

To help put the Ukrainian situation in perspective the following table, based on numbers in the IMF data base, compares the level, & growth since the breakup of the Soviet Union, of its per capita GDP (in current US dollars) with that of neighbouring Poland :

	1992	2000	2010	2012 ¹
Ukraine	5,163	3,301 (-36%)	6,627 (+101%)	7,296 (+11%)
Poland	5,853	10,378(+77%)	18,796 (+81%)	18,796 (+9.3%)

So during this 20-year period per capita GDP grew in the Ukraine at a 1.74% average annual compound growth rate (CAAGR), i.e. at a negative rate in real terms, and in Poland at a 7.01% rate, almost 4x as fast, and well ahead of inflation.

With the Sochi Games now history, the possibility cannot be ruled out of a replay of sorts of events in Hungary in 1956², when Moscow intervened heavy-handedly to squelch a popular movement not to its liking (in this instance possibly under the pretext of protecting the Ukraine's ethnic Russian minority)^{3 4} or as it did in 2008 in Georgia. And it would have good reasons to do so. Economically the natural gas pipelines that move its gas to Western European markets crisscross Ukrainian territory, Ukraine is one of Russia's main trading partners & Russia one of its largest creditors. Militarily, the home port for its Baltic fleet is Sevastopol in the Crimea (& the Crimean population is 58% Russian). Historically, Russians always considered Ukraine a province of Greater Russia, not an independent political entity (& many Russians, incl. Putin himself, still do). Overarching all this is Putin's dream to return Russia to the status it once had, for which drawing 'a line in the sand' for the West to observe at the Ukraine's Western border would be a good place to start. And the use of force would have several collateral benefits : it would put the world on notice that Russia is once again a force to be reckoned with, show that the West, unlikely to do anything but wring its hands & gnash its teeth (as it did in Georgia in 2008), is a 'paper tiger', boost the confidence of a military only now being rebuilt after many years of benign neglect &, perhaps most importantly of all, put China on notice not to overplay its hand in Eastern Siberia (where the situation is not like that of the Ukraine in the West, being flooding it with undesirable 'alien economic interests' that could dilute Moscow's control).

¹ Which placed them 60th & 134th respectively on a purchasing power parity basis in the global per capita GDP league table.

² Here I must declare my bias : the topic for my MA thesis, that I largely completed but never handed in, was The Hungarian Revolution of 1956.

³ It is perhaps relevant in this context that, while the Russian Ambassador was said to have played a constructive role in the evolution of the February 21st agreement brokered by the West, incl. the Foreign Minister of neighbouring Poland, between the President & the leaders of the opposition, upon instructions from Moscow he refused to sign it.

⁴ As Prime Minister Medvedev hinted at on February 24th & local politicians & local oligarchs are demanding to protect their life & limb.

One issue that has received little, if any, attention in the media is that the West-East split in the Ukraine is not just ethnic and/or linguistic, but, far more importantly, also economic & psychological. For the Kiyv is the nation's education-, & twenty-first century knowledge-based industrial centre, while coal mines drive the economy in the Eastern part of the country. They directly employ 500,000 (unionized) workers, and that are mostly state-owned, unprofitable & heavily subsidized⁵. And it grates on the coal miners, who in heavy industry's heyday were a privileged class that looked down with disdain upon their compatriots in the Western part of the country as dumb farmers, that today's knowledge-based economy has bypassed them & they now must survive at the sufferance of those whom they once despised⁶. Thus it is small wonder that the demonstrating crowds in much of the Western Ukraine contained a fair sprinkling of Russian speakers who had joined the 21st century economy.

