

Quote of the week : “A phenomenon noticeable throughout history regardless of place or period is the pursuit by governments of policies contrary to their own interests ... Why do holders of high office so often act contrary to the way reason points and enlightened self-interest suggests? Why does intelligent mental process seem so often not to function *among our governors?*” - Barbara Tuchman (*part of the opening paragraph of the 1984 book by this Pulitzer Prize-winning journalist cum historian The March of Folly - From Troy to Vietnam which explores this phenomenon in Troy & Vietnam, with intermediate stops at the Protestant Reformation & Britain’s loss of North America*).

In the April 7th South China Morning Post Jeanny Yu expanded on an observation by Jukka Pihlman, Standard Chartered’s Global Head of Central Banks and Sovereign Wealth Funds in Singapore (& a former IMF staffer) that 40 central banks now hold Yuan in their official reserves (23 of whom have reported doing so), with more planning to join them - *the central bank complex now holds only 33% of its official reserves in US dollars, down from 55% in 2000. The implications of this for the US dollar are huge, especially with the US dollar sluice gates having been wide open since 2008, & not fully appreciated, if appreciated at all, by many otherwise well-informed people.*

In his April 13th GPS program on CNN Fareed Zakaria was wrong in opining Ukraine couldn’t survive without its Eastern industrial base. For Putin to have Crimea fall into his lap was like being at university & getting money from home without writing for it. But taking over Eastern Ukraine would be a poisoned chalice. Crimea has lots of natural gas (& grabbing it removed potential competition for GazProm) and tourism potential, while Eastern Ukraine’s economic mainstay is 20th century heavy industry, the coal part of which **each month** blots up half a billions dollars in subsidies. And that’s only the financial drawback of a Crimea replay in Eastern Ukraine; the political one is more troubling since a Western “rump” Ukraine couldn’t help but drift closer to the EU (& NATO?) & move Western influence several hundred miles closer to Moscow (reducing the scope for the ‘defense in depth’ it has militarily & mentally long depended on). And Western Ukraine has far greater economic potential than its East¹ : a lot of massively underutilized fertile farm land (the value of which will increase as the world population grows & becomes more urbanized, and more prime farmland gets paved over), exports electricity & is technologically better positioned 21st century-wise (while 44% of Ukrainians have access to the Internet, in Kiev that ratio is more than twice the national average, and the number of certified IT technicians in Ukraine is exceeded only by that in the US, India & Russia). No matter what Putin wants his opponents to believe, his nightmare scenario is one in which he must make good his threat to annex Eastern Ukraine; for it’s far more useful to him as a socially restless financial albatross around Kiev’s & the West’s neck - *in chess this might have been called a ‘Tom Sawyer’ defence (after his fence-painting episode). If so, Putin’s call for the April 13th emergency meeting of the UN Security Council on Ukraine was an attempt to hoist himself off his own petard. For two things had happened to queer his pitch. The Ukrainian interim government had given notice that paying its overdue gas bill was not among its priority uses for the first drawdown of its IMF funding. And by ‘Crying havoc & unleashing the dogs of war’² (in the form of the Crimea look-alike irregulars in Eastern Ukraine), he might have created a*

¹ Not unlike Belgium where the French-speaking Walloons in the Eastern, heavy industry part of the country, who once ruled the roost, have not taken kindly to the fact that in today heavy industry no longer is where it’s at, & that the reins of power have shifted into the hands of ‘Flemish farmers’ who are patronizing, & must subsidize, them.

² Shakespeare, Julius Caesar, Act 3, Scene 1.

monster that could spin out of control. Much will now depend on how many heads the Ukrainian government may have to crack restore law & order in its East.

