Quote of the week : “Democracy is the art of running the circus from the monkey cage.” - H.L. Mencken - *a Nietzsche admirer, he was skeptical of economics & a libertarian who believed representative democracy was ‘a system for inferior men to dominate their superiors’*.

The media coverage of the Crimean situation has all but ignored what may well be a key driver of Putin’s aggressive posture in it, namely the Skifska offshore gas field. It is located to the Southwest of the Peninsula, just outside Romanian territorial waters, & the Westernmost of four offshore gas fields South of Crimea that will be lost to Ukraine when it loses Crimea. Discovered in 2012, an ExxonMobil/Royal Dutch Shell-led consortium[1] later that year outbid Russia’s Lukoil for the right to develop it & production is to start in 2015[2]. At the time Ukraine’s Environment & Natural Resources Minister Eduard Staviski told reporters “Thanks to State projects aimed at increasing domestic production we will be able to produce at least 45BN *cubic metres of natural gas*.” Since in 2013 Ukraine consumed 60BN cubic metres, two-thirds of it imported from Russia, the implication was that Skifska would enable Ukraine to cut its gas imports from 40BN to 15BN cubic metres. So, when Putin ‘peels away’ Crimea from Ukraine, he expects to **both** protect a market & maintain his strangle hold over the Ukrainian economy, **and** eliminate a potential competitor & gain a welcome new source of revenue. And the ExxonMobil group, in the midst of blowing US$12BN developing Skifska, should worry about its investment under Russian control (especially since Putin is allegedly a major Lukoil shareholder)/

Russia makes much of the ‘fact’ Ukraine “owes” it money under their 2009 natural gas contract. On the first of January of that year, i.e. in the middle of the winter with nighttime temps across much of Central Europe in the 0° F range, Russia cut its supply of gas to Ukraine & five days later extended that to gas destined for nine other countries in Southern & Central Europe and to Turkey. So by the 18th, when Prime Minister Yulia Tymoshenko signed a new ten-year contract she was under considerable duress. And its terms show it; for she committed Ukraine to buying 41.9BN cubic metres of Russian gas annually on a “take-or-pay” basis at a starting price of US$380/1,000 cubic meters (double what Ukraine had paid in 2012 & 50% higher than Gazprom was demanding when the earlier negotiations had broken down[3]). But three years later, German gas prices, & European ‘spot’ prices generally, had declined so much that Ukraine could replace some of its Russian gas with gas from Germany[4] & be tens of dollars per thousand cubic metres ahead. And it refused to live up the take-or-pay provision of the 2009 contract since in late 2009, at the height of a financial crisis in Ukraine & not too long before the 2010 Presidential election in the Ukraine that brought Yanukovich to power, Prime Minister Tymoshenko & Putin had signed an agreement at a meeting at Yalta (in Crimea) to lift the take or pay provision (the reason for Ukraine disputing the Russian claim it hadn’t lived up to its take-or-pay obligation). Meanwhile, as noted earlier, Ukraine had discovered gas offshore, acquired two drilling ships & ordered two more (*all of them soon to be excess to Ukraine’s requirements?)*

---

1 ExxonMobil - 40%, Royal Dutch Shell - 30%, the Romanian sub of Austria’s biggest oil & gas company - 15%, Nadra Ukrainy, a local company engaged in shale-, & coal-, gas development - 10%, with the rest going to others.

2 Which means that, unlike Eastern Ukraine, Crimea will become a (welcome) cash generator for-, rather than an (unwelcome) drain on-, the Russian treasury (a fact many people, incl. former Canadian Foreign Minister Lloyd Axworthy on CBC on March 12th, don’t know.

3 This contract was ostensibly the reason Yanukovych had her flung in jail in 2011.

4 While Germany is Russia’s biggest gas customer, albeit it at a much better price.

Poland's Foreign Minister, Radoslaw Sikorski was one of the three EU Foreign Ministers who brokered the February 21st deal signed by President Yakumovich & three opposition leaders that sought to stabilize the Ukrainian situation (*& by all accounts was the one instrumental in getting the latter to do so*)[5]. On March 10th he was on BBC's Hard Talk program where his most interesting observation came when he noted that, when Solidarity came to power in 1989/90, Poland had been just as broke as Ukraine is today, but had pulled itself up by the bootstraps through the judicious use of the nation's savings (which he said are more critical to funding development than foreign investment), although he did concede that for a few years it had been a hard & painful slog. So he was positive on the outlook for Ukraine, implying that if Poland could do it, so could Ukraine, but conveniently forgetting that, while his country had a homogenous population, Ukraine has a restive one in its Eastern regions that, moreover, would have to carry the burden of adjustment & that Putin would ensure would stay restive - *but if national savings levels are important, Ukraine has a leg up; for, while the national savings rate had declined by almost two-thirds since 2005, at last report (2011) it was still 10+%.*