In a best case scenario the Ukrainian situation would over time evolve relatively peacefully along the lines of the Solidarity movement in Poland thirty years ago. But chances are that it won't. Times are different. Then the Soviet Union was in its death throes whereas today Russia is in the ascendancy, at least in Putin's mind; and he doesn't want the West's sphere of influence shifted further East & holds the ace of spades since the Ukrainian economy is critically dependent on Russian gas⁷. Corruption is entrenched from top to bottom in the Ukraine in a way it never was in Poland⁸. And despite their encouraging starts the ultimate success of recent broadly-based popular uprisings has not been encouraging. Thus in South Africa the heady wine of the immediate post-Apartheid era twenty years ago has turned to dross : while some Africans have done well for themselves & the whites have continued to do OK, the hoi polloi have seen few of the benefits they had expected & been promised. The Orange Revolution in the Ukraine itself a few years ago fizzled as its proponents, once united in their opposition to the regime, fell to squabbling among themselves once the common enemy was no more. And the Arab Spring movements in Libya & Egypt seem to have merely replaced the players rather than reformed the system - *making a revolution is the easy part, for it targets a common enemy that everyone can agree on; but making the system work to deliver benefits afterwards is a horse of a different colour (especially since Yanukovych is said to have stripped the cupboard bare)*.

⁵ In 2013 the state-owned mining sector lost money at a US\$500MM **monthly** rate, up 34.2% YoY (with the state-owned Lischanskugly coal mine, for instance, producing coal at a cost of US\$85/ton, as much as 70% more than in privately-owned mines).

⁶ This is not unlike the situation in Belgium linguistic Flemish-French split is aggravated by resentment among the French-speaking Walloons in the Eastern part of the country, who once were the princes of (heavy) industry, that they now live in an economic backwater while the once despised Flemish farmers & traders dwell at the fleshpots of a 21st century economy, deigning themselves to throw them the occasional bone or two.

⁷ And it is worth remembering that the deal that prompted President Yakunovich to dump the EU connection in favour of one with Russia had two parts to it : one was a US\$15BN cash advance & the other natural gas at below market prices.

⁸ At last report (2012) Ukraine ranked 144th on Transparency International's Corruption Index with a score of 26, well behind Poland (41) & Romania (66) with scores of 58 & 44 respectively and behind even Balurus (123rd & 31) and Kazakhstan, Iran & Russia (tied for 133rd and 28 each)

Since then, on February 24th, Yanukovich emerged, as expected, in Russia, & the Ukrainian Parliament, also as expected, elected, by a vote of 371-1 (out of a 450) Arseniy Yatsenyuk as Prime Minister⁹. He made it his first point of business to tell Parliament that “about US\$70 billion¹⁰ has been withdrawn from the Ukraine’s financial system to offshore accounts over the last three years. Now it’s clear that they withdrew the funds that were raised as loans under state guarantees and stolen by representatives of the previous government.” Furthermore, that “the treasury is empty”, with just US\$400,000 left in the government’s coffers, that there was only US\$15BN in exchange reserves left & that it would be impossible to pay back the US\$12BN in debt maturing. And finally, that he still expects the Ukraine to join the EU at some point, while also urging Russia, which he referred to as the Ukraine’s “partner”, not to “wage war on us ... for we are friends.” - if there is indeed that much money missing, or even only a significantly smaller amount, the revolution may have saved Yanukovich from the consequences of his own & his cohorts’ rapaciousness and the world will likely see a scouring of bank everywhere on a scale never seen before; for the more of that money could be clawed back the less the financial burden on those funding a bailout.

Michio Kaku, a New York-based theoretical physicist, noted last Sunday on Fareed Zakaria’s GPS program on CNN that, while 95% of the global scientific community believes climate change is real & can back its view up with observations & data that can be analyzed, scrutinized & debated, the skeptics’ case is based on ideology (*that by definition is not open to debate*). Elsewhere a market observer bullish on the price of gold used interesting imagery when he compared the current state of the global financial & monetary system to a fire in a peat bog : while the fire on the surface may be seen as having been brought under control, beneath the surface it continues unabated - *so while those on the surface may expect it to burn itself out in due course, chances are that underground ‘hot spots’ will cause it to resurface at some point with a vengeance.*