Meanwhile, the position Beijing took at Sunday's UN Security Council meeting, that might have revealed how serious President Xi Jinping is about China & the US, for the time being at least, running the world in a duopolistic manner, didn't get the media coverage it should have, incl. even China's state-controlled ones. On the other hand, in her regular press briefing on April 14th, the Chinese Foreign Ministry's spokeswoman Hua Chunying announced that, at the invitation of Dmitry Rogozin, his Russian Co-Chair of the Committee for Regular Meetings between the Russian and Chinese Prime Ministers, Wang Yang, Vice Premier of the State Council & the Committee's Chinese Co-Chair will be in Moscow on April 17th-19th (& confirmed, in response to a question, that this week also, at the invitation of the Chinese People's Institute of Foreign Affairs, President Ahmad Jarba of the National Coalition for Syrian Revolutionary and Opposition Forces³ will be in China to meet with Foreign Minister Wang Yi and Vice Foreign Minister Zhang Ming) - *President Xi likely missed an opportunity by not have made the time, during his official visits last week to Holland, France, Germany & Belgium⁴, to make a quick, unscheduled 'show the flag' side trip to Kiev (where Beijing has major farming cum grain delivery contract interests to protect that, while agreed to by the Yanukovych government, may not be the next Ukrainian government's cup of tea).*

The Dow theory of stock market behaviour holds that the end of a bull market is signaled by successively lower highs followed by declines to a lows below the previous lows. So, it may be worthy of note that, while between August 2010 & January of this year NASDAQ experienced a steady succession of ever higher highs & lows, since January 22nd that has changed. First, between then & February 10th there were several successively lower highs & lows and since March 7th there have been more; and for all it's worth, after rising steadily since August 2010, its 60-day moving average also plateaued in the last month. Another possible 'straw in the wind' as to what lies ahead for the US stock market is the fact that, according to US employment consultants Challenger, Gray & Christmas, 66 CEOs of US companies left their jobs in the First Quarter, the highest such number since the Third Quarter of 2008 & 11% higher than the 10-year average.

The big US banks have returned to the commercial lending scene with a vengeance : the volume of Citi's commercial loan portfolio in the First Quarter alone having grew by 11%, and Bank America's-, JPMorgan's-, & Wells Fargo's by 8.3%, 6.6% & 5.9% respectively. While they say tthis is due to their clients' improving financial health', the real reasons are that increased regulations are limiting their scope for making money in the more esoteric banking activities they had hitherto prioritized, that they have lowered their lending criteria, & that the rate on 10-year fixed rate loans went from 4.51% in January to 3.89% in March. This is a potentially short term

³ The foremost group aspiring to be recognized as Syria's government-in-waiting. Once dominated by the Muslim Brotherhood, it is now backed by Saudi Arabia & in the process has lost its jihadist support. The way in which Ukraine has removed Syria from the media's prying eyes is disconcerting; for it could lead to a replay of 1956 when the world's pre-occupation with the Suez Canal crisis provided the Soviet Union with a golden opportunity to squelch the Hungarian uprising.

⁴ During which his wife, Peng Liyuan, a well-known performing artist & folk singer, whose only child, a daughter, is studying at Harvard, may have given Chinese cell phone maker ZTE a big leg up when photographed herself taking photos with one of its cell phones.

good news/longer term not so good news story. In the short term it will be GDP growth-positive, especially since the banks say their emphasis is on SME (Small to Medium Enterprise) lending⁵

⁵ By necessity, not choice, since the treasuries of the big borrowers are awash with cash?

; for this sector is the primary employment growth generator. But long term fixed rate lending is not where banks have a 'competitive advantage', easier lending criteria could cause problems later on, and, together with rising food prices this could lead to increases in the CPI greater, & to higher interest rates sooner, than Janet Yellen wants people to believe will be the case (*in addition, increased bank lending cannot help to start increasing the velocity of money which, at the margin, could reinforce inflationary pressures from other sources*).

Alberta's oil sands operators⁶, & the Province itself, have their hopes pinned on two pipelines through BC to move 1+MM bbl/d of future oilsands output to energy-hungry Pacific Rim markets. The Kinder Morgan one will likely materialize (although it will no doubt encounter some opposition along the way); for it involves the twinning of an existing pipeline almost in its entirety on a right-of-way already owned by the company. The Enbridge-sponsored Northern Gateway, is a 'greenfield project' & a much longer shot, at least with it as its sponsor. For, like TransCanada with its Keystone XL line South to the Gulf of Mexico heavy oil refineries, Enbridge failed to appreciate that getting approval for new pipelines is no longer a formality; so it marched in seven league boots, rather than moccasins, creating such opposition & ill will among the 30+ Indian bands whose land the pipeline would traverse, the environmental lobby⁷, the provincial government & public opinion in general that the project for all intents & purposes has been halted in its tracks & is at a standstill.

