerce Gap and Market Share

The Colombian coffee industry is a diverse ecosystem consisting of both large coffee conglomerates and smaller cooperatives, both of which are not in a position to capitalize on e-commerce. The FNC, representing over 500,000 coffee artisans, plays a fundamental role in coffee quality and distribution. During their July 2024 meeting, corporate leaders discussed their goal to expand and develop their digital infrastructure to reach

global consumers without relying as heavily on their retail arm. FNC's commercial executive is working to identify not only new ways to reach consumers, but also retailers through efforts to grow a digital presence. Its retail arm, Juan Valdez, serves as the global distributor of Colombian coffee, yet it leans towards mass-market sales akin to Starbucks and less on distributing artisanal coffee. Despite its success, Juan Valdez coffee is not marketed nor does it represent the untapped high-end arabica coffee market that exists in Colombia. In order to sell more premium coffee brands internationally to both consumers and retailers, the FNC needs its own direct-to-consumer (DTC) e-commerce platform.

In an attempt to solve this issue, in February 2024, the FNC launched Cafix, a direct trade export platform to give producers the opportunity to connect with clients abroad. Although this is a big step in their online development, this platform only caters to small coffee producers and retailers. Currently, the platform requires complex registration, faces distribution limitations, and requires producers to find buyers independently before using it. Market research firm Astute Analytica anticipates the global DTC coffee market to generate over USD$2 billion in revenue by the end of 2027 with a compounded annual growth rate of 15.3%. Unfortunately, Cafix is not well positioned to capitalize on this demand growth given it does not efficiently facilitate transactions between producers and new consumers.

Smaller entities such as Montaña Cafetera also lack e-commerce capabilities. Located in the Andean Mountain range, Montaña Cafetera is a family-owned organization with boutique estate farms. They produce single origin micro-lots of coffee with distinctive flavor profiles and are one of the oldest coffee producers in Colombia. At their estate farm, several company liaisons provided an in-depth overview of operations and noted that there is a strong demand for high-end artisanal coffee from international tourists. But Montaña Cafetera lacks the technological infrastructure to meet this demand. The representatives said that even with the growing interest from international tours provided at Montaña Cafetera's estate farms, the absence of a technological ecosystem and logistical support for DTC renders these potential sales out of reach.

While the FNC and Montaña Cafetera differ significantly in size and scale, both face the same issue: a deficiency in e-commerce platforms. This shared challenge leaves both large and small producers struggling to expand brand awareness, increase sales, and gain market share. Colombia is the world's third-largest coffee producer and second-largest arabica coffee producer. However, countries such as Brazil, Guatemala, Nicaragua, and Mexico are increasing their arabica coffee exports and threatening Colombia's current market position. As a result, Colombia faces a pivotal moment in deciding how to compete with other nations and how to use e-commerce to sell coffee directly to consumers.

The E-Commerce Dilemma: Growth and Quality

Even though e-commerce offers significant advantages for both small to large coffee vendors in Colombia, it is crucial to acknowledge the potential downsides. If large e-commerce platforms are adopted by both the FNC and smaller coffee producers simultaneously, it could result in the fragmentation of quality control. FNC has a well-established program dedicated to consistency and high standards of Colombian coffee. The federation, from the moment the coffee is harvested, has quality control measures and coffee labs to ensure only the ripest cherries are selected to undergo a uniform fermentation process. If individual coffee farmers begin to sell independently through e-commerce platforms without oversight from the FNC, the quality standards and reputation that define and differentiate the artisanal Colombian coffee market could be jeopardized. Moreover, as farmers shift their focus towards meeting demand and maximizing short-term sales from e-commerce, they will be incentivized to produce lower quality coffee in greater quantities.

"The country's regulatory framework for e-commerce, particularly digital payments, still needs development."

In addition, the Colombian Ministry of Commerce, Industry and Tourism may not be equipped to protect and support producers in digital markets. The country's

regulatory framework for e-commerce, particularly digital payments, still needs development. The lack of regulations could expose farmers to potential risks such as currency volatility. As many small-scale producers are unfamiliar with exporting products on a digital platform, they are also particularly vulnerable to scams or exploitative practices. If expansion into e-commerce occurs without the strict quality standards placed by the FNC or the support of a regulatory framework and legal protections, the Colombian artisanal coffee industry risks failing in the digital global market.

Government and Private Sector Collaboration

The discourse regarding e-commerce and Colombian coffee producers generates an important question about the roles and responsibilities of private and government sectors. It is evident that the FNC, a central body representing coffee farmers, has the industry expertise and infrastructure to support producers in the development of an online global presence. FNC already provides significant logistical support, price standardization, and marketing through Juan Valdez and Cafix. On the other hand, the Colombian government is better positioned to address regulatory framework, trade protections, and educational barriers that impede e-commerce growth.

> "In order for Colombia to capitalize on the current opportunities in the coffee industry, it can pursue a number of initiatives."

Providing programs designed to increase digital literacy, enhancing digital payment systems, and developing logistical infrastructure are just a few of the key actions the government can take to support the artisanal coffee industry. Furthermore, they can introduce better policy frameworks for fair digital trade, reduce cross-border taxes on coffee exports, and incentivize tech companies to help develop tailored e-commerce platforms for large and small coffee producers.

The Colombian government has taken various measures to improve coffee production in the country. As a major economic driver for Colombia, coffee represents a significant focal point for the legislature. According to Reuters, in 2020, the Colombian government established a fund of COP$218 billion (USD$64 million) to protect Colombian coffee producers from volatile market prices. Beside subsidies, the government actively establishes free trade agreements to reduce trade barriers with high-prospect markets. As reported by Finance Colombia, an agreement signed in September 2023 between Colombia and Vietnam minimized trade restrictions to increase imports of coffee, among other commodities. Clearly, the Colombian government invests and operates to protect the coffee industry, yet Colombian coffee producers are still deficient in their use of digital platforms for marketing and sales.

Solutions That Drive Sales

In order for Colombia to capitalize on the current opportunities in the coffee industry, it can pursue a number of initiatives. The first solution is to leverage the FNC and its Cafix initiative. Transforming Cafix from a rudimentary website for wholesalers to more of a marketplace for artisanal Colombian coffee brands would drive traffic and sales. Consumers and retailers can easily access the taste, story, and branding that most appeals to them. A second solution, and more of a requirement for the broad adoption of e-commerce, is the implementation of a digital payment infrastructure within the coffee regions. Colombia remains a cash economy, and coffee growers are often uneducated rural producers. The government, in conjunction with the FNC, should implement education programs and incentivize technological infrastructure development. Education programs would cover opening bank accounts, using e-commerce platforms, and educating producers on the legal and policy frameworks of operating a business involving exports.

The government also could ease trade policy barriers and subsidize shipping costs to support the expansion of artisanal coffee e-commerce. Currently, high international shipping costs act as a barrier for both large- and small-scale producers trying to sell coffee

directly to consumers in international markets. By subsidizing these shipping costs, the government would make it easier for producers to compete globally, especially in the growing DTC market. Given the obstacles faced by artisanal coffee producers, the implementation of these initiatives offers Colombia an opportunity to thrive in the global e-commerce market.

Other countries in Latin America have already recognized the importance of giving their commodities a digital presence. For instance, during an interview with a large coffee producer in Guatemala, the company representative said that e-commerce was "crucial for establishing a direct relationship and appreciation with farmers and [the] processes behind their coffee, [and] emphasizing sustainability focused and ethical practices." This is in contrast with Colombia, where coffee is mainly exported unprocessed to major global distributors. The intelligent strategy by Guatemala's coffee industry to leverage e-commerce platforms and capitalize on the U.S. market's demand for artisanal and locally sourced coffee allows them to bypass the middleman. By expediting and increasing accessibility to luxury coffee, Guatemala is positioned to gain market share at a much faster rate than Colombia. Colombia should view Guatemala as a case study on how to implement e-commerce to fuel demand for the high-quality and ethically sourced coffee Colombia produces.

The Colombian coffee industry is looking at a key inflection point. While Colombia is renowned for its premium arabica coffee, its future success hinges on embracing e-commerce in a pragmatic capacity and modernizing sales strategies. As other countries tap into the artisanal coffee market, the unique value proposition of artisanal Colombian coffee erodes. If Colombia fails to develop stronger e-commerce platforms and enhance its digital presence, it risks losing market share to other competitors, resulting in Colombian producers, irrespective of size, struggling to make a living off the crop that has sustained entire regions of the country since the 18th century. Ultimately, modernization is not optional — it is a necessity. The future of Colombian coffee lies in its ability to blend tradition with technological innovation, ensuring that its artisanal coffee continues to thrive in a competitive global market.

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The European Startup Climate: France, Germany, and the Baltic States

Startups are at the heart of transformative innovation, but they can't succeed without considerable help. This article examines the untapped potential for startups across the European Union and what it would take to make the region more competitive globally.

The European Union, with its diverse member states, presents a complex landscape for startup ecosystems. While the EU as a whole boasts significant economic power, its startup climate varies dramatically across regions, creating both opportunities and challenges for entrepreneurs and investors alike. An examination of the startup ecosystems in three distinct areas of Europe – France, Germany, and the Baltic states – reveals different stages of development and unique approaches to fostering innovation. France has emerged as a rising star in the European startup scene, transforming its image from one of bureaucratic rigidity to a hub of innovation. Germany, traditionally viewed as an economic powerhouse, faces new challenges in maintaining its competitive edge in the startup world. The Baltic states, despite their smaller economies, showcase remarkable resilience and potential, particularly in the tech sector. Analyzing these contrasting environments highlights the disparities in funding mechanisms, government support, and cultural attitudes towards entrepreneurship across the EU. While individual nations have made strides in cultivating their startup ecosystems, the fragmented nature of the EU market hinders its ability to compete on a global scale, particularly against unified markets like the United States. A more structured and unified EU-wide approach to startup support could significantly enhance the continent's international competitiveness in innovation and entrepreneurship.

The French Startup Ecosystem

In a break from its more rigid past, France is now fostering a vibrant startup ecosystem through government initiatives, a changing cultural mindset, and private sector efforts. However, to compete globally, France must address domestic funding challenges and promote EU-wide barrier reduction. Improving access to financing, particularly for early-stage startups, and addressing regulatory constraints are key priorities for creating a more competitive French and European tech ecosystem.

President Emmanuel Macron's administration has implemented several measures to accelerate startup growth, including reforms in tax, labor, and venture capital regulations. The government offers support through programs like French Tech, Next 40/120, France Relance, and France 2030, as well as research tax credits (CIR). According to a press release from the French AI initiative Hub France IA, France now boasts 25,000 startups employing 1.1 million people, surpassing the U.K. and Germany as the top destination for foreign investment in Europe.

The French Tech program has effectively improved France's image among foreign investors, countering previously held misconceptions about the business environment such as the idea of a change-resistant workforce and complex labor laws that could prove risky to business operations. The French startup ecosystem now shows strengths in certain sectors, particularly B2B business support and AI-related ventures. Station F, the world's largest startup campus in Paris, has become a symbol of France's commitment to fostering innovation and entrepreneurship.

Ines Sánchez-Castillo, founder of anti-waste startup Beans, cites the favorable environment in Paris, reduced administrative hurdles, and non-dilutive funding options from BPIFrance as reasons for choosing the country as her headquarters. The latest report from French Tech Finance Partners, a group of key players in the finance space, highlights the resilience of the French tech ecosystem in the face of global funding slowdowns, with a growing focus on deep tech and climate tech startups.

Initiatives such as the French Tech Finance Partners and the Tibi program are actively addressing challenges and proposing solutions to further improve the ecosystem.

Despite its significant progress, the French tech ecosystem still faces barriers to incubating the runaway successes more common in Silicon Valley. Notably, there is limited access to adequate domestic capital. French Tech Finance Partners has identified obstacles to business financing and proposed solutions. These include channeling funds from a potential EU sovereignty fund, easing rules for admission to the peer network Scale-Up Europe, broadening the definition of small and medium-sized enterprises (SME) for aid programs, enhancing France's global tech presence through regular events, and appointing a French ambassador for international investors.

The German Startup Ecosystem

While Germany has historically been a powerhouse for startups within the EU, its economic prowess is waning. It lacks the robust government support and entrepreneurial culture needed to cultivate and retain innovative ventures. Funding-wise, Germany has long been viewed as an attractive European market; however, a 2024 Dealroom analysis revealed a stark contrast in per capita funding. Germany ranks 17th globally at $63, significantly trailing the U.S. ($300), Estonia ($128), and even France ($71). Moreover, German venture capital lags behind international standards, with top German VCs managing $1 billion to $2 billion in assets compared with leading U.S. firms exceeding $50 billion.

Beyond limited domestic funding, German entrepreneurs face formidable governmental hurdles. Regulatory complexities and bureaucratic red tape stifle innovation, forcing some startups to forgo public funding due to its unpredictability, while others resort to developing custom software just to navigate paperwork. Culturally, Germany's deeply ingrained risk aversion further impedes entrepreneurial spirit.

Industry experts advocate for crucial reforms. In an editorial, the Handelsblatt urges streamlining of state incentives and aid programs. Additionally, increased government funding for startups is imperative, as public investment often catalyzes private sector interest. Case in point: German startup Isar Aerospace leveraged €11 million from the national space program to secure an additional €400 million from private investors. Consequently, the German Startups Association proposed a 5% quota of government contracts for startups to encourage public sector risk-taking.

"While Germany has historically been a powerhouse for startups within the EU, its economic prowess is waning."

Furthermore, stakeholders view the Ukraine conflict as an opportunity for Germany to bolster military innovation and defense tech startups. The Handelsblatt cites the U.S. Defense Advanced Research Projects Agency as a model to emulate, as it helped promote game-changing innovations including the internet and drones, and has an annual budget currently at $4 billion. A glimmer of hope emerges with Germany's recent WIN initiative, inspired by France's Tibi program, uniting domestic and international powerhouses like Deutsche Börse, Deutsche Bank, Allianz, and BlackRock to fuel German tech startups.

The Baltic Startup Ecosystem

Although the Baltic states of Estonia, Latvia, and Lithuania are often thought to share similar histories, their paths since independence in the 1990s have diverged culturally and economically, impacting attitudes toward startup development. According to the World Bank, with an average GDP per capita of $26,479 in 2023, half of Germany's $52,745 and 40% less than France's $44,461, the Baltic countries represent some of the smallest economies in the EU. Startup trends in the Baltic states differ compared to Western Europe; here, massive questions around security and emigration are on the forefront of economic development."

Startups in the region have thrived due to two main drivers: culture and education. Despite low productivity, the Baltic states boast a highly educated population skilled in IT and technology, fueling a massive rise in real GDP of 8% to 10% annually between 2000 and 2007. A recent study noted that Lithuania increased the

enterprise value of its startups by 17.7 times between 2007 and 2022, indicating that this part of Europe can generate strong startups despite socioeconomic obstacles. These nations have fostered national pride to build an identity after the fall of the Soviet Union that has emotionally connected the people to the land, even as geopolitical factors challenge startup success.

> "Despite low productivity, the Baltic states boast a highly educated population skilled in IT and technology."

Internally, minimal tax incentives and government subsidies suppress support for startups. Latvia alone has seen a 25% population decline since 1991, with young professionals moving abroad due to EU visa rules. External financing enthusiasm is low due to various risks, including geopolitical tensions with Russia, which have dampened private investment. Despite a tight labor market and limited government support, successful startups have emerged. Lithuania boasts two unicorns valued over $1 billion: online clothing reseller Vinted and cybersecurity firm Nord Security. Nord Group's new large headquarters rivals anything found in Silicon Valley. Sandra Kazakevičiūtė, head of talent acquisition at Nord Security, notes that the reason for the meteoric rise of the company is not due to special government treatment but rather the unwavering belief that world-class products can be made at home in Lithuania. Similarly, Sasha Kelberg, a Wharton and Lauder graduate ('03) who founded GroGlass, a premium glass manufacturing startup based in Riga, highlights Latvia's historical expertise in material design, which was developed independently of state intervention.

External instability remains a significant barrier to growth and talent retention, as noted by angel investor Konstantin Sinushin of FIXAR, a civilian drone startup that moved from Russian to Latvia in 2021. For him and others in the space, the lack of large-scale incentives within the Baltic states is the most important factor as it has a direct impact on migration and development patterns for the region.

EU Implications on Startups

At its core, the EU startup environment faces significant challenges due to the diverse nature of its member states. When compared to a startup innovation hub with a unified market, such as the United States, the varied regulatory and cultural factors at the state level in the EU hinder the formation of a cohesive environment that is increasingly crucial for success. This deficiency can be seen most evidently with respect to startup funding. According to a McKinsey & Company study, while the total size of the EU startup funding pool ($18.5 trillion with the U.K. included) is similar to that of the U.S. ($21 trillion), it is fragmented across 28 countries each with their own unique cultural and regulatory environments.

Furthermore, the source of funds raised by VC firms, which are then injected into startups, differs significantly between the EU and U.S. markets. In the U.S., private sources such as pension funds, endowments, and capital markets serve as primary sources of VC funding. However, public government agencies account for almost a quarter of cumulative VC funding in the EU, per the McKinsey analysis. This creates an extremely competitive funding environment in which EU member nations are pitted against one another in a zero-sum game. As a result, government-funded VC funds and agencies are incentivized to provide significant financial and operational concessions to attract burgeoning startups. Nations also compete fiercely to become the most attractive destination for these startups, offering various incentives and support programs. While this level of competition may benefit the startups themselves, it significantly hinders the unification of an EU startup environment.

Despite progress, no individual European country has produced a tech giant on par with those from the U.S. Maya Noël, CEO of leading European startup organization France Digitale, suggests that the French market alone can't sustain such a company, emphasizing the need to look to the broader European market. The heterogeneity of the European market, determined by local regulations that vary across EU countries, presents a challenge to creating a unified rival to the U.S. tech scene. As discussed in the French Partners Report, areas for improvement include enhancing exit opportunities

for startups, strengthening the domestic investor base, and refining initiatives like Tibi to better support a wider range of funds, including those focused on small and mid-cap companies. The startup sector remains largely dependent on American venture capital and private equity for growth-stage funding. Matthieu Rouif, CEO of French startup Photoroom, notes that while U.S. funding is welcome, it represents a missed opportunity for Europe. The gap is reflected in the estimated $45 billion in capital EU startups raised in 2023, compared with the $120 billion raised in the United States.

While efforts have been made to unify the EU startup ecosystem, there is significant work to be done to create an environment that is conducive for both funding and growth. Disjointed regulatory frameworks and policies across EU member nations are perhaps the largest hurdles that startups seeking to operate across Europe must overcome. Acknowledging this challenge, the European Commission launched the Startup Europe initiative in 2020 to accelerate the growth of the EU startup ecosystem. Included in this initiative's charter is the creation of an "EU Startup Nation Standard" to encourage member nations to implement best practices that support companies in their hiring, fundraising, and growth journeys. Similarly, according to the German Ministry of Finance, there have been EU-wide efforts to establish a single banking and capital markets union in order for the region to more effectively compete with other global powers for future innovation. Doing so would unify fragmented financing conditions that exist across borders and eliminate forced competition between EU member states.

Conclusion

The examination of startup climates in France, Germany, and the Baltic states reveals diverse approaches, successes, and challenges within the European Union. France's proactive government initiatives and cultural shift have positioned it as an emerging leader in the EU startup scene. Germany, despite its economic strength, grapples with regulatory hurdles and a risk-averse culture that hamper its startup growth. The Baltic states, particularly Estonia, demonstrate that size doesn't preclude innovation, leveraging their tech-savvy populations and nimble economies to foster impressive startup ecosystems. However, the fragmented nature of these national efforts underscores a crucial point: The EU's potential as a unified startup powerhouse remains largely untapped. The disparity in funding accessibility, regulatory frameworks, and cultural attitudes across member states creates inefficiencies and barriers that startups must navigate to scale across Europe.

Research analysis suggests that to truly compete on a global stage, particularly against the unified market of the U.S., the EU must move towards a more cohesive startup ecosystem. This involves harmonizing regulations, creating EU-wide funding mechanisms, and fostering a pan-European entrepreneurial culture. Research findings indicate that initiatives like the Startup Europe program and efforts to establish a single banking and capital markets union are steps in the right direction. Analysis of the data suggests that by leveraging its diversity as a strength rather than a hindrance, the EU has the potential to create a vibrant, interconnected startup landscape that can rival any in the world. The path forward lies in collaborative efforts that preserve national strengths while building a unified, competitive European startup ecosystem.

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Small But Mighty: Supporting Europe's Hidden Champions

Hidden champions are foundational to the health of Europe's economy, yet these small and medium-sized enterprises are not immune to challenges. This article explores how public and private sectors can contribute to their growth.

In recent years, Europe has entered a polycrisis. A combination of social, economic, environmental, and geopolitical issues has severely strained the region, which seeks to balance long-term sustainability and digitalization goals with immediate challenges such as the wartime energy crisis and tense trade relations. Under this complex landscape, hidden champions are key drivers of the European economy's ability to innovate and compete globally across core strategic sectors such as energy, manufacturing, and defense. Despite their importance, hidden champions are particularly vulnerable to external shocks and are often under-supported by both the regulatory environment and capital markets.

> "Hidden champions' ability to compete on a global scale is due to their tendency to constantly innovate."

Hidden champions are relatively small and unknown companies that are regional or global market leaders in their highly specialized product range. The term was coined in 1990 by Hermann Simon to describe private German B2B companies as part of the Mittelstand: small to medium-sized businesses often referred to as the "backbone" of the German economy. These companies usually emphasize innovation, family or private ownership, strong regional connections, and specialization in niche markets. The hidden champion designation has since expanded globally to describe any little-known company in the top three in their market and with an annual revenue of less than €5 billion.

While their low profile makes it difficult to identify them on a large scale, the German Hidden Champion Association estimates that there are over 4,000 hidden champions worldwide, among which 55% are in the DACH area — Germany, Austria, and Switzerland. Moreover, hidden champions in Germany are part of the larger Mittelstand — these small and midsize enterprises make up over 58% of jobs and 82% of apprenticeships in the country. They are usually family-owned, which contributes to their focus on long-term value creation and investment in employees. These highly international businesses drive Germany's historically high per-capita exports and have inspired other countries like China to follow suit with government-supported programs.

Hidden champions' ability to compete on a global scale is due to their tendency to constantly innovate. As export-oriented private companies, they invest significantly in research and development (R&D) as part of their long-term planning. They also leverage their niche expertise to create critical hardware or software solutions. For example, OMICRON is a leading producer of highly specialized engineering on-the-go testing equipment and was founded in 1984 in Vorarlberg, Austria. OMICRON continues to innovate not only in new technologies but also corporate responsibility measures, such as contributing a share of its annual profits to its nonprofit organization Crossing Borders.

Much of hidden champions' innovation is reflected in their proactive approach towards digitalization, an area where current progress in the EU falls short of ambition. According to ESMT Berlin, many hidden champions describe themselves as "fast followers," with 90% already having moved past the early stages of digitalization, outpacing large corporations. Although hidden champions do not command large markets like

their publicly listed counterparts do, they make up for size with their agility and ability to implement new technologies. In this sense, they play a key role in the competitiveness of the main industrial ecosystems of the European economy — from energy and renewables to aerospace and defense.

The innovation that hidden champions bring forth is crucial for Europe's competitiveness, yet their limited access to capital and tendency to fall between the gaps of existing programs and regulations can put them at a disadvantage, both in terms of growth and protection against external shocks. Despite being steady performers and strategic drivers of the EU's energy transition and digitalization agendas, hidden champions are often under-financed and under-supported. They often lack the capital to effectively weather crises, such as the COVID-19 pandemic-induced supply chain disruptions or de-coupling policies. A more harmonized regulatory environment, coupled with innovative financing solutions, can help to better support these strategically important players.

Reluctance to Accept Outside Funding

Perhaps because they are doing so well, many hidden champions are hesitant to accept private funding. Even when cash is needed, companies opt for traditional bank loans. In the case of private equity, as an example, companies are hesitant to accept outside funding with five-year terms that may not align with their values and long-term vision. These multi-generation businesses are built on decades-long relationships with employees and the local community — i.e., trust capital. For instance, while OMICRON undertakes constant, and at times costly, re-investments into new ventures, extraneous funding needs have been met with traditional bank loans rather than private funding, an option that may not be available for under-capitalized hidden champions that fall short of loan requirements.

At the same time, bank loans can only go so far, and even well-established hidden champions are not immune to crises and may require extra help. The same export-oriented characteristics that enabled their profitability during the preceding years of globalization make hidden champions uniquely vulnerable to international shocks. For the unlucky ones, external shocks could bankrupt firms. Borgers, a 156-year-old supplier of textile components to the automobile industry, filed for insolvency in 2022 due to rising raw material and energy costs driven up by the COVID-19 pandemic supply chain shocks and the war in Ukraine. Borgers was not alone. According to Eurostat, there has been a 200% increase in bankruptcies in the EU since 2020.

> "Companies are hesitant to accept outside funding with five-year terms that may not align with their values and long-term vision."

These findings highlight how critically important financing can be for hidden champions. As medium-sized enterprises, they straddle the middle ground of being too big to benefit from SME-focused public financing and size-dependent regulations, yet too small to benefit from public support for larger corporations. This dilemma is applicable to traditional bank financing when hidden champions surpass size-dependent criteria set forth by regulations and cannot benefit from concessional terms on traditional financing such as extended grace periods or subsidized interest rates. Research from the European Investment Bank found that only 26% of small mid-caps received concessional loans from banks, compared to 35% of SMEs and 37% of extra-large firms. Europe's smaller and less liquid capital markets, coupled with hidden champions' hesitancy to accept external funding, result in missed opportunities to invest in growth and resilience against external shocks.

Private Investment as a Growth Partner

Private investment can act as a partner not only to help hidden champions overcome crises, but also enable their continued growth, as evidenced by partnerships with private investors. In the case of EA Elektro-Automatik, the private equity firm Bregal injected millions in investments to help a leading supplier of power electronics expand into the international market. Since EA Elektro-Automatik is a part of the energy transformation by creating equipment that enables

the testing and development of different clean energy systems and technologies, this partnership also has greater implications for Europe's sustainability goals.

Furthermore, private investment does not have to be focused on short-term returns; it can aim for long-term value. Consider an alternative but rare form of "patient money" investment approach, which gives companies a longer horizon to develop the technology they need. Sasha Kelberg, founder and former CEO of Groglass, a Latvian hidden champion in the specialized glass manufacturing space, shared how Groglass was given significant autonomy and time to turn research into a marketable product. The patient nature of New Century Holdings' investment enabled Groglass to pivot from greenhouse glass to art glass during the 2008 agricultural downturn.

> "Shortfalls in both investment and financing of hidden champions have implications for regional strategic ambitions."

When viewing investment relationships as long-term partnerships, there is hope for a cultural shift in this industry. Giovanna Maag at Altor Partners, a European PE firm, believes that "this kind of demon myth is gone," and that companies are starting to realize that "private equity can help achieve goals, actively contribute toward growing a company, invest in R&D, secure succession and drive innovation." Bremen-based KAEFER partnered with Altor to use the extra cash to grow and diversify its portfolio, particularly to reduce its exposure to the oil and gas industry by shifting to green energy — an example of the potential of private equity partnerships when done right.

A More Level Playing Field

From an investor's point of view, inconsistencies in the region's regulatory policies dampen investment appetite and contribute to the financing gap faced by businesses. In an interview, Matt Christensen, global head of Sustainable and Impact Investing at Allianz GI, spoke about how sudden changes in the regulatory environment, such as the sudden removal of subsidies, discourage risk appetite and create challenges for long-term investment in Europe. Christensen urged the exploration of public-private instruments to de-risk private capital and encourage innovation in the region. Similar views have been espoused by economist Philippe Aghion, who argues that the deliberate industrial policy undertaken by China and the United States renders Europe at risk of falling behind. Others, such as Bjorn Rosengren, the chief executive of Swiss-based industrial automation and robotics firm ABB, echo that the regulatory burdens of the EU are a main inhibiting factor to growth.

Shortfalls in both investment and financing of hidden champions have implications for regional strategic ambitions. As key actors in international markets and supply chains, they are uniquely vulnerable to shocks and regulatory inconsistencies. Against this backdrop, fissures have been emerging in their business models.

Some firms came out of Covid stronger by re-evaluating supply chains and investing in independence through vertical integration of more processes to drive in-house and local production. However, more challenges await them in this polycrisis. Emil Montag, who works at his family business MHP Technology based out of Berlin, believes that particularly manufacturing companies may either struggle, be pushed to close, or move operations abroad if the combination of German and European economic and regulatory landscapes continues to disadvantage local manufacturing. To illustrate, domestic production may compete with foreign production that does not follow the same regulatory codes, such as environmental standards. This is one of several factors that creates an uneven playing field. In Montag's industry, production automation and efficiencies can only offset manufacturing costs to a limited extent when dealing with disproportionate costs of energy, salaries, social security, rent, tax, and regulatory requirements in Germany. Smaller and medium-sized firms especially struggle to absorb these costs. Affected firms feel that their country, once coined as the "Wirtschaftswunder" describing West Germany's economic miracle post World War II, is undergoing politically driven deindustrialization.