In 2013 Indian gold imports were 975 tonnes, close to 2010’s record 1,006 tonnes, despite the Indian government on several occasions during the year having hiked its tax on gold imports, out of concern about its sky rocketing current account deficit (*in part driven by rapidly growing oil imports*) that subsequently came in at a record 4.8% of GDP. For years the world’s largest gold importer, last year it was dethroned, albeit only by a whisker, by China that since 2010 has more than doubled its gold imports. But an IMF report made public this month on its Article IV bilateral discussions with the Indian government (Country Report No. 14/57) raised doubts about its longer-term ability to hold off gold imports, saying “The limits on gold imports should be seen as a stop gap measure and have the potential to become less effective over time (*due to increased smuggling*) ... Durably lowering the demand for gold as a store of value will only be achieved through low inflation, raising real interest rates on *bank* deposits and ensuring macro-economic stability.” And it noted in this context that household inflation expectations had continued to exceed actual inflation, and that eroding confidence in the economy (*this year’s GDP growth is expected to be the lowest in years*), high inflation & the rupee’s weakness had convinced many Indians that holding gold might be their best bet - *there are at least two reasons why household inflation expectations exceeded ‘actual inflation’, one general & one specific. The former is that the official formula for calculating inflation may not accurately reflect*

⁹ He is young & energetic, and has had experience in the private sector experience, & public sector up to, & including the Ministerial level under Yanukovich, but is said to lacking voter appeal.

¹⁰ Equivalent to about half of one year’s GDP

the typical household spending pattern & the latter the persistent rumours that the government will reduce the subsidy on fuels. As to the reason for holding gold, the IMF may be underweighting the fact that deposit rates don't matter to people with little, if any, ready access to banking facilities & that for many Indian women, especially less sophisticated ones, gold jewelry serves as a personal social safety net; for if needed it can always be readily turned into ready cash in the local market.

While on the subject of India, a Pew Research poll found that 64% of Indian voters say they are favouring the Hindu nationalist BJP party in the Parliamentary elections that will take place in stages from about mid-April to mid-May - *If the eventual outcome were even to come close to this, it would be the political equivalent of an 8.0 earthquake; for in the 2009 election the BJP got only 33.3% voter support. But dissatisfaction with the way the country has been run is deep & widespread, with discontent running consistently between 67% & 75% in every conceivable sex-, age-, educational-, and caste subset. Even many Congress Party members are upset about the way things are. This election is a mass undertaking with 788MM eligible voters (up 10.4% from five years ago), almost one-fifths of them being first-time voters (which add an element of unpredictability of the eventual outcome).*

On Tuesday February 24th a major bitcoin exchange, Tokyo-based Mt. Gox, went offline, a couple of weeks after rumours had started circulating it had experienced a theft of 740,000 bitcoins with a notional value of US\$350MM (which, if so, puts the lie to claims that bitcoin cryptography makes it impervious to counterfeiting). Other bitcoin exchanges subsequently released a joint statement saying they were working to "re-establish the trust squandered" by Mount Gox's failure. That same day, however, Chicago-based Trustwave (a firm that fights cybercrime & helps business protect data) reported it had found evidence of a cybercrime ring known as Pony.botnet having stolen some 85 virtual "wallets" containing bitcoin & other types of virtual currencies. According to Ziv Mador, Trustwave's security research director, "It is the first time we saw such a widespread presence of this type of malware. It was in hundreds of thousands of machines" - *it is becoming increasingly evident that in the digital world the same may hold true as was once taught to newcomers in the tank warfare business, namely that it is impossible to develop armour plating that sooner or later won't fall victim to new armour plating penetration technology.*

While the media are trumpeting the fact that US house prices were up 11% YoY overall (& 13+% in 20 major metropolitan areas), they are ignoring the fact that in January the median price for an existing home was down 4.5% MoM to US\$189,900 & the average price 3.7% to US\$237,500.