There have been three recent developments. The Harper government, that (*rightly*) sees the Northern Gateway as a project of national importance, has orchestrated Enbridge in a last ditch effort naming Jim Prentice, currently CIBC Vice-Chairman but previously in succession Minister of Indian Affairs, Industry, and Environment, to market the project (*supposedly with a mandate to offer whatever it will take to do so*), a move possibly "too little too late". On April 12th an unofficial referendum by the Kitimat municipal council decisively rejected, 58 - 42, the idea of their city becoming the line's terminal point, with a voter turnout of 30+% of the total population, despite an aggressive promotional campaign by Enbridge (to the point of having half a dozen of its employees door knocking full time). And on April 15th a competing pipeline sponsorship proposal was unveiled by a First Nations-backed group, one of whom referred to Enbridge's proposal as "beads and trinkets", the same day the Company *proudly* announced it had signed a Memorandum of Understanding (MOU) with the Pipeline Contractors Association of Canada & four unions that it called "a major development and a major step forward", *further evidence of its boneheadedness - if, in the end, this project were to go ahead, Enbridge's role in it likely will be minimal, if any.*

While experts continue to fill the airwaves & the print media with speculation as to when & how the Chinese economy will crash, its latest actual news was quite respectable (*although its detractors will question the veracity of the official numbers*). First Quarter GDP growth was 7.4%, down from the Fourth Quarter's 7.7%, but better than the 7.3% expected & not too far off the Government's 7.5% target. March electricity output (*a 'concurrent indicator' of economic activity*) was up 6.2% YoY (vs. 5.5% in both January & February), steel output 2.2% to a record

⁶ Who are facing a far shorter-fused problem, namely the impact on their bottom lines of the near-doubling of the price of natural gas (of which their state-of-the-art SAGD technology requires them to consume copious amounts).

⁷ That Enbridge provided with a golden opportunity to mobilize public opinion by choosing Kitimat B.C., 100 miles inland down a relatively narrow sea arm, rather than Prince Rupert, within a stone's throw of the open ocean, as the pipeline's terminal point.

70.3MM tons (after being up 0.6% in February & down 0.2% in January) & container throughput 8% (vs. 6% in both January & February). And while there are an increasing number of loan defaults, especially of inter-company loans, many to real estate developers, that is to be expected given the government's wish to reduce the level of 'irrational exuberance' in its economy. As long as the current trickle doesn't turn into a flashflood, many observers believe defaults are actually good news.

China President Xi Jinping may have scored a significant breakthrough in his high profile anti-corruption campaign in the face of many vested interests, when earlier this month 18 senior PLA generals, swore loyalty to him. On the other hand, while this was a step forward, he is by no means home clear yet; for the campaign is going many, often powerful, oxen.

While the developed countries, first & foremost those in Europe, seem, for short-term, short-sighted, keep-energy-costs down reasons to be reducing their commitment to the environment, China, driven by grass roots, 'bottom-up', pressures is going the opposite direction; for it has committed US\$280BN towards cleaning up its air & another US\$330BN its water - *both, however, are long overdue; for the air in many cities is not fit to breathe & much of the water across the country not fit to even wash in, never mind drink, & much of the food produced unfit to eat*). And, especially if a couple has only one child, this is no longer acceptable.

If ever there was any doubt the Japanese economy is a train wreck in the making, the following should put paid to that notion; for the total of JPY bonds outstanding at the end of this fiscal year will be 15x this year's tax revenue (compared to this that of the US it is 'only' about 6x, & when household debt in Canada or the US gets to 1.5x household income it's a matter for concern).

After ten days in New Zealand, Prince William & family arrived in Australia on April 16th for another ten days there, with support in the polls for the Royal family having zoomed to a (slight) majority for the first time in three decades (to the frustration of anti-monarchist republicans who in 1999 lost, 55-45, a referendum to abolish the monarchy, in part due to dissension in their own ranks). One paper called this a "throwback visit" for its similarity to Charles & Diana's visit 31 years ago when Prince William was about the same age as Prince George, complete with the re-introduction by Prime Minister Abbott of knighthoods - *it will be up to William & Catherine that the aftermath of this one doesn't become a throwback too. For while Prime Minister Abbott has once again used the occasion to resurrect the idea of Australian knighthoods, the last time a Labour Prime Minister squelched that idea after only a decade & a few years later came the above-noted referendum*.