Re-reading the above, it would appear that even under Yanukovych, Ukraine hadn't always been the subservient vassal state the CW portrays it to have been.

Finland & the three Baltic States have always depended 100% on imported Russian natural gas (to the tune of 10BN cubic metres/year, five percent of Russia's gas exports). But Ukraine's recent years' experience, with Russia capriciously interrupting cutting off its gas to bend it to its political will, didn't go unnoticed. So all four have been planning local LNG regasification plants; in fact Estonia's floating LNG regasification terminal was christened last month in South Korea.

Daniel Nexon is an associate professor-, & teaches-, at Georgetown University's School of Foreign Service, In 2009/10 was a Council on Foreign Relations' Fellow in the Russia/Ukraine/ Eurasia area of the Office of the Secretary of Defense. He had an op-ed piece in the Washington Post of March 4th, entitled The 'Failure' of the 'Reset' : Obama's Greatest Mistake? Or Putin's?[6]. It is too long, & covers too much ground, to summarize, but is worth reading, & rereading a time or two. Let it suffice to quote his conclusion : "For all the ways that the United States and the European Union blundered in the current crisis, it is Moscow that now worries that it has overplayed its hand. Even if the end result of its gamble is a pliant regime in Kiev, the global balance of power will remain completely unaltered. Indeed Moscow is no longer a global power capable of threatening American interests. The reset's failure is Moscow's problem, not Washington's." - *He will likely be proven right, albeit only up to a point. For, like so many*

---

5 Another 'outsider' involved in the talks had been the Russian ambassador who at the end of the talks initialed the draft-, but subsequently under orders from Putin refused to sign the final-, document (shortly after which Yanukovich skedaddled).

6 The so-called "reset" was based on the premise that the Bush Administration's hardline vis a vis Moscow hadn't served no good purpose & had, in fact, exacerbated Russia's tendency towards coercion & confrontation. It has recently been widely decried, nowhere more than among Republicans, as a failure, & recently by the Washington Post as being "based on fantasy" - *the flaw with the reset was Obama's failure to understand that credible prattle about 'all options being on the table' requires a willingness at some point to start 'playing hardball', not just throw hissy-fits (the very reason his Israeli/Palestinian policy, to his apparently growing frustration, has not produced results). The only thing we can hope is that by now he has learnt that, while Bush 43's first option was military & it is his last, he should start acting the part, i.e. make his detractors believe that for him too the exercise of military power is a* ***real****, not a* ***make believe****, option.*

Americans, his ‘world view’ is Atlantic Ocean-centric. And in that context he rightly points out that the best Moscow can now hope for is a continuance of having a “pliant” Ukraine on its Western border, with regaining direct control of Crimea the “booby price” (by implication its worst case outcome would see Ukraine become more integrated with the West. & the latter’s sphere of influence extended several hundred miles East). But, apart from any sanctions, that would come at a cost to the Russian economy in the short term of lessened access to much-needed Western capital & oil industry technology and hence longer-term of an impairment of its GDP & of the potential growth of its hitherto all but captive market for natural gas in Europe, & hence of its export earnings potential. Worst of all for Putin is the very real risk that the forthcoming rooting through the global banking system for the tens of billions that Yakunovych supposedly has squirreled away will turn up all kinds of other assets that the oligarchs in both countries would have liked to have remained sub rosa. In a global context Putin may have played into Beijing’s hands by revealing how ineffectively ***both*** *he* ***and*** *Obama play their hands. And this could lead to Beijing feeling less inhibited in becoming more of a bully in its own backyard & more pro-active in Eastern Siberia, and, depending how it reads the US political situation for the next two years, this will increase the probability, albeit still at a very low level, of Beijing acting out Capt. James Fanell’s perception that it is preparing for a “short, sharp war” against Japan (& Taiwan) sooner than even he surmises (the Ukrainian parallel being that, after launching a simultaneous attack on both, Beijing would relatively quickly agree to withdraw from the former but keep the latter, thus demonstrating to its neighbours that it can bloody well do as it pleases & get away with it). To prevent this, America’s interest would be well served if Obama were to combine a credible ‘iron fist in a velvet glove’ approach with a Reset 2.0 policy stance vis a vis Beijing so as to induce it to turn its attention North-, rather than East-, & South-,ward.*