Since becoming the Canadian Ambassador in Washington, former Manitoba Premier Gary Doer has been front & centre in pushing Ottawa's Keystone XL agenda. But a Postmedia News article with the heading Water wars with U.S. set to dwarf Keystone reported him as saying that 'Canada must prepare for diplomatic water wars with the U.S., as demand on both sides of the border grows for this vital but ultimately limited resource'. - *This is one war that Canada cannot afford to lose, and the US need not start. For its problem is less one of inadequate supply than of profligate use. On a per capita basis North Americans use about twice as much water as Europeans & five times as much as Israelis (who in turn use five times as much as Palestinians). Irrigation accounts for as much as 70% of all US water consumption, much of it wasted; for the pivot irrigation technology in common use in America is massively inefficient, with as much as two-thirds of its water consumption evaporating before it can do plant life any good; in fact it causes it long-term harm by speeding up the salination of the soil. America's water "problem" could be solved in short order by more 'full-cost pricing' that would encourage*

all three major categories of water users (farmers, industry & households) to start treating it as the precious, 'staff of life' commodity it is.

Naftali Bennett, Netanyahu's Economy Minister, heads Israel's right wing Jewish Home Party, and is a hardliner on the Palestinian issue & a *rara avis* in Israeli politics, because he is relatively young (42) and, as a software entrepreneur, made his fortune **before** entering politics. Recently on the BBC's Hardtalk program he kept talking about the risk in "dividing the country", glossing over the fact Israel's presence in the West Bank is in breach of international law as presently constituted & seeking to beguile listeners into believing it has a right to be there - *His claim that the Jewish people have been there for 3,800 years ignored the fact that for most of those years the concept of the modern nation state did not exist, certainly not in that part of the world, & that control of land masses for much of that period had been a fluid affair with different tribes living side by side, albeit it not always harmoniously, in it - one can only wonder what DNA analysis might show about the consanguinity of Israelis & Palestinians (with the ancestors of so many of the former, incl. Mr Bennett himself, having lived, often for many generations, in the diaspora).*

The Greek government is once again locking horns with its bailout lenders, this time about how much new capital its banks will need to regain financial health : while the government claims they need 'only' 6BN Euro's, the lenders say they need at least 3x that amount.

GLEANINGS II - 550
Thursday February 20th, 2014

MADOFF SAID JPMORGAN EXECUTIVES KNEW OF HIS FRAUD
(Reuters, Jonathan Stempel)

- On February 19th a law suit, Central Laborers' Pension Fund et. al. vs. Dimon et. al., was filed in the U.S. District Court, Southern District of New York (No. 14-01041) against JPMorgan CEO Jamie Dimon & 12 other of its current & former executives, and Directors, alleging "direct knowledge of" Madoff's Pomzi scheme. The unnamed complainants include the Pittsburgh-based Steamfitters' Local 449 Pension Fund that, like the Jacksonville, Ill.-based Central Laborers' Pension Fund, is a JPM shareholder. The suit says, among others, that "JPMorgan was uniquely positioned for 20 years to see Madoff's crimes and put a stop to them ... But faced with he prospect of shutting down Madoff's account and losing lucrative profits ... JPMorgan - at its highest level - chose to turn a blind eye." This comes six weeks after JPM agreed to pay US\$2.6BN to settle similar law suits brought by the US government, the trustee liquidating Bernard L. Madoff Securities LLC & other shareholders (among those who lost up to US\$17.3BN *in the Madoff affair*).

These complainants are out for blood; so this suit is unlikely to be swept under the rug by an out-of-court settlement. And, while the lawyers for Dimon et. al. will try to impugn the evidence the complainants' lawyers gathered in a series of interviews with Madoff in jail, he is said to be "remorseful" & to have little to gain by fabricating stories. In addition, the lawyers are said to have unearthed corroborating evidence. And with this number of defendants it is hard to believe that none will decide to break ranks & turn state's evidence to save his own hide. This may create a real possibility of putting a chink in Dimon's Teflon reputation, if not destroy it; in fact, although hubris may not let him do so, if he were smart, he should turn state's evidence himself so as to stay out of the slammer & be able to enjoy his millions 'on the outside'. Be that as it may, even the spectacle of him being sued, & at some point having to testify & be subjected to

cross-examination, may do more for cleaning up the banking system than a dozen Volcker rules ever could hope to achieve.