GLEANINGS II - 558
Thursday, April 17th, 2014

CHINA BACKS FINANCIAL AID FOR UKRAINE (Reuters)

- On April 12th, during the IMF/World Bank Spring Meetings, & the day after the IMF's Head of its European Department had said its pledge to cover the next two years', US\$27BN financing needs of Ukraine was feasible since the country's debt was sustainable⁸, China's Vice Minister of Finance, Zhu Guangyao, told journalists his government was "worried" that over 85% of IMF lending was now focused on Europe, &

⁸ And so it is : at last report its government debt-to-GDP ratio was a remarkable 38%

also about the situation in Ukraine (that he called a “geopolitical issue ... *that* We hope won’t cause a big shock to the global economy ... That’s why we support any action necessary to calm down the tension⁹ and stabilize the economy including the Ukrainian economy.”) And he noted that, in view of its many areas of cooperation in agriculture & industry, Beijing was maintaining close bilateral contact with Kiev, that his government supported the IMF program in Ukraine & that “voting for the program means financial support because China is a key member of the IMF.”

But with the carrot came a stick. For he also said the crisis had shown the need for strengthening the financial capacity of the IMF through reform. And a reform package was agreed to in 2010 to double its resources (but also to give more say to emerging countries’ governments over its affairs, at the expense of the US & Europe), which the US Congress has refused to ratify, ostensibly since it would cost too much at a time Washington has big deficits but in reality because of the growing isolationism of Tea Party-, and some other Republican & Democratic-, lawmakers as well, and what they - rightly - deem a watering down of the US’ once all but complete control over it.

SANCTIONS SINK RUSSIAN INVESTMENT (WSJ, Andrey Ostroukh)

- On April 9th Fitch said the Ukrainian crisis is denting Russia’s chances of a long-term economic recovery & “exacerbating a longer-term slowdown in the Russian economy which was already experiencing falling investment and persistent capital outflows.” So it revised its rating outlook from stable to negative, one month after S&P had done so & after Moody’s had warned it was considering a downgrade. And this week Russia’s Economy Ministry revised its 2014 GDP growth forecast to 0.5%, vs. last year’s 1.3%, & the 6% that prevailed from 2000, when Putin came to power, until the 2008-09 crisis.

Russia is rated BBB by S&P and Fitch (their next to last rating before ‘junk’). Moody’s still has it at Baa1, but under review; so when that goes to Baa2, it will be in line with the other two.

INFLATION REARS ITS HEAD AS FOOD PRICES RISING (NBCNews)

- In March US producer prices rose 0.5%, the most in nine months, vs. the 0.1% expected, after declining 0.1% in February; this included a 1.1% rise in food prices, on top of 0.6% in February. The blame for this is being placed at the feet of a drought in the West (& *more recently the nasty winter in East*). Meanwhile, while in the twelve months to March 31st import prices had declined 0.6%, in February they were up 0.9%, before rising another 0.6% March (while economists had expected just a 0.2% increase).

Regardless of what climate change deniers may think, it is rather striking that ‘unusual weather patterns’ are being blamed. And the wide disparity between the real life changes & economists’ forecasts is disconcerting : either these numbers are going to be drastically revised or the economists’ forecasting models have become dysfunctional. And the latest CPI numbers were no better : the March CPI was up 0.2% MoM, seasonally adjusted, & YoY 1.5% ‘raw’ (up from 1.1% YoY in February), the Food sub-index up 0.4% MoM & 1.7% YoY, and ‘core CPI (ex food & energy) 0.2% MoM & 1.7% YoY). And in the public mind food prices punch well above their 14+% weighting in the CPI since people are confronted with them daily, because the further down the income scale the more painful they become, & because, for those with middle

⁹ Which is likely as close to disowning Putin in public as any Chinese official will go.

incomes, they are a 'need' the cost of which eats into their ability to indulge in their 'wants'¹⁰. Meanwhile the Bank of Canada opined that, "although recent readings of the CPI & core inflation were slightly higher than expected, excess supply in the economy, and competition in the retail sector will likely keep inflation below the target this year ... with inflation expected to be well below target for some time, the downside risks to inflation remain important" - this statement raises two concerns : how long does the Bank expect the retail sector to be able and/or willing to "eat" its rising costs & why the qualification 'this year'?