Policies can work to level the playing field when the same rules that apply to EU firms apply to importing firms. For instance, when the EU Regulation on Deforestation-free Products applies the same strict environmental standards on products and components, companies' entire value chains must be deforestation-free. This means that within the EU, all suppliers in the common market are subject to the same rules. Other recent acts such as the Renewable Energy Production Act and the Green Industry Act (both passed in 2023) aim to foster a simpler and more predictable regulatory framework to reduce red tape and increase legal certainty for investors.

Hidden Champions at the Crossroads

As Europe faces economic, environmental, and geopolitical challenges, hidden champions stand at an important juncture. These agile, innovation-driven companies are crucial to the continent's long-term competitiveness yet vulnerable to external shocks and structural barriers that hinder their growth potential. At a macro level, Europe's lag behind the U.S. in terms of investment and innovation in new technologies is estimated by McKinsey Global Institute to result in a loss of between €500 billion to €1 trillion in value annually by 2030. Not only is the EU's venture capital industry 20 times smaller than that of the U.S., investments are concentrated in a small number of member states. The underutilization and under-support of hidden champions not only put their future at risk but also threaten Europe's ability to innovate and meet ambitious climate and geopolitical goals.

As hidden champions balance their independence and long-term values with the opportunities that external capital can provide, public and private partners will play an essential role in unlocking their potential and bridging the innovation gap. As the polycrisis evolves, it will be important for investors and regulators to pay attention to these hidden champions.

This article was written by William Abelt, Caterina Bonmassar, Qingfeng (Fong) Chai, and Pamela Lian, members of the Lauder Class of 2026.

Lessons in Crisis Management from Russia's Invasion of Ukraine

This article showcases the success of three European businesses in overcoming the economic uncertainty of war. Gurtam, the Freeport of Riga, and Allianz prove that flexibility is key in times of crisis.

Russia's invasion of Ukraine, which began in 2014 with Russia's annexation of Crimea and continued in 2022 with its ground invasion, initiated a crisis period for the European economy. European businesses found themselves faced with supply chain disruptions, volleys of sanctions, rising interest rates, energy insecurity, and an uncertain outlook on the future. Undoubtedly, some companies fared better or worse than others, and some even thrived in the chaos. Many variables can explain an individual company's performance, but it is possible to draw some broadly applicable lessons in crisis management. We interviewed three European companies that navigated the crisis period of 2022 to the present, each with their own degree of success. Our chosen companies come from different countries, and each operates in a different industry. The common theme that we found in each of the three is one of increasing appreciation for the risk inherent in external dependencies, and an accompanying rise in the importance placed on operational independence.

> "Political, social, and military factors influenced the trajectory of the invasion's economic consequences."

In this article, we will briefly characterize the challenges for the European economy in the face of Russia's invasion of Ukraine. Then, we will recount the experiences and lessons learned of three European companies navigating those challenges. We will end by attempting to pull management lessons out of their contemporary European context to discover some general advice for business leaders everywhere seeking to prepare their organizations for whatever crisis may come next.

The War's Impact

Russia's invasion of Ukraine threw the European economy into chaos as companies across industries faced unexpected challenges. Though Russia's slow buildup of military forces on Ukraine's border provided some forewarning of the 2022 ground invasion, two years into the conflict, its effects on Europe's economy have been so intense and widespread that the advance notice wasn't nearly enough time to prepare. Businesses across the Eurozone were shaken by the war's impact. Manufacturing activity took a significant hit in fall 2022, as reported by S&P Global's annual purchasing manager's index. Economic sanctions against Russia and Belarus disrupted key manufacturing inputs, and supply chain disruptions triggered inflation. EU fiscal policies aimed at curbing inflation, coupled with the loss of labor and consumer markets in Belarus and Russia, severely slowed the economy. European Commission data shows near-zero real GDP growth since the war began. By 2023, bankruptcies in Europe reached their highest level since the commission began tracking the data.

The logical progression of this crisis' effects is not confined to traditional economic analysis. Political, social, and military factors influenced the trajectory of the invasion's economic consequences. Companies that navigated the crisis showed resilience by withstanding a series of blows and responding to varied contingencies across multiple domains. The following companies offer valuable lessons for business leaders seeking to build resilience within their own organizations.

Gurtam

Gurtam is a software development company that provides internet-of-things-based solutions with a primary focus on vehicle tracking. Founded in Belarus in 2002, Gurtam's products include their flagship

Wialon, a fleet management software platform that helps over 3,000 businesses in 150 countries track their vehicles. Gurtam was an early participant in Belarus' 21st-century tech boom, which was enhanced by a 2005 presidential decree that established a tax-privileged zone in the capital city of Minsk to encourage technology entrepreneurship. In 2021, Gurtam was still thriving, boasting a large and diverse client base, major offices in Minsk and Moscow, regional offices in Boston and Dubai, and a new world headquarters in neighboring Lithuania, according to the company's official website.

Despite its global footprint, a large share of Gurtam's business was still in the Russian and Belarusian markets. Gurtam had many clients in these markets, and most of their talent came from these countries. When the Western alliance levied sanctions against Russia and Belarus in response to Russia's invasion of Ukraine, Gurtam was faced with a choice: They knew they could not continue to operate in both the Russia/Belarus markets and the rest of the global market. We spoke with Gurtam Chief Operating Officer Nastassia Sachenka to understand how the firm responded to this dilemma.

The leadership team made the decision to cease all business in Russia and Belarus, and relocate the company's operations and workforce out of those countries. This was a Herculean task: In addition to physically relocating, Gurtam needed to navigate immigration and work authorization requirements for its employees. This was complicated by travel restrictions that made it difficult for Russian citizens to enter the European Union. Nonetheless, by mid-2022, Gurtam had relocated most of its employees to Lithuania and completed work on a new regional office in Tbilisi, Georgia, to serve as a destination for its Russian employees who were barred from relocating to Europe. After the dust settled on its organizational exodus from Minsk and Moscow, Gurtam began pursuing new clients to make up for the lost market.

Today, Gurtam is still in business, operating smoothly in their new regional offices, rebuilding their client base with new customers, and free of the sanctions that threatened to damage their bottom line. Gurtam's ability to move swiftly and decisively in the face of a sudden emergency can be credited to their highly independent operating model. Its self-financing philosophy limited unnecessary external dependencies, allowing the company to relocate quickly without settling money owed or involving shareholders in the decision. Its geographically diverse operating footprint provided them a ready landing ground when time came to move out of Belarus. And a broad client base enabled them to survive the hit of eliminating their Russian clients from their book of business. In short, Gurtam is a prime example of the strengths of an autonomy-focused organizational structure with minimal external dependencies.

Freeport of Riga

The Freeport of Riga is an international seaport in Riga, Latvia, located on the Baltic Sea, that serves as a connection point between Eastern and Western Europe. Raitis Tukans, head of the Business Support Department at the port, explained that Latvia has historically been used as transit for Russian goods and commodities, and the Freeport of Riga has been dependent on the trade of those products for the majority of its revenue. Specifically, the Freeport of Riga relied on the Russian Federation for imports of oil, liquid natural gas, coal, iron, steel, wood, and fertilizer, and for selling port terminals to Russian owned businesses.

When the second phase of the war broke out in early 2022, the EU dropped heavy sanctions prohibiting Russian oil from being imported. In 2025, Russian liquid natural gas will also be banned in Latvian ports. On top of this, commodities from Russia such as coal, iron, steel, wood, and fertilizer, which are routinely handled at the Freeport of Riga, have been subject to sanctions and are restricted from entering Latvian ports. Lastly, terminals including the Riga Fertilizer Terminal, which is owned and operated by a Russian company, were frozen. Because the port relied on these revenue streams for the majority of its income, it employed a three-pronged approach to replace the lost revenue: (1) attract companies via a land-lease plan, (2) increase cruise ship revenue, and (3) attract new vendors.

Through the land-lease plan, prospective companies can lease land to build factories or production facilities near the port, which would reduce the cost of shipping via land. Secondly, the Freeport of Riga is ramping up its

marketing efforts to attract more cruise line companies. It is doing this by promoting Riga's cultural heritage, architecture, and beautiful Old Town as reasons for cruise ships to make stops in Riga. Finally, to replace lost revenues due to sanctions, the port is working to attract new, non-Russian vendors.

Prior to Russia's invasion of Ukraine, the port of Riga operated with limited diversification, heavily reliant on commodities from Russia. However, post-sanctions, it began exploring new industries and commodities to adapt to shifting market demands. While this pivot shows an understanding of the need for resilience amid geopolitical risks, it remains uncertain how successful these efforts have been. The port's experience underscores the importance of proactive diversification to weather unforeseen geopolitical disruptions.

Allianz Global

The Russia-Ukraine conflict has profoundly influenced how investment firms, such as Allianz, approach business leadership. Matt Christensen, global head of Sustainable and Impact Investing, explained how Russia's invasion of Ukraine has reshaped investment behavior and what it reveals about European crisis management. Before the conflict, continental Western Europe had not experienced war in decades, and Russia was a key natural gas supplier for the EU, particularly in Germany. Once the EU severed these ties, investment priorities shifted rapidly, causing businesses to rethink their strategies and try to envision best- and worst-case scenarios. One surprising outcome was the redefinition of "sustainability" in the context of business.

"The Russia-Ukraine conflict has profoundly influenced how investment firms, such as Allianz, approach business leadership."

According to Reuters, 63.8 billion cubic meters of natural gas was supplied by the Russian state-controlled gas monopoly Gazprom through pipelines under long-term contracts with the EU. After the war, that demand decreased by 55.6%. Europe relies on this gas for electricity generation, heating homes, and supporting industrial operations. The Center for European Policy Analysis noted a majority of EU countries have sanctioned natural gas since Russia's invasion of Ukraine, except a few such as Hungary, Slovakia, and Austria.

According to Christensen, "Europe's defense industry was largely excluded from sustainable investment considerations prior to Russia's invasion of Ukraine. However, the conflict prompted a reevaluation of this stance, particularly in Germany, as policymakers and investors began considering the idea of 'good defense' within sustainability frameworks."

Germany's financial institutions, including the German Banking Industry Committee (GBIC), the German Investment Funds Association (BVI), and the German Structured Securities Association (BSW), updated their Target Market Concept (TMC) — an agreement that dictates which industries are eligible for investment. Initially, the TMC imposed strict limits on investments in the defense sector, but recent revisions have removed exclusions on certain types of weaponry. This shift has sparked concern over the intersection of military spending and sustainability in Germany, a country long hesitant to expand its military footprint.

Christensen pointed to the stock price of Rheinmetall, a German defense manufacturer, which surged dramatically following the Russian invasion on Ukraine, as a key example of this change. "The removal of the 10% exclusion criteria for specific military equipment underlines how the war has upended traditional ESG (environmental, social, and governance) frameworks in Europe," he said. This evolving landscape challenges the conventional boundaries of sustainable investing and highlights the need for leaders to reassess their assumptions about security, sustainability, and geopolitical risk.

Christensen said that in this new reality, successful leadership demands a proactive approach to scenario planning, the flexibility to reassess entrenched views on sustainability, and the agility to adapt regulatory frameworks in response to global crises.

Conclusion

As the war in Ukraine enters its third year, Reuters reports that Ukrainian President Volodymyr Zelenskyy is presenting his "Victory Plan" to NATO leaders. The European economic landscape remains in flux. This conflict has not only reshaped geopolitics but has also served as a crucible for business resilience, forging new paradigms of corporate strategy and risk management.

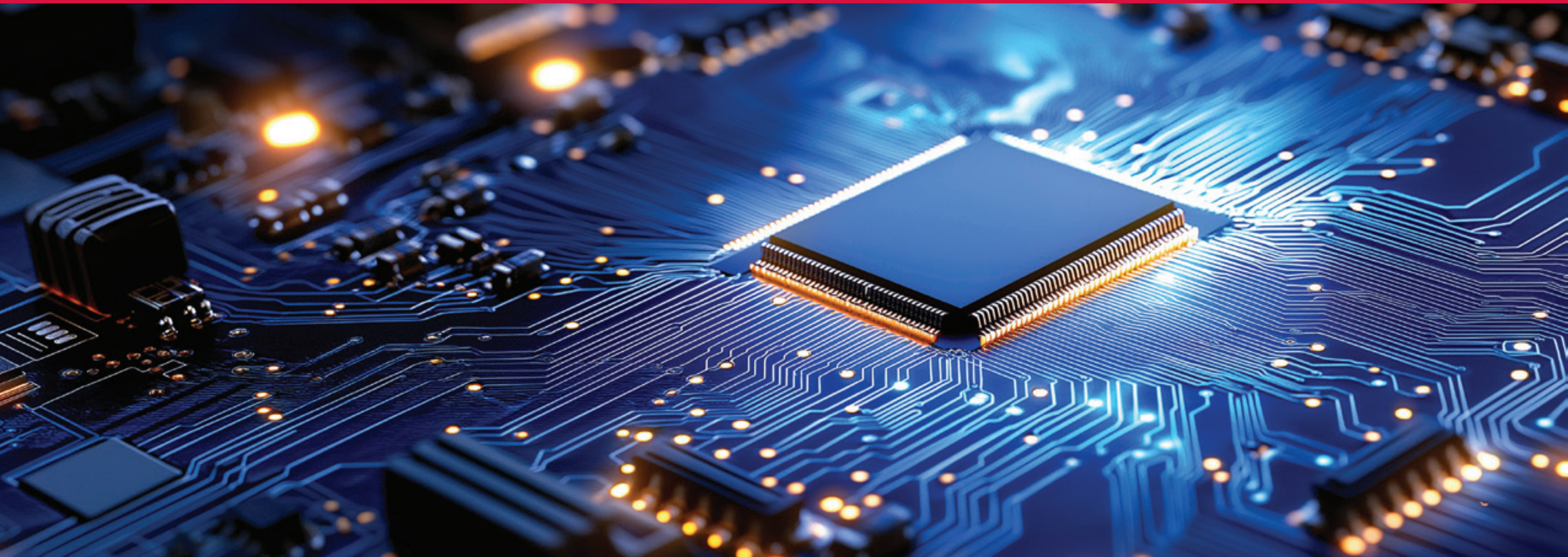
The experiences of Gurtam, Freeport of Riga, and Allianz Global are not mere case studies, they are blueprints for future-proofing businesses against the next global crisis. They underscore a critical yet known truth: In a world where change is the only constant, agility is the ultimate competitive advantage.

As geopolitical tensions simmer globally – from the Middle East to the U.S.-China trade war, and Venezuela's ominous military buildup – it is clear that geopolitical risk is now an inextricable part of the modern economic fabric. The lessons from Europe's crucible are clear: operational independence, strategic flexibility, and proactive risk management are no longer optional. They are essential for survival and success.

"In a world where change is the only constant, agility is the ultimate competitive advantage."

The next crisis is not a matter of if, but when. Leaders who will navigate these uncharted waters will be those who embrace uncertainty, cultivate resilience, and build organizations that don't just weather change, but thrive on it. The war in Ukraine may be confined to Eastern Europe, but its lessons in crisis management are universal. It's time for business leaders worldwide to heed these lessons and prepare for a future where the only predictable element is unpredictability itself.

This article was written by Tanner Hale, Weston Turner, and Jimmy Zhang, members of the Lauder Class of 2026.



Is Moore's Law a Relic of the Past?

As transistors shrink, many question whether Moore's Law is dead. But rapid technological innovation — driven by economic incentives, government support, and the rise of specialized chips — suggests the axiom still has plenty of life left.

In 1965, Intel co-founder Gordon Moore made an observation that would define the trajectory of modern computing: The number of transistors that could fit on an integrated circuit would double roughly every two years, driving exponential improvements in processing power and speed. This prediction, famously known as Moore's Law, became a cornerstone of the tech industry, heralding the age of rapid innovation that birthed everything from personal computers to smartphones and artificial intelligence (AI). But nearly six decades later, many in the industry are asking whether Moore's Law has reached the end of the line. Or does it simply need to be redefined for the 21st century?

> "Clearly, the rate of semiconductor progress is slowing, and the cost of further miniaturization has become prohibitive."

At its core, Moore's Law is about scaling the capabilities of semiconductors. The law predicted consistent gains in computing power, with each new generation of chips outstripping the last. This continuous improvement fueled the digital economy, allowing for cheaper, faster, and more energy-efficient devices. However, as chips approach atomic scales, many believe the physical limits of this model are imminent. Transistors, now just a few atoms thick, face challenges like quantum tunneling, where electrons behave unpredictably, and heat dissipation, which has made chips hotter and more power hungry.

These constraints have led some experts to declare Moore's Law dead. According to MIT professor Charles Leiserson, Moore's Law has effectively been over since at least 2016. In an interview with MIT, he noted, "It took Intel five years to go from 14-nanometer technology (2014) to 10-nanometer technology (2019), rather than the two years Moore's Law would predict." Clearly, the rate of semiconductor progress is slowing, and the cost of further miniaturization has become prohibitive.

Advanced lithography machines, like those used in extreme ultraviolet (EUV) manufacturing, cost over $100 million each, and the production process is incredibly complex. So, does this mean that innovation is also slowing down?

Innovation Follows the Money

During an episode of the Lex Fridman podcast in February 2024, industry expert Jim Keller said Moore's Law is "not dead, and it's always been 'going to die'... and [skeptics] can join the last 50 years of people who've had the same idea." Despite many credible arguments predicting the end of Moore's Law, a compelling case for its continuation lies in the powerful economic forces at play and the ripple effects they generate across the semiconductor industry. The Semiconductor Industry Association (SIA), a trade association and lobbying group representing the United States semiconductor industry, reported that worldwide sales of semiconductors totaled $526.8 billion in 2023. Many countries such as the United States, China, Japan, and South Korea are investing in domestic semiconductor production to address strategic and national security concerns, providing billions of dollars in government funding as well as tax incentives. In December 2022, the U.S. government passed the CHIPS Act, allocating $52.7 billion to boost domestic semiconductor manufacturing and research and development (R&D), along with a 25% tax incentive for companies investing in the sector. This move has triggered nearly $450 billion in private investment, signaling the immense financial commitment to strengthening the U.S. semiconductor industry and securing its role in the global supply chain.

"Moore's Law is alive and well," Pat Gelsinger, CEO of Intel, said in November 2022 at the company's online Innovation event. "Today we are predicting that we will maintain or even go faster than Moore's Law for the next decade. ... We, as the stewards of Moore's Law, will be relentless in our path to innovate." The SIA reports that semiconductor companies invest approximately 20% of their revenue into R&D annually. The cutting-edge technology and financial rewards attract some of the world's top talent in engineering. This combination of deep-pocketed funding, exceptional talent, and government support creates a hotbed for innovation that is expected to continue to fulfill the spirit of Moore's Law.

Ken Chen, former senior technical and marketing director at Taiwan Semiconductor Manufacturing Company (TSMC), said in an interview with the authors that he is optimistic about the spirit of Moore's Law due to the innovations that spring from investments into capital, talent, and R&D. He cited two key innovations — 3D chip technology and high numerical aperture extreme ultraviolet (NA EUV) lithography — as evidence that advancements in semiconductor design will extend the relevance of Moore's Law for at least another decade or two.

> "If Moore's Law is not dead, what would a modern version look like?"

As increasing the number of transistors on chips has become more infeasible, engineers have made breakthroughs in 3D chip technology. The concept of 3D chip technology is simple; similar to laying floors for a skyscraper, fabricators (fabs) lay chips on top of one another. Doing so improves processing power since more transistors can fit across multiple stacked chips. 3D chip technology is particularly useful for demanding tasks such as artificial intelligence and data processing. This technique was infeasible due to thermal dissipation issues that arise from stacking chips onto each other and the challenge of aligning chip stacks to the correct nanometer.

Before materials can be laid down on a chip, the design must be drawn on the chip with extreme precision. The work is so precise, in fact, that fabs use light particles to draw them. However, the light waves used prior to the implementation of high NA EUV lithography were too thick to draw accurately, like using a marker that is too thick to draw a thin line. Engineers used "masks," which are like stencils for light waves, that allowed the thicker light waves to be drawn onto a chip in the thin manner required over multiple iterations. High NA EUV lithography uses "thinner" light particles akin to using a thinner marker. With this new technology, drawings are more precise and fewer masks are required. This process

makes it possible for transistors and lines to continue to shrink, but there are economical and product design challenges to overcome to bring the technology into mass production.

3D chip technology and NA EUV are only two of the many notable innovations in the semiconductor industry in recent years. Keller said there are "literally thousands of innovations, and almost all of those innovations have their own diminishing return curves … so if you are an expert on one of the things on a diminishing return curve, and you can see its plateau, then you will probably tell people that this is done. Meanwhile, some other people are doing something different." With the myriad of innovations happening across the industry in different companies, it is impossible for an expert to be aware of them all. To Keller's point, no one can predict that the spirit of Moore's Law is dying.

"While the Moore's Law of the 1960s may no longer apply, the drive for innovation remains as strong as ever."

Redefining Moore's Law

If Moore's Law is not dead, what would a modern version look like? Many experts believe the law needs to be revised to account for the broader technological landscape of 2024 and beyond. One popular concept is "More than Moore," which acknowledges that innovations in areas like chip architecture, materials science, and quantum computing will play an increasingly important role in maintaining the pace of progress. The 2022 International Roadmap for Devices and Systems set by the Institute of Electricals and Electronics Engineers (IEEE) acknowledges that "More than Moore," representing functional diversification, must be combined with "More Moore," representing continued digital and technological scaling, to give rise to new insights.

Erik Hadland, director of technology policy at the SIA, points to architecture and the diversification of computing hardware as having the most immediate impact. He explained that the arrangement of the transistors allows for optimization of specific computing tasks that can contribute to progress in performance beyond the gains of purely increasing the number of transistors. For example, Nvidia designs GPUs specifically for AI computation, which requires a lot of data processing, versus a general purpose CPU that may be able to do multiple computations at a slower performance. As Hadland makes clear, industry developments such as field-programmable gate arrays (FPGAs) allow a high level of customization for users to rearrange based on their specific needs, resulting in a more optimized chip, while application-specific integrated circuits (ASICs) are becoming increasingly specialized as companies like Apple control designs for proprietary narrow uses. To support increasingly advanced architecture for over a billion transistors on a chip, electronic design automation (EDA) software, which are enormously complicated with design rules and predetermined libraries of standard cell arrangements, allow designers to quickly and easily get to the configurations that they need.

Following these innovation trends, more specialized chips are tailored for specific industries and applications. For industries reliant on computing power, from autonomous vehicles to AI, this shift could lead to a new wave of breakthroughs. This means innovation won't slow down. It will simply become more targeted, bifurcating the industry into "fast lane" specialized chips and "slow lane" general purpose chips, as detailed by economic historian Chris Miller in his book "Chip War: The Fight for the World's Most Critical Technology." Autonomous vehicles, for example, will require highly specialized processors to navigate complex environments in real-time. Nvidia's Drive Orin platform is a prime example, as it offers a high-performance, AI-powered system-on-chip (SoC) specifically designed for autonomous vehicles, providing the computational capacity needed to process sensor data, make split-second decisions, and ensure safety. AI as a service, meanwhile, could benefit from chips specifically designed to handle massive datasets, enabling more sophisticated machine learning models. Companies including Amazon and Google are designing their own chips for specific processing needs and making access to them available in their cloud offerings. End users, from large enterprises to

small businesses to even individuals, are able to access the "fast lane" for personalized purposes. Even on the "slow lane" side, general purpose chips like CPUs are evolving. Hadland points to data centers where the main task the central unit performs is breaking up work into different pieces and sending it to more specialized GPUs, depending on the type of task. As innovations continue creating more efficient connections between chips, this model can serve more functions for an increasing number of industries.

Preparing for the Future

According to Hadland, one of the key enablers of semiconductor innovation to date was the unified vision of the end goal: reducing the size of semiconductors. Because there was a clear, singular goal, there were significant synergies across the value chain. However, the industry can no longer take this synergy for granted as performance benefits from 2D scaling of transistors diminish and "More than Moore" becomes reality. "We have more innovation frontiers to pull from now," Hadland argues. "But if we coordinate well across the industry, it's entirely possible that we devise an innovation roadmap to pursue greater synergy and accelerate our product cycles." If the roadmap isn't clear, players across the value chain will focus on different areas of innovation, resulting in a mismatch and slowing overall innovation outcomes. To help address this challenge, the SIA and other organizations are coordinating a roadmap for future innovation. However, a roadmap of this scale requires buy-in from international players and clear standards of production, both of which are challenging in a fragmented international environment.

There are also many geopolitical risks associated with future semiconductor innovation. The value chain is divided across Taiwan, the U.S., Korea, Japan, China, Europe, and others, and as a result faces inherent challenges that come from the associated geopolitical tensions among these countries. Some countries have tried to mitigate these risks by bringing international partner operations near-shore, but the process isn't always straightforward. For example, TSMC has faced significant challenges bridging the cross-cultural divide and finding the right talent for its factory in Arizona, according to a report by The New York Times. China tried to solve this challenge by developing a homegrown value chain, but this move was immediately followed by far-sweeping American trade restrictions, driven by national security concerns. There are now much higher levels of distrust among these countries, which in turn hinders cooperation and slows down innovation. Previous decades of semiconductor innovation were only possible because of a fundamental level of cooperation and trust, two characteristics now lacking in today's environment.

Despite these challenges, the overall outlook is one of cautious optimism. While the Moore's Law of the 1960s may no longer apply, the drive for innovation remains as strong as ever. As Hadland put it, "We have to recast Moore's Law around performance metrics rather than transistor size in order to leverage the full breadth of our expanding innovation aperture. Our innovation cadence could actually be even faster than two years."

Through new technologies like 3D stacking, quantum computing, and heterogeneous chip design, the spirit of Moore's Law lives on, even if its original form no longer holds. In the coming years, the tech industry will continue to grapple with these changes, but one thing is clear: The pace of innovation shows no signs of slowing. As the world adapts to this new reality, Moore's Law may prove to be not a relic of the past, but a dynamic framework for the future.

This article was written by Russell Landes, Makeda Petiri, Becca Thorpe, and Eric Wang, members of the Lauder Class of 2026.

A Tale of Two Economies: Tech Entrepreneurship in Romania and Botswana

This comparative study examines the tech entrepreneurship environments in Romania and Botswana, two fast-growing economies in their respective regions, through the lenses of four key factors: labor, telecommunications infrastructure, early-stage funding, and market access.

It was advancement times, it was challenging times, it was the age of technological development, it was the age of a nascent entrepreneurial landscape.

What makes one country flourish in the fast-paced world of tech innovation while another struggles to gain momentum? What factors must a country pay attention to when creating a conducive environment for technological entrepreneurship? In this tale of two economies, Romania and Botswana — two of the fastest-growing economies in their respective regions — find themselves at pivotal moments in their economic development, each with its own opportunities and challenges.

Both countries are solidifying their positions as tech hubs. Romania has transitioned from the brutal communist regime of Nicolae Ceaușescu to a capitalist economy, consolidating its democracy in the last 30 years. Despite grappling with challenges, including high levels of corruption, it stands at the cusp of a technological renaissance, benefitting from skilled labor, robust infrastructure, and advantages rising from participating in the European Union (EU) ecosystem. Botswana, in contrast, is Africa's longest-standing democracy, having achieved independence in 1966 after nearly 100 years of British colonial rule. Known for its political stability and low levels of corruption, it is actively working to diversify beyond its diamond-dependent economy through government-led initiatives to develop the tech industry. Despite having challenges such as limited telecommunications infrastructure, Botswana is rapidly growing and has opportunities to grow even further, by leveraging its participation in the South African Development Community (SADC) to increase access to regional markets and by creating more incentives to increase private investments in tech ventures.

This comparative study aims to offer a deeper look into how the tech entrepreneurship scene in each country is highly impacted by four key factors: (i) labor, (ii) telecommunications infrastructure, (iii) early-stage funding availability, and (iv) access to markets.

Labor

An analysis of the labor market is essential for understanding the technological entrepreneurship environment in any economy, as the availability of qualified labor is fundamental for the emergence and growth of disruptive businesses. When comparing the current labor markets of Romania and Botswana, the former is endowed with a larger pool of skilled labor than the latter.

During the communist period (1947-1989), the Romanian government controlled the country's economy by establishing state-led development plans that promoted industrialization. Concomitantly, the regime invested in public universities, such as The University of Bucharest, to supply workers for state-owned enterprises. This resulted in Romania cultivating a specialized labor pool, which continues to play a key role in fostering tech startups. According to UNESCO, in 2022, Romania had approximately 554,000 students enrolled in tertiary education, compared with roughly 52,000 in Botswana. Additionally, STEM graduates accounted for 4.8% of Romania's tertiary graduates, whereas Botswana's STEM graduates represented 1.8% of the total.

One notable example of a successful Romanian tech company is Bitdefender, a business founded in 2001 by Florin Talpeș that develops and sells cybersecurity solutions. Razvan Todor, vice president of product management at Bitdefender, said that even after its internationalization the company chose to keep its headquarters in Bucharest due to the country's relatively

inexpensive yet highly qualified workforce. "There is a lot of IT talent available in Romania, and we have partnerships with universities through the Bitdefender Academy to recruit recently graduated students," he said. "Our U.S. office is key for go-to-market purposes, but the product development team is based in Bucharest."