POLIO-LIKE ILLNESS PROBED BY US HEALTH OFFICIALS (AP)

- Like polio, its symptoms first appear as a mild respiratory infection. So far it has only affected children, 20 or more of them in California. Dr. Keith Van Haren, a pediatric neurologist at Stanford will present the cases of five such children at the forthcoming annual meeting of the American Academy of Neurology. In all five cases the patient suffered paralysis in one or more limbs that reached its maximum severity within two days, with none of them having recovered limb function six months later. Nevertheless, he says “We know that it is definitely not polio” because all five had been inoculated against it.

The amazing part of this is that, while recently a single case of polio in Afghanistan was widely reported in the mainstream Western media, the first case of this new affliction occurred in 2012 but is only now being reported on in those same media.

U.S. DEFENCE SECRETARY PROPOSES MAJOR ARMY CUTS (AP)

- One week before President Obama was to submit his 2015 Budget Plan to Congress, Secretary of Defence Chuck Hagel (*for 12 years ended in 2009 a Republican Senator from Nebraska*) outlined, in a speech at the Pentagon, his vision for the US Army of the future. He proposes cutting the strength of the active duty Army from 522,000 to 440,000-450,000, a 72-year low, saying the US military, faced with the reality of smaller budgets & a more volatile & unpredictable world, must become more nimble.

One proposal that will attract much attention will be that to retire the Air Force’s 300 A-10 “Warthog” planes, to save US\$3.5BN over five years (i.e. 0.15% of the Pentagon’s annual budget). These planes were designed 40 years ago for the specific task of providing close-in support to ground troops, a role they performed admirably well in Afghanistan & that Hegel envisages would be taken over by “fifth generation”, supersonic (top speed 1.5 Mach), stealth F-35 jets, whose coming into full service has been delayed time & again, whose development of which has incurred huge overruns, & whose has escalated to about one-quarter of the annual savings expected from scrapping the A-10 (the biggest problem with latter is that it is nowhere near fancy-, & leading edge-, enough for taste of the jet jockeys who rule the roost in the USAF).

FEDERAL STUDY SAYS OIL SANDS TOXINS ARE LEACHING INTO GROUNDWATER (CP, Bob Weber)

- The oilsands plants’ tailing ponds in the Fort McMurray region now cover 176 square kilometers¹². It has long been suspected they leak toxic chemicals into the groundwater & into the nearby Athabasca River, the industry has acknowledged possibility thereof & computer modeling suggests it could be as much as 6½MM litres per day from a single pond (& *there are over 30 of them*) A new Environment Canada study accepted for publication in the journal Environmental Science and Technology used new technology

¹² I.e. nearly twice the land mass of the City of Toronto proper & 25% of that of the Municipality of Metropolitan Toronto or of the City of Calgary.

in a \$1.6MM piece of equipment to fingerprint chemicals in groundwater in the Fort McMurray region & the Athabasca River to differentiate between those naturally emanating from oil sands deposits and those released from tailings ponds, & found that indeed the chemicals in the groundwater near tailings ponds were different from those naturally occurring in ground water further afield.

This relates only to the groundwater at relative shallow depths & doesn't take into account the possible effect of the massive amounts of water being pumped underground in the form of steam under the current 'state-of-the-art' SAGD (Steam Assisted Gravity Drainage) technology to recover bitumen from deposits too deep for open pit mining. Given the Harper government's reluctance to have scientists in its employ say anything publicly that might prove awkward for it, it's surprising that it allowed let this study get into the public domain.

SLIDE OF LOONIE GOOD NEWS FOR CANADA, SAYS POLOZ (G&M, Iain Marlow)

- While attending the G-20 meeting of Finance Ministers & Central Bank Governors at the Opera House in Sydney, Australia (*gauging by the amount of media coverage it got, a relative non-event*) the Governor of the Bank of Canada said in an interview that the loonie's recent sharp slide is a welcome development. He attributed it to a growing momentum in the US economy & said "it's not what the Canadian dollar is, per se", and that, with the US economy strengthening, Canada's reputation for pushing through the 2008 financial crisis relatively unfazed has begun to wear thin. He rejected suggestions that Finance Minister Jim Flaherty's recent musings, with an election looming in 2015 & Ontario's heartland battered, that a lower dollar is good for Canadian manufacturers had put pressure on him to push the dollar down¹³, saying that dropping the Bank's bias towards higher interest rates in December, a move that had surprised investors, had been a response to disappointing growth figures. And he pooh-poohed the notion that slower growth in China will have major adverse consequences for Canada's commodity exporters since the Chinese economy is now so much larger than it was five years ago.