INFLATION A PRIME CONCERN FOR FED, YELLEN SAYS (G&M, Kevin Carmichael)

- After making a lunchtime speech at the Economic Club of New York Fed Chair Yellen responded to a questioner skeptical of the Fed's aggressive stimulus measures by saying "I hope it's completely clear that while monetary policy is very accommodative ... and I focused on the need to keep it so, or adjust it to make sure the recovery remains on track ... it's obvious that we will need to tighten monetary policy to avoid overshooting our [inflation] target." This drew applause from her audience & satisfied her questioner, Harvard professor Martin Feldstein, who long ago had been President Reagan's Economic Adviser, who said he found her answer "very, very reassuring".

Her answer may have satisfied Feldstein but begs the question as to what her priority would be if her inflation target were challenged, while "the economy performs below its potential."

XI JINPING PURGING CORRUPT OFFICIALS TO PUT HIS OWN IN PLACE (Reuters)

- From 2002 to 2007 Xi was Communist Party boss in Zhejiang Province, just South of Shanghai. He is now planning to move 200 "reform-minded" & "ideologically-progressive" officials from there into key positions across the country, to consolidate his power & reduce local opposition to the economic-, military- & judiciary reforms he believes are necessary to perpetuate one party rule *in the Fifth Generation leadership era*. A harbinger of things to come was his appointment of a civilian, 45 year-old Zhong Shaojun, an official in Zhejiang Province, as Deputy Director of the General Office of the Central Military Commission, the PLA's top decision-making body, with the rank of colonel (*with there being talk of him being promoted to Major-General in the near future*).

A 2013 'confidential' Part survey found that one-third of all party-, government- & military officials were corrupt. Xi believes this is not sustainable with a growing, & increasingly vocal, middle class in a digital era, a view not shared by many of his fellow princelings. So despite their dire warnings, he is pressing on with his anti-corruption campaign, the latest three high profile victims of which were a former Deputy Governor of Sichuan Province & now an oil baron, a senior Sichuan Province Party official & the CNPC's Manager of Foreign Cooperation. The reason why Zhejiang Province officials are deemed more reform-minded is that, with the Province relatively bereft of natural resources, it developed what has become known as the 'Zhejiang Model', prioritizing entrepreneurship & the promotion of small businesses exposed to market forces rather than a dependency on cosseted SOEs & government handouts.

¹⁰ While this may come as a surprise to 'instant gratification' generations who grew up in an era of debt-fueled 'and-and' economics, Thomas Argyle in 1849 called economics the "dismal science" because it studies human behaviour in the face of limited resources.

RECOVERY FOR WHOM? (NYT, Editorial)

- Both the Fed & the IMF have become more optimistic about the US economy. But that raises the question who that will benefit. Recent history suggests it will be mostly those at, or near, the top of the income-, & wealth-, scale. The Millennials (born in the 80s & 90s) are the best educated age cohort ever in US history (over one-third have at least a bachelor's degree¹¹), but many had the bad luck of entering the work force during the Recession. So in 2012 16% were living in poverty, vs 10% of Generation Xers (born in 1964-1980) at the same stage of their career, 38% are homeowners (vs. 46%), 44% are married (vs. 55%), with many saying they would like to but can't afford to¹², & their median household income is US\$51,381 (US\$8,000 less in real terms¹³). And the nation won't prosper as long as this younger generation's productive potential isn't utilized.

*Nothing is more cruel to young people, more dangerous to the status quo, or more conducive to inter-generational friction than raising expectations through education & then being unable to meet them¹⁴. And this is only aggravated when graduates find themselves saddled with a large student loan debt load & not enough income to service it. Student loans are like any other loan, they make sense only if they generate enough incremental cash flow down the road to pay for themselves, i.e. when they are an **investment**; if not, they merely fund consumption & running them up is as smart as paying for groceries with a credit card & not paying the balance monthly. As noted earlier, the share of the US\$1+TR in student loans outstanding that is 90, or more, days in arrears has crept up to the 12% range¹⁵). Choice of course also matters, both as to what to take & where to take it. Thus some time ago an item here drew attention to the fact that starting salaries for Harvard grads & those from the South Dakota School of Mines and Technology are similar, but that the latter get a much better RoI since their outlay for tuition, room & board, and books is a mere US\$76,000 for a four year course, less than one-third of what their Harvard counterparts would be out of pocket. And this highlights another key problem¹⁶, the superinflationary trend in the cost of university attendance : this year both tuition*

¹¹ Although a considerable number of them with degrees with limited real life marketable value and/or, more generally speaking of lesser academic quality.