Furthermore, as an EU member, Romania has also attracted talent from outside the bloc. Ömer Tetik, a Turkish national appointed CEO of Banca Transilvania in 2013, cited Romania's low cost of living and the freedom of movement within the EU as reasons for his decision to relocate there.

In contrast, Botswana faces significant challenges in building and sustaining a large talent pool. Its government has invested income from the diamond industry, which accounts for about 20% of the country's GDP, in public education. But high unemployment rates of approximately 25% contribute to the emigration of highly educated people to more attractive markets. Luis Magagula, a student at Botswana International University of Science & Technology (BIUST), for instance, shared his intention to emigrate to the United States in search of better opportunities. "Most engineering jobs in Botswana are related to the mining industry, whereas the U.S. offers unimaginable opportunities," he said.

To sum up, Romania's labor market provides a relative advantage for its tech entrepreneurship environment compared to Botswana's. While both countries have invested in public education, Romania successfully developed its economy through protectionist measures and state-led development plans. This model could potentially be applied to foster the growth of infant industries in Botswana.

Telecommunications Infrastructure

A stable, reliable, and accessible internet is a key success factor for tech entrepreneurs. The presence of such essential infrastructure serves as a differentiator in supporting tech entrepreneurship between Romania, with its advanced digital infrastructure, and Botswana, where connectivity challenges remain.

Romania has emerged as a notable success story in telecommunications, boasting an impressive internet coverage rate of 88.9%, one of the highest in Europe. This achievement can be attributed to several reasons. Initially, the country saw the early establishment of local internet networks, driven by enterprising entrepreneurs who capitalized on Romania's strong emphasis on education. These entrepreneurs developed neighborhood networks that served only a few blocks, leading to an initial internet access rate of approximately 30% among Romanians.

However, a significant transformation occurred after Romania's accession to the EU. Joining the EU provided Romania with access to the EU's Cohesion Policy, which facilitated substantial investment in telecommunication infrastructure. Since 2014, Romania has received over €455 million for telecommunications development. This influx of funding has been instrumental in expanding internet coverage from 60.6% in 2014 to 88.9% in 2021, according to an analysis by independent think tank Blue Europe.

"Romania has emerged as a notable success story in telecommunications, boasting an impressive internet coverage rate of 88.9%."

This advancement in internet infrastructure has had a profound impact, contributing significantly to the growth of Romania's IT sector and e-commerce market. The e-commerce sector, in particular, has experienced a dramatic increase, more than tripling in size over the past five years, since 2017, as reported by marketing firm Dexfinity.

In Botswana, telecommunications infrastructure continues to pose challenges for tech entrepreneurs, although recent improvements are evident. Martin Stimela, founder and CEO of Brastorne, a company that caters to underserved rural residents who do not have access to mobile internet services, has observed that "economic growth in Botswana is hindered by internet connectivity and affordability." Recognizing this issue, the Botswana government has made significant strides in improving affordability. Through the Botswana Communications Regulatory Authority (BOCRA), the government has worked with mobile operators to

lower prices, positioning Botswana as the second-most affordable country for internet access in Africa. In addition to these advances in affordability, accessibility has also improved. Mobile internet penetration has increased from 823,000 users in 2014 to 2.09 million in 2024, covering 77.3% of the population, according to an analysis by DataReportal.

Despite these gains, the telecommunications infrastructure for the business sector still lags; the penetration of fixed wireline and fixed wireless broadband, which are crucial for businesses, remains low at 3.5%, with 96% of this infrastructure concentrated in urban areas. Unlike Romania, which benefited from EU backing, Botswana's investments have been largely self-financed through initiatives such as the National Broadband Strategy adopted in 2018 and the Village Connectivity Project launched in 2023.

> "In the comparison between Romania and Botswana, the availability of diverse funding options stands out as a key differentiator."

In a nutshell, while Romania's advanced digital infrastructure, bolstered by EU's support, has significantly fostered tech entrepreneurship and e-commerce growth, Botswana's progress, though notable, still faces challenges.

Early-stage Funding

Access to funding at the early stages of a business's life is a critical factor for the survival and growth of tech ventures. In the comparison between Romania and Botswana, the availability of diverse funding options stands out as a key differentiator.

With 1,662 startups (including three unicorns) and €19 billion in enterprise value, Romania is the 42nd-largest venture capital (VC) ecosystem in the world, with a total capital raised of €306 million in 2023. Being a member of the EU, it benefits from a layered funding ecosystem that includes government support, member-specific grants, and a growing presence of VC. The country's accession to the EU in 2007 facilitated the flow of structural funds aimed at boosting innovation and entrepreneurship, such as the European Investment Fund (EIF) and the European Bank for Reconstruction and Development (EBRD), which Romanian startups have capitalized on effectively. These EU initiatives, combined with increasing interest from national VC funds (e.g., GapMinder, Catalyst Romania, Early Game Ventures) and foreign investors, have nurtured a dynamic environment that allowed early-stage tech ventures, such as Bitdefender, UiPath and eMAG, to access funding to pursue bold ideas and succeed in them. This influx of capital allows Romanian startups to innovate freely, experiment, and scale more efficiently.

In contrast, Botswana's tech startup scene faces significant challenges in securing early-stage funding given the absence of a dynamic VC scene and foreign investments. Botswana's total raised in the venture capital market is projected to reach only $3.2 million in 2024, per Statista. As mentioned by Stimela, much of the funding comes from government-led initiatives, which, while important, lack the competitive edge that private VC firms provide. Government funds tend to have specific criteria that may not prioritize innovation or rapid growth. This reliance on state-driven funding falls short in creating incentives for startups to be innovative, agile, and competitive. Additionally, without significant private sector involvement, Botswana's startups are missing out on the mentorship, networking, and strategic guidance that often accompany VC investments.

Overall, Romania's diversified funding landscape gives it a significant advantage over Botswana, enabling its tech entrepreneurs to better navigate the complexities of early growth and scale. The presence of multiple funding channels, both public and private, ensures that Romania's startups are equipped with the resources they need to compete on the global stage, while Botswana's reliance on government support creates an environment less conducive to the fast-paced world of tech innovation.

Access to Markets

At first glance, Romania and Botswana may appear to have little in common in terms of market access, but a closer examination reveals notable parallels. Despite their relatively small populations — approximately 19

million in Romania and 2.5 million in Botswana — both countries are part of larger trade blocs: the EU and the Southern African Development Community (SADC), respectively. These memberships significantly expand the potential market size for technology products and services. Romania, through its EU membership, gains access to a population 22 times larger than its own, tapping into a market of around 450 million people. Similarly, Botswana benefits from a 144-fold increase in potential market reach, with access to the approximately 360 million people in the SADC region.

Beyond market size, the regulatory environments in the EU and SADC are important to tech companies. The EU's regulatory framework is arguably more advanced, with harmonized digital regulations such as the General Data Protection Regulation (GDPR) for data privacy, and more robust frameworks for cross-border e-commerce, intellectual property, and online services. Romanian tech entrepreneurs also benefit from the Digital Single Market Strategy, which enables the free flow of data, simplified regulations, and better access to consumers and capital across the EU. In contrast, SADC's regulatory environment is still evolving and lacks the uniformity seen in the EU, making cross-border expansion more challenging for tech companies. While there are ongoing efforts to improve digital infrastructure and e-commerce regulation, the fragmented legal landscape in SADC limits its potential compared with the more integrated EU market. This disparity highlights the crucial role of regulatory cohesion in driving tech growth across borders.

Razvan Todor from Bitdefender highlighted the strategic importance of the United States for tech companies, since the U.S. represents the world's largest and most cohesive market in terms of language and regulation, making it a key opportunity for tech sales. Additionally, he said, the U.S. is a global hub for technological innovation and the birthplace of many consumer tech trends. Despite being headquartered in Romania, over 40% of Bitdefender's revenue comes from the U.S, highlighting the country's significance as a revenue driver. Romanian tech companies benefit from EU-U.S. trade relations, which allow for easier access to the American market and ongoing negotiations for data flow agreements. For Botswana, however, access to the U.S. market is more limited, with fewer established trade channels compared to Romania. Though Botswana benefits from the African Growth and Opportunity Act (AGOA), which provides duty-free access to certain U.S. goods and services, the tech sector is only lightly covered and remains underdeveloped, making entry into the U.S. tech ecosystem more challenging.

> "Romania and Botswana may appear to have little in common in terms of market access, but a closer examination reveals notable parallels."

To summarize, both Romania and Botswana belong to significant regional trade blocs (the EU and SADC, respectively) that offer market sizes to offset their low domestic population. However, the EU has a stronger focus on market integration, while SADC focuses primarily on political and social projects. Romania's EU membership allows for more streamlined access to the U.S. market, positioning its tech companies like Bitdefender to thrive on a global scale, while Botswana's tech firms face greater obstacles in tapping into this critical market.

The Path Forward

When comparing Botswana's and Romania's technological entrepreneurship environments through the lenses of labor markets, telecommunication infrastructure, availability of early-stage funding, and access to consumer markets, Romania is comparatively better positioned than the former in most of the dimensions analyzed.

While Botswana improved its telecommunication infrastructure, achieving a similar mobile internet access rate to Romania's, the country still lags behind in other important drivers of tech innovation, such as access to early-stage funding, labor and markets. For example, in terms of access to markets, by advocating for policies that leverage the existence of a SADC common market to privilege local industries over external competitors, Botswana could benefit from having easier access to a larger potential consumer base.

This tale of two economies suggests a path forward to further advancement and more robust development of the tech entrepreneurial environment in Romania and Botswana, respectively, through the adoption of national, regional, and private policies that would bridge gaps in the four identified factors. The future will tell how each country will clout its politics and economies in benefit of their growing tech entrepreneurship landscape.

This article was written by Sonia Alb, Pedro Kenzo Jukemura, Hiroki Kobayashi, and Vitória Velho, members of the Lauder Class of 2026.

Electric Vehicles: What Can the US Learn from Romania's Market?

This article explores the factors that have driven the differences in the adoption rate of electric vehicles between the United States and Romania. The findings are critical for countries looking to promote sustainable alternatives to traditional cars.

A quick look at the data of electric vehicle (EV) adoption rates shows that Romania is experiencing a more rapid adoption compared to the United States. EVs accounted for 8.6% of new car sales in Romania in early 2023, and 7% for the same period in the U.S. This may seem counterintuitive, given that the U.S. is the biggest economy in the world while Romania is a much smaller country. To investigate this gap, it is helpful to examine their similarities and differences in terms of policies, infrastructure, and affordability.

Both Countries Have Favorable EV Policies

The U.S. government has been intentional in driving capital investments towards advancing EVs. President Joe Biden's administration has introduced a range of policies to increase infrastructure, accessibility, and manufacturing jobs, as well as the EV Acceleration Challenge aimed at promoting public private partnerships to reach the target of 50% of new vehicle sales being electric by 2030. The most prominent initiatives include a $7.5 billion investment in building 500,000 public charging stations by 2030, the Inflation Reduction Act to provide tax credits of up to $7,500 for new EVs and $4,000 for used EVs, and the transitioning of government vehicle fleets to zero-emission options. Moreover, the Department of Energy offers loan guarantees — for instance, a $1.05 billion commitment to EV charging networks — to accelerate the development of charging infrastructure in the U.S. Together, these policies support the country's transition toward less transportation emissions and a more sustainable energy future.

Meanwhile, many European countries offer fiscal support to stimulate EV adoption, with various incentives such as purchase bonuses, tax deductions, and investments in expanding charging infrastructure. Among the 27 European Union member countries, all except Estonia and the U.K. provide tax breaks for EV ownership, and Romania also exempts individual EV buyers from ownership taxes. According to Daniel Pintilie, CEO of Watto, a Romanian startup building a network of ultra–fast EV charging stations in Central and Eastern Europe, the country's tax scheme plays a major role in boosting the country's EV adoption. Additionally, purchase incentives are implemented through the RABLA scheme, which offers up to €3,300 for hybrid electric vehicles (HEVs), €6,400 for plug-in hybrid electric vehicles (PHEVs), and €11,500 for battery electric vehicles (BEVs). At a higher level, regulatory policies and clear-cut objectives from the top institutional administrations exert large influence on the movements of the car market. In Romania, the high motivation to strive for sustainability is partly encouraged by the EU's goal to ban sales of gas-powered cars by 2035.

"In Romania, the high motivation to strive for sustainability is partly encouraged by the EU's goal to ban sales of gas-powered cars by 2035."

Comparing the two countries, there are no stark differences in their policies related to EVs. It is clear that both countries have been proactively laying very favorable policy groundwork for EV development.

EVs Are More Affordable in the US

Given that both countries are advocating for EV adoption through the policy lens, it is critical to examine the impact of those policies on affordability and how cost may fuel the adoption rate. Unsurprisingly, it is relatively less expensive to purchase EVs in the U.S. than in Romania.

In the U.S., based on Kelley Blue Book's 2014 data, the average transaction price for new gas-powered cars was $48,644; the same metric for a new EV was hovering at $56,371. As previously discussed, for a qualified EV primarily produced within the U.S., a tax incentive of up to $7,500 may apply at the point of sale, bringing the purchase cost for an American EV down to the level comparable to that of a gas-powered vehicle. Meanwhile, in Romania, in 2023 the average transaction price of an EV was around $37,000, compared to a much cheaper price of $25,000 to buy a passenger car. Given the high upfront costs, consumers are heavily reliant on government subsidies for access to the EV market. Under the RABLA program, the cost of a subsidized EV replacement for an existing gasoline-powered vehicle is roughly similar to that of a new gasoline-powered car.

> "Unsurprisingly, it is relatively less expensive to purchase EVs in the U.S. than in Romania."

As a result, in both countries, the prices of post-subsidy EVs, on average, are on par with those of gasoline-powered vehicles. However, it is critical to note that the GDP per capita in the U.S. is more than four times that of Romania — $85,370 versus $19,530. The U.S. average GDP per capita remains above the average transaction price of an EV before and after subsidy, while the same metrics in Romania stay below the average price of a new EV. Thus, it is fair to argue that EVs are more affordable to an average U.S. consumer than a Romanian one.

Besides the purchase price, the cost of ownership is another major consideration when it comes to affordability, and residents in both countries evidently enjoy a lower cost of maintenance for their EVs. An EV owner can expect to spend 60% less to power the EV and half as much to repair and maintain it, in comparison to owning a gasoline-powered vehicle. In terms of fuel cost alone, a 2024 Tesla Model Y Long Range AWD model requires around $20 to fully charge its 81 kWh battery, while a 2024 Ford Explorer AWD model requires over $62 to fully fill its 17.9-gallon tank.

The figures above are calculated based on the average price per kilowatt hour at Tesla Superchargers across the U.S. and the average gas prices across the U.S. in 2023.

To add to the nuances of the perspective, the Ford Explorer requires more than three times the fuel cost to travel only one-third farther in its estimated EPA range. In comparison, the electricity cost and gasoline costs are both higher in Romania compared to the U.S. However, a similar calculation would yield around $34 for a full charge on the Tesla Model Y and about $100 to fill the 17.9-gallon tank on the Ford Explorer.

In theory, a rational buyer looking at a vehicle with potentially lower cost to operate and maintain would feel more inclined to purchase the vehicle at the same price level. However, even with consumers having sufficient purchasing power to own EVs, the U.S. is ironically seeing a slower adoption versus Romania. There may possibly be other factors that are at play.

Infrastructure Gaps Hinder US Progress in EV Adoption

While purchase price and range persist as key concerns, it is in fact the variability of charging infrastructure that has impacted consumer decisions in both countries. John Paul MacDuffie, director of the Program on Vehicle and Mobility Innovation at Wharton, explained that charging infrastructure exhibits platform characteristics: As more EV owners emerge, the value for charging providers increases, which in turn encourages further EV adoption. However, the availability of charging infrastructure varies between countries, leading to the differences in the rates of EV adoption.

The lack of charging infrastructure in the U.S. stands in stark contrast to the country's growing fleet of EVs. According to the Center for Sustainable Energy and Edmunds, the U.S. had approximately 3.3 million EVs on the road in 2023, up from 2 million in 2022 and 1.3 million in 2021. Despite this growth, the infrastructure needed to support them has not kept up. As of 2023, there were over 145,100 public charging ports installed across more than 56,000 stations nationwide, creating an EV-to-port ratio of 22.74. In other words, for every 22.74 EVs, there is only one charging port available,

which presents a significant obstacle for would-be EV owners.

Romania presents a more favorable landscape for EV owners. According to the Green Forum and Lumea Infrastructurii, the country had approximately 38,000 EVs and 3,300 public chargers in 2023, resulting in a much lower EV-to-port ratio of 11.52. This greater availability of charging infrastructure has undoubtedly contributed to the country's faster rate of EV adoption. The disparity in the availability of charging stations between the U.S. and Romania illustrates the importance of infrastructure in driving the transition to EVs. While both countries are experiencing growth in EV sales, the U.S. lags behind in terms of providing the necessary support for widespread adoption.

According to an informal survey conducted at the University of Pennsylvania's Wharton School in September 2024, out of 50 respondents who have lived in the U.S. for at least two years, 30% expressed a preference for gasoline-powered cars over EVs. The most popular reason — cited by 93% of the respondents — was the lack of sufficient charging infrastructure. Although the survey sample is small, it indicates that the convenience and availability of charging options are essential to encouraging more widespread EV adoption in the U.S.

To address this issue, both public and private sectors have made efforts to expand the charging infrastructure in the U.S. As previously mentioned, the Biden administration allocated $7.5 billion through the Bipartisan Infrastructure Law in 2021 to expand EV charging infrastructure, with the goal of building 500,000 charging stations nationwide. Despite this commitment, scaling progress has been slow due to various challenges. On the private side, companies such as Blink Charging have been at the forefront of this effort, acquiring several startups to expand their charging networks. Since 2020, Blink has acquired four startups, with two notable acquisitions — SemaConnect and Electric Blue — in 2022. This inflow of capital, bolstered by initial public offerings (IPOs) from companies like ChargePoint, has provided the financial resources needed to pursue mergers and acquisitions that would support the growth of the charging infrastructure. These investments have provided the financial backing necessary to keep up with the increasing number of EVs on U.S. roads.

> "The lack of charging infrastructure in the U.S. stands in stark contrast to the country's growing fleet of EVs."

In Romania, infrastructure development has been heavily supported by external financial institutions. In January 2024, the European Investment Bank (EIB) signed a €40 million loan agreement with Eldrive, a company that operates EV charging networks in the Baltic States and southeastern Europe, including Romania. With this financial backing, Eldrive plans to invest approximately €146 million to deploy over 4,000 new charging stations in Romania. This level of investment is crucial for Romania's EV growth, yet it also highlights the challenges faced by foreign investors looking to enter the Romanian market. Despite the financial support from the EU, Romania's venture capital (VC) landscape remains underdeveloped, making it difficult for foreign investors to gain a foothold in the country. Daniel Pintilie noted that foreign investors are hesitant to invest in Romania because they lack a deep understanding of the market. He explained that U.S. venture capitalists, in particular, are reluctant to invest in Eastern Europe, as the region does not have the same level of exposure to VC as in Western countries like the U.S. As a result, Romania's growth in charging infrastructure relies more on European financial institutions than on foreign VC investment.

Cultural Preferences Drive EV Usage in Romania

In addition to the factors detailed above, culture is another significant aspect that is worth examining, for it certainly plays a role behind the wheel. In May 2024, KPMG released a survey indicating that only 20% of their American respondents expressed interest in purchasing an EV over a gas-powered vehicle or a hybrid vehicle. In fact, in another 2024 study done by Ipsos Navigator on 2,000 new car buyers in the last 10 years, only 58% of all

the respondents believed that EVs are greener than gas cars. Moreover, there appears to be a clear self-selective bias in the perception of EV's greenness, since 80% of those who leaned towards EVs thought that EVs would be greener, whereas only 30% of those who supported gasoline-powered vehicles believed that EVs are greener. Apparently, the U.S. needs to invest more efforts in driving awareness of the potential sustainable benefits that EVs can offer.

In contrast, according to Deloitte's 2022 Global Automotive Consumer Study, 46% of Romanians — almost half of all car buyers — would prefer EVs over gasoline-powered vehicles in order to reduce cost. In 2023, half of the 1.1 million new cars registered in Romania are EVs, plug-ins or hybrids; and 16% of new light-duty vehicles, which account for most of personal-vehicle demand, belong to those categories. This has validated the desire to move away from gasoline-powered vehicles in Romania despite the relatively high price being charged. There could be many layers behind this widespread positive perception of EVs in Romania, but it is certainly one of the key drivers of the fast-paced EV adoption in this country.

With the Right Plan, the US Can Catch Up

Despite having the suitable policies, capital, and income level needed to afford the shift towards EVs, the U.S. is currently lagging behind Romania in EV adoption, essentially forgoing the potential upside to cost of ownership and the environment at large. This can be attributed to the gaps in the availability of charging infrastructure as well as consumers' sustainability awareness. Regarding the direction forward, the U.S. should continue its favorable EV-related policies and price affordability, but at the same time, it can draw lessons from Romania to fast-track the development of charging infrastructure and shape the right mindset for EV adoption.

This article was written by Cuong Mai, Long Pham, and Hannah Zhao, members of the Lauder Class of 2026.

The Trouble With Taiwan's Renewable Energy Transition

With increasing focus on energy independence, the renewable energy transition has become a critical goal for Taiwan. This article focuses on the opportunities and challenges the Taiwanese government faces in reaching its renewable energy goals.

Escalating cross-strait relations and the increasing global importance of advanced semiconductors have led to a heightened focus on Taiwanese security in recent years. One aspect of that security involves how Taiwan generates its energy. Currently, the nation is extremely energy import dependent. The Wall Street Journal reported that 97% of the island's energy comes from foreign sources, posing difficult questions of whether Taiwan can be truly secure when its energy supply chain is so easily disrupted. Simultaneously, Taiwan has set ambitious goals to reach net-zero emissions by 2050. Both of these goals are inextricably linked to developing more renewable energy sources, but policymakers must balance their goals with nuanced and sometimes divergent public opinion.

History of Renewable Energy Policy in Taiwan

Nuclear energy has been the historical choice for renewable energy development in Taiwan. In fact, The Böll Foundation noted that, "During its heyday in the mid-1980s, nuclear power accounted for 52.4% of all the electricity consumed by the island, with six active reactors." Today, in its published plans for building a zero-carbon energy system, the Taiwanese government calls out "expanding mature wind and solar PV deployment, with cutting-edge geothermal and ocean energy," explicitly leaving out nuclear. Why the change? The driving factor was public opinion, particularly after the 2011 Fukushima nuclear disaster in Japan leading to widespread fear that a similar incident could happen in Taiwan.

When it came time for Taiwan's fourth nuclear power plant (NPP) to be built, public protests and opinion had shifted against nuclear power. In a survey of 2,819 individuals, researchers found that Fukushima augmented public risk perceptions on nuclear power in general, with "66% perceiv[ing] that Taiwan's safety management of nuclear power plants was inferior to Japan's, and 40% perceiv[ing] a higher possibility of nuclear accidents like that in Japan." Lin Yi-hsiung, former chair of the opposition Democratic Progressive Party (DPP), even held a weeklong hunger strike in opposition to the plant. In 2014, Taipower announced plans to halt construction of the plant, marking the start of the nuclear phase-out in Taiwan. This phase-out was further solidified in the 2016 election year, when the DPP campaigned on and won the election promising a "nuclear-free homeland" and started to decommission the existing Taiwanese nuclear power plants by 2025.

> "Taiwan has set ambitious goals to reach net-zero emissions by 2050."

In recent years, voters have expressed concerns with the phase-out policy, with 58% voting against it in a referendum in 2018, citing concerns about the environment and energy security. One study in the journal Energy noted that nuclear energy has the lowest social and external costs of all energy, rivaled only by wind, and that replacing "nuke No.1–3 with coal and gas would cause an estimated … 715 [premature deaths] per year in Taiwan." Only one plant, Maanshan, remains. And according to news reports, Lai Ching-te, the newly elected DPP president, has equivocated on the phase-out policy, saying it "will be left for discussion."

The lack of ability to rely on nuclear power poses a challenge for Taiwan; the Böll Foundation found that 70% of citizens still express worry about a power crunch. To try to fill the gap, national and local governments have encouraged solar farm development as one tool to generate renewable energy. However, on an island where, as Foreign Policy notes, a small landmass and

mountainous landscape severely limit large-scale solar development, thorny questions around what use of land best benefits citizens have risen. A study in The Journal of Cleaner Production noted that "planting" solar farms often drives up the price of surrounding farmland, hurting farmers and reducing productive agricultural land. In addition, the Taiwan research hub at the University of Nottingham noted that conservationists often argue that lucrative subsidies for solar farms crowd out valuable projects such as wetland conservation in Tainan, the oldest city in Taiwan. With these difficulties implementing solar projects, the national government has had to continually rely on imports, suggesting it may need to reconsider its nuclear phase-out policy as one of the only ways that 2025 net-zero and key energy security goals can be reached.

Solar Energy

Taiwan's geographic location in the Tropic of Cancer makes the island an ideal candidate for harnessing solar energy. This is especially true for the southern regions. For example, Tainan, in the southwest, receives about 2,649 hours of sunshine annually for an average of seven hours of sunshine per day, according to Central Weather Bureau data aggregated by The Climate of Taiwan. These higher hours make solar an attractive renewable energy source for development in Taiwan.

And the Taiwanese government has recognized this opportunity. A press release from industry group SEMI notes that currently, "Solar power photovoltaics accounts for 68.9% of renewable energy expansion in Taiwan, with the growth rate of offshore wind power at 7.4%, onshore wind power at 5.5%, and conventional hydropower at 13.5%." The government is actively advancing solar energy strategy in Taiwan, with specific goals for future solar capacity. An article from the American Chamber of Commerce in Taiwan notes that in 2022, Taiwan's National Development Council shared its net-zero goals that included installing 40 to 80 gigawatts (GW) of solar photovoltaics (PV) capacity by 2050. Within this goal, the government aimed to install 20 GW by 2025 so that renewable energy will make up 20% of the energy mix by 2025, and within renewable energy, solar power would make up 66%.

This has led to significant investment and policy reform in the solar energy industry that has attracted further investment. For example, Energy Magazine highlights how Google and BlackRock are investing in a Taiwanese solar developer, New Green Power (NGP), to build a 1 GW solar pipeline. Google aims to use this solar resource to power its data centers and offices in Taiwan, as well as offer the solar energy to their upstream semiconductor manufacturing partners. These examples highlight how the Taiwanese government and businesses in Taiwan largely view solar energy as key to Taiwan's clean energy transition.

However, there are also concerns with solar energy development, or "planting electricity," in Taiwan from local communities. First, there are conflicts with land use. Solar farms occupy large tracts that displace other uses of land such as agriculture, as noted in CommonWealth Magazine. Second, residents are worried about ecological impact of solar farms in areas such as wetlands. For example, CommonWealth Magazine highlights the case of the Zhiben wetland solar project, which was confronted with opposition from environmentalist and indigenous groups.

Zequn Zhang, a student from National Taiwan Normal University who interned at the Ministry of Foreign Affairs, reflects public sentiment in Taiwan. She said despite the challenges with solar power, she still views it as a favorable source of renewable energy. "In addition, Taiwan's technology industry has a leading advantage in the semiconductor and optoelectronic fields, which can promote further innovation and cost reduction of photovoltaic technology," she said. "By developing innovative models such as agricultural photovoltaic symbiosis, it will not affect agricultural production and can effectively use land."

Overall, while there are challenges that make solar a contentious renewable energy source, it is still largely viewed positively in Taiwan. It is up to the government and private companies to collaborate with stakeholders to strike a balance between solar energy development and preservation of Taiwan's unique environment and agricultural heritage.

Nuclear Energy

The island nation currently has four nuclear power plants: Jinshan, Kuosheng, Maanshan, and Lungmen. While Maanshan remains operational, Jinshan and Kuosheng are currently being decommissioned, and Lungmen was never operational. The island of Lanyu (also known as Orchid Island), which is southeast of Taiwan, houses the country's sole nuclear waste site built in the 1980s.

The inception of Taiwan's nuclear waste site is mired in controversy. Lanyu is home to roughly 5,000 residents who are primarily Tao, an indigenous group in Taiwan. At the time of the construction of the nuclear waste site, the Taiwanese government did not inform the residents of the project. "The government deceived us," one elderly resident told The New York Times. "The didn't care that the nuclear waste would kill us, that the Tao people would go extinct."