The latter, rather novel, idea may well have more validity than the rest of his notions, if only given his most recent experience as first the Chief Economist, & subsequently the CEO, of the Export Development Corporation. As to being influenced by political considerations, Poloz's predecessor, Mark Carney, now the Governor of the Bank of England, was of the same independent mold as all Bank of Canada Governors since James Coyne in the late 1950's, & Prime Minister Harper may have learnt from that mistake when he named Poloz, who had long aspired to the Governor's post, as his successor. As to the lower Canadian dollar, contrary to the Finance Minister's belief that it is good for Canadian manufacturers, it is much, much better much sooner for commodity exporters. And the benefit of a lower currency quickly wears off if, rather than used as a window of opportunity to address underlying productivity problems, it is used to permit the continuance of "business as usual". And if, as some people believe, US 'tapering' has prompted a competitive currency (devaluation) "war", such as historically has typically turned into a 'race to the bottom' that serves no one well, the benefits for the Canadian economy from a lower dollar may be fleeting. Last, but not least, the views he expressed seem somewhat discordant in a meeting environment pre-occupied with low growth & low productivity, and stubbornly high unemployment worldwide.

CANADA SHOULD LOOK PAST OBAMA TO REBOOT TRADE WITH US (Epoch Times)

¹³ No central banker would ever publicly admit doing so.

- Former Conservative cabinet minister Jim Prentice told the Economic Club of Canada in Ottawa on February 12th that Canada must look beyond the Obama era if it wants to push economic integration with the US to a new level & that, after Obama leaves, Canada will have an 18-months' window to capture the new American President's attention to bilateral issues. Furthermore, that, while much of the recent focus has been on the Keystone, the "list of irritants is long" and includes softwood lumber & the *generally* 'thickening' border.

Driving into the future by looking into the rearview mirror is seldom productive. The FTA may, or may not, have been a policy that served Canada well. But its basic flaw in 1985 was that it sought closer ties with a 250MM people economy with a 3% GDP trend growth rate & a market very similar to our own, that already accounted for 80+% of our exports, at the expense of developing closer ties with a Third World with 12x as many people, a GDP trend growth rate at least twice that of the US, & a massive pent-up demand. for goods. And in the 21st century the FTA concept may have lost much of whatever relevancy it may have had thirty years ago. Washington has become more "Festung/Fortress America"-oriented. The shale oil & gas revolution has removed a major reason for it to be accommodative to Canada. The water issue mentioned earlier is likely to engender less than fuzzy, warm feelings in Washington towards Ottawa. Lower energy costs are expected to make US industry more competitive. And imports from Canada have become less important to the US & the share of Canada's exports going to the US smaller. Meanwhile the US GDP trend growth rate is now closer to 2, rather than 3, percent, and the population-, & GDP growth rate-, disparity with what are now called the "Emerging Economies" has grown wider. So the interests of Canadians might be better served if Ottawa were to quit flogging a dead horse & turn its attention to other, potentially greener, pastures.

US POLITICAL DRAMA TELLS MUCH ABOUT US (China Daily)