¹² In part because of the cost of weddings these days? Or because of too high expectations of how they should start married life? - the Boomer & the Generations Xers seemed to spend far less on weddings (and, for that matter, focus less on the cost of having & raising children). And, as to not being able to "afford" getting married, in this day & age of high rents, one would expect there being more truth than ever in the old adage that 'two can live cheaper than one'.

¹³ Part of which cannot help but be due to the fact that with fewer people married, there are fewer two-income households.

¹⁴ The US is not alone in this; China is increasingly facing the same quandary.

¹⁵ Britain is facing the same, possibly worse, problem; for a recent report there concluded that as many as 73% of those who currently owe £46BN in student loans will be unable to repay them & that those who do may be doing so until well into their 40s, and even 50's.

¹⁶ And another example of the 'Law of Unintended Consequences' at work; for student loans, intended to help students fund their education, have been perverted to fund a greater fiscal irresponsibility by university administrators.

and room & board at Harvard were up 3.9% YoY, nearly 3x the rate of CPI growth. And this is not anything new but a trend that has been in place for decades, one of the cost of university charges growing at a 'premium' rate.

GO AHEAD, VLADIMIR, MAKE MY DAY (NYT, Thomas L. Friedman)

- Cutting Ukraine's gas off *again* would hopefully have the same effect on Europeans as the 1973 oil embargo (*to put lead in the politicians' pencils & have voters go along with its consequences*¹⁷) that led to a jacking up of gasoline & diesel prices, more awareness of the need for energy conservation & an incipient interest in renewable energy.
- The time is ripe for a major breakthrough in renewable energy. According to Hal Harvey, CEO of Energy Innovation : *Policy and Technology LLC*, "Clean energy is at an inflection point ... The price reductions in the last five years have been ... spectacular. Solar cells, for instance, have dropped more than 80% *in price* ... What this means is that clean energy is moving from boutique to mainstream." New houses in California now use 25% less energy than 25 years ago, the Big Three automakers are competing to make the most energy-efficient pickup truck, and Texas has enough wind generation to power 3MM homes & New Jersey more solar wattage per capita than California¹⁸.
- A little leadership by America and/or a little scare by Putin to make a world of difference.

In modern times, with the growth in the world population & its rising standard of living expectations, the rate of growth of the damage inflicted on the environment has become exponential. And, as many people don't appreciate, the problem with exponential growth is that, unless slowed down, at some point it gets out of control. The founding document of the Club of Rome, Limits to Growth, first published in 1972 (& going through five printings in that year) sought to make this point with a pond analogy : one day a single water lily appeared in a pond, after a few days the owner realized it doubled in size each day but, busy with other things, decided not to worry about it until it covered half the pond, not realizing this wouldn't happen until Day 29, by which time the task of controlling it would have become herculean & horrendously expensive. Like the pond owner, we as a species likely would have been better off if we had moved even a tiny bit more aggressively sooner on the environment.

RUSSIA SET 4 CONDITIONS IN RETURN FOR AID TO UKRAINE (RT News)

- After meeting on April 13th, in Washington after the IMF/IBRD Spring Meeting, with his German (& US) counterparts, Wolfgang Schaeble & Jack Lew, Russian Finance Minister Anton Siluanov, said "if Ukraine fulfills these conditions, then Russia will be able to propose further steps on additional help on both financial & gas issues : recognize Crimea's independence, reform the country's constitution, regulate the crisis in its eastern regions & guarantee the rights of Russian speakers living in Ukraine." This came after he had said earlier the US & EU line on Ukraine- was, & widening sanctions

¹⁷ In a seeming contradiction of Barbara Tuchman's thesis noted above.