Chartists (aka ‘technical analysts’) use graphs of historical price movements to forecast future trends. One of their dream formations is a “Golden Cross” (when the 50-day moving average price of a stock or commodity punches through the 200-day moving average from below); for it is held to herald a strong upward move. Well, for all it’s worth, the gold market last week witnessed one, the fourth in a decade : one in August 2005 was followed by a 66% gold price appreciation over the next nine months, the second in January 2007 by a 60% increase over 14 months & the final one in February 2009 by a 102% price rise over 31 months. So, while the big investment banks are predicting gloom & doom for the price of gold (*which cynics claim is due to their desire to have the price go down so they can go long, & ‘fill their hat’ with, gold at a more attractive price*). Whatever the future may bring, YTD the price of gold is up 13%, there have been few ‘midnight raids’ in Hongkong & hedge fund demand for gold appears to have reversed itself after months of heavy selling, while retail demand for gold coins has remained remarkably heavy, China’s demand for gold remains strong & India’s holding up despite government efforts to dampen it, with the Ukrainian situation being marginally bullish for the price of gold.

Chinese money has been moving big time into US real estate, incl. REITs & Hollywood (where Chinese buyers are said willing to pay such extravagant prices that the locals cannot compete & are moving out, and are creating problems in the local schools by pushing for more rote learning. And on the East Coast, in New York, Fosun International, owned by Guo Guangchang, last year made the headlines when it bought, for US$725MM, 1 Chase Manhattan Plaza. A 50 year-old, 60 storey office building, it was built by the late David Rockefeller when he was Chairman of the Chase Manhattan Bank & still houses the global headquarters of JPMorgan Chase (although it only occupies only half its 2.2MM s.f. of space), a situation it plans to remedy by vacating the building - *this acquisition is symbolic for the Chinese on at least three counts : its history, its location (across the street from, & towering over. the New York Fed’s premises), and because, like the New York Fed, it has, 90 feet below street level & hewn out of bedrock, a huge gold vault, bigger than a football field, the largest privately-owned one in the world).*

Last December China cut its holdings of UST securities by US$48BN (3.6%) to US$1.27TR, the second-biggest monthly drop ever (the only one larger had been two years earlier, in December 2011, when it was US$100+BN). Still, foreign holdings of UST securities grew to an all time US$5.79TR high, largely due to a very large purchase by Belgium, of all countries. As of December 31st 2013, foreigners held 48.8% of the US$11.9TR of publicly-held UST debt.

Following is a case of possible market manipulation that as yet seems to have escaped the attention of the regulators. Gold trades essentially on a round-the-clock basis. Overnight, prior to the New York opening on Monday January 6th, its price had risen US$15 in Asian & European markets. Then at 10:14 New York time, in less than 60 seconds 12,000 futures contracts, i.e. US$1.2BN-worth, traded on the Comex, causing its price to drop US$35 (*this was over 10% of its volume for that day & a multiple of the amount of gold then in the COMEX vaults*).

GLEANINGS II - 553
Thursday March 13th, 2014

KREMLIN AIDE WARNS US OF RESPONSE IF SANCTIONS IMPOSED (Reuters)

- Sergei Glazyev said on March 4th Moscow would recommend all holders of UST securities to sell them if Washington froze the US accounts of Russian businesses & individuals and that “In the instance of sanctions being applied to stated institutions, we will have to declare the impossibility of returning those loans to ...Russian institutions by US banks ... We will have to move onto other currencies, create our own settlement system.”