- While everybody in Beijing seems mesmerized by the US TV drama House of Cards, few people see its relevance to China's present reality & even fewer acknowledge what it says about ourselves. For the dramatized wheeling & dealing of US Congressmen *it* portrays is not unlike that of our high-ranking officials. Its Machiavellian characters *ought* to remind us of our own corrupt local officials who have climbed the ladder by whatever means available. And as to their politicians' collaboration with business interests, just think of the Chinese government's moves to fight corruption which has brought down a string of officials in high places. Even its sexual peccadilloes ring a bell; for our corrupt officials too had mistresses.
- The factors that drive public office holders down the treacherous *corruption* road, a need for power, greed, instant gratification, jealousy, (*immature?*) risk-taking¹⁴ & expectations, transcend borders & ideologies. So while the House of Cards holds up a mirror for Chinese officials, it also offers some useful lessons, like the need for a better understanding that the duty of legislators is to serve as advocates for the views & needs of their constituents (even though in the show power plays & self-interest lead Congressmen to betray them). These reminders come at an opportune time, ahead of next month's annual meetings of the National People's Congress & the Chinese People's Political Consultative Conference, our top legislative-, & political advisory bodies. At a time that the public is more vigilant about corruption, the lesson of the show is clear : be clean & solve problems for your people.

¹⁴ 'Me, I can get away with this; they can't touch me!'

It's interesting that, while the China Daily has moved to show authorship of much of its content, this item didn't. So, since it often acts as a mouth piece for the regime, this suggests that it is serving as such on this occasion. And what is also interesting is that not only does it hold up "a mirror for Chinese officials", it does very much the same thing for their counterparts everywhere else.

CHINESE CAN NOW CHERRY PICK THE US (CD, Yu Wei)

- *Alibaba is a search engine cum ecommerce cum small business-to-business trading group based in Hangzhou, China's fourth-largest metropolitan area 110 miles Southwest of Shanghai. Founded in 1999, & still owned, by Ma Yun (aka Jack Ma) it has an estimated US\$5+BN in annual sales & a US\$100BN value, and has been seeking a New York listing (after having had a falling-out with the Hongkong Stock Exchange). It has 25,000+ employees worldwide & in China accounts for 60+% of all parcels delivered.*
- Tmall.com, an Alibaba sub, is collaborating with USDA to create new opportunities for US exporters of food stuffs to break into the huge Chinese market. It operates a pre-sale channel to let customers place advance orders that enable US producers to only ship the exact quantities of *perishable goods*. Recent shipments included 168 tons of cherries from the US Northwest & 50 tons of Alaska seafood and, since the program's launch two months ago, other products promoted have been pork, fresh fruit & snack foods. China is now the world's largest ecommerce market & according to Keith Schneller, Director of the USDA Trade Office in Shanghai, "China is leapfrogging ahead of most countries ... when it comes to on-line sales of foods and beverages, and Tmall's pre-sale platform is creating more opportunities for US products."

While part of the reason for the further rapid growth of this market will be its convenience & novelty, and its 'snob appeal', its main driver bar none, after food quality after food quality scandal involving locally-produced food stuffs, will be the perception US food stuffs are "safer". If so, it could really boost demand for certified organic food of foreign origin once well-off Chinese consumers discover it. And Canadian farm-, & food processors'-, organizations might be well advised to spend their money developing this market rather than yammering about, & fruitlessly trying to reverse, US 'country of origin' food labeling legislation (in Hongkong thirty years ago, on my usual visit to a supermarket to compare prices, US & Canadian meat in the display cases was already priced at a significant premium price over local products).

INDIA'S HOLY YAMUNA NOW MORE POLLUTED THAN EVER (DT, Dean Nelson)

- The Yamuna is one of Hinduism holiest rivers, worshiped as a living goddess. Except that it ain't being treated as such. For 1.5BN litres of raw sewage flow into it each day from the slums that abound in Delhi, a city of 22MM people, and human ashes, chemical plant waste and pesticides add further to its toxicity. And the situation is only made worse by the river's reduced flow as a result of all the water syphoned off upstream for irrigation & household use. So, although the Indian government has so far spent US\$1.13BN trying to clean it up, the Yamuna's black, foaming water¹⁵ remains an embarrassment to it & the parliamentary standing committee on urban development recently observed "By now, the Yamuna's water - polluted and black - should have been cleaner. However, this hasn't happened."

¹⁵ One UK paper referred to it as "an industrial bubble bath" and there are lots of pictures on the Internet showing it covered from shore to shore with a foot-thick layer of foam.