The future of nuclear energy in Taiwan remains uncertain. Taiwan is among the top 25 emitters of carbon dioxide in the world and has prioritized its own energy transition to a cleaner future. However, Arthur Ding, distinguished research fellow at the Institute of International Relations, said Taiwan does not have its own stock of fissile materials (enriched uranium), so it heavily relies on uranium imports to sustain its nuclear program. Additionally, public opinion remains divided on nuclear energy. Chance Hsu, assistant director for the Kuomintang's (KMT) Department of International Affairs, notes that nuclear energy has become a political issue in Taiwan. While the KMT party supports the use of nuclear energy, the Democratic Progressive Party (DPP) has historically adopted an antinuclear stance. Scholars Jane Darby Menton and Andrew Reddie, who study the intersection of technology and security, have noted that while many Taiwanese people express concerns about nuclear safety, roughly 60% rejected the DPP phase-out plan in 2018, which makes the issue a complex one. Because Taiwan is still heavily dependent on imports to source and finance its energy demand, there is an understanding that Taiwan must shore up its energy security, especially with increasing supply chain insecurity arising from growing tensions with China.

In their study, "Energy Democracy and Energy Transition in Taiwan," Tze-Luen Lin, professor of global environmental politics at National Taiwan University, and Fang-Ting Cheng, researcher at the JETRO Institute of Developing Economies, emphasized the reality that the Taiwanese government will have to juggle all these competing factors as it pursues a greener future for its citizens, while ensuring equitable access for all.

"Taiwan is among the top 25 emitters of carbon dioxide in the world and has prioritized its own energy transition to a cleaner future."

Key Challenges and Opportunities

Taiwan's ambitious goal of achieving net-zero emissions by 2050 presents both significant challenges and notable opportunities. Politically, Taiwan faces a complex environment with divergent interest groups influencing energy policy creation and implementation. Ivy Yin, a market specialist of energy transition at S&P Global, wrote that recent election results in Taiwan "carries over uncertainty around long-term decarbonization plans to meet net-zero goals and achieve its near-term 2025 renewables target." On the environmental front, Taiwan's dependence on energy imports poses a major hurdle in its path to net-zero emissions, even for businesses. Regarding its effect on high-tech businesses in Taiwan, an article in The Clean Wire mentions that companies like TSMC "rely on increased consumption of energy in a place where the adoption of renewables is much slower than elsewhere."

The social dimension is another significant challenge. Large-scale projects like solar farms, such as the one in Tainan's Cigu district, have sparked protests, particularly from farmers and conservationists, due to concerns about land use and environmental degradation. As Tzuchau Chang, professor emeritus at the National Taiwan Normal University, points out, "If we adopt solar panels, we may destroy the ecology of the land." He further notes that public awareness of these concerns

in Taiwan is high and that solar developments near residential areas may "disturb their quality of life."

> "The country's expertise in semiconductor and electronics manufacturing can be leveraged to drive innovation in renewable energy."

Despite these challenges, Taiwan also has key opportunities. Politically, there is strong will from the public sector to support renewable energy, as seen by the National Development Council's publication of Taiwan's Path of Zero Emissions in 2022. In alignment with this plan, Taiwan has invested heavily in infrastructure and electrolysis for green hydrogen. Environmentally, Taiwan's landscape provides opportunities to harness renewable energy, reducing dependence on imports. Chang highlights the importance of building public values and awareness to converge on climate goals, stressing the need to achieve not only environmental sustainability but also the "three pillars of social justice, environmental conservation, and economic sustainability."

Taiwan's advanced technological industries also offer a promising avenue. The country's expertise in semiconductor and electronics manufacturing can be leveraged to drive innovation in renewable energy. TSMC Chairman Mark Liu doubled down on the company's commitment to "continue to strengthen our green management and innovation, collaborate with the industry to build a green supply chain, and accelerate adoption of renewable energy to steadily reach our goal of net zero emissions by 2050."

While Taiwan faces significant obstacles on its path to net-zero emissions, its political will, ongoing public discourse, and technological expertise offer promising solutions. With the right engagement and cooperation across sectors, Taiwan has the potential to become a leader in the global shift toward sustainable energy.

This article was written by Michelle Chen, Brannen Dickson, Matthew Yong, and Tiffany Yuan, members of the Lauder Class of 2026.

From Cash to Digital: A Comparative Analysis of Mobile Payment Adoption in Senegal and South Africa

This article contrasts the rapid embrace of mobile payments in Senegal, where platforms like Wave are revolutionizing the payments landscape, with South Africa's slower adoption, hindered by cultural preferences and more established traditional banking systems.

In recent years, Africa has witnessed a transformation in how people pay for goods and services spurred by technological innovation in the banking and telecommunications sectors. The emergence and proliferation of mobile money payments have significantly impacted the economic development of African countries, with Kenya often presented as the poster child of this transformation. However, adoption has been uneven across the continent, and this imbalance has widened the disparities in financial access and economic opportunity. This report presents a comparative analysis of mobile payment systems and the environments that shape their adoption in Senegal and South Africa. By comparing the drivers of mobile money adoption in these countries, this report will highlight the importance of mobile money in these countries' economic development and the role governments play in this development.

Mobile Payments Systems in Established vs. Emerging Markets

The rise of mobile payment systems has reshaped financial transactions across the globe, though the roles they play differ significantly between established and emerging economies. This section explores these differences, focusing on the United States as a representative of established economies and Kenya as an example of emerging markets.

In the United States, mobile payment systems such as Venmo, Apple Pay, and Google Pay serve as Layer 2 applications, building on a well-established financial infrastructure. Robust physical infrastructure consisting of telecommunications networks and secure data centers (Layer 0) makes it possible to create efficient payment rails, including the Automated Clearing House (ACH) network, credit card systems, and Real-Time Payments (RTP) for instant transfers. According to a McKinsey Global Payments report, mobile payment platforms are built on this strong network and driven by a competitive strategy to improve the customer experience by providing convenience, speed, and additional features.

In contrast, mobile payment systems in emerging markets such as Kenya serve a far more critical function. Platforms like M-PESA, which is a mobile payment network built by Safaricom, act as both the foundational infrastructure and the user interface, combining Layers 0 and 1. Since many emerging markets lack a developed banking infrastructure, mobile payment systems become the primary means of accessing financial services. M-PESA, for instance, allows users to send and receive money via SMS, providing essential services to millions who are underbanked. It promotes financial inclusion, allowing for basic transactions, bill payments, and even access to microloans. Companies like M-KOPA have leveraged M-PESA's widespread adoption to offer financing for goods, such as solar panels and smartphones, to those without traditional credit histories, significantly advancing economic inclusion.

> "Sub-Saharan African economies have traditionally been characterized as cash economies, with extremely low adoption rates for credit cards and debit cards."

The Case of Senegal and South Africa

Sub-Saharan African economies have traditionally been characterized as cash economies, with extremely low adoption rates for credit cards (3%) and debit cards

(18%), according to the "Digital Banking In Africa" report by fintech firm BPC. However, mobile money services are transforming financial transactions in this region by allowing users to send, receive, and store money via smartphones without needing a traditional bank account. This transformation helps to digitize the informal sector, allowing products and services to be purchased through a QR code. By expanding banking services to underserved populations such as women, rural residents, and young adults, this conversion has improved financial inclusion.

Senegal

The trade group GSMA's "2024 State of the Industry Report on Mobile Money" reports that over a third of new registered and active 30-day accounts globally were from West Africa. Coura Sène, the West Africa director of Wave, a mobile money services provider headquartered in Senegal, told African Business magazine that, "West Africa is currently experiencing a revolution in the mobile money sector." The payments systems landscape in Senegal is characterized by a dominance of mobile payments, with key players like Wave, Orange Money, and Free Money leading the market. Business owners, such as street vendors and taxi drivers, often prefer transactions made via a mobile payment method. When attempting to pay a vendor in cash, it is immediately clear that a cash transaction poses an inconvenience for them. They often respond with, "*T'as pas Wave? Orange Money?*" ("You do not have Wave? Orange Money?") because they usually do not carry the correct change on hand to complete a cash transaction. For small and medium business owners, mobile payments have helped to provide a more secure place to store cash and convenience in day-to-day operations. The transition away from a predominance of cash is not solely an informal sector or small business trend, but it is also prevalent in larger, more formal businesses. For example, Auchan, a large French supermarket chain in Senegal, has been interested in reducing the proportion of cash payments and, according to Sène, Wave has been instrumental in helping them achieve this in over 40 points of sale.

South Africa

While mobile money dominates the Senegalese payments ecosystem, South Africa presents a more developed payment ecosystem. A McKinsey report on "The Future of Payments in Africa" notes that, while digital wallets and online commerce saw remarkable growth during the COVID-19 lockdowns in South Africa, mobile payment methods have stagnated. Keenan Mayet, a payment expert in South Africa, observed several trends and challenges in adopting mobile payments in the country. South Africa boasts a firmly regulated banking sector, with banks being the primary choice for financial services. A South African Reserve Bank (SARB) payments report shows that standard practices in consumer banking, such as issuing debit cards free of charge to consumers when opening new accounts, have turned the country into a robust debit card market, with 91% of retail consumers relying on it. In addition to the omnipresence of debit cards, the country's point-of-sale (POS) infrastructure is more established than its counterpart, Senegal. Card machines are ubiquitous, even among small retailers such as barbershops or salons. Cash usage also persists due to its cultural associations as a status symbol and vehicle for tax avoidance. Keenan mentioned how much honor the possession of cash bestows someone's image and prestige in South African culture.

Challenges and Opportunities

As guardians of monetary stability, central banks in Senegal and South Africa play a significant role in shaping the respective economies' evolving payments landscape. As both countries increasingly embrace technological innovation, particularly in mobile payments, collaboration between policymakers and stakeholders is vital to harness the full potential of mobile payments and drive sustainable and inclusive economic growth.

The Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) advanced non-cash payment instruments in Senegal and the rest of the West African Economic and Monetary Union (WAEMU) region through a 2006 law that mandated financial institutions use electronic

money. According to an IMF report on mobile banking, this shift significantly boosted mobile accounts and, from 2018 to 2022, over 110 million new mobile money accounts were opened, raising financial inclusion from 56% to 71%, especially benefiting the 60% of the WAEMU population living in rural areas. When Wave entered the market in 2018, it partnered with traditional banks like Ecobank. But as of 2022, the BCEAO provided them a licence to operate without intermediaries, allowing their product to be extremely competitive from a cost-perspective, according to Sène.

Ahead of nations like the United States in the phase-out of checks, the South African banking industry has been sheltered from external competition based on the regulatory environment. This refuge has simultaneously hampered the transition to real-time payments. By contrast, mobile payments have revolutionized the payments landscape in Senegal by filling market gaps left by traditional banking. According to the SARB report for 2023, the population of South Africans aged 18 years and older — roughly 40.5 million — is large enough to make this market substantive. For mobile payments to thrive, however, trust is paramount. According to Keenan, South African consumers are more likely to adopt mobile payment solutions that are seamless, sleek, cost-effective, and quick. If these criteria are met, the affordability and convenience of mobile payment will boost consumer trust, presenting a vast opportunity to shift from cash.

While both countries are making strides in improving the payments landscape, they face challenges related to advanced digital infrastructure, seamless interoperability, and low transaction costs. In Senegal and South Africa, limited interoperability between payment platforms, unreliable telecommunications infrastructures, and elevated fees for digital transactions continue to hinder the full potential of mobile payments. In a report about barriers to inclusive digital payments, think tank ECDPM notes that the costs associated with upgrading existing payment systems is substantial, so clear incentives for investment are necessary to drive infrastructure improvements. Additionally, disparities in regulatory frameworks across countries exacerbate these issues, particularly issues of interoperability, as compliance requirements and data protection laws differ widely, impeding efforts toward infrastructure harmonization that are critical for broader financial integration and security.

Lessons from Global Models

Looking beyond the continent, India and Brazil provide successful mobile payment adoption models. Taking India as an example, its Unified Payment Interface (UPI), launched in 2015, may not be perfect, but it has revolutionized its payment system. The Indian government took unique steps, such as demonetizing specific rupee notes, to encourage digital payments. It introduced national incentives including tax rebates for payments made via UPI. Vigorous regulatory mandates ensured that consumer payments remained free during the options. This move prevented banks from charging fees while enabling a quicker acceptance.

> "South African consumers are more likely to adopt mobile payment solutions that are seamless, sleek, cost-effective, and quick."

In contrast to India, South African regulators currently do not have the same level of mandate. Real-time payments are not accessible to consumers, which can hinder the adoption rate of mobile payment solutions. All hope is not lost as SARB looks for alternative solutions. In its "Consultation Paper on Open Banking," SARB tried to find ways to balance innovation and caution. The central bank landed on open-banking activities and how they can facilitate the adoption of digital payment, implementing real-time clearing and expanding instant payment systems to improve transaction efficiency while maintaining financial stability through rigorous oversight.

Conclusion

The comparative analysis of the mobile payments landscape in Senegal and South Africa underscores the transformative role of technological innovation

in Africa's payments landscape. Telecoms and fintech companies have significantly enhanced access to financial services, which has not only contributed to financial inclusion of traditionally underserved populations but has also improved speed and convenience in informal businesses' day-to-day operations.

> "While both countries are making strides, they face similar infrastructural and regulatory barriers."

In Senegal, the dominance of mobile money has created a potent alternative to cash and traditional banking, yet the limited expansion of digital platforms restricts broader economic integration within the WAEMU region. Despite having a more established financial infrastructure, South Africa struggles with adopting digital solutions among specific population segments, which reflects its socioeconomic divides. These differences underline the critical need for supportive regulatory frameworks to facilitate the broader adoption of mobile payment systems and promote a more diversified financial environment across Africa. As the continent continues to embrace technological innovation, policymakers and stakeholders must collaborate to ensure that all countries can leverage diverse payment vehicles to drive inclusive and sustainable economic development.

This article was written by Ardan Demirayak, Loic Tchebetchou, and Temantimandze Shongwe, members of the Lauder Class of 2026.

ECO vs. CFA: Navigating West Africa's Path to Monetary Sovereignty

Some West African nations are considering the adoption of a new currency that would untether them from the French treasury. But there are lessons to be learned from the problems of their colonial past. This article delves into the pros and cons of the proposal.

West Africa stands at a monetary crossroads, with the proposed ECO currency poised to replace the CFA franc in eight out of the 15 nations of the region. This project would unite economies with a combined GDP of over $700 billion and serve more than 400 million people, making it one of the largest monetary unions in the Global South. Both systems — rooted in external monetary governance — invite crucial questions about sovereignty, dependency, and economic growth. The CFA franc, a vestige of French colonial influence, has provided some stability against external shocks, but at what cost to local autonomy? The ECO, in contrast, promises a break from the monetary shackles of the past, yet risks offering a repackaged version of familiar constraints.

To better understand the ECO project and its impact on West Africa and the African continent, it should be evaluated through two critical lenses: From a socioeconomic view, the question is whether the currency helps or hinders local progress. For small and medium businesses, the question is whether a new currency will support growth by improving trade and foreign investment in the region.

The Euro: Setting a Historical Precedent

Monetary unions have historically been established to promote economic integration, reduce transaction costs, and enhance stability among member states. The Eurozone is a notable example. Uniting 19 European Union countries under a single currency, the euro, it launched in 1999. The concept of a European monetary union emerged after World War II. Aiming to foster peace and economic cooperation, it evolved from the European Coal and Steel Community to the Eurozone, formally established by the Maastricht Treaty in 1992, which set convergence criteria, including inflation, public debt, and budget deficits, that countries needed to meet to adopt the euro. The euro was designed to facilitate trade, increase price transparency, and stabilize member states' economies.

The Eurozone has succeeded in eliminating exchange rate risks among member states and increasing trade and investment within a unified market. After the introduction of the euro, and up until 2015, both intra- and extra-euro area trade increased almost threefold. However, it has also revealed challenges in managing a single monetary policy across diverse economies with different fiscal policies. The 2008 financial crisis highlighted these issues, as countries including Greece faced severe debt crises without the ability to devalue their currencies or adjust their monetary policies independently. This demonstrated the limitations of a shared currency without full fiscal integration.

> "Research has found that the CFA franc has not effectively fostered economic convergence among its member countries."

The complexities of the monetary union were further underscored by the U.K.'s decision to leave the EU in 2016. While the U.K. had retained the pound sterling, its exit from the EU highlighted the tensions between national sovereignty and regional integration, even for countries outside the Eurozone. Despite these challenges, the euro remains central to European economic policy. The Eurozone offers noteworthy lessons, but West Africa's distinct economic landscape and institutional capacity require a different, more tailored approach.

The CFA Franc: Bringing Outside Control to Africa

The CFA franc, established in 1945 for French colonies in Africa, is another significant monetary union. It is used by 14 countries: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo, Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, and Gabon. The currency is divided into the West African Economic and Monetary Union (WAEMU) and the Central African Economic and Monetary Community (CEMAC). The CFA franc's fixed exchange rate, guaranteed by the French treasury, offers monetary stability but significantly limits member states' monetary sovereignty. Even after the colonized nations became independent in the 1960s, their economic dependence on France restricted their ability to implement independent monetary policies.

Research has found that the CFA franc has not effectively fostered economic convergence among its members. From 1960 to 2011, income levels diverged among CFA franc countries, with increasing disparities between nations. The 1994 devaluation of the CFA franc, intended to boost competitiveness, exacerbated income inequality, particularly affecting the poorest countries. "If this monetary regime remains in place in the future, more radical structural reforms are needed to free up the development of the financial sector and of investment policies," scholars Souleymane Ndao, Nikolay Nenovsky, and Kiril Tochkov wrote in their paper, "Does Monetary Integration Lead to Income Convergence in Africa?"

Another study points out that the CFA franc system represents a form of monetary dependency rooted in colonial history, which constrains member states' economic policies. The fixed exchange rate and reliance on the euro tie these countries' monetary policies to Eurozone conditions, often misaligned with African economic realities and primarily benefiting France's extractive practices.

The ECO: More of the Same?

The Economic Community of West African States (ECOWAS) is a regional political and economic union of 15 countries in West Africa: Benin, Burkina Faso, Cabo Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo. It wants to introduce the ECO, a single currency intended to replace the CFA franc and other national currencies in the region. The goal is to enhance economic integration and reduce dependence on external currencies like the euro. However, the implementation of the ECO has faced numerous challenges, including delays due to political disagreements, economic disparities among member states, and the ongoing need to meet strict convergence criteria related to inflation, fiscal deficits, and debt levels.

Recent developments indicate growing tension among ECOWAS member states, particularly Nigeria and French-speaking countries, regarding the timeline and conditions for adopting the ECO. Nigeria, the region's largest economy, has raised concerns about the readiness of the bloc for a single currency, citing uneven economic performance and the risk of macroeconomic instability. The debate has intensified as WAEMU announced plans to rename their currency to the ECO without fully aligning with broader ECOWAS objectives. This unilateral move was perceived as a push to maintain the influence of the CFA franc's structure under a new name, which has created friction within the region.

The complexities of adopting the ECO highlight the broader issues of regional monetary unions, where aligning national interests with collective goals remains an ongoing struggle. However, the outcome of the ECO initiative will not only shape the future of West African economic integration but also serve as a critical test of the region's ability to navigate the challenges of shared monetary governance.

Socioeconomics: Who Bears the Costs and Benefits?

As mentioned, monetary unions have significant socioeconomic implications for member states, both positive and negative. "The CFA franc gives us a stable environment to operate in, with less currency volatility compared to other markets. This predictability is a key factor when making long-term investment decisions." said Patrice Backer, partner at Senegal-based private equity firm AFIG Funds. He also reflected on potential downsides of the CFA franc, such as increased production costs in domestic markets, which make it harder for companies based in CFA franc countries to be competitive in the export market. Still, Backer said, "Even taking into account export downsides, some sectors might be better off operating in an environment with the stability of the CFA, rather than in unpredictable economies in Africa." This is the case with Nigeria. With the naira as its sovereign currency, Nigeria has experienced important economic growth phases, but that growth is highly volatile. As of July 2024, the naira was one of the most devalued currencies in the region.

The socioeconomic cost of currency stability often includes a loss of monetary sovereignty, limiting member states' ability to tailor monetary policy to their specific needs. Birahim Bouna Niang, dean of the Faculty in Economics and Management at Cheikh Anta Diop University of Dakar and former macroeconomist in the Ministry of the Economy, Finance and Planning of Senegal, said this lack of flexibility can be particularly damaging in times of economic downturns, when countries cannot devalue their currency or adjust interest rates to stimulate growth or protect local industries. "The success of the ECO currency hinges on addressing the economic disparities among potential member states," he said. "Currently, there's insufficient economic convergence among these countries for a monetary union to function effectively."

> "Monetary unions can exacerbate economic inequalities among member states."

Additionally, monetary unions can exacerbate economic inequalities among member states. These economic divergences can lead to social tensions, as populations in less prosperous countries may feel left behind by a monetary system that benefits the economically stronger members or external investors more directly.

"We need to implement fiscal federalism policies and create institutions that can effectively develop these economies," Niang stressed. "The focus should be on helping more vulnerable countries close the gap with their stronger neighbors. This is crucial, particularly for maintaining sustainable inflation levels across the zone."

Are Monetary Unions Good for African Businesses?

The ECO currency, if successful, could open a world of opportunities for businesses in West Africa. By streamlining trade and lowering transaction costs, it might make cross-border commerce as easy as doing business at home. Foreign investors, drawn to the stability of a unified currency, could flood the region, fueling growth. For local companies, this could be a

game-changer — offering a larger, more integrated market and making expansion across borders less complicated. In theory, businesses would benefit from greater price stability, attracting more customers and investors alike.

Niang anticipates positive effects on relationships with major trading partners. “The ECO will be a stability factor for these countries, developing international trade between member states and enabling diversification,” he said. “We’ve seen this with the CFA franc, which initially facilitated trade with France and later diversified to economies like China, Turkey, and Morocco. The ECO will likely follow a similar pattern.”

> “The ECO currency, if successful, could open a world of opportunities for businesses in West Africa.”

However, he cautions about lessons from the CFA franc experience. “The CFA franc is characterized by a strong currency, which has penalized exports. For the ECO, it would be ideal to design more flexibility. While a strong currency is a factor of stabilization and helps control inflation, it comes at the cost of foreign trade, creating a tax on exports. We need to strike a balance with the ECO.”

In Senegal, for example, the CFA franc’s overvaluation is a recurring challenge for local businesses. With the currency pegged to the euro, Senegalese products become less competitive in international markets, particularly in agriculture and manufacturing, sectors where pricing is crucial. Consequently, exports are less profitable and the higher production costs further squeeze margins, deterring entrepreneurs from expanding globally. Access to funding is also restricted, as investors shy away from ventures with limited returns. This environment stifles innovation and hinders the scalability of businesses.

Oluwaseun “Seun” Akinwale is founder and CEO of Maxitech, a Lagos based computer distribution and maintenance company. When asked what ECO adoption would mean for his business, he was optimistic. “We already have plenty of customers in other African countries. A unified currency would lower our transaction costs significantly. We could continue to scale Maxitech across the continent in an asset-light approach.”

But it’s not all smooth sailing. The ECO might also ramp up competition, with businesses suddenly facing new rivals from neighboring countries. Smaller players, especially, could struggle to keep up. Regulatory uncertainty during the transition could make investors cautious, delaying projects or investment decisions. And while stronger economies might thrive, weaker ones could be left grappling with a system that doesn’t fully suit their needs. As the region adapts, there’s a risk of uneven benefits, creating a complex landscape for businesses to navigate.

Even when presented with those challenges, Akinwale’s spirits remained high. “When I started my business, one dollar was 360 naira. Today this number was multiplied by five. Any sense of currency stability would bring great benefits to my business.” He also did not fear the risks. “Competition is always welcomed. As an entrepreneur, it pushes me to be in my best game. My only concern is seeing this project come to life, since it has been promised for a long time.”

Looking Ahead: Forging a Uniquely African Monetary Path

The establishment of the ECO has faced persistent delays since its conception, with the latest target being 2027. Member states have struggled to meet key convergence criteria including budget deficit limits, single-digit inflation, sufficient foreign reserves, and reduced central bank financing. While Ivory Coast’s President Alassane Ouattara is now pushing for an accelerated 2026 launch, the success of this timeline depends on whether enough ECOWAS members can achieve the necessary economic benchmarks and coordinate their monetary policies effectively. The timeline must be driven by convergence criteria achievements rather than arbitrary deadlines — rushing implementation without adequate preparation could undermine the entire project.

Niang said ECOWAS members should be careful to “minimize structural gaps that could destabilize the currency union. The path to a successful ECO currency

lies in steering these nations towards genuine economic convergence. It's an ambitious goal, but one that's essential for the long-term stability and prosperity of the region."

The journey to the ECO represents West Africa's bold vision for economic sovereignty, though it comes with significant risks that cannot be ignored. The challenges are significant — from achieving economic convergence among diverse economies to avoiding the pitfalls of both the CFA franc's external control and the Eurozone's structural rigidity. Yet within these challenges lies an unprecedented opportunity. As regional leaders push for implementation and businesses anticipate reduced transaction costs, the ECO could become a powerful engine for regional integration and growth, provided it is designed with sufficient flexibility to accommodate economic shocks and protect more vulnerable economies. The key to success will lie not in rushing toward an artificial deadline, but in carefully crafting a monetary system that truly serves regional interests, balancing stability with the autonomy that has long eluded the region. If ECOWAS can strike this delicate balance, the ECO could mark the beginning of a new chapter in West African economic empowerment.

The article was written by Paula Benitez, Beverly Danquah, and Cristina Parilli, members of the Lauder Class of 2026.

Does South Korea's Home Pension System Help or Harm Society?

South Korea offers a unique reverse mortgage-based pension solution to assist low-income elderly, yet a small percentage of eligible homeowners participate. This article introduces the context of this program and potential risks associated with it.

In 2007, the state-owned Korean Housing Finance Corporation (HF) introduced a product called *jutaek yeongeum* or home pension to supplement the retirement income of senior homeowners. The mechanics of this product work like a reverse mortgage. Homeowners collateralize their home and draw a monthly pension, depending on the current value of the home. This monthly pension accumulates interest like a line of credit at a subsidized rate. When the homeowner dies, the HF ceases payment and the homeowner's kin must either pay the balance or turn over the home to the HF if they assess that the proceeds from selling cannot pay off the loan balance. In the latter case, any losses are then written off and absorbed by the HF.

> "The government designed this home pension scheme to help solve South Korea's stubbornly high elderly poverty rate."

The government designed this home pension scheme to help solve South Korea's stubbornly high elderly poverty rate. It offers dual benefits: assisting older individuals who have primary residential assets but little income with a "just enough" payout for a middle-class lifestyle, while allowing them to stay in their homes. When run properly, this program helps to alleviate elder poverty and yields positive public health externalities with little additional strain on the government's budget. As many developed societies face low birthrates, rapid aging, and higher risks of unfunded pension liabilities, South Korea's home pension system is an attractive, government-led financial tool to supplement existing policy to tackle these problems. Despite these benefits, there has been low enrollment in the program since its inception in 2007. It is important to evaluate the policy's risks borne from demographic changes and consider cultural factors that may impact adoption.

The Korean Elderly: Homeowners with Low Income

With the lowest global birth rate (0.71 per woman) and an excellent public health care system, South Korea has the most rapidly aging population in the world. By 2044, seniors will account for 36.7% of all its citizens, a figure that surpasses Japan at 36.5%, according to government data. As the number of elderly continue to grow, the country faces challenges in sustaining a social security system with its shrinking workforce. Due to South Korea's extraordinary and compressed economic growth, its flagship social security fund, the National Pension System (NPS), was only established in 1988 and has not amassed significant interest compared with the pension funds of other developed nations. As a result, in 2024, the median monthly pension payout published by the OECD was ₩1.1 million (USD$800), which is below the South Korean poverty line of ₩1.4 million (about $1,000) per month. Additionally, nearly 2.1 million citizens who mainly worked in the informal economy drew a cash salary and did not contribute to the NPS. When they are unable to work, these elderly citizens can only rely on a universal monthly old age pension that pays ₩330,000 (about $250) per month.

As a result, 57.9% of South Koreans over 65 live below the median national income of ₩2.87 million (about $2,100) per month, and nearly 40% live below the national poverty line. That's well above the 14% in other OECD nations, according to The Economist. The Korean government recognizes the weak senior citizen income as a public health crisis. Economic hardship is cited as the leading cause of its exceptionally high elderly suicide rate of 48.6 incidents per 100,000 citizens per year. This is nearly two times the general population rate of 25.2

(the highest in the world) and almost five times the world average of 10.5.

In contrast to this grim income reality, senior citizens also have significantly higher home ownership rates (70.4% for those 70 and above) compared with the rest of the population (56.2%). An article in Korea Economic Daily highlights that 78.6% of Korean household wealth is tied to real estate, which is significantly higher than that seen in the United States, Japan, and even China.

Why Put Everything In Real Estate?

Scholars, economists, and policymakers are still debating why Korean households store the vast majority of their wealth in real estate. In their study, "The Korean Housing Market: Its Characteristics and Policy Responses," economists Ho Soon Shin and Hyun Chang Yi suggest that apartments in Korea "are highly preferred as an investment because they yield high and stable profits, and are highly liquid." They credit the commonplace *jeonse* system, legalized in 1959, for elevating real estate to the most desirable asset class in a Korean household's financial portfolio. *Jeonse* is a uniquely Korean home leasing system, where tenants pay homeowners a lump sum of 30% to 70% of the home value at the start of a two- to five-year lease in exchange for not paying monthly rent. At the end of the lease, homeowners must return the entire lump sum, or renew the lease. For example, a family can purchase a $1 million home, lease it on the *jeonse* market for $700,000, and use the lump sum for alternative investments. Investors often buy another property with this lump sum and lease the second property through the *jeonse* system.