The threat to sell its UST securities, while not entirely hollow, may not be all that serious either; for Russia holds only about US$200BN. And not paying back loans to US banks would have little more than a short-term disequilibrating effect since on an aggregate “netting-out” basis Russia would get the short end of the stick (although it would come at a bad time for European banks, just ahead of the scheduled ECB stress tests). But the threat to “create our own settlement system” could be far more long-term problematic. For Russia is a major exporter of oil & gas, and the use of the US dollar as the currency of denomination in the global oil & gas trade has been a major underpinning of its cornerstone role in the international monetary system[7]. And Russian insistence on payment for its oil & gas in currencies other than the US dollar could not help but give additional impetus to Beijing’s calls for an overhaul of the international monetary system to downsize the US dollar’s role-, & as some people believe provide for a greater role for gold-, therein[8]. Glazyev has been an influential backroom economist since the breakup of the Soviet Union (when still in his early 30's), a member of the Duma, a government minister & in 2004 an independent Presidential candidate running against

7 Although its effect might, rather ironically, be mitigated by Russia & China agreeing a couple of years ago to conduct their entire bilateral trade in their own currencies.

8 If so, it would reverse, to some degree or other, the Smithsonian Agreements of December 1971 that, after President Nixon on August 15th had formally ended the convertibility of the US dollar into gold at US$35/ounce, sanctioned a full-fledged fiat money system, and in due course let to untrammeled government borrowing, and perversion of Keynesian economics (as politicians took the bits of it they liked - borrow to boost demand when the economy is in the dumps-, while ignored the bits they didn’t - pay back debt when the economy is doing well.

Putin (he came 3rd with 4.1% the vote vs. Putin's 71.9%). Putin surprised many when in mid-2012 he named Glazyev to coordinate the implementation of the customs union of Russia, Belaurus & Kazakhstan that had come into being that January 1st, & the effort to get Ukraine to join it (in which context he has long advised Putin on relations with Ukraine).

<u>BALTIC STATES TURN WARY EYE TOWARDS UKRAINE</u> (Natural Gas Europe)

- On March 6th Lithuanian President Dalia Grybauskaite observed "Europe must, first of all, realize that what Russia is doing now is an attempt to redraw the postwar ... map and borders. So first it is Ukraine, Moldova will be next and finally it can reach the Baltic states and Poland." All four are in NATO & three in the Eurozone (Lithuania expects to join next year), thus becoming militarily & economically more integrated with the West (which Putin perceives as one of the greatest threats to Russia's national security).

Like Ukraine, the three Baltic states (Estonia, population - 1.3MM, 25% Russian; Latvia - 2.2MM, 27%; Lithuania - 3.0MM, 6%) can see a situation arising in which Putin would apply his Crimean logic to move to "protect" fellow Russians in their countries (with the former two most vulnerable because they abut Mother Russia), at which time it would remain to be seen whether their membership in NATO would do them any good. Things are complicated by the fact that, while their governments look West, their business communities look mostly Eastward.

<u>UKRAINE'S WAKE-UP CALL</u> (TribLive, Condoleeza Rice)

- At his presidential dacha in 2004 Putin introduced me to Yanukovych as the man "who is running for the presidency of Ukraine."[9] Since the Orange Revolution earlier that year the US & Europe had sought to convince him to let Ukraine chart its own course & this was his way of telling me 'it ain't going to happen'. And his invasion, & possible/(*likely*) annexation of Crimea is the latest evidence thereof.
- We must show him further moves won't be tolerated. Diplomatic isolation, asset freezes & travel bans on oligarchs are appropriate. The announcement of an air defense exercise with the Baltic states, the despatch of a destroyer to the Black Sea & economic aid to Ukraine will help. But that leaves the longer term task of disabusing Putin of the notion Ukraine will never be allowed to make its own choices. But after helping to thwart Putin's attempt in 2008 to overthrow Georgia's democratically-elected government, Obama's "reset" *of US policy towards Russia* led to ending plans to deploy missiles in the Czech Republic & Poland, and to all talk to bring Georgia (*& Ukraine*) in NATO.
- Putin plays for the long haul buy exploits every opportunity he sees[10] [11]. So should we. Longer term, Russia needs two things : foreign money & high oil prices. *In the medium*

---

9 Which he won in a second round run-off; but the election had been so fraught with abuse as to prompt a court-ordered re-run which he lost, again in a run-off, to Viktor Yushchenko

10 This fits with the growing number of observations by insiders that 'he seems to be making it up as he goes along'.

11 One of which was to beguile Obama into believing he could avoid a military initiative (which only would have required aerial-, not ground-, warfare) by having al-Assad agree to have his chemical warfare stocks destroyed (which has not been all that successful & that Assad was willing to agree to, at least in principle, because he believed he was gaining the upper hand due to outside help - from Iran, Hezbollah &, behind the scenes, Russia, dissension among-, & the radicalization of, the rebels, and total air superiority)

term greater American energy independence will help to keep the growth in the former down & efforts by Europe to cut its dependence on Russian gas will affect Russian export earnings. *Like many Western Ukrainians,* many Russians are productive & innovative, and alienated from the Kremlin. And they, not Putin, are Russia's future.