People in the West can tut-tut about this all they want, but not that many years ago many rivers on both sides of the Atlantic too were in anything but pristine condition (Cleveland's Cuyahoga River actually went on fire on several occasions in the twentieth century, most recently in 1969).

BRAZIL'S ECONOMY GROWS AT TWICE THE RATE EXPECTED (Reuters)

- In the final quarter of last year it grew by 0.7% QoQ (after having shrunk 0.5% QoQ in the Third Quarter), and the rate for the year as a whole was 2.3% YoY (*up only marginally from the 2.2% on September 30th*). Agriculture's contribution was flat (which was an improvement over the negative Third Quarter number¹⁶). & industrial output was down 0.2% QoQ; but consumer spending was strong (as it has been all year) and, most encouragingly, investment was up 6.3% (a vast improvement over the Third Quarter's negative 0.2%) which generally taken as a sign business confidence is strengthening.

This improvement is so startling as to make one wonder, especially given the fact that there will be a General Election in October.

VENEZUELAN LEADER NICOLAS MADURO SEEKS TALKS WITH OBAMA (BBC News)

- On February 21st, after accusing US conservatives & media organizations of plotting to overthrow his regime, & revoking the accreditation of CNN staffers reporting on the crisis in his country, he invited President Obama to join him in talks aimed at 'resolving the problems between their two countries'. In a press conference that day he said "I call for a dialogue between Venezuela and the United States and its government ... Let's initiate a high-level dialogue and let's put the truth on the table." Furthermore, that "the dialogue will be difficult and complex" until the American government accepts "the full autonomy and independence of Latin America."

At last report the US hadn't even deigned this call for help from a man drowning in a sink hole of Chavez's & his own making, who is out of touch with reality. Whatever popular support Chavez had attracted with his magnetic personality and/or bought with his generous social programs is starting to wither & unravel in the face of an annual inflation rate that, whatever the government may say it is, in real life is in the 50% range.

SOUTH AFRICA'S POST-MANDELA MALAISE (G&M, Robert Rotberg)

- South Africa is now more profoundly adrift than at any time since Mandela's presidency ended in 1999, suffering from underwhelming accomplishments. Tainted from the start of his presidency there is a *growing* nationwide distrust of Jacob Zuma's political direction, integrity & statesmanship, and a lack of confidence that the nation's destiny is in good hands. Mass education is a mess, with many schools lacking textbooks, toilets & in some cases even teachers, while those in place are overworked. Drinking water shortages & sub-standard housing abound. The police is poorly trained, under-resourced & wantonly corrupt (several national police commissioners have lost their job for having ties with criminal gangs & narcotics traffickers and/or being involved in influence peddling); as a result South Africa is one of the most violent & murderous countries in the world, *with the hoi polloi increasingly taking the law into their own hands &*

¹⁶ Farm product exports have been hard hit by a drop-off in soybean sales to China.

administering 'mob justice'. The official unemployment rate stands at 25% but likely is more like 40% &, with the national trade union allied with the ruling ANC party only interested in protecting the privileged position of its members, more young South Africans end up in the informal or criminal sectors (*the former is OK, if not positive, while the latter obviously isn't, if not outright dangerous, even for those involved*).

- While all this should by rights have killed off the ANC's chances in the May 7th election, its claim to have been responsible for ending apartheid is likely to pull it through once again, albeit with only 55%, rather than the 65% of the last election, with the main opposition party, the Democratic Alliance, led by Helen Zille, the white premier of Western Cape Province (that surrounds Capetown), hoping to ramp up its support to 30%, and the Economic Freedom Party led by the populist, radical left, rabble-rousing & *mysteriously well-to-do* Julius Malema, *the former head of the ANC's Youth Wing*, getting perhaps 10%.

While the main hope for the nation is said to lie in the likelihood that the growing middle class of white-, & blue-, collar workers will in time start demanding the honest leadership & responsiveness of a well-run government to their needs promised by Mandela two decades ago, chances are the path from here to there won't be smooth & uneventful (the author is with the Waterloo, Ont.-based Centre for International Governance Innovation & just spent most of January in South Africa).