¹⁸ The growing role of alternate energy in US electricity is much underappreciated. Wind power capacity grew from 2,539 MW in 2000 to 61,108MW in 2013 (with Texas now has 20% of the total, in 40 projects, the largest with a capacity of 781MW). And while since 2000 total US electricity output has grown at a 1+% annual rate, both wind-, & solar-, output did so at rates North of 20% &, while base numbers might have been small, wind-driven output went from 0.2% to 3% -, & solar from 0.03% to 0.3% -, of the total.

would be, “counter-productive”, and Foreign Minister Sergey Lavrov had written in The Guardian (*about the EU-Ukraine cooperation agreement ex-President Yanukovich had walked away from, thereby sparking the popular uprising that led to his downfall but that the interim government has since signed*) that the Western powers had been trying to compel Ukraine to make a painful choice between east & west that aggravated its internal differences.

As Siluanov well knows the first two conditions are non-starters, the first because Russia’s Crimean land grab has little support globally, & even less legal standing (& Crimea is no more “independent” today, if not less so, than it was as an ‘Autonomous Region’ region within Ukraine), & the second because the constitutional change it wants is to make Ukraine a federation with largely autonomous Eastern provinces that would be serious burrs under the saddle for any Kiev-based government. And the whole thing is ‘a pig in a poke’; for the Russian offer contains nothing of substance, merely offering a promise “to propose further steps”.

TURCHYNOV AGREES TO REFERENDUM ON FEDERALISM (Unian Information Agency)

- At a meeting of the Conciliatory Council of the leaders of *various* factions & chairmen of the parliamentary committees, the Speaker of the Ukrainian Parliament was reported to have said that “We are not against referendum (*concerning the unitarity of Ukraine*). Moreover, I am sure, that at this referendum that may take place together with presidential election (*on May 25th*) if parliament makes this decision, overwhelming majority of Ukrainians will support independent democratic and unitary Ukraine.”

He is no doubt correct in assuming this; for those who deem themselves Russian & who account for only one-fifth, or less, of the total population of Ukraine there is no universal wish to become part of Russia (although the number of Russian speakers is far greater, possibly as much as 50%, and include such prominent as the interim President & Prime Minister, and former Prime Minister Yulia Tymoshenko). But a national referendum as Turchynov posits it, the outcome of which would be a foregone conclusion, is not what the discordant elements in the eastern part of the country are clamouring for (& Putin is paying lipservice to?)

ITALIAN NAVY WARNS OF ‘BIBLICAL EXODUS’ (DT, Tom Kingston)

- Last October 364 migrants died when their *barely seaworthy* boat caught fire & *turned turtle within sight of the Italian island of Lampedusa after those aboard rushed to the side away from the fire*. Since then the Italian navy has rescued 18,546 more, many of them Syrians & Sub-Sahara Africans, 4,000 of them within two day period last week alone. This prompted Angelino Alfano, Italy’s Interior Minister, to warn on April 4th that as many as 600,000 are waiting to follow in their wake once the weather gets better¹⁹, & Adm. Giuseppe De Gorgi, Head of the Italian Navy, to say the number of African waiting to cross the Mediterranean is a “biblical exodus”, that his people are using helicopter carriers, frigates, and drones & choppers carrying infra-red sensors to monitor the seas, that “each migrant ship now contains 200 to 300²⁰ ... they are also coming in rough seas, so we need frigates to pick them up ... turning them back is not part of our mission”, & that well -trained traffickers are sailing from Egypt in “motherships” towing smaller

¹⁹ This compares to the 40,000 that successfully made the crossing in all of 2013.

²⁰ The most one carried to date was 553.

vessels they cut loose in mid sea. Last November an Italian submarine tracked such a mothership for 48 hours until it released the migrants' boats it had been towing at which point the sub surfaced & told the migrants to wait until picked up while a frigate chased the mother ship & halted it with machine gun fire.

This, however, is only a harbinger of things to come if climate change were to make some parts of Africa even less amenable to human habitation than they are today²¹. And Admiral De Giorgi was dreaming in technicolor when he said the arrest of the mothership's crew would act as a deterrent. The only really effective deterrent would be to use such ships for torpedo target practice & leave their crews to fend for themselves (just as they do with the migrants).

²¹ As I predicted three decades ago already when, during a visit to the country of my birth an old friend of mine bitched about all those "black-footed people coming there" (to which my answer was that "we have two options, enabling to make a decent living in their country of origin, which many of them would prefer since their family & friends are there, or having them come & visit us which, in many cases, will be far more costly to us