- We have lost global standing by our inaction on Syria (strengthening Putin's hand in the Middle East), by appearing desperate for any nuclear deal with Iran & by proposing radical cuts to our defense budget. Events in Ukraine should be a wake-up call for those on both sides of the aisle to disabuse themselves of the notion that the US should ditch the responsibilities of global leadership; for this will embolden dictators & extremists everywhere, and enable them to trample on our interests & values with impunity.

There is much truth in what she says. But it cannot all be blamed on Obama. For he came to power with both hands tied behind his back : one by Clinton's ill-advised repeal of Glass Steagall (that led to the 2008 US financial implosion although Obama aggravated its effect by not disowning the flawed Bush/Paulson response thereto & then picking a Glass Staegall repeal architect as his first term economic adviser), & the other by Bush's undermining America's global financial strength by ideologically-driven & ill-advised-, and then poorly executed-, military adventures that irretrievably altered hundreds-, of thousands of American lives & wasted trillions of (borrowed) dollars (right now there is controversy at Rutgers University since its Board of Directors has invited Ms. Rice[12] to be its Commencement Speaker. This has led to a small cabal, incl. 350 of its academic staff who signed a letter to the Board asking it to do so, wanting the Board to disinvite her on the grounds 'she played a prominent role in misleading the American people into believing Saddam Hussein had WMDs & had supported the use of extreme interrogation practices' (which the Board, so far at least, has refused to give into.

<u>RUSSIA DELIVERS STERN WARNING OVER 'LAWLESSNESS IN EASTERN UKRAINE</u>
(AP, Maria Danilova & Jim Heintz)

- On March 10th, before meeting with his counterparts from the Benelux countries, Ukraine's Foreign Minister, Andrii Deshchytsya, said Moscow was further ratcheting up its pressure on Kiev by claiming the Russian-leaning eastern region has been plunged into lawlessness, & that his country is practically in a state of war with Russia & must "cope with aggression we do not understand." The Russian Foreign Ministry is blaming the lawlessness on the "actions of fighters of the so-called 'Right Sector'[13], with the full connivance" of Ukraine's new government". The Kremlin also claims Russian citizens trying to enter Ukraine are being turned back at the border by Ukrainian officials.

The latter likely with good reason. This meeting came two days before Ukraine's interim Prime Minister Arseniy Yatsenyuk was to meet with President Obama at the White House.

---

[12] Who in 2009 returned to Stanford University where she now serves as the Director of its Global Centre for Business and the Economy (her being an academic with a background in Eastern European affairs!).

[13] A grouping of far-right factions that were among the most radical and confrontational during the demonstrations in Kiev that ended in Yanukovych's ouster.

<u>COMPANIES BINGE ON BUYBACKS</u> (WSJ, Steven Russolillo)

- In the Third Quarter of 2013 the S&P 500 companies bought back US$128.1BN of their own stock, a post-Fourth Quarter 2007 high, with Apple alone buying back US$4.9BN (& their buybacks during the first three quarters of 2013 totaled US$445.3BN. PIMCO's Bill Gross called this corporations' "own QE" & asked "When do they taper?"

To put things in perspective, the volume of IPOs done during the Third Quarter-, & the first three quarters-, of 2013 were US$11.8BN & US$32.8BN respectively, and the total market cap of the S&P 500 on April 30th, 2013 was US$14.2TR (while, as of March 7th, YTD IPOs had amounted to US$8.6BN). As to Bill Gross' question, any serious 'tapering' won't occur as long as companies remain as flush with cash as they have been for some time, & can continue to borrow cheaply; for buybacks enable them to 'puff up' their EPS (earnings-per-share). And corporate buybacks would have a tempering effect on any stock market slide since lower share prices may make buying them back more attractive & the need to puff up EPSs greater.