Through this "Russian doll" investing strategy, *jeonse* provides investors with significant leverage to reinvest in the real estate market. Alongside East Asian cultural norms, the *jeonse* system is one of the factors that solidified real estate as the preeminent investment vehicle for Koreans, a key reason for the high degree of home ownership among the Korean elderly, and why the *jutaek yeongeum* solution was based on real estate.

Should Government Increase Spending?

When faced with the issue of elder poverty, the government did consider other options. The primary contender, and one that would be further-reaching, was to increase government welfare drastically. However, the cost to do so would be staggering. In her analysis, Choi Hae Jin, a professor in the Department of Social Welfare at Seoul Women's University, calculated that sustaining just the existing portfolio of universal pension and other senior-specific programs cost the central government more than $20 billion in 2023, and is expected to grow 15% annually in the medium to long term as the senior population grows. In 2035, it is estimated that elderly care alone will amount to 11.7% of the Korean government's expenditure, significantly higher than today's 3.8%.

"Scholars, economists, and policymakers are still debating why Korean households store the vast majority of their wealth in real estate."

The current government assessed that drastically increasing old age-related welfare programs would not be feasible with an already strained budget. Additionally, an article in The Korea Times discussed the significant backlash from the younger working population because their tax contributions are increasingly spent on care for non-productive elderly citizens. These factors help explain why the Korean government favored *jutaek yeongeum*, a program that didn't result in as high of an upfront cost.

Jutaek Yeongeum Adoption and Reception

Facing political pressure to solve the elder poverty problem, but also financially constrained, the Korean government formulated a hybrid government- and market-based solution to supplement the elder population's incomes. It tapped one of its public enterprises, the Korean Housing Finance Corporation (HF) to spearhead this problem. Initially modeled after Fannie Mae and Freddie Mac, this agency primarily facilitated liquidity in the private housing market by purchasing and securitizing mortgages. The HF took on this additional mandate from the government and started to sell the home pension reverse mortgage product to the general public.

In the home pension contract, HF pays an elderly homeowner a fixed amount depending on the value of the home and the age of the homeowner. For example, Mr. Kim, a 70-year-old man with a home at the average value ₩400 million (about $300,000) would receive ₩1.18 million (about $875,000) every month for the duration of his life. (The payout chart is available to the public from HF.) This monthly withdrawal will accumulate into a line of credit and accrue a subsidized interest rate of 1.1% above the 90-day certificate of deposit market price. As of late 2024, this subsidized interest rate accrues at around 4.5%, where a similarly structured private reverse mortgage line of credit is priced at around 6%.

> "Elderly homeowners fear that starting a home pension scheme will result in downward social mobility for their families…"

Furthermore, the elderly homeowner's family is protected from severe housing price declines: If the total pension and interest balance exceeds the value of the home, the family can choose to turn the home over to HF and does not have to pay the remaining balance. For example, if Mr. Kim lives to 90, his balance with HF will be ₩454 million, in which case his heirs are incentivized to turn over the home to HF. Therefore, the elderly homeowners are protected from the risk of outliving their pension, and according to our HF employee source, the payout table is adjusted to account for a sizable minority of elderly homeowners overdrawing on the value of their homes.

As a quasi-welfare program where homeowners receive subsidized interest rates and downside protection, the program comes with eligibility conditions. At least one person in the household must be over the age of 55, and the home's assessed price (value used for taxation purposes) cannot exceed ₩1.2 billion (about $900,000). In addition, as a public enterprise with a mandate to enable the Korean citizenry's housing security, the HF does not make a profit through this product.

Since the HF started to offer this product in 2007, up to 10,000 people have signed up each year. According to HF's live dashboard, out of the 5.5 million total elderly households, only about 2.4% (130,000) homeowners are currently enrolled in the program. With such an attractive program that converts real estate assets into secure cash flow, why do so many home-owning Korean senior citizens still suffer from such high rates of poverty?

According to an HF employee who wished to remain anonymous, many elderly homeowners are reluctant to join the scheme because they see their home as their biggest asset to pass onto their children, and the cashflow they could draw from their homes would be debt that burdens their children. A paper by the Korea Institute for Health and Social Affairs found that, similar to other East Asian countries such as China and Japan, Koreans see home ownership as one of the strongest indicators of middle-class achievement. There are studies that show a strong correlation between a male family's home ownership status and desirability in dating and marriage. Ultimately, elderly homeowners fear that starting a home pension scheme will result in downward social mobility for their families, and many elderly couples therefore choose to live a meager lifestyle instead of enrolling.

In response to initial reluctance from the Korean public, the HF has used public relations to heavily market the product and even loosened many eligibility criteria. Since this scheme was first introduced in 2007, the eligibility age has been lowered from 65 to 60 to the current 55. The price cap of an eligible home started at ₩600 million (about $450,000) and now sits at ₩1.2 billion (about $900,000).

Potential Risks for the Government and HF

The Korean government and the HF currently see this scheme as a quasi-welfare program that decreases elderly poverty, reducing many of its many negative externalities, and reintroduces funds into the domestic economy. However, this upside has been limited due to the low adoption rate. An article in The Daily News outlines that the scheme's payout structure, focus on the middle market, and age eligibility range add significant financial risks to the HF.

First, the scheme's mandate creates a payout structure in which the government assumes substantially more market risk than the enrollee. For example, after homeowners pass away, the HF's upside is limited to the subsidized interest rate on top of the disbursed payments. However, if the home is sold for less than the accrued payout and interest, then the HF absorbs the loss entirely. This lopsided payout structure, while favoring the recipient family, is only viable in an upwards trending real estate market. As the overall Korean population and number of households decline, and population flight strikes Korea's regional cities, the HF must critically analyze the current payout structure and eligibility requirements to enable this option for future populations.

Our analysis, based on available data, projects a $130,000 loss per enrollee, and the currently enrolled senior citizens could behind leave a $16.9 billion loss. Losses to HF and the Korean government are dramatically worsened if average life expectancy increases, or if residential real estate prices decline.

If this projection holds true, the Korean central government will face difficult decisions. If HF attempts to recoup losses, they will be forced to slash home pension payouts or severely limit future enrollment. If the central government wants to use public revenue to pad HF's losses, taxpayers may question the government's commitment to equity as funds would be used to pay for a mismanaged pension scheme that only benefits a small sliver of the retired population.

The home pension scheme is an innovative program that adapts the reverse mortgage system to Korea's unique elder poverty issue. As a public corporation, HF attempts to achieve a balance of fiscal sustainability with positive health and welfare externalities. However, this program also possesses its unique set of risks, as slowing Korean economic growth and increasing life expectancies significantly strain this program's financial sustainability.

This article was written by Anne Park, Gary Kim, and Nathan Oh, members of the Lauder Class of 2026.

Pension Reforms in Latin America and Their Potential Impact on Capital Markets

Creating an effective, solvent pension system that feeds capital markets is one of the more difficult economic undertakings. This article examines the pension funds in Colombia, Chile, and Peru, where policymakers are continuing to propose reforms.

Pension systems are essential to capital markets because they provide long-term investment capital. They generally provide large amounts of unrestricted capital, supporting liquidity in the capital market even in shallow markets or volatile conditions. At the same time, pension systems support government financing, given that they are significant buyers of government bonds. This allows governments to issue debt at lower interest rates and extend maturities, thus reducing borrowing costs. The role of pension funds in providing market stability while fostering economic growth positions them as an integral part of the healthy development of capital markets.

"In Latin America, where most capital markets aren't extremely developed, pension systems hold a significant role."

In Latin America, where most capital markets aren't extremely developed, pension systems hold a significant role. As institutional investors, they fill the investment gap by addressing the shortage of long-term investment. Throughout the region, countries such as Chile, Peru, Mexico, Colombia, and Brazil rely heavily on the support of these institutions. However, pension funds in the region face certain specific challenges. Between an aging population, which translates into higher payout obligations, and underdeveloped markets, one of the largest challenges that pension systems face is regulatory instability. Pension systems in countries such as Chile and Peru have faced political debates and legal changes, including withdrawals that have eroded the capital available for investments. Moreover, other countries, such as Colombia, recently approved reforms to its pension system. These regulatory uncertainties can undermine the long-term stability of capital markets.

Each country has a different pension system, so each reform plan is different. These reforms can range from an increase in employer contribution in Chile, to an increase in coverage for low-income citizens in Peru, to the recently approved redistribution of market participation from private to public in Colombia. Ultimately, each country is attempting to balance improving their pension benefits while maintaining fiscal stability. However, in all three countries, these reforms can have a long-lasting impact on their capital markets. Subsequently, we will examine the pension system reforms in Chile, Colombia, and Peru and analyze the impact that these changes may have on each nation's capital market.

Chile

Current Pension System

Until 1980, Chile had a pension system like many current European pension systems, in which the key actor within the system was the state, which determined the pensions based on the salary and years worked of each person. However, under the government of Augusto Pinochet, Chile's pension system went through profound changes under Law Decree 3,500, which remains the system's pillar today. The law implemented a new model in which pensions went from being deposited in a general state account to being deposited in each person's account on their specific pension fund. It mandates that employees contribute 10% of their total salary plus an administrative fee charged by the pension funds, which ranges from 0.49% to 1.45% of their salary. As a result, the total contribution required from employees ranges between 10.49% and 11.45% of their income. Additionally, the system sets the retirement age at 65 for men and 60 for women, which hasn't changed since the days of Pinochet, even though life expectancy has increased by 10 years for both men and women.

After 44 years of the reform, the pension funds have accumulated US$188 billion in assets under management (AUM), equivalent to 56% of Chile's US$335 billion economy. The accumulated funds of all the individuals have played a critical role in Chile's financial markets, providing liquidity and depth to both equity and fixed-income markets and supporting the expansion of the country's leading companies. However, the pension system had a new reform in 2019 under President Sebastián Piñera's government, which introduced a state subsidy that guaranteed a minimum pension of $230 to every Chilean, with increases depending on their contributions. The state subsidy ended the deficit-zero policy of the Chilean pensions system until 2019, generating a fiscal cost in 2023 equivalent to 2.3% of Chile's GDP.

Proposed Reform and Impact

Chile's pension system, often replicated globally, has been praised for its ability to invest and grow workers' contributions without creating significant fiscal deficits — until the reform of 2019. Despite its success in achieving exceptional returns for the savings of each person, it has an underlying problem, which is that the current 10% contribution from employees provides pensions that, on average, are equivalent to only 17% of each worker's last salary. Over the past decade, multiple initiatives have tried to fix the low payouts in Chile, with the major improvement coming from Piñera's reform in 2019, which increased the pension's equivalence to each worker's last salary before retiring from 17% to 63%.

Despite the improvement generated by Piñera's reform, politicians have agreed that a new reform is required to continue improving the pensions. In 2023, President Gabriel Boric proposed a reform that was still being discussed in the Senate as of late 2024. The proposal has evolved considerably from its original form and will likely continue to change as negotiations between the government and the opposition progress. However, a few key agreements have emerged:

- Employee contributions will increase from 10% to 16%.
- New financial players will be allowed to enter the market to increase competition within the industry.
- The contribution increase will be phased in to minimize the impact on the labor market.
- The fiscal subsidy will be expanded to ensure a higher minimum pension for all Chileans.

Despite these high-level agreements, significant disagreements remain between the government and the opposition, particularly regarding the allocation of the additional 6% contribution. The opposition argues that the full 6% should go to each individual's account, as is the case with the current 10%, which is supported by 73% of the population. The government, however, proposes a hybrid system: 3% would go to individual accounts, 2% would be allocated to a common fund to increase current pensions (similar to the French system), and 1% would be dedicated to increasing pensions for women.

As discussed during our conversation with a board member of one of Chile's largest pension funds — one of the seven in the country — the proposed reform is expected to have a substantial impact on Chile's capital markets, increasing assets under management from $188 billion to over $300 billion in the medium term. This would result in pension funds managing assets equivalent to nearly 90% of the country's GDP, creating more opportunities for equity and fixed-income investments and potentially boosting growth and development in key sectors of the Chilean economy. Finally, the new reform would substantially increase the pension's equivalence to each worker's last salary before retiring from the current 63% to 73%.

Colombia

Current Pension System

Colombia has a pension system that is structured into two regimes with the objective of providing retirement benefits to the population via public and private mechanisms. These options include the Average Premium Regime (RPM) and Individual Savings Regime with Solidarity (RAIS).

RPM is a public system overseen by Colpensiones. Under this pension system, worker contributions are used to support current retirements. RAIS is a private system that is managed by Pension Fund Administrators (AFPs). Under this system, pensions are dependent on the individual contributions of the workers and on the performance of the investments.

These two regimes allow workers to have a choice between a state-managed system and a privately

managed one. The key difference lies in the fact that the RPM guarantees benefits at retirement age, while the RAIS depends on the savings of everyone. Today, this dual-regime system is experiencing financial strain and long-term sustainability issues due to a growing elderly population. Expanding coverage is a challenge since the system struggles to cover the present working population to its entirety. This is due to a significant proportion of workers from the informal sector being left out.

> "Chile, Peru, and Colombia are among the countries with the most developed pension systems in Latin America."

Workers under Colombia's pension system contribute 16% of their salary towards their pensions, split between the employer's contribution (12%) and the employee's contribution (4%). The retirement age for men and women is set at 62 and 57, respectively. Historically, the RAIS, the private sector pension funds, were an important player in the pension system and made large contributions to the local market. RAIS counts assets under management equivalent to approximately 30% of Colombia's GDP. On the other hand, RPM, the state-managed pension system overseen by Colpensiones, has a deficit operation, constantly needing assistance through state funding to meet payment obligations.

Reform and Potential Impacts

In June 2024, Gustavo Petro's administration approved a reform to Colombia's pension system, intending to address the underlying issues affecting the system's coverage and long-term sustainability. The reform proposed replacing the current dual system (RPM and RAIS) with a unified structure managed by the state based on four pillars, representing an increased state intervention and a reduction in the control of the private sector.

The four-pillar system consists of a Solidarity Pillar, a Semi-Contributory Pillar, a Contributory Pillar, and a Voluntary Pillar. The Solidarity Pillar ensures a basic income to those individuals who do not have pension benefits. In addition, the Semi-Contributory Pillar aims to support those individuals who made partial contributions to the systems that are not enough to qualify for a pension. The Contributory Pillar serves individuals with 1,000 or more weeks of insured employment. In other words, it serves as the main pension pillar for those workers who can contribute consistently. Finally, the Voluntary Pillar, available to higher-income workers, allows them to make additional contributions and supplement their pensions. Through this tiered system, the Colombian state aims to balance universal coverage with flexibility for higher-income workers to contribute more towards their retirement plans.

This new system requires that workers earning up to 2.3 times the minimum contribute exclusively to Colpensiones. This reform aims to increase the public system's financial resources by directing more contributions to the public system. Petro's plan significantly reduces the role of the private sector, shifting the system towards greater state control. This could have long-term effects on Colombia's economy and overall financial markets.

- **Impact on private pension funds**: Before the system reform, AFPs managed around 75% of total pension contributions, a monthly inflow of about $680 million. Today, the private system's inflows are expected to drop by 55% to $306 million per month, severely reducing the liquidity of the private pension sector. On the other hand, it is expected that Colpensiones will experience increased monthly inflows of up to $606 million monthly.
- **Market implications**: Pension funds representing 15% of the traded volume in Colombia's equity markets could be negatively affected by the shift from private to public funds. A significant reduction in inflows could mean a decline in their support to local equities, which would eventually lead to lower market liquidity and reduced investment.
- **Government funding:** The private pension funds have assets under management that amount to around 30% of GDP and are the main buyers of government bonds (TES). The reform could significantly reduce flows from AFPs and, therefore, reduce demand for government bonds. This, in turn, would increase the government's borrowing costs and affect the government's capacity to access local funding. Bond yields could rise by 43-77 basis points, translating into increased borrowing costs of 0.1%-0.2% of GDP.

- **Effects on the economy:** The reform adds uncertainty to Colombia's economy. Real GDP growth in 2023 of 0.6%, which did not meet expectations, was partly due to a contraction in household consumption. Petro's administration reform could further impact investments from the private sector.

Peru

Current Pension System

The pension system in Peru comprises two primary parallel regimes: the National Pension System (SNP) and the Private Pension System (SPP). The SNP, which dates to 1973, operates as a pay-as-you-go system managed by the Office of Pension Normalization (ONP). Workers under this regime contribute 13% of their salaries and receive a fixed pension upon retirement at 65 with at least 20 years of contributions. However, this system has been criticized for its limited coverage and low payouts, with monthly pensions ranging from approximately $139 to $286.

In 1992, a reform introduced the SPP, which is a system of individual capitalization accounts managed by private Pension Fund Administrators (AFPs). This system aimed to address the shortcomings of the SNP by allowing workers to accumulate funds in personal accounts, which would then finance their retirement. Over time, the SPP showed significant progress, with over 8.1 million affiliates and assets amounting to 16% of Peru's GDP by 2021. Despite its success in broadening coverage, challenges remained, particularly in delivering consistent returns and ensuring financial stability for retirees.

The COVID-19 pandemic added new pressures to the pension system. Between 2020 and 2024, the government approved seven pension withdrawals to provide immediate relief to individuals affected by the economic downturn. These withdrawals, amounting to approximately $30 billion or 11% of GDP, led to a sharp 40% reduction in the assets managed by private pension funds. As a result, these funds had to sell off significant holdings in local stocks and sovereign bonds, further destabilizing the financial markets. Lawmakers, who had long criticized the SPP for high fees and inadequate pensions, used this opportunity to push for further reforms.

Reform and Potential Impacts

In October 2023, the Peruvian government proposed a pension reform aimed at addressing the system's structural issues and the financial challenges brought on by the pandemic. This reform was approved in June 2024 and seeks to introduce several initiatives that shall become the first stepping stones into a genuinely efficient and inclusive pension system. For instance, the reform includes a minimum guaranteed pension for public and private systems, ensuring that retirees have a basic income. It also includes measures to expand coverage, especially for vulnerable groups that have been historically excluded from the pension system, such as informal and independent workers. Additionally, it eliminates previous legislation allowing periodic withdrawals of funds and for retirees to withdraw up to 95.5% of their funds. Ultimately, these changes will help recover the nature and primary objective of the pension system: allowing the population to save for their older years.

Other features of the reform involve including independent workers and citizens aged 18 in the pension system. This is particularly important given Peru's high level of informality, with over 75% of the workforce not contributing to any pension plan. By making pension contributions mandatory for a broader population segment, the reform aims to increase participation and ensure more Peruvians have access to retirement savings.

Conclusion

Chile, Peru, and Colombia are among the countries with the most developed pension systems in Latin America. At the same time, all three countries are going through a set of reforms that may have long-lasting effects on their capital markets and economies. These proposed reforms range from an increase in employer contribution in Chile to expansions for the lower-income population in Peru and Colombia. Country leaders are juggling with expanding social security coverage and improving the environment for long-term invested capital in the country. Having well-structured capital markets with well-funded pension funds investing in the country sets the example for foreign investors to participate in the markets. The success of these reforms will ultimately depend on balancing the need for expanded coverage with the preservation of a stable and dynamic investment environment.

This article was written by Nicolás Celasco, José Coloma, Jhonny Georges, and Javier Guerraty, members of the Lauder Class of 2026.

The Green Light on Colombia's Orange Economy

Colombia's creative sectors are ripe for investment with both financial returns and impact. This article examines the history of formalizing Colombia's creative sectors, current government incentives, and an overview of investor opportunities.

In 2013, future Colombian president Iván Duque Márquez and cabinet minister Felipe Buitrago Restrepo were both working at the Inter-American Development Bank when they released a new book, a manifesto of sorts. "The Orange Economy: An Infinite Opportunity," laid out their vision for Colombia's cultural economy. Its central argument was that the creative economy — what the authors called the orange economy — had been overlooked by investors as a potential growth sector. But defining the creative sector was no mean feat. To the traditional creative sectors like painting and theater, they added those related to tourism and cultural heritage, media and publishing, advertising, design, and even video games. As for the choice of the term "orange," Duque and Restrepo pointed to the ways in which the color had been associated with "culture, creativity, and identity," citing examples from the fires of passion from ancient Egypt to the robes of Buddhist monks and decorations for Halloween.

The authors argued for investment in the orange economy for three key reasons. First, as measured by the International Trade Center, the creative economy was large and growing. Taken together, creative goods and services represented $646 billion in exports worldwide. Second, it was less volatile than oil, which is Colombia's largest export. Lastly, Colombia and Latin America could not compete with cheap Asian labor and needed to develop a different competitive advantage, one that leveraged Latin America's "immense reservoir of creative talent and cultural heritage."

Four years later, in 2017, Duque and Restrepo had the chance to turn their ideas into policy: Duque won the Colombian presidency and appointed Restrepo as minister of commerce, industry, and tourism. The new administration promptly enacted the Ley Naranja or Orange Law, which provided tax incentives to support the creative sectors. From 2019 to 2021, companies in creative sectors could receive a seven-year income tax exemption if approved by the Orange Economy Committee of the Ministry of Culture.

Duque's administration promised to expand the share of the orange economy from 3% of GDP to 5%, prophesying that the orange economy would represent $1 billion of exports by 2022. However, by the end of his administration, the harvest had proven less bountiful than anticipated. After five years, the orange economy still represented only 3% of economic activity, and exports were a mere $80 million, far short of Duque's ambitious targets. Yet when analyzed more broadly to include activities already occurring in Colombia, such as textiles and music, creativity has served as a cornerstone of Colombia's economy.

With the change in administration in 2022, the approach shifted to favor more individual and sub-sector investment incentives. Although President Gustavo Petro remains committed to developing the creative economy, his administration shifted the marketing of the policies, eliminating the use of the term "orange economy" to distance itself from its predecessor.

In this article, using the music and textile industries as case studies, we examine the impact of investments in Colombia's creative sectors and analyze opportunities to support sustained growth in the creative economy. We also examine current policies that foster opportunities for both foreign and domestic investment in creative sectors in Colombia.

Benefits and Challenges for Investors

Colombia's creative sectors present an exciting opportunity, ripe for growth and impact as the country shares its cultural knowledge and talents with the world. Some key benefits of investing in Colombia's creative sectors are access to high talent with low costs; a strong position within Latin America as the third-

largest country in the region by population, per the World Bank; and the growing tourism sector ready to catapult the creative sectors. With an attractive currency conversion rate, Colombia offers talent at a low cost to those looking to invest with dollars or euros. Colombia also has a market of 52 million people, a historical place of strength in music and content creation for Spanish-speaking Latin America, and a strong relationship with the U.S., which allows access to multiple markets for those looking to grow and export creative products across the Western Hemisphere. Laura Valdivieso Jiménez, Colombia's former deputy minister of trade, said, "The government is making a real effort to bring in foreign tourists, and these initiatives are proving to be a great boost for the creative industries." More foreigners are coming to the country, listening to Cumbia and Shakira, and looking to take home a bit of magical realism with purchases of artisanal products at resort shops and on tours. Colombia's creative sectors also provide a strong opportunity as society still rebuilds, especially in rural areas, after over a half-century of armed conflict.

While Colombia's creative sectors present a unique opportunity for impact and growth, challenges remain. One key challenge is the lack of formalization. According to the National Statistics Department of Colombia, 56.3% of Colombians were working in the informal sector in 2024. Where current government programs are targeted in more rural areas, creative industries are less likely to be formalized and therefore require additional logistical ramp-up and training time to be integrated into the formal economy. While formalization may come with roadblocks, it brings more stability to Colombians in rural areas.

Another key challenge is the difficulty in pricing artisanal and creative work. "Colombia's creative sectors are still in the process of assigning value to their own potential," said Marcela Cuellar, manager of commercial and promotional opportunities for the government-funded trade group Artesanías de Colombia. With cultural products, such as dresses woven in line with Indigenous traditions or Wayuu bags, it is not as clear what the right price to sell is or what customers would be willing to pay. This is an area where international investors can come in and assist in growth with marketing strategies and price discovery. Recognizing the challenges, there are success stories in music and fashion that can serve as examples for investors interested in opportunities in Colombia's creative economy.

> "Music has been an incredibly successful part of Colombia's efforts to expand the creative economy."

Music

Music underlies the decades of conflict that have shaped Colombia. Music also defines the distinct and geographically separated cultures present throughout Colombia. The music sector has produced leading global stars including J Balvin and Karol G. Government sponsorship has played a crucial role in supporting this growth through initiatives such as music festivals, artist development programs, and infrastructure investments in performance venues. As a result, the creative industries in Colombia represented 3% of the GDP in 2022.

With more than 60 annual music festivals and 500 live music venues, Bogota became a UNESCO city of music in 2012. In the years since, Bogota has invested heavily in the expansion of its music industry. One of the creations in this program was the Bogota Music Market. Run by the city's chamber of commerce, it provides an opportunity to attract global music professionals, showcase Colombian talent, and allow industry players to network.

A music bill passed Colombia's Chamber of Representatives in February 2024 before failing to pass the Senate a few months later. It was an extension of Law 1493, which was passed in 2011 and was critical in increasing live performances throughout the country and providing a framework for composers to be compensated for their work. The 2024 proposal sought to extend support for the development of music throughout the country. Initiatives included in the legislation were the removal of taxes on musical instruments, and the addition of financing sources to develop the sector, such as taxes on advertising, music streaming, and concert tickets.

Music has been an incredibly successful part of Colombia's efforts to expand the creative economy. Although the music law's struggle for passage shows that progress may have begun to slow, it is a strong example of how government support in the creative economy can lead to enhanced economic development. Engagement of foreign investors as incentive for the Colombian government to organize will be a critical next step for enhancing the arts.

Textiles and Fashion

The textile and fashion industry in Colombia accounted for 9.4% of the industrial GDP or 2.5% of total GDP in 2022, generating more than 600,000 jobs. Colombia's industrialized production includes more than 12,000 companies in fashion. Textile artisanry, including products from handwoven molas to Wayuu mochilas, has become a cornerstone of Colombia's Indigenous communities. In tandem with the annual Colombiamoda festival, the government has been investing in the supply chains and commercialization (financing, marketing, etc.) necessary to develop a clothing-focused export market. However, more can be done. The expansion of free trading agreements to open export markets across the world would provide Colombia's artisanry a wider market for profit.

> "The expansion of free trading agreements to open export markets across the world would provide Colombia's artisanry a wider market for profit."

According to the Ministry of Commerce, Industry and Tourism, Colombia has more than 4,500 maritime routes and 680 international ports. Linking Colombia's Indigenous communities to these trade routes would expand the artisanry market, although a fine balance must be woven between commercializing Indigenous production and radically changing the environment for local artists.

In an article by tech journal Wired, Krzysztof Pelc, the William Dawson Professor of international political economy at McGill University, discussed how artificial intelligence will increase the value of handmade art while industrialized goods may become more of a commodity. Against this backdrop, Colombia's Indigenous artisanry may be poised for a decade of vibrant growth.

Current Policies and Investment Opportunities

Colombia offers various tax incentives and sector-based support programs that create investment opportunities for both foreign and domestic investors. Below are key opportunities that enhance investment potential.

Tax Cuts

Introduced in 2020, the ReactivARTE 2070 law reduced income taxes on cultural and creative activities from 11% to 4%. These taxes apply to income or sales pertaining to 27 product areas where a creative producer (individual or company) sells their work, for example an instrument maker selling a guitar, publishers selling books, film crews and designers selling their labor. According to an economic study, reductions in income tax effectively act as a subsidy, and this has been used by governments globally to target creative industry growth. Research also shows that tax cuts promote innovation and the creation of added value. However, there is limited analysis to size the effect of tax cuts on creative sector growth. As Colombia persists with this tax policy, further work should be done to ascertain its impact.

Foncultura

In 2020, Foncultura was established as a fund for the promotion of heritage, culture, arts and creativity. Administered by the Colombia Crea Talento Corporation (CoCrea), it's a public private partnership led by a steering committee of representatives from the national government, universities, and country's creative industries. Foncultura is now an established part of Colombia's arts ecosystem. Annually, COL$400 million to COL$500 million is allocated to more than 200 projects.

A remarkable aspect of Foncultura is its current method of financing. Taxpayers who donate to the fund receive a 165% tax reduction of the value of their donation, which drives continued funding toward Foncultura. One of Foncultura's stated goals is to "democratize and decentralize access to resources" in Colombia's creative ecosystem. While significant effort has been made to ensure national coverage of Foncultura, the states of Colombia's three biggest cities are by far the biggest solicitants and recipients of support. Given the rich cultural and artisan heritage that lies in more remote or rural regions in Colombia, greater support outside of Colombia's urban centers should be considered.