<u>DELAWARE COURT RULES RBC CAPITAL MARKETS MISLED INVESTORS</u>
(G&M, Tim Kiladze)

- In 2011 Warburg Pincus LLC bought Scottsdale, Ariz.-based Rural Metro Corp., a fire-, & ambulance service company, for US$677MM. RBCCM was hired by the latter to advice a special committee of its Board & to help it weigh strategy options. At the same time RBCCM sought to do business with Warburg Pincus, offering to help it fund its proposed purchase while not disclosing this in its attempts to woo WP shareholders in its takeover proxy circular. By not doing so Vice Chancellor J. Travis Laster of the Delaware Chancery Court ruled on March 7th that it had "aided and abetted breaches of fiduciary duty" by the Rural Metro Board & that "Royal Bank Capital Markets' actions resulted in stockholders voting on the merger based on a proxy statement that contained materially false disclosures about its valuation analyses and conflicts." And the Court found that, while RBCCM in its initial pitch to Rural Metro had used two recent transactions that would have assigned values to the Company of 9.5x & 9.4x earnings, in its final evaluation it had used another, older deal with a lower multiple that resulted in a much lower "fair value" price for Rural Metro.

Others facing charges in this case were smart enough to settle out-of-court but RBC refused to. For many of today's investment bankers the choice would have been simple : Rural Metro was a never-to-be-seen-again client while there could be repeat business from Warburg Pincus if they played their cards right. Once upon a time, investment banking was relationship-based : clients expected their investment bankers to treat them fairly & the latter knew that if they didn't, they would be out. Then in the 1970's & 1980's brash, aggressive upstart entities like Salomon Bros. in New York & Gordon Capital in Toronto (both long since gone the way of the dodo bird) clawed their way to prominence with a transaction-based approach that poached the established firms' clients with unsolicited "bought deals" out of the blue. So now, with the entire industry being transaction-focused, clients can only expect a modicum of fair treatment from investment bankers if a) they are big & b) may be sources of future business. If not, 'Nada'!

<u>LLOYD'S TRADER SAID TO TIP OFF BP FOR $500MM DEAL</u> (BB, Gavin Finch)

- On February 3rd the bank suspended a nine-year employee, FX trader Martin Chartree, after Bloomberg asked it about rumours in the market alleging he had tipped off a competitor working at BP about a trade he had been told to execute. As it turned out, he was instructed at 10:53 a.m. on January 31st, 2013 to sell £300MM (US$499) for US dollars, regardless of price, & started doing so at 11:00 a.m but not until after he had shared this news with a counterpart*/competitor/friend* at BP & the pound had fallen 16 points, thereby costing his employer an estimated US$750,000.

As far back as last June Bloomberg first reported traders in the US$5.3TR daily turnover global foreign exchange market had allegedly been sharing information-, & colluding-, with their counterparts at other firms to manipulate benchmark rates and/or had been executing orders for their own accounts before their clients' (aka "front running", an illegal practice of which "high frequency trading" is just a very sophisticated form). This has since prompted investigations by at least a dozen regulators on three continents in a number of markets which so far has resulted in the firing or suspension of a couple of dozen individuals (but as yet, in very few "doing time").

<u>S. KOREAN DEAL LATEST PIECE IN PM'S GLOBAL TRADE STRATEGY</u>
(BB, Andrew Mayeda &Theophilos Argitis)

- Stephen Harper flew to South Korea this week to announce (*& sign*) a trade pact with that country (with the 15th largest economy in the world whereas Canada has the 11th) that eventually will eliminate 97.8% of Canadian duties on goods imported from South Korea & 98.2% on those going in the opposite direction.. Six month ago he was in Brussels to sign one with the EU, he has started talks with Japan & India, and has brought Canada into the Trans-Pacific Partnership. Since taking power he has concluded talks with 38 countries with a GDP of $20TR, 28% of the global total.

The Big Three car manufacturers don't like this at all and claim he is favouring Western farmers and endangering as many as 500,000 (which seems like a huge exaggeration since they themselves employ less than 20,000 workers in their plants, i.e. less than half the number they did a decade or so ago & less than the number of new jobs created in any reasonably good month and, although admittedly they may not involve the same rich pay packets, these new jobs may have more of a future). And the unfortunate reality is that in terms of bilateral trade there is little doubt that the 'competitive advantage' in cars rests with South Korea and with Canada for many of the products that it will henceforth be able to ship all but duty-free to South Korea.