Public Performances Law

Originally established in 2011, Colombia's Public Performances Law introduced bureaucratic reductions that supported investment in traditional theater performing arts, slicing the required paperwork by almost 80% and increasing the ease for entrepreneurs to deliver repeat events. The law also introduced a mix of tax incentives, including income tax reductions, value-added tax (VAT) exemptions, and the removal of taxation on sports viewership and performing arts shows. It also featured a ticket tax mechanism that allows Colombia's Ministry of Culture, Recreation and Sport to collect about 10% of ticket revenue to re-invest in other performing arts initiatives.

The 2011 law transformed the sector, leading to:

- A 30% reduction in tax burden
- New spaces for the performing arts and improvements to existing ones
- Greater employment opportunities for artists
- An economic benefit of about COL$96.6 million from 2012 to 2014

In 2020, the introduction of ReactivARTE expanded the law's remit to support "projects that encourage the production and circulation of public performances of the performing arts, whether in conventional settings (theaters, music halls, circus tents, etc.), or non-conventional ones." This has led to the broadening of access to funds for performing arts.

Comprehensive Social Management Plan

Colombia is focused on developing creative sectors through a people-centered approach, emphasizing the talent of those who work in the industry while prioritizing the preservation of cultural traditions. The Petro administration's main strategy for supporting artisans in Colombia is through a Comprehensive Social Management plan. As described by Artesanias de Colombia (AdC), the Comprehensive Social Management plan takes an interdisciplinary approach to supporting artisans with quantitative and qualitative support and a specific focus on mental health resources to understand what the population needs. The current government also is targeting outreach to artisans, particularly in former conflict zones, to gather data and make connections with those who stand to benefit most from promotion and psychological support. Cuellar with AdC said her organization produced a registry of around 30,000 artisans across the country. With this data, the initiative has been able to bring artisans from conflict-affected zones who have never had the chance to travel to international trade shows.

> "Colombia is looking for partners in investment, and now is the time to get involved.

Increasing the Distribution Chain

The government is supporting initiatives to promote cultural artisanal production by buying work from creators all over the country through AdC and selling it at stores in the cities and near tourist locations. Overall, the government is reaching out to individual creators, especially those in zones heavily impacted by armed conflict, to support the development of creative industries with a focus on preserving and exporting Colombian cultural heritage.

Conclusion

Colombia's creative sectors have sparked prominent success stories, such as Karol G's 2025 tour—the highest-grossing ever for a Latina—while tourism in the

country has grown more than 35% since 2019. Creative sectors present an attractive investment opportunity as they are ripe for growth and impact. Colombia is looking for partners in investment, and now is the time to get involved. The government is actively courting investors through ProColombia, a promotion agency that serves as a contact point for potential foreign investors. It's one of the many efforts to tap the "infinite opportunity" that Duque and Restrepo spoke of when they envisioned an orange economy. With more work, Colombia can capitalize even more on its creative sectors and continue sharing its unique artistry with the world.

This article was written by Abigael Bamgboye, Alexa Huether, Spencer Nussrallah, and Aaron Varner, members of the Lauder Class of 2026.

The Port of Ndayane: Paving Senegal's Path to West African Trade Dominance

Senegal's Port of Ndayane will revolutionize West Africa's capacity for trade, modernize its infrastructure, and set an example in global markets, though key challenges remain to ensure Senegal can reach its long-term development goals.

The Port of Ndayane is a transformative infrastructure project designed to boost Senegal's global maritime standing. It represents Senegal's largest post-independence infrastructure investment ever, with a projected cost of $1.1 billion. Located 70 kilometers southeast of Dakar, in the Mbour region along the Petite-Côte, the port is part of Senegal's Plan Sénégal Emergent (PSE) to achieve rapid economic growth by 2035. As one of the biggest financial and infrastructural investments in Senegal's post-independence history, the port aims to relieve pressure on Dakar's congested port and to position Senegal as a logistics hub for West Africa. The multiphase project is spearheaded by a public-private partnership with DP World, an Emirati logistics company, and is projected to be completed by 2027.

The port is part of Senegal's strategic efforts to transform its economy. Adama Sidibe, professor emeritus at University Cheikh Anta Diop, emphasized the project's magnitude, stating that it "could become the hub it is envisioned to be, benefiting multiple sectors like gas, energy, hospitality, and real estate," if managed properly. By transferring a significant portion of commercial activities to Ndayane, the government aims to attract larger vessels, improve trade efficiency, reduce congestion, and support the growth of Senegal's maritime economy. As former President Macky Sall said at a January 2022 ceremony to mark the start of construction, "With the Port of Ndayane, Senegal will have state-of-the-art port infrastructure that will reinforce our country's position as a major trade hub and gateway in West Africa. It will unlock significant economic opportunities for local businesses, create jobs, and increase Senegal's attractiveness to foreign investors."

The port is projected to handle 18% of Senegal's GDP and contribute a $15 billion increase in national trade by 2035. The economic ripple effects from the port's development will be felt across the Senegalese economy, from increased cost savings in transportation, investment in local infrastructure, and international trade flows. "The City of Dakar with breathe better, acquire more administrative resources, and attract more tourism," said Abdul Sissoko, manager at DP World.

"The port is projected to handle 18% of Senegal's GDP and contribute a $15 billion increase in national trade by 2035."

Once fully operational, the Port of Ndayane is also expected to generate significant employment opportunities. It will create direct jobs in sectors including logistics, port operations, and transportation, as well as indirect jobs through the expansion of industries such as energy, real estate, and hospitality. Sissoko predicted that much of the new job creation will be suitable for young people, providing jobs for the next generation of locals and immigrants. Specifically, the port is expected to facilitate additional trade equivalent to 3% of the country's GDP while supporting 2.3 million jobs; 22,000 of these expected jobs will be created through additional trade at the port, according to a report by investment platform Energy, Capital & Power.

In an interview, professor Mawa Samb at University Cheikh Anta Diop also highlighted the potential for job growth, stating, "Direct and indirect jobs would be created, the historic port of Dakar would be decongested, and an industrial sector would develop in various areas." A May 2023 analysis from the British International Investment (BII) published in Deloitte's Global Infrastructure Magazine found that close to 48% of Senegal's population will benefit from the port directly

or indirectly. The project will also spur the development of small and medium enterprises (SMEs) providing auxiliary services such as shipping and logistics.

Ndayane's Critical Geopolitical Role

The Port of Ndayane will be the largest deep-water port in West Africa and a gateway to increase and improve regional trade. The current port in Dakar has struggled with limited capacity and congestion, hindering its ability to serve growing trade demands. With a size of 1,200 hectares, the Port of Ndayane is three times larger than the current port in Dakar, making it one of the largest ports in West Africa. It will have a draft of 18 meters to accommodate some of the world's largest container ships, giving it a competitive edge over other regional ports such as the port of the Ivory Coast. Hinterland countries will be able to bring in larger capacity vessels and benefit from the advantages of economies of scale. The port will support regional trade by serving as a key entry point for landlocked Sahelian states including Mali, Burkina Faso, and Niger, which rely on neighboring coastal nations for port access. Neighboring Mali, for example, transits 70% of its trade through the current Dakar terminal, according to a DP World spokesperson in a November 2023 Loadstar article. As Samb said, "If the site's advantages and its effective management are ensured, Senegal should be able to play a bigger role in the sub-region and globally."

> "Hinterland countries will be able to bring in larger capacity vessels and benefit from the advantages of economies of scale."

Integrated economic and industrial zones around the Port of Ndayane will strengthen the supply chain with certain value-additive infrastructure such as storage, intermodal transport, processing, and distribution. Beyond West Africa, the development of the port will help eliminate bottlenecks and barriers along global supply chains, allowing exports from Senegal and West Africa to reach new international markets.

The port's success, however, depends on increasing intra-regional connectivity. As mentioned in the Loadstar article, "Not enough is being done to support African products or intra-regional trade." The Brookings Institution reported in 2023 that intercontinental trade in Africa stands at 15%, one of the lowest rates in the world slowed by inefficient bureaucracy, compared to 60% intra-regional trade in Asia and 70% intra-regional trade in Europe. Africa also accounts for only 3% of global trade, a rate that is impacted by the use of 42 currencies on the continent, which the World Bank estimated in a 2023 report costs traders $5 billion per year. It is noteworthy, however, that African nations are coming together to form new trade agreements like the African Continental Free Trade Area (AfCFTA).

The long-term vision for increasing intra-regional connectivity involves reviving railway transport, allowing for goods and people to be transported more efficiently, specifically by connecting the port with major cities and industrial zones. These connections will facilitate the efficient movement of goods and services, reducing transportation costs and improving access to markets. The proximity of the port to Blaise Diagne International Airport is also strategic. Enhancing airport facilities and connectivity will support the seamless integration of air and sea transport, boosting trade and tourism.

The development of modern harbor facilities is crucial for handling increased cargo volumes. The new port will feature state-of-the-art container terminals and deep-water berths capable of accommodating the largest vessels. Finally, cross-border processes must be harmonized using international standards to facilitate customs procedures. The modernization of rail and other infrastructure will enhance the efficiency of cargo transport, reducing reliance on road transport and lowering logistics costs.

Key Investors

A variety of financiers and backers are involved in the construction of the port. DP World, a world leading global supply chain solutions firm based in Dubai, UAE, holds a 60% stake in the port, while the Senegalese government retains a 40% share, ensuring national oversight and control of this crucial asset. The

Senegalese government's financial stake in the project is backed by the Multilateral Investment Guarantee Agency (MIGA) of the World Bank. The financing and construction, which commenced in Q3 2024, is a joint venture between the Senegalese government and foreign investors being led by DP World and BII, the development finance institution of the U.K. government based in London. The goals of their investments are to catalyze Senegal's and Africa's potential as a trade hub, diminish the stark distinct disparities that Africa faces with its current small size in global trade, and drive economic opportunity for millions of Africans, according to BII.

In conjunction with the construction of the Port of Ndayane, DP World plans to establish a special economic zone (SEZ) to drive Senegal's economic growth. The SEZ, near both Ndayane and Dakar's international airport, will serve as a multimodal transportation, logistics, and industrial hub. It will spur over 1,000 construction jobs that will be created by building a first phase $837 million container terminal and cargo handling facility, followed by a $209 billion second phase investment. To stimulate economic growth within the SEZ, the Senegalese government plans to offer subsidies and incentives to local businesses. These subsidies will support small and medium-sized enterprises (SMEs) in establishing and expanding their operations. By reducing operational costs, these incentives will encourage entrepreneurship and job creation, contributing to the overall economic development of the region, according to DP World. The SEZ also will host facilities for fabrication and processing, adding value to raw materials and boosting industrial output. These facilities should attract foreign investment and technology transfer while also fostering innovation and skills development.

Perils and Challenges

There are difficulties with the Port of Ndayane, which is scheduled to open in 2027. Senegal's reliance on foreign loans and investments has increased the country's debt burden, with its total external debt stock standing at 120% of gross income and total debt service at 28% of exports income as of 2022, according to the World Bank. The heavy foreign involvement could lead to concerns about sovereignty, debt dependency, and control over strategic assets. With such high external debt, the pressure to repay these loans could strain national resources and limit investments in other critical sectors such as health care and education.

Furthermore, the monetary benefits associated with this development may not be evenly distributed, potentially exacerbating socioeconomic inequalities. Local communities that depend on fishing and small-scale agriculture may be displaced, and traditional markets could be disrupted by the influx of new industries. There's also concern about whether local populations will benefit from the port's job creation, as higher-skilled positions may go to foreign workers. The port's success hinges on improving regional infrastructure. Despite its strategic location, inadequate road, rail, and airport links could create supply chain bottlenecks, limiting the port's capacity to function as a regional trade hub. Additionally, inefficient customs procedures and poor intra-regional trade integration could further hamper the port's potential.

"The port's success hinges on improving regional infrastructure."

Still, there is optimism. "The Port of Ndayane should bring new blood to our economy in the sense that it will allow all small businesses operating in this area to offer their services to the Port of Ndayane, but also boost the employment of young people living in this area," professor Samb said. "SMEs and SMIs should take advantage of this opportunity because the Port of Dakar is outdated, difficult to join, and does not offer all the guarantees of security and safety."

Technological innovation is at the heart of the Port of Ndayane's design, though routine and costly maintenance will increase the financial burden of the project. New machinery and port infrastructure, such as cranes and deep-water docking systems, will improve efficiency and competitiveness. Samb noted the port's commitment to using "new technologies in port management," which will also include enhanced telecommunications and internet capabilities. Updated ports are embedding technologies such as artificial intelligence, the Internet of Things (IoT), robotics,

automation, and computing into the operations, which come at a very high cost. Senegal's port will have to continue to invest financial and human resources in such technologies to ensure it can compete on a global scale.

Technological advancements can also improve sustainability, especially in the supply chain, but environmental concerns remain a key risk for the port's construction. According to the UN Environment Programme, Senegal is especially vulnerable to the risks of climate change, including sea level rise and coastal erosion. Rising sea levels, estimated by the U.S. Agency for International Development to be up to 1 meter by 2100, will continue to impact Senegal's urban coastal zone, home to roughly 67% of its population and 90% of industrial production. As such, water pollution, the disruption of marine life, and other habitat destruction are key concerns raised by the construction of the port. Notably, Senegal is home to vast mangrove forests that combat the effects of climate change by moderating storm impacts, providing wildlife habitat for increased biodiversity, and stabilizing sand and soils. The fishing industry, a key sector of the country's economy, is already stressed from overfishing and continues to be impacted by rising ocean temperatures and increased ocean acidification. The construction of the port will threaten the livelihood of the marine ecosystems in Senegal, and special importance must be placed to mitigate the associated environmental impacts. It is crucial to address these challenges in order to ensure that the Port of Ndayane effectively contributes to Senegal's long-term development goals.

Conclusion

The Port of Ndayane and its accompanying special economic zone are poised to be transformative for Senegal, reshaping its economic future and strengthening its role in West African trade.
This landmark project, as Senegal's largest post-independence infrastructure investment, has the potential to not only decongest Dakar's aging port but also to shift the balance of trade across the entire region. By improving logistics, fostering regional integration, and creating employment opportunities, the port can elevate Senegal's standing as a central trade hub for both landlocked Sahelian states and global markets. Neighboring countries, too, stand to benefit from increased trade capacity and improved connectivity, reinforcing Senegal's role in driving West Africa's economic growth. However, with such transformative potential comes the need for careful stewardship.
The challenges of debt dependency, the risks posed by foreign investment, and the potential for local displacement must be carefully managed to ensure that the benefits of the port are equitably shared. A failure to address these concerns could exacerbate economic inequalities and undermine long-term sustainability. Moreover, ensuring that connectivity issues and supply chain constraints are resolved will be crucial for the port to achieve its full potential. Ultimately, the Port of Ndayane represents a bold vision for Senegal's future. Whether this vision translates into meaningful, inclusive progress will depend on strategic planning, strong governance, and the ability to mitigate the environmental, social, and economic risks associated with such an ambitious project. Time will reveal whether Ndayane truly revolutionizes Senegal's trade position and cements its role as a leader in West Africa's economic transformation.

This article was written by Kojoh Atta, Hinda Diakite, and Naomi Weiner, members of the Lauder Class of 2026.

From Revolution to Repression: Tunisian Civil Society and the Threat of Democratic Backsliding

Tunisia proved to be the only country where a peaceful democratization was sustained in the wake of the 2011 Arab Spring. Mounting government oppression against the country's civil players might say otherwise, leading to a changing narrative surrounding Tunisia's democratization efforts, or lack thereof.

The following article refers to secondary literature, indigenous media, and observers of Tunisia's democratization process to explore the increasingly antagonistic relationship between the state and civil society since 2011. In doing so, this article affirms that the civil society landscape is a key indicator in understanding the extent of democratic backsliding in Tunisia under Kais Saied's presidency and foresees an increase in authoritarianism by the central government. Finally, this paper outlines potential opportunities to strengthen and protect the role of the civil society sector amid a weakening democracy.

This analysis relies on all available data sources to make a cogent assessment on Tunisia's post-revolution path to democratization. However, given the politically sensitive nature of this topic and the recent outcome of the October 2024 elections in Tunisia in which this paper is being framed, we have encountered significant challenges in procuring interviews with civil society activists based in the country. In fact, several interviewees opted to forgo any interaction or affiliation with this analysis, worried about the possibility of legal consequences or retribution from Tunisian authorities.

Civil Society in Tunisia: A Pillar of Social Services

The fall of President Zine el-Abidine Ben Ali and the subsequent start of the Arab Spring in 2011 marked a period of rapid growth among civil society organizations across Tunisia as a democratic framework became increasingly favorable in the Arab context. However, as noted by scholar Tarek Kahlaoui, "The implementation of liberal democracy [in Tunisia] assisted by Western backing led in practice to an elitist democracy in which political factions came to tactical agreements in order to

share power." In reality, a system was formed where the ruling elite paid little attention to the reforms that would meet the economic and social expectations of most of the electorate.

This is where civil society filled the gap. Representing a myriad of social interests — from labor unions to educational charities to advocacy groups — these organizations positioned themselves as the key forces in facilitating the state's transition away from authoritarian rule. Sabina Henneberg, former fellow at The Washington Institute for Near East Policy, wrote that civil society organizations were pivotal in Tunisia's post-2011 transition, serving as vital intermediaries between the state and citizens, advocating for reforms, and helping maintain democratic accountability during a fragile period of state-building. This is largely due to Decree Law Number 88 (DL-88), a post-revolutionary law that was drafted in the wake of Ben Ali's departure before the new constitution was adopted. The decree provides broad protections for the exercise of freedom of association and support for a free and independent civil society sector, including provisions for public funding and prohibitions on state interference in organizations' operations. As a result, this law enabled the emergence of associations and nonprofit organizations and has been referred to as the model NGO law in the Middle East and North Africa region.

> "CSOs have demonstrated notable success in strengthening local governance."

Under the first elected government of the post-Ben Ali era, civil society organizations (CSOs) thrived in an ecosystem where they could pursue their agenda and continue to advocate for civil rights and liberties. Civil society generally refers to the network of voluntary associations that are not affiliated with the state and serve "common, nonprofit, and non-political goals and interests." In the Tunisian context, those who supported democratic nation-building since 2011 tend to look at such networks rather favorably, as they play a positive role in facilitating the development of democratic institutions. For example, CSOs pushed for the adoption of a 2013 Law on Transitional Justice, a 2017 Law for the Elimination of Violence Against Women, and the 2018 Law Against Racial Discrimination. In another popular campaign during this period called Manish Msemah (We Do Not Forgive), a large network of organizations worked to block a proposed law that would forgive past government figures for corruption if they consented to return an agreed-upon sum of money to the government. Although organizations were not successful in realizing this goal, this situation illustrates CSOs' earlier ability to form effective coalitions and serve as a checks-and-balances system for the newly formed government's authority.

CSOs have also demonstrated notable success in strengthening local governance. Anecdotal evidence suggests that an increase in cooperation between citizens and local elected officials is attributed to foreign-funded civil society projects. An anonymous Tunis-based group that worked with communities in Zaghouan governorate, for example, "witnessed a transformation in the attitudes of municipal council members and community members as they worked together to strengthen the local school," according to Henneberg. Those who participated in the project went from feeling skeptical about volunteer work and school quality to being eager to improve the school and volunteer as teachers. These local-level shifts in attitudes were then reportedly replicated around the country. Without any formal affiliation to the state, CSOs once thrived in buttressing the nascent frameworks of Tunisian democracy by facilitating engagement between local electorates and the government.

State-sponsored Oppression Under a Backsliding Democracy

Despite the efficacy of the CSO ecosystem in improving governance and social services across the country, the relationship between the state and CSOs became increasingly antagonistic. Observers and civil society activists reported that beginning around 2015-2016 (under the presidency of Beji Caid Essebsi), the prime minister's office, responsible for the national registry of associations, ceased sending registration applicants a notification of receipt. Without this notification, many organizations found it increasingly difficult to

gain formal recognition from the government. A recent analysis by Tahrir Institute for Middle East Policy found that the Tunisian government's use of bureaucratic mechanisms has created significant challenges for CSOs in obtaining formal recognition, reflecting broader concerns about the shrinking civic space in the country.

To further complicate the situation, the involvement of foreign-funded organizations in this ecosystem further exacerbated the antagonistic relationship between civil society and state. In 2018, the American-funded NGO Democracy International (DI) launched a project to facilitate dialogue between civil society and the state on a proposed revision of DL-88, allegedly in response to concerns that the law allowed for terrorist financing to enter the country. However, as highlighted in the TIMEP article, Tunisian CSOs, which accused Democracy International of meddling, were opposed to these revisions in that they placed greater restrictions on CSO registration. Ultimately, DI was forced to reduce its activities in the country when it was accused of regressing civil society during the Ben Ali era.

Tensions between CSOs, international donors, and Tunisian political parties continued in the wake of this and throughout Kais Saied's presidency, since his inauguration in October 2019 and successful reelection in October 2024. This can be attributed to political opportunism. That is, political parties saw the benefits of collaborating with international NGOs during the constitution-writing process as a form of validation; however, once the constitution was in place, they no longer wanted the technical assistance nor feedback of these groups. This, coupled with the growing disillusionment among Tunisian secular youth to be politically active, solidified a dangerous imbalance between political and civil society that continues to grow today.

Anecdotal evidence from informal interviews conducted in July 2024 with Tunisian CSO members who chose to remain anonymous points to the increasing crackdown that the government has imposed. Several organizations maintain clandestine operations out of nondescript buildings, a response to increased vandalism by state-sponsored individuals. Leveraging the backing of a security apparatus that is historically distrustful of civil society, Kais Saied's regime has carried out physical assaults on activists since July 2021. In most cases, activists are summoned for "inciting disobedience and assault on a public official," such as Mehdi Jelassi, the outgoing president of the union of journalists, who was prosecuted for his work. Similarly, Saif Ayadi, an activist associated with LGBTQ+ rights groups in Tunisia, was abducted in broad daylight in October 2022 by plainclothes police officers upon his return from a press conference on police brutality. The uptick in documented physical assaults on activists is commensurate with Kais Saied's post-June 2022 power grab in which he granted himself further powers without checks and balances via presidential decree, eliminated key institutions such as the Human Rights Commission, and cracked down on several prominent critics such as Noureddine Bhiri, a senior official in the largest opposition party Ennahdha.

"Several organizations maintain clandestine operations out of nondescript buildings, a response to increased vandalism by state-sponsored individuals."

Analyzing the Authoritarian Drift

Tunisia's political environment has undergone significant shifts in recent years, particularly under the leadership of President Saied. While his approach has garnered support from portions of the population seeking stability, it has also raised concerns regarding the scope and scale of CSOs. The increasing centralization of authority, along with legal measures that could restrict CSO activities, reflects a political environment that places limitations on democratic participation. As Kahlaoui argued, populist leaders often utilize conspiratorial narratives to frame opposition forces, including CSOs, as foreign-backed threats to national sovereignty. This rhetoric, combined with the potential introduction of the Anti-NGO bill, suggests a challenging future for CSOs as they navigate an increasingly suffocated civic space.

The Anti-NGO bill, introduced in 2023, proposes restrictive regulations on foreign funding and adds layers

of state oversight on civil society operations. As analyzed by Amnesty International, this draft law could severely curtail the autonomy of CSOs by imposing burdensome bureaucratic requirements and allowing authorities to dissolve organizations that do not comply. This shift signals a deeper trend of reduced civic freedoms, characteristic of an authoritarian drift where power is increasingly concentrated, raising questions about the future of democratic space in Tunisia.

Moreover, Human Rights Watch highlights that the bill threatens to dismantle civil society by allowing excessive governmental control over NGOs, which could be dissolved without adequate legal recourse. This move, along with other recent legislative proposals, has sparked fears that the government is deliberately seeking to weaken the role of independent organizations that advocate for human rights and transparency, further eroding checks on executive power.

"One of the most pressing issues facing CSOs in Tunisia is the restrictive, unpredictable, and unfavorable legal environment that is limiting their operations."

Strategies for Improvement

A. Create a transparent legal framework with clear guidelines for civil society operations.

One of the most pressing issues facing CSOs in Tunisia is the restrictive, unpredictable, and unfavorable legal environment that is limiting their operations. The Anti-NGO bill could potentially exacerbate the situation, creating an environment of fear over arbitrary interference. A transparent and predictable legal framework is necessary to clearly define the boundaries within which CSOs can function. As such, CSOs would have the confidence to focus on their missions without the threat of government intervention. A comparative study by scholars Kendra Dupuy, James Ron, and Aseem Prakash on the impact of Ethiopia's regulatory crackdown on foreign-funded NGOs demonstrated that when countries implement clear legal protections and guidelines for civil society, the overall operational capacity of CSOs improves significantly. This reduces the risk of arbitrary dissolution and fosters a healthier civic space, as evidenced by the resilience of Ethiopian CSOs that adapted to stricter regulations when provided with legal clarity.

International legal experts and local stakeholders should therefore collaborate to reinforce the Decree Law 88 or at least influence its future revisions. Potential reforms could include specific protections for foreign-funded CSOs and limit the government's power to arbitrarily dissolve or obstruct organizations. Additionally, the publication of clear registration and reporting guidelines would ensure transparency and reduce bureaucratic challenges, ultimately fostering trust between the state and civil society. Anti-corruption initiatives should also be a priority. By fostering collaborations between CSOs and local governments, transparency can be enhanced, and public trust in democratic institutions can be restored.

B. Diversify funding sources for CSOs and support local capacity-building.

Heavy reliance on foreign funding has proved to be one of the key vulnerabilities of Tunisian CSOs, which has subjected them to government scrutiny and legal restrictions. Diversification of funding sources would not only shield them from restrictive government measures but also help establish them as independent, homegrown entities with strong community ties. A study on China's NGO regulations, for example, shows that grassroots organizations able to tap into local resources, such as community support and private sector partnerships, became more resilient to government interference when foreign funding was restricted. To implement this, Tunisian CSOs should explore local philanthropic networks, engage in private sector collaborations, and seek government grants aimed at community development projects.

Furthermore, international donors can shift their focus toward capacity-building initiatives that strengthen leadership, governance, and financial management. Such a strategic investment would ensure CSOs are equipped with the tools to manage their operations independently,

even in restrictive environments. For example, the Resilient Roots project revealed that CSOs that invest in building their internal leadership and governance structures not only survive longer but also engage more effectively with local communities and donors, increasing their credibility and trust. Additionally, increasing public awareness about the value of civil society, particularly among younger populations, is vital. Encouraging youth engagement through educational programs and local initiatives will ensure a new generation of civic leaders who are committed to promoting democracy and transparency. Ultimately, diversifying funding sources and capability-building will not only ensure financial sustainability but also reduce government suspicion and foster a more autonomous and effective civil society.

C. Enhance dialogue between government and CSOs through institutionalized platforms.

Institutionalizing dialogue between the government and CSOs can significantly mitigate the mistrust that currently characterizes their relationship. Formal mechanisms could be established through which both parties could openly discuss policy concerns, regulatory changes, and social service priorities. Research shows that structured dialogue platforms have previously helped build trust in post-conflict environments and transitional democracies. For example, in Ethiopia, CSOs collaborated with the government through official forums, which eventually led to the resolution of controversial issues, fostering a more stable civic space. The CIVICUS State of Civil Society Report 2024 highlights that formal structures for dialogue between governments and CSOs are critical in reducing tensions and fostering collaboration in areas such as democracy, human rights, and public services, ensuring that civil society plays a key role in decision-making processes. By establishing a national forum supported by international mediators, Tunisia could promote mutual understanding and cooperation.

Conclusion

This paper has examined the evolving relationship between Tunisia's government and civil society organizations, focusing on the increasing challenges posed by centralization, restrictive legal frameworks, and government scrutiny. CSOs, once key actors in Tunisia's post-revolution democratic transition, now face mounting obstacles as the government shifts towards an authoritarian trajectory, particularly with proposals like the Anti-NGO bill. Despite these hurdles, CSOs continue to provide essential services and advocate for democratic freedoms. However, their ability to operate effectively is threatened by a shrinking civic space and increasingly unfavorable legal conditions.

Moving forward, it is essential for Tunisia's CSOs to focus on strengthening their internal capacities, diversifying their funding sources, and fostering collaboration with the government through institutionalized platforms for dialogue. These strategies — alongside legal reforms to protect the autonomy of CSOs — can ensure that civil society remains a vital force in the country's political landscape. International actors will play a crucial role in supporting these efforts by providing tailored assistance that respects Tunisia's sovereignty while promoting democratic values. As Tunisia's political future unfolds, the resilience of its civil society will remain a vital marker of its democratic trajectory in the years to come.

This article was written by Ghassan Zughaib and Ravi Patel, members of the Lauder Class of 2026.

How Cultural Factors Have Shaped Populism in Italy in the Past Decade

Italy has experienced a significant shift in its political landscape, with populism evolving from a focus on economic grievances against elites to a defense of traditional values and national identity. This article rounds up the myriad reasons behind the shift.

In recent years, Italy has witnessed a significant transformation in its political landscape, marked by a cultural backlash that has reshaped the contours of populism in the country. What began as a revolt against political elites and economic inequality has gradually morphed into a broader defense of Italian traditional values and national identity. This shift reflects deeper anxieties about the impact of globalization, immigration, and cultural homogenization on Italy's heritage and social fabric. By championing family values, Christian roots, and a vision of national sovereignty, this emerging form of populism has redefined the political conversation, focusing less on economic grievances and more on the preservation of Italian identity in the face of perceived external threats.

> "Contrary to the portrayals often seen in mass media and political rhetoric, populism is not an ideology."

Populist movements have taken root across Western Europe, with the 2024 European Parliament election marking a decisive victory for right-wing Eurosceptic parties. In particular, Fratelli d'Italia in Italy and Rassemblement National in France have emerged as the dominant forces, capitalizing on widespread dissatisfaction with the European Union's direction and immigration policies. The success of these right-wing populist parties has significantly shifted the political landscape, placing them at the center of European debates on sovereignty and national identity. Their gains were so substantial that French President Emmanuel Macron called for snap legislative elections in response to the momentum of Rassemblement National. Meanwhile, traditional political forces, including the liberal and green coalitions, suffered notable losses, highlighting the growing appeal of populist rhetoric across the continent.

Many misconceptions about populism exist. Contrary to the portrayals often seen in mass media and political rhetoric, populism is not an ideology. Instead, it is more correct to define populism as a political approach in which leaders present themselves as the sole, authentic representatives of the people. Through a populist lens, society is seen as divided into two opposing groups: "the pure people" and "the corrupt elite," as described by Dutch political scientist Cas Mudde. This dichotomy frames political discourse around notions of betrayal by the elite and a call to restore power to the people. To emphasize their closeness to the people's needs and to mark their difference from the ruling class, populist groups often prefer to self-identify as movements rather than political parties. Populist movements influence voting behavior in developed and developing countries, and span the entire political spectrum.

Right-wing populism in developed economies has historically received more attention by journalists and academics than left-wing populism. Despite appearing as a loosely connected set of ideas, European right-wing populist agendas typically revolve around three key elements: antiestablishment sentiment, authoritarianism, and nativism. Their political platform also includes resistance against external influences — such as the European Union and immigration — that are perceived to undermine national sovereignty and cultural integrity. As a result, right-wing populism continues to challenge established political norms, often reshaping national debates on democracy and governance.

A History of Populist Choices

The desire for strong leadership has deep roots in Italian culture. As the country emerged from the devastation of

World War II, a 1946 referendum on its future political system resulted in a narrow victory for the republic over the monarchy. In the southern region, long under the rule of Spanish and French monarchs, the majority voted in favor of reinstituting a constitutional monarchy. However, they were outvoted by the more populous north, historically fragmented into city-states with a tradition of self-governance. The legacy of these historical divisions still echoes in Italy's contemporary political debates and electoral outcomes. The result of this important referendum provides a partial explanation of the demand for an active role for the state and a strong, authoritarian leadership among voters in the Italian South.

More recently, Prime Minister Silvio Berlusconi's rise to power in the mid-1990s symbolizes the rejection of the traditional political system amid the Mani Pulite corruption scandal. The scandal implicated leading politicians from the long-standing dominant parties, particularly the Christian Democrats (Democrazia Cristiana, DC) and the Italian Socialist Party (PSI). It discredited the traditional political class, leaving a vacuum in Italian politics and creating widespread public distrust of existing parties, as described by European historian David Broder. Berlusconi capitalized on this disillusionment, presenting himself as an outsider untainted by corruption and the founder of Forza Italia, a new center-right political party. The name, which translates to "Go Italy!" was borrowed from the popular chant used by Italian football fans, reflecting his approach based on appealing to the emotions of the electorate. During his election campaign, Berlusconi, a media mogul, also used his business empire to create an unprecedented level of exposure for his political message and to promote himself as a successful entrepreneur, political outsider, and a savior of Italy's economy.

Since the resignation of Berlusconi's last government during the European Debt Crisis in 2011, power in Italy has changed hands over eight times. Each Italian government lasted an average of 1 year and 6 months. According to the Italian Constitution, the Parliament is elected for a term of five years, and the government is expected to serve for the duration of that legislative term. However, in practice, many Italian governments do not last the full five years, often collapsing due to political instability, coalition breakdowns, or changes in leadership within the ruling parties. This incredible political instability, and a lack of a cohesive long-term national strategy, has led to division within Italian society and prompted calls for a stronger, authoritarian leadership. In an interview, Nikola, a middle-aged man from Bari who moved north to Emilia-Romagna for work, expressed his support for a Trump- or a Putin-style political leader in Italy, citing their patriotic agenda and ability to maintain political order. Both are often portrayed in Italian news media as decisive leaders with a strong cult of personality and a long-term vision for their countries.

"Italy stands as the only EU nation where real wages decreased over the past three decades, exacerbating populist support among disaffected citizens."

Italy's persistent economic challenges, including high youth unemployment, stark regional inequalities, and sluggish growth, have fueled populist support by amplifying feelings of disenfranchisement and mistrust toward the political establishment. Broder highlights how populist figures, including current Prime Minister Giorgia Meloni and her deputy, Matteo Salvini, have effectively tapped into these grievances, connecting them to a broader discourse on national sovereignty and the perceived failings of the European Union. Economic hardships have been particularly pronounced for Italy's youth, with only 67.5% of recent graduates employed and 71% of young Italians aged 18-34 still living with their parents, according to Eurostat. Wage growth has also lagged, with average salaries rising by just 3.2% from 2019 to 2024, while housing and food costs increased by 9.9% and 21.6%, respectively, according to Instituto Nazionale di Statistica. Furthermore, OECD data suggest that Italy stands as the only EU nation where real wages decreased over the past three decades, exacerbating populist support among disaffected citizens.

Rising costs of living are also a growing concern for the Italian population and Europeans in general.

According to a 2024 Gallup survey, housing cost is the biggest source of dissatisfaction among Europeans (44% of respondents). Mass tourism, powered by the development of the low-cost airline business model and short-term apartment rental market, may have contributed to housing price inflation. Numerous research using data from cities including Milan, Rome, and Venice found an increase in Airbnb listings to be associated with a rise in property prices and rents, especially in tourist-heavy districts. But there are other potential factors contributing to price inflation. In an interview, Giancarlo, a truck driver working in the industrial province of Ravenna in Northern Italy, said the cost of living has been consistently climbing since the introduction of the euro.

EU Integration and Illegal Immigration

What role does European integration have to play in the economic misfortunes of Italy? By replacing the lira, Italy relinquished direct control over its monetary policy, losing the ability to boost exports through currency devaluation. As a result, Italian-manufactured goods became less competitive on the European markets. This reduced competitiveness is evident in the deepening negative balance of payments with other EU member states, especially Germany. Populist leaders have harnessed economic frustrations in the industrialized regions to argue that globalization and EU integration have not only failed to improve Italy's situation but have actively undermined the country's ability to control its own fate. The growing influence of the EU also added another layer of legislators who are not directly elected by the people, further eroding trust in the political system. This disconnect has deepened public disillusionment and amplified Eurosceptic sentiment, creating fertile ground for populist movements to gain traction by promising to restore national sovereignty and address the needs of everyday Italians.

Italy's immigration debate has become a deeply visceral and divisive issue, fueling the support of populist movements. Italian anxieties over immigration started during the Albanian refugee crisis in 1991, which led to the passing of Law No. 91 that doubled the naturalization period from five to 10 years. The influx of mass migration has intensified in the recent decade, with over 900,000 illegal arrivals by sea from 2014 to 2023.

The cultural backlash theory posits that the surge in votes for populist parties can be explained as a reaction to progressive cultural change, according to University of Pennsylvania political science professors Edward Mansfield and Diana Mutz. EU policies mandating migrant acceptance compound nationalistic sentiments, as locals increasingly feel their national sovereignty eroded. In Mestre, a town with high migration from East Asia and Africa, a local resident Giulio joked that, "You now need a passport to enter Mestre," capturing the perception of cultural dilution in the community. Tensions peak in everyday settings. In the small town of Treviso, where nearly a third of the 30,000 residents are now foreign-born, the far-right mayor banned cricket, a sport popular with Bangladeshi immigrants, according to a BBC report.

A notable rise in far-right populism is taking place in other parts of Western Europe, where younger voters, often facing uncertain economic futures, are drawn to anti-establishment narratives. Exposed to narratives of past national preeminence, these young voters experience nostalgia for a glorified era they never lived, romanticizing past epochs associated with strong national identity and economic prosperity. Meanwhile, older voters view the past as a period of greater stability and cultural homogeneity, with memories shaped by post-war economic booms and the establishment of welfare systems. For them, contemporary changes like globalization and technological advancement feel disruptive, sparking a desire to return to the norms of their youth. This dual-age appeal is likely shaped by each group's distinct motivations: youth driven by economic insecurity and a desire for structural change, and older individuals seeking to preserve traditional cultural identities.

A New Era of Populism

The populist agenda in Italy has evolved significantly since the 1990s. Berlusconi promoted economic liberalism and tax cuts, positioning himself as a champion of the ordinary citizen against political elites. Giuseppe Conte, a left-wing political leader aligned with the populist Five Star Movement (M5S), advocated direct democracy and anti-corruption. Salvini then shifted the focus to hardline immigration policies, strong nationalism, and Euroscepticism, emphasizing Italian

sovereignty and border control. In her recent campaign, Meloni has framed the Fratelli d'Italia party as defenders of Christian heritage and Italian identity, emphasizing traditional values in response to global and cultural changes. The results of the 2024 European elections reflect growing populist support: Fratelli d'Italia, Lega Salvini Premier, and M5S together secured 48% of Italian seats. Meloni's Brothers of Italy won 28.8% of the votes, a substantial increase from 2019, while Salvini's Lega received 9.8%, and Berlusconi's Forza Italia took fourth place with 9.1%, showcasing the resilience and adaptation of Italy's populist discourse.

Michael Leigh, who is academic director of both the Master of Arts in European Public Policy and Masters of Arts in Global Risk programs at Johns Hopkins's School of Advanced International Studies in Bologna, acknowledged that while elements of populism can be found in Meloni's rhetoric, they are less pronounced compared to the overt populism of Berlusconi, Salvini, and the Five Star Movement. This nuanced approach has allowed Meloni to appeal to a broad section of voters, positioning her as a defender of Italy's cultural heritage rather than solely a populist firebrand. Similarly, in contrast with other populist counterparts, Meloni has taken a more cautious approach in her rhetoric about Italy's future in the European Union.

Meloni's shift from anti-EU rhetoric to acting as a bridge between EU institutions and Eurosceptic leaders, like Hungary's Viktor Orban, illustrates her moderated approach. While the Brothers of Italy party emphasizes sovereignty and cultural preservation, Meloni now engages with EU bureaucracy to advocate for policies more aligned with nationalist priorities. This positioning strengthens her influence, not only within Italy but also across Europe, as she mediates between staunch Eurosceptics and the EU leadership.

> "The evolving agenda of Italian populist movements has significant business implications."

The evolving agenda of Italian populist movements has significant business implications. Salvini, for instance, alienated a portion of his pro-business supporters by strongly championing populist, anti-immigrant policies. His Eurosceptic stance also led to losses in the historically crucial northeast region, which depends heavily on EU agricultural subsidies. In contrast, to reassure the business community in Italy and abroad, Meloni appointed Giancarlo Giorgetti as a pro-business finance minister who is focused on reducing Italy's debt, ultimately lowering the cost of capital for Italian businesses. This move reflects Meloni's new approach that seeks a balance between populism and economic pragmatism.

As cultural factors continue to drive Italy's political landscape, the nation's ability to balance its rich cultural heritage that underpins its tourism industry and to harness the benefits of globalization will be key to its future stability and prosperity.

This article was written by Amelia von Appen, Lucas Araujo de Carvalho, and Ilya Kozheslkiy, members of the Lauder Class of 2026.

Reslicing the Pie: Impacts of Land Reform on Long-term Productivity and Democracy in Romania and South Africa

The cases of South Africa and Romania provide insight into the wider dynamics that are set in motion by different approaches to land reform after major political shifts, namely the end of apartheid in South Africa and the fall of the Soviet Union in Romania.

Who owns the land and how well it is used? This is a central power struggle in modern societies, reverberating far beyond the agricultural sector. Land reform — the reallocation of (agricultural) land ownership — has long been a critical instrument for addressing historical injustices and promoting socioeconomic development. It remains a pertinent topic today, either through its legacy or in current policies. For instance, Brazil's nascent agricultural reforms look to rectify a historical concentration of ownership via reallocation to landless farmers. The key question is whether such policies can foster sustained and inclusive economic growth.

> "The ANC's cautious, market-led approach to land redistribution was often criticized as being slow, limited, and inefficient."

The cases of post-apartheid South Africa and post-communist Romania offer compelling insights into how different approaches to land reform can affect democratic resilience and land productivity. South Africa's conservative policy largely eschewed land redistribution, focusing instead on less controversial policies of restitution and formalization of ownership. In contrast, Romania pursued radical land redistribution, emphasizing the creation of a wide class of smallholders. This paper argues that an emphasis on land redistribution as a central tenet, as seen in Romania, leads to greater democratic resilience and higher long-term land productivity, albeit at the expense of short-term productivity losses.

South Africa

Although the apartheid regime ended in 1994 with the election of Nelson Mandela's African National Congress party, the ANC now had a deeply divided and unequal society on its hands, particularly in the realm of land ownership. During the apartheid era, while only making up about 15% of the population, White South Africans owned 87% of the land, while Black South Africans, although 70% to 80% of the population, only owned 13% of the land. But there were considerations weighing against radical land reform, including recent negative experiences with neighboring Zimbabwe's land reform measures, the need to secure a peaceful transition to majority rule, and pro-market policies in the aftermath of the fall of the Soviet Union.

In her 2004 paper, Ruth Hall, professor of poverty, land and agrarian studies at the University of Western Cape, notes that the first ANC government passed a range of measures, which boiled down to two separate policy tracks for land reform in South Africa while almost completely eschewing forced non-compensated sales of land. The first track, the land restitution scheme, takes land from current owners and returns it to past owners who were dispossessed due to colonialism and forced displacement, at prices that the government sets. The second track, the "willing buyer, willing seller" redistribution model, facilitates and funds the sale of land from willing White landowners to willing Black South African buyers through government subsidies.

The ANC's cautious, market-led approach to land redistribution was often criticized as being slow, limited, and inefficient. In their 2013 paper, professor Michael Aliber of the University of Fort Hare and emeritus professor Ben Cousins of University of

Western Cape wrote that the tense and unequal nature of land ownership paired with the bargaining between apartheid-era elites and the ANC resulted in less than 10% of agricultural land transferred back to Black South Africans, far below the initial target set in 1994 of 30% by 2014. Compromises seen as essential for a peaceful transition resulted in minimal redistribution.

Edward Lahiff, an international development scholar who served as a lecturer at University of the Western Cape, argued in his 2007 paper that the limited success of the 1994 land redistribution plan has reverberated to this day, fueling social tensions and dissatisfaction with the government's ability to address historical injustices. In 2024 elections, the ANC lost its parliamentary majority for the first time and was forced into forming a coalition government. Part of this shift in attitudes towards the ANC and its political legitimacy can be traced back to its failure to significantly alter land ownership patterns, which have undermined trust in the democratic process and may threaten long-term stability.

Mazwi Mkhulisi, program manager at Vumelana Advisory Fund, a nonprofit that supports land reform beneficiaries, said restituted land was often transferred to communities that faced difficulties in putting it to productive use due to lack of know-how, infrastructure, and financial and institutional support. Vumelana aims to address some of these gaps through commercial partnerships with investors to raise capital and provide financial advice, but the effort can face significant pushback from local communities who have differing aims for the land. This underutilization of newly transferred land has greatly impacted overall productivity, with up to 70% of redistributed land lying fallow as of 2018. Without major changes or proper institutional and financial support, the current system seems doomed to perpetuate two parallel realities — one for large-scale, productive commercial farmers, and another for restituted, unproductive plots for Black landowners.

Romania

Following the fall of communism in 1989, and Nicolae Ceaușescu's regime in Romania, Eastern European countries faced deep challenges in transitioning their economies to a free market model. This included the question of how to bring agricultural land into the capitalist system.

Romania's approach to the land question was relatively unique within that context. Unlike other Eastern European countries, land reform measures immediately following the fall of communism were both radical in their scope and number of beneficiaries. Katherine Verdery, anthropology professor at the City University of New York, noted in her 2003 paper that under its 1991 Land Law, Romania dissolved collective farms and allocated land to around 4.7 million individuals, including former cooperative members and agricultural laborers. This group of direct beneficiaries amounted to 20% of Romania's 1991 population of roughly 23 million, with indirect beneficiaries likely being far more numerous.

> "Creating a powerful class of smallholders paved the way for long-term stability and relatively inclusive growth."

Johan Swinnen, director general of the International Food Policy Research Institute, argues in his 1999 work that this is in marked contrast to post-communist countries in central Europe, such as the Czech Republic, where land restitution prioritized returning property to its pre-communist owners or their heirs. This often resulted in the reestablishment of large estates, which led to higher concentration of land ownership with large long-term effects on social equity and rural development.

In his 2005 paper, political scientist Thomas Gallagher said the major reason for this style of land reform was that in post-1989 Romania, elites from the Ceaușescu era remained in power after the revolution. This is unlike most Eastern European countries (excluding Belarus and Russia), where a more sudden and total break with communist elites typically occurred. Given the relative inhospitality of the prevailing zeitgeist and geopolitical dynamics to communism, Romania's land reform measures were designed to create a social safety net to alleviate unemployment and empower

rural communities. David Kideckel, emeritus professor of cultural anthropology at Central Connecticut State University, argued in his 1993 paper that the Romanian elites were much more focused than elsewhere on the need to mitigate social unrest and maintain stability by addressing the needs of the rural population.

Creating a powerful class of smallholders paved the way for long-term stability and relatively inclusive growth. It provided a rural employment buffer during the transitional period, enabling the Romanian government to take radical steps in its market reforms without undermining the country's stability. This relatively egalitarian ownership structure helped Romania in its transition to a market democracy, when post-communist elites were finally ousted from power in the late '90s.

> "If the pie is not adequately resliced, the economy will not reap the just desserts of land reform."

However, Romania's approach led to fragmentation of agricultural land, which led to inefficiencies and reduced productivity. After the initial equitable redistribution, the Romanian government later introduced policies encouraging land consolidation and cooperative farming to mitigate these issues. Investments into agricultural technology and infrastructure development further contributed to improvements in productivity. Given that this was a gradual process that occurred in the late '90s and early 2000s, and the fact that land ownership was widely distributed, the economic fruits of these reforms were widely shared, unlike in other countries with more concentrated land-holding patterns.

Comparative Analysis

The cases of South Africa's post-1994 and Romania's post-1989 land reform policies highlight a range of interesting points regarding the impact of such policies on democratic and institutional resilience, as well as agricultural productivity. In general, Romania's gradualist yet radical equitable non-rights-based approach has had more positive long-run effects than South Africa's conservative yet rights-based approach.

Both countries are similar in that the effects for their land reform measures were short-term productivity losses. In South Africa's case, reform beneficiaries often lacked farming experience and received little state support, leading to underutilized land. In the case of Romania, the creation of numerous small, inefficient farms led to a short-term drop in agricultural productivity, which was balanced by the fact that new small farms provided an employment buffer. In both countries, the immediate impetus for land reform was sociopolitical as opposed to economic, which explains this result.

Nevertheless, the Romanian government gained substantial political legitimacy from its land reform measures and provided a form of indirect economic support to those interests harmed by the transition to capitalism, which opened the door to long-term land consolidation and cooperative models, which facilitated long-term productivity gains. In South Africa, such dynamics did not occur, not least because projects for long-term productivity improvements failed to be implemented.

Arguably more importantly, Romania's redistribution measures strengthened the legitimacy of its institutions, which had salutary effects far beyond the immediate agricultural sector and after the redistribution policy had been completed. In contrast, South Africa's limited redistribution has meant that the land question has remained a political hot potato, and has led to ongoing social tensions and challenges to democratic legitimacy.

Policy Implications

These experiences illustrate the potential of land reform to address historical injustices, empower marginalized populations, and foster inclusive economic growth in the agricultural sector. However, the vastly different outcomes for democratic resilience and productivity in each case reflect the importance of policy decisions in generating lasting changes. These provide valuable learnings that can be applied to ongoing discussions. For instance, in South Africa, populist rhetoric advanced by the Economic Freedom Fighters (EFF) party means land redistribution remains divisive. In Brazil, agricultural reform is underway under Lula Ignacio da Silva and the Worker's Party (PT).

For both cases, the first policy implication is clear: Consensus-based, market-led reforms that prioritize preservation of existing commercial interests seem to be insufficient to generate the desired effect. Expropriation of large-scale land by state actors to a more fragmented user base seems to be a prerequisite for meaningful change.

Secondly, post-settlement support is crucial in realizing long-term productivity gains, and guiding the new fragmented landscape to higher productivity and stability. These include:

- Provide access to adequate investment/resources — Ensure that land reform beneficiaries have access to credit, training, and technology.
- Promote land consolidation — Encourage the voluntary consolidation of fragmented land to improve efficiency, as seen in Romania.
- Invest in infrastructure — Develop rural infrastructure to support agricultural activities and market access.

Conclusion

The comparative analysis of land reform in South Africa and Romania underscores the significance of redistribution as a central tenet in enhancing democratic resilience and long-term land productivity. Reform that does not significantly alter current land ownership structures undermines the raison d'etre of the changes, despite being more politically palatable in the short term.

While Romania faced short-term productivity losses, its radical redistribution approach fostered social stability and eventual improvements in agricultural efficiency. South Africa's conservative emphasis on restitution has maintained historical inequalities, posing challenges to both democratic consolidation and agricultural development. There is an apparent trade-off between more drastic redistributive approaches and short-term productivity, as it shifts land ownership away from more efficient actors in the name of equity. However, in the longer term, agricultural markets consolidate and adapt to improve land-use and productivity, particularly if supplemented by adequate investments (e.g. infrastructure). Thus, effective land reform requires a balance between redressing past injustices and ensuring that beneficiaries are equipped to contribute to long-term productivity. In other words, if the pie is not adequately resliced, the economy will not reap the just desserts of land reform.

The article was written by Daniel Ferreira, Winny Myat, and Rayan Sabbah, members of the Lauder Class of 2026.

The Glass Cage: Media Independence in India

A healthy media is crucial to the functioning of any democracy, especially in the world's largest. This article explores the historical, political, and economic pressures faced by media organizations in India.

In July 2024, a curious installation cropped up outside Parliament House in New Delhi — a large glass box to house members of the press as they worked to collect information at the legislature of the world's largest democracy. Many journalists have referred to this as a "glass cage." It serves as a sobering metaphor for the current media environment, wherein India's fourth pillar of democracy projects a façade of freedom but is constrained by political and economic pressures that significantly limit journalistic independence. Our interviews with journalists and scholars across both traditional and nonprofit, or independent, news media in India show that the glass cage is symbolic of the broad, insidious restrictions that have developed over the last 80 years to curtail media freedom in India.

Indian Media Landscape

The Indian media marketplace is a sprawling one, with over 146,000 newspaper outlets and about 400 television channels, serving the needs of a country with hundreds of languages, innumerable dialects, myriad religions, and a plethora of cultures.

Modern Indian media can trace its founding to Bengal, where The Bengal Gazette was established by James Augustus Hicky in 1780, before the nation's independence from Britian. In 1782, the British Raj seized control of the Gazette for its criticism of the ruling government. The Raj continued to regulate the press through various acts, and did so with greater urgency following the Indian Revolt of 1857, a watershed event that led to the establishment of a more direct form of British rule in India. The fight for independence, which banded together vastly different peoples from across the Indian subcontinent, birthed modern day India in 1947. The newly formed Indian government passed the First Amendment to the Constitution, which limited freedom of speech by stating that the "abuse of freedom of speech and expression" is impermissible.

State-controlled media was a significant source of information at the time, giving the government a great deal of control over dissemination. The press thus became a partner in trying to band together an Indian union from a collection of diverse states and cultures,

and was expected to operate within the boundaries of the Indian First Amendment. Fast-forward nearly half a century, following the liberalization of the Indian economy in 1991, multinational media houses including CNN formed joint ventures in-country, propelling audiences toward television news, but still within the parameters of government influence, according to the Editors Guild of India.

India's media landscape took its current form over many decades, shaped by television broadcasting, radio, and national newspapers like The Hindu, Times of India, and The Economic Times. The early 2010s ushered in a generation of digitally native consumers, and the barriers to enter the media market began to drop. With the democratization of the internet and the ubiquity of recording equipment in the form of cellphone cameras, a new crop of independent media companies was born. These companies, like The Wire and Scroll.in provided independent, unconventional journalism that pushed the previous boundaries of traditional Indian media. Their business model relies on reader donations, philanthropic grants, and crowdfunding campaigns, rather than traditional advertising or corporate sponsorships. Many of these companies were founded by journalists who had previously worked in establishment journalism. The Wire was founded by the ex-editor of The Hindu, and Firstpost was launched by Network18, the company that publishes CNN and Fortune in India. These companies were staffed by a "motley crew," with veteran journalists, Indian expatriates, and Western-trained journalists, according to Columbia Journalism Review.

Independent publications have typically been successful when they are focused on a given region or group. For example, CGNet Swara, a radio channel, has seen success by focusing on delivering news to tribal populations in India, with stories often contributed by citizen-reporters calling a hotline. NewsMinute is an online publication focused on serving South India populations. The Wire started a Hindi news site meant to serve, among others, the "Hindi Belt," and deputy editor Meenakshi Tewari told us that the site has had a great deal of success in uniquely serving this population. In a similar sense, ScoopWhoop and channels like it were founded to serve the young urban population with news presented in a style reminiscent of Buzzfeed.

However, no matter how niche the population they serve, media organizations across India have faced growing economic and political pressures while attempting to carry out their duties in favor of democracy. In October 2022, the Delhi police raided The Wire's office as well as the homes of its editors in relation to a police investigation based on a complaint from an official with the ruling Bharatiya Janata Party (BJP). In March 2023, the offices of Asianet, a popular Malayalam news organization in Kerala, were raided by Kerala police two days after its staffers were intimidated by members of the local ruling Communist Party of India (Marxist)'s student wing SFI. Journalist Gauri Lankesh, an outspoken critic of right-wing Hindutva, was shot dead outside her home in west Bengaluru in September 2017. As attacks against journalists and their organizations increase, it begs the question: Can Indian media continue to function as a watchdog of democracy amid the significant political and economic pressures they face today? These pressures, while longstanding, have evolved over time, becoming more complex and multifaceted, particularly in the digital age. We interviewed multiple journalists and scholars on Indian media to learn how state influence, corporate control, and evolving business models have created a landscape where media outlets must navigate constant threats to their editorial autonomy.

> "No matter how niche the population they serve, media organizations across India have faced growing economic and political pressures."

Political Pressures on Media Independence

One of the most pressing issues in India is the state's role in controlling the media. The government applies pressure through laws that ostensibly address matters of public safety, yet have been used to stifle media coverage. Two such laws include the Unlawful Activities Prevention Act (UAPA) and the Public Safety Act (PSA), passed in 1967 and 1978, respectively. The use of these laws to clamp down on coverage is most clearly seen in Jammu & Kashmir, where journalists face numerous

hurdles in covering the politics of the region, including the risk of legal action and restriction of movement. PSA and UAPA laws are vague and allow for the detention of journalists without trial, creating an atmosphere of fear and encouraging self-censorship. Tewari said fear tactics are used relentlessly, not only on journalists but also on their family members, to suppress stories critical of the ruling government, particularly in politically sensitive regions such as Jammu & Kashmir. As a result, Tewari said, recent state legislature elections in the state received scant coverage as independent journalists feared for both their own livelihoods and the safety of their loved ones.

> "The government's influence on advertising revenue also plays a critical role in shaping media coverage."

Political pressure is not limited to legal action, restrictions on movement, or bureaucratic challenges. The government's influence on advertising revenue also plays a critical role in shaping media coverage. A senior newspaper journalist, who wished to remain anonymous, said many print and broadcast media outlets rely heavily on government advertisements for financial survival. By threatening to withdraw advertisements, the government pressures these outlets into softening their stance or avoiding critical stories altogether. This creates a precarious balancing act for news organizations, which must weigh the financial consequences of reporting on government policies against their journalistic integrity.

In addition to official levers, political parties often use social media and other digital platforms to exert pressure on journalists. Doxxing — publicly revealing private or personal information about an individual without their consent and with malicious intent — and online harassment of journalists, particularly those critical of the ruling government, have become more common. This tactic is used to intimidate individual reporters and sway media coverage, adding another layer of complexity to the already challenging environment.

Despite its caseload, the Supreme Court functions as one of the final defenders of media independence within the government. Recently, in Vinod Dua vs. Union of India, Dua, a trailblazing journalist who revolutionized Hindi news media, was charged with sedition because of a video he posted on YouTube. In its opinion, the court declined the charge made by the government, stating that the freedom of the press was "the heart of social and political discourse."

Economic Pressure on Media Independence

Economic pressures are equally formidable and universal, especially given the evolving business models of media organizations. The high cost of production for traditional print and broadcast media is difficult to offset through advertising revenues that largely stem from the government. This financial dependence on the state, as mentioned above, creates a significant vulnerability, as publications risk losing vital revenue streams if they publish critical content. In the digital space, the promise of lower barriers to entry has not necessarily translated into financial freedom. While digital platforms have allowed for a proliferation of independent media outlets, the challenge of monetization remains. Rohan Venkat, former journalist at Scroll.in and a visiting fellow at the University of Pennsylvania's Center for Advanced Study of India, pointed out many media organizations have turned to event-based revenue models, relying on politicians or corporate sponsors to attend and fund events. But this creates another familiar vulnerability — critical coverage of these same figures or organizations may result in event cancellations, further threatening precarious revenue streams.

Another significant challenge facing India media is the audience's reluctance to pay for news. Subscription-based models, as seen in Western media such as The New York Times or The Washington Post, are difficult to implement in India, where consumers have grown accustomed to free news. While some independent outlets, like The Wire, rely on reader donations to maintain financial independence, these contributions are often small, and the outlets remain financial unstable. As The Wire's Tewari mentioned, these donations, often 50 to 100 rupees, and are more of a symbolic way for

citizens to support independent journalists rather than a sustainable revenue model. Even independent funding sources can be publicly scrutinized for political gain. For example, Tata Trust faced backlash after donating to The Wire, illustrating how even well-meaning philanthropic funding can become a target for political trolling.

Lastly, the rise of social media metrics has created a new form of financial pressure. Media organizations in India and worldwide now face the dilemma of prioritizing stories that drive engagement and views over those that may be more significant but less attention-grabbing. This balancing act between chasing numbers and maintaining editorial integrity is a constant struggle, particularly in a media environment that increasingly relies on external, algorithm-driven platforms for distribution.

Conclusion

In the aftermath of The Partition that carved up the subcontinent along religious lines, India's endeavor to unite disparate peoples, cultures, religions, languages, beliefs, and geographies within a single border is perhaps the most ambitious nation-building project in modern history. Efforts to build a united, secular post-colonial society perhaps required guardrails so that its largely impoverished population at that time could not be exploited, once again, through divide-and-rule tactics. While India's initial checks on free speech may have protected a young, vulnerable nation from disintegration, one would have expected the arc of freedom in expression to mirror India's progress in the world economy, education, health care and more, as can be seen by the economy's liberalization in the 1990s and the changes that came with it. However, post-independence India has not only continued its fraught relationship with freedom of speech, but added further layers of censorship to strengthen the friction between democracy and a curtailed media.

> "The foundation for the glass cage was laid in 1947, and its slow and steady construction has spanned decades."

The recently proposed Broadcasting Services (Regulation) Bill, which sought to extend the government's control on online content, is only further evidence that rather than peeling back layers of censorship, the Indian government wants to add them. The foundation for the glass cage was laid in 1947, and its slow and steady construction has spanned decades. What began as an effort to unite a nation is perhaps now the very cause of its division, and therefore begs the question: How can India undo a culture of state censorship to nurture freedom of expression and save her democracy? What would it take to shatter the proverbial glass cage?

This article was written by Abhi Chadha, Maitreyi Menon, Shyla Singh, and Atreyo Sinha, members of the Lauder Class of 2026.

Afrobeats to the World: A Tool for Economic Progress in Africa

Afrobeats continues to break barriers and dominate playlists, showcasing the richness of African music and cultural exchange in an increasingly interconnected world. This article explores the power of Afrobeats in driving economic growth.

Afrobeats has rapidly evolved into a global phenomenon, captivating audiences far beyond the borders of its Nigerian origins. As global demand for Afrobeats surges, its contributions to Africa's economy are becoming increasingly apparent, from boosting tourism and job creation to catalyzing foreign investment in the creative sector. This paper explores the economic impact of Afrobeats on African economies, with a specific focus on Nigeria, examining how the genre mirrors the success of K-pop in South Korea and its potential to fuel sustained economic growth across the continent.

The Globalization of Afrobeats

With its infectious rhythms and dynamic danceable melodies, Afrobeats has emerged as a vibrant and influential music genre. Originating in the early 2000s, Afrobeats is a vibey and catchy offshoot of the earlier Afrobeat movement pioneered by Fela Kuti in the 1970s, which incorporated traditional African rhythms with jazz, funk, juju music, and highlife. Before the Wizkids, Burna Boys, and Davidos of the world rose to fame, influential superstars such as Kuti laid the foundation for the genre, as well as artists like D'banj, 2Baba, R2Bees, and P-Square, who helped popularize contemporary Afrobeats on both African and international stages. Modern Afrobeats draws from a mosaic of African diaspora musical traditions, including highlife, dancehall, and hip-hop.

For many years, African identity was often seen as unattractive or even taboo in mainstream society. However, Afrobeats gained significant global traction with hits like Drake's "One Dance," featuring WizKid, which popularized the genre on major international platforms and solidified its presence in mainstream music. This collaboration not only elevated Wizkid's career but also introduced millions to the infectious sounds of Afrobeats. The African diaspora has played a crucial role in spreading the music abroad, acting as cultural ambassadors who share the genre through social media, festivals, and live performances. Burna Boy made history as one of the first Afrobeats artists to perform on the main stage at Coachella, solidifying his status as a leading figure in the international music scene. As noted by Rolling Stone, the genre's rise is fueled by a new generation of artists, including Rema, Fireboy, and King Promise, and the influence of streaming platforms Apple, Spotify, YouTube, and others that have made it easier for African music to reach global listeners.

Afrobeats has earned recognition at prestigious award shows like the Grammys and the MTV Video Music Awards (VMAs). In June 2023, the Grammy Awards introduced a new category called Best African Music Performance, which debuted at the 2024 Grammys. Similarly, the MTV VMAs added the Best Afrobeats category in 2022. Rema's collaboration with Selena Gomez on the hit song "Calm Down," which has garnered over 1.4 billion streams globally, further illustrates Afrobeats' growing influence.

We spoke to Addy Awofisayo, head of Music Sub-Saharan Africa at YouTube, on the impact of technology on the globalization of Afrobeats. She said, "Technology has allowed African music to travel without a visa … Because of globalization, you have African artists being able to do shows in countries where people actually pay." She also noted that "70% of the views for the top 100 African artists come from outside of Africa." This demonstrates the extensive global reach of these African artists and the significant influence they exert on the music industry.

Comparison with K-pop's influence in South Korea

K-pop exploded onto the global stage in the late 2000s and early 2010s, ignited by the viral success of PSY's

"Gangnam Style" in 2012, which became the first YouTube video to reach 1 billion views. This breakthrough marked the beginning of K-pop's dominance in the global music scene, and groups such as BTS and BLACKPINK followed with international success.

K-pop has since evolved into a major economic force for South Korea, far surpassing its initial role as a cultural export. The industry's impact on the nation's economy is wide ranging, contributing to GDP, job creation, and global brand recognition through various revenue channels. According to the International Federation of the Phonographic Industry, South Korea's music industry rose from being the 19th largest globally in 2002 to the seventh largest by 2022, surpassing Canada and Australia. The overall K-pop market, including music sales, streaming, and merchandise, has seen exponential growth, with music exports alone tripling from $64.4 million in 2018 to over $2.33 billion by 2022. BLACKPINK's 14 world tours generated over ₩40 billion ($31.8 million), accounting for about 20% of parent company YG Entertainment's revenue in the first quarter of 2023. According to a report by the Hyundai Research Institute published by KOFICE, in 2019 BTS alone contributed an estimated ₩5.56 trillion ($4.9 billion) to the South Korean economy. Their single "Dynamite," released in 2020, was particularly impactful, generating approximately $1.43 billion in economic activity and creating around 8,000 new jobs. Beyond music, BTS-related attractions have boosted Seoul's tourism recovery and consumer goods, with the band's endorsements contributing billions in sales.

K-pop's influence is not confined to South Korea; it has also made a significant economic impact in other countries, including India. The popularity of Korean music, dramas, and fashion has led to increased demand for Korean products, from cosmetics to cuisine, boosting bilateral trade. This cultural wave has also sparked a growing interest in Korean language and entertainment events, as seen in the 2023 All India K-pop Contest, which attracted a record-breaking 11,071 participating teams from across the country. As K-pop continues to captivate Indian audiences, it strengthens economic and cultural ties between India and South Korea, highlighting the global reach and economic power of Korean pop culture.

Recognizing the potential of cultural exports, the government has implemented various policies and initiatives to foster the growth of the K-pop industry. This includes tax incentives, funding for cultural events, and investment in infrastructure that supports the entertainment sector. The Korea Creative Content Agency (KOCCA), a government body, plays a pivotal role in promoting K-pop internationally by organizing global events, providing financial support to small and medium-sized entertainment companies, and facilitating partnerships between Korean and international firms. However, the government's involvement has also presented challenges. One of the main issues is the tension between the need for regulation and the industry's rapid growth. For instance, the government's mandatory military service requirement for all able-bodied male citizens, including K-pop idols, has sparked debate and concern within the industry. Additionally, the strong government support may lead to over-commercialization and the potential exploitation of young artists, who often face grueling training schedules and high pressure to succeed. Balancing the benefits of government support with these challenges remains a critical issue for the future sustainability of the K-pop industry.

"Afrobeats, much like K-pop in South Korea, is emerging as a powerful tool for economic progress in Nigeria…"

The Impact of Afrobeats

Afrobeats, much like K-pop in South Korea, is emerging as a powerful tool for economic progress in Nigeria, driving growth in the music and entertainment industry, boosting tourism, creating jobs, and enhancing the country's global cultural influence. As we analyzed Nigeria's economy amid hyperinflation and other challenges, the impact of Afrobeats stood out as a significant contributor to economic resilience, providing not only cultural pride but also measurable financial gains.

In 2021, Nigeria's music industry, spearheaded by Afrobeats, generated $2.1 billion in revenue, with forecasts indicating a growth to $12.9 billion by

2027 at a compound annual growth rate (CAGR) of 16.5%, according to PwC. The sector is being fueled by live performances, festivals, music streaming, and digital sales, contributing to significant job creation across production, event management, and content distribution. Streaming channels have amplified this growth by offering a global platform for Nigerian artists, while digital innovations like mobile payments and monetized streaming services continue to expand the revenue base.

During a visit to Chocolate City, one of Nigeria's leading record companies, CEO Abuchi Ugwu told us that the growth is undeniable. "In just a few years, Afrobeats has gone from a local sound to a global force, and the numbers reflect that success," he said. "We've seen Nigerian artists collaborate with international acts, leading to new revenue streams through global partnerships and expanding their reach in ways we could not have imagined a decade ago."

"The future of Afrobeats as an economic driver in Nigeria lies in its ability to diversify revenue streams and attract international investment."

This globalization is reflected in data as well. Wizkid, for example, has become one of the most streamed Afrobeats artists globally, with over 6 billion streams across platforms. Nigerian superstar Rema became the first Afrobeats artist to surpass 1 billion streams on Spotify with his hit "Calm Down," a collaboration with Selena Gomez. According to a report by the streaming platform Audiomack, Nigerian music accounted for 60% of the most played tracks on its channel in Africa in 2022, illustrating the outsized influence Nigeria has in driving the Afrobeats genre and how that directly translates into economic returns.

Streaming platforms have been a key player in catapulting Afrobeats to a global audience. Nigerian pop culture analyst and consultant Ayomide Tayo told Rest of World that "Spotify has boots on the ground and doesn't have a standoffish approach." After investing in Nigeria, the platform saw a 550% increase in Afrobeats streams — to 13.5 billion — from 2017 to 2022. This translated into Nigerian artists grossing $27 million from Spotify alone. Most of the streams were surprisingly not from Nigeria; they were from the U.K. and the U.S., which are the largest markets for Afrobeats.

At YouTube, Awofisayo shed more light on monetization at her company. "You have to be a part of the YouTube Partner Program, and then you can monetize through ads, which is the biggest way," she said. "You can also monetize through all the other alternatives. So whether it's merch, memberships and more, the only caveat is that YPP is not yet available in all African countries." The fact that 70% of streams for the top artists originate from outside the continent is advantageous for African artists as the revenue per mille (RPM) — revenue generated per 1,000 views — is significantly higher in countries such as the United States.

Afrobeats is also boosting other sectors of the economy, such as tourism. Events such as Afro Nation, held annually in Lagos, attract tens of thousands of attendees from across the world, generating substantial revenue for local businesses. According to the Nigerian Bureau of Statistics, tourism linked to music events contributed nearly $300 million to the Lagos state economy in 2022, demonstrating the power of cultural exchange through music.

The Afrobeats industry has created thousands of jobs. The Nigerian entertainment sector employed over 3.6 million people in 2022, many of whom work directly or indirectly with Afrobeats artists, record labels, music venues, streaming services, and digital platforms, according to Ugwu. "We're talking about sound engineers, event planners, publicists, digital marketers, and even tech developers — all these roles exist because Afrobeats is booming," he explained.

The future of Afrobeats as an economic driver in Nigeria lies in its ability to diversify revenue streams and attract international investment. Major industry players such as Warner Music Group and Universal Music Group have made significant investments in Nigerian labels, with

Warner Music acquiring a majority stake in Africori in 2021. These investments are not only bringing capital into Nigeria but also creating infrastructure that will help the Afrobeats industry scale. “These partnerships are critical,” Ugwu said. “They bring in global expertise and resources, but they also cement Nigeria’s position as the cultural powerhouse of Africa.”

However, challenges persist. Despite the success of Afrobeats, piracy remains a major issue, costing the industry millions of dollars annually. It’s estimated that 60% of music consumed in Nigeria is pirated, which severely limits revenue growth. Additionally, the lack of robust digital infrastructure in parts of the country hampers the full monetization of digital content, particularly in rural areas. To overcome these barriers, stronger government policies are needed, such as expanding reliable internet access and enhancing copyright enforcement.

Ugwu said government intervention has already shown success through policies that mandated quotas so that 85% of music played on Nigerian radio stations be local content, ensuring that Afrobeats dominates the airwaves and emerging artists gain exposure. This is a powerful tool for economic diversification as it encourages investment in local talent and reduces reliance on imported entertainment.

The rise of Afrobeats exemplifies how cultural products can be leveraged for economic growth. By strategically supporting the industry with policy frameworks that reduce piracy, enhancing digital infrastructure, and incentivizing foreign investment, Nigeria can position Afrobeats as a sustainable economic engine. If the growth projections hold, Afrobeats could continue to contribute billions to the Nigerian economy, much like K-pop’s success in South Korea, where the genre generates over $5 billion annually.

“The rise of Afrobeats exemplifies how cultural products can be leveraged for economic growth.”

Conclusion

The economic trajectory of Afrobeats, as demonstrated by its burgeoning revenue streams and significant job creation, suggests that it could emerge as a cornerstone of Nigeria’s economic future. However, to fully harness this potential, concerted efforts are required to mitigate the challenges of piracy and infrastructure gaps. By implementing robust policies and attracting international investment, Nigeria can transform Afrobeats into a sustainable economic powerhouse, emulating the success of K-pop in South Korea.

Afrobeats has transcended its musical origins to become a powerful economic and cultural force, driving growth in Nigeria and showcasing the immense potential of African creativity on the global stage. With strategic support and collaboration, Afrobeats can fuel sustainable development and inspire a new generation of artists, entrepreneurs, and innovators, solidifying Africa’s position as a leader in global cultural and economic development. As Ugwu aptly put it, “Afrobeats is not just music. It’s a testament to the resilience, creativity, and entrepreneurial spirit of the African people.” This narrative of cultural and economic empowerment is only just beginning, and Afrobeats is poised to lead the way.

This article was written by Amanda Agyapong, James Cobbinah, Rowa Eltohami, and Lyncy Nyandoche, members of the Lauder Class of 2026.

'Titi me Preguntó': How Bad Bunny Is Redefining Reggaeton with Social and Political Dialogue

Bad Bunny is harnessing the globalization of reggaeton to advocate for social and political change. In doing so, he distinguishes himself from previous Latin artists and sets the stage for a new wave of Latin musicians to represent the causes and communities they care about.

At the forefront of a cultural revolution, Bad Bunny has solidified his place as a global ambassador for Latin music. His performances, often staged in front of flags from across Latin America, showcase not only his Puerto Rican roots but also his desire to represent the diverse and rich cultures of the entire region. From award shows like the Grammys to sold-out arenas worldwide, Bad Bunny has used his platform to bring reggaeton and traditional Latin music genres into mainstream global consciousness. More than just a musician, Bad Bunny has used his art to weave in political and social commentary, from advocating for Puerto Rican autonomy to challenging gender norms. In this paper, we analyze how the meteoric rise of Bad Bunny exemplifies entertainment trends that have fueled the globalization of reggaeton, underscores the key cultural and political shifts resulting from the genre's popularity, and showcases the immense potential of this genre to drive social change.

Como llego a ser 'Caro': Ascending to Superstardom

In the 1990s, Salsa, Latin pop, and Tejano gained popularity in the United States through artists like Buena Vista Social Club, Ruben Blades, and Selena. While not mainstream, the genres set the stage for Latin music to influence American popular culture. Despite increasing popularity, it took more than a decade and several high-profile performances for Latin music to break into the American mainstream. In 1999, Ricky Martin impacted the television audience with his Grammy performance of "La Copa de Vida." According to ABC, the performance is cited as a turning point that showcased Latin music's global potential and catalyzed the "Latin explosion" characterized by artists such as Martin, Shakira, and Marc Anthony, who broke barriers between Latin music and the American mainstream.

Continuing into the early 2000s, this period was marked by high-profile performances and English-language albums that broadened Latin artists' audiences. Sofia Ayala, Latin tour marketing coordinator at Live Nation, noted that reggaeton originated in Puerto Rico and gained popularity in Latin America, yet it remained "a silent giant." She explained, "It was huge in Latin America and other parts of the world, but the English market hadn't caught up to it yet."

Lacking the shine and polish that televised performances required, reggaeton needed a catalyst to expand its reach. Then "Despacito" happened. In 2017, Puerto Rican singer Luis Fonsi released the song as a collaboration with fellow Puerto Rican reggaeton artist Daddy Yankee. "Despacito" quickly became a global smash, resonating particularly well in Latin America with its catchy melody and reggaeton beat. The song's success lured Canadian singer and global pop star Justin Bieber into making a remix with Fonsi and Yankee. The remix helped to elevate the chart performance of the song, which reached No. 1 in numerous countries. ABC reported the official video featuring Bieber garnered over 20 million views within its first 24 hours, showcasing the immediate impact of Bieber's participation. After the remix, the International Federation of the Phonographic Industry (IFPI) reported that music revenue in Latin America grew 17.7% in 2017 and described "Despacito" as a "game-changing hit." "When Despacito came out in 2017, the marketers began to recognize Latin music in that space and the purchasing power and force Hispanic consumers had," Ayala explained.

While the catchiness and dance beats of "Despacito" brought reggaeton to the top of the charts, a bigger language and social barrier remained to be broken. Could a song like "Despacito" or an artist like Luis Fonsi become globally recognized in the American mainstream without a Justin Bieber? The rise of short-form social media platforms including TikTok, YouTube, and Spotify became a key factor for artists to gain popularity and connect with a diverse, global audience by engaging with fans across multiple channels. Bad Bunny was no exception. In an interview, Katrina Rodriguez, director of tour marketing at Live Nation's Latin division, said Bad Bunny achieved widespread market appeal quickly by using social media to present himself authentically to his fans.

Bad Bunny prides himself in singing exclusively in Spanish and has collaborated with only a handful of English-speaking artists. Yet, as Billboard reports, he was Spotify's most-streamed artist from 2020 with 8.3 billion streams, and skyrocketed to 18.5 billion in 2022. As of December 2023, his album "Un Verano Sin Ti" was the most streamed album on Spotify with over 14 billion streams. In achieving accolades worldwide, Bad Bunny has made Latin music increasingly visible outside of Latin America, helping other Latin names and genres become discoverable. Even titans of the Latin American music industry like J Balvin saw their peaks of success when collaborating with Bad Bunny. J Balvin, a Colombian artist who got his breakthrough in 2014 with the single "6 AM," is credited for paving the road for artists like Bad Bunny to continue the globalization of Latin American music. The song peaked at No. 2 on the Billboard Hot Latin Songs chart, but it was only in 2018 that J Balvin placed among the top five most-streamed artists on Spotify with "I Like It," a collaboration with Bad Bunny and Cardi B. Today, Bad Bunny has accumulated an impressive 4.5 billion plays on Spotify, 64.7 million monthly listeners on Spotify, and 96 million followers across Instagram, TikTok, Facebook, and X. Through direct videos, commentary, Q&A chats, and promotions, Bad Bunny has built a platform that has allowed Latin music to boom globally.

No Nos Quedamos 'Callaita': An Agent for Social and Political Change

Unlike previous Latin artists, Bad Bunny has been able to leverage his popularity to advocate for political and social change on a global scale. While artists like Daddy Yankee with "Oye mi Canto" and Marc Anthony with "La Gozadera" have used their platform to unify and celebrate Latino culture within mainstream music, they have often stayed away from controversial political and social topics. On the other hand, Latin artists who have used their music to advocate for political change, like Calle 13 with "Latinoamérica" and Residente with "Rene," have not reached the magnitude of global fans that Bad Bunny has. Bad Bunny is clearly an outlier. He engages a diverse global audience while delivering poignant commentary on neocolonialism, political corruption, and gender-based violence.

"Bad Bunny prides himself in singing exclusively in Spanish and has collaborated with only a handful of English-speaking artists."

As a Puerto Rican artist, Bad Bunny is acutely aware of how the legacies of colonialism continue to shape the economic and political landscape of his homeland, a U.S. territory since its cession from Spain following the Spanish-American War in 1898. His song "El Apagón" serves as a powerful critique of the ongoing struggles against economic neocolonialism, particularly illustrated by the persistent power outages in Puerto Rico. These outages were exacerbated by Hurricane Maria in 2017 and the contentious 2021 privatization of the power grid by LUMA Energy, a U.S. company. The privatization has been the subject of controversy, drawing outrage for LUMA's inability to prevent the blackouts and the perception of foreign intervention in Puerto Rico's infrastructure. The song also addresses the housing crisis fueled by wealthy outsiders relocating to Puerto Rico for tax breaks, culminating in the softly sung lyrics "que se vayan ellos," which translates to "they should be the ones to go."

In the 2019 song "Afilando los Cuchillos," he joins forces with artist Residente to deliver a pointed critique of the Puerto Rican government, demanding the resignation of Gov. Ricardo Roselló in light of his failures during Hurricane Maria and the pervasive corruption that followed. Yet Bad Bunny's activism extends far beyond his lyrics; he famously interrupted his European tour to participate in protests against Roselló, a testament to his steadfast commitment to his homeland. Before returning to Puerto Rico, he made an emotional post stating, "I'm going to cancel everything. I'm going to pause my career because I don't have the heart or the mind to make music. I'm going to Puerto Rico." Utilizing his significant Instagram following and high-profile status, Bad Bunny actively encouraged others to support the #rickyrenuncia movement. According to Democracy Now, the protest he promoted on July 17, 2019, drew half a million participants, one of the largest protests in Puerto Rico to date. Despite his rise to international superstardom, Bad Bunny remains deeply connected to the causes that shape his worldview, continually advocating for issues that resonate with his community both locally and globally. "I make songs as if only Puerto Ricans were going to listen to them. I forget the entire world listens to me," he reflects in a 2022 GQ interview, capturing his deep connection to his community.

> "Bad Bunny's advocacy extends to challenging traditional gender norms and addressing violence against marginalized individuals in Latin America."

Bad Bunny's advocacy extends to challenging traditional gender norms and addressing violence against marginalized individuals in Latin America. He leverages his platform to honor victims of hate crimes and femicide, unveiling the pervasive nature of gender-based violence through poignant storytelling. "As a human being, violence against women affects me. So, I am going to do what is within my reach to [work] against that," he said in a 2020 Rolling Stone interview. "My message shouldn't be a feminist message. It's a universal message."

In a powerful tribute to Alexa Negrón Luciano, a transgender woman murdered in Puerto Rico, Bad Bunny incorporates significant symbolism in the music video for "Yo Perreo Sola." He appears in drag to honor Alexa, dancing alone, while the video concludes with the message: "Si ella no quiere bailar contigo, respeta. Ella perrea sola," which translates to "If she doesn't want to dance with you, respect it. She dances alone." Later, he wore a shirt on "The Tonight Show Starring Jimmy Fallon" that read "Mataron a Alexa, no un hombre con falda," highlighting the media's misidentification of Alexa as a "man in a skirt" rather than recognizing her identity as a transgender woman.

Similarly, in the song "Andrea," Bad Bunny commemorates Andrea Ruiz, who was killed by her ex-boyfriend after a courthouse failed to act on previous domestic abuse allegations. The song both honors Andrea's life and critiques societal attitudes toward gender-based violence with lyrics like, "Como si ser mujer, fuera un pecado," suggesting that being a woman unjustly exposes one to violence and discrimination. Through these acts, Bad Bunny not only raises awareness of gender-based violence but also creates a dialogue about the systemic issue of machismo globally.

Bad Bunny's unapologetic demeanor allows him to showcase his identity and Latino culture with pride, defying the pressures to conform to U.S. media expectations. His insistence on speaking Spanish during high-profile events, such as the 2022 Grammy Awards, and his historic hosting of "Saturday Night Live" in October 2023, underscores his commitment to representing Latino identity. When asked by Vanity Fair about his choice not to perform in English, he said, "It's just that I feel more comfortable in my own language. I think in Spanish, I feel in Spanish, I eat in Spanish, I sing in Spanish." This dedication resonates deeply in the context of Puerto Rico's history; after becoming a U.S. territory in 1899, the island was renamed Porto Rico and subjected to English-language public education, a move aimed at erasing its cultural heritage. (The name was changed back to Puerto Rico in 1932 .) By using his platform to celebrate the Spanish language, Bad Bunny not only honors his heritage but also challenges the legacy of colonialism.

No Seguimos 'La Corriente': Integrating Diverse Musical Genres

Bad Bunny has redefined reggaeton by seamlessly blending traditional Latin American sounds with modern beats, creating a music movement that has opened Western audiences to a broader spectrum of global genres. His work exemplifies a cultural bridge, integrating diverse sounds — such as flamenco, corrido, salsa, bachata, marimba, and merengue — into mainstream hits. For instance, "La Romana" integrates Dominican dembow beats with a bachata-style guitar intro, "Después de la Playa," presents a modernized merengue using the tambora, and "El Apagón" features the traditional Puerto Rican bomba.

This innovative fusion not only brought global attention to reggaeton but also sets the stage for a wave of Latin American artists incorporating lesser-known genres into mainstream music. Following his lead, Mexican artist Peso Pluma showcased the corrido genre in "Ella Baila Sola," Spanish artist Rosalía fuses flamenco with modern beats in "Malamente" and bachata in "La Fama," and Colombian artist Karol G introduces listeners to vallenato in "200 Copas." These artists are collectively shaping a music landscape where cultural diversity is celebrated, expanding the boundaries of what global audiences expect and seek out in popular music.

The success lies in "blending the two worlds," said Ayala of Live Nation, referring to English and Spanish. "Music has no bounds, if you like the rhythm, you like the rhythm." She highlights how the major breakthrough of Latin music in America has begun a worldwide curiosity of music outside of the audience's native languages and cultures. She attributed this trend largely to bilingual and multiracial communities in the U.S. that are helping shape this shift in American music taste. Bad Bunny typifies this influence, which is also evident in the international embrace of genres such as K-pop, demonstrating that global tastes are increasingly transcultural.

It is important to recognize that many leading figures in the reggaeton movement are white-presenting, which may signal a certain level of global racial acceptance contributing to their success. Yet the growing popularity of reggaeton paves the way for increased representation of Black and Indigenous Latin American artists, further pushing the boundaries of cultural appreciation in the global music industry. Overall, Bad Bunny's continued popularity and legacy continue to drive both the globalization of diverse music genres and the potential for meaningful social change through cultural exchange.

> "I think in Spanish, I feel in Spanish, I eat in Spanish, I sing in Spanish."
>
> – BAD BUNNY

'Antes Que Se Acabe': Concluding Remarks

Bad Bunny has emerged as a pioneer in the media and entertainment industry, bringing Latino culture and Spanish music to the forefront of the mainstream. By staying true to his identity and heritage, he has captivated a dedicated global audience open to exploring the diverse genres within Latin music. Moreover, Bad Bunny skillfully weaves political and social commentary into his rhythmic tracks, encouraging listeners to engage with important issues. His political activism distinguishes him from the Latin artists of the 1990s and 2000s, who paved the way for reaching large non-Spanish-speaking audiences with their beats and rhythms but often avoided issues of geopolitics and advocacy. Bad Bunny's commitment to authenticity has allowed him to voice his opinions and advocate for change, inspiring a new wave of Latin artists to remain true to their identity and address political and social issues relevant to their countries. Ultimately, he embodies the spirit of the title of his second album, YHLQMDLG: "Yo Hago Lo Que Me Da La Gana" — "I Do Whatever I Want" — proving that being authentic and advocating for communities and issues are qualities that resonate around the world.

This article was written by Dania Cortes, Alessandra Pelliccia, and Sofia Vega, members of the Lauder Class of 2026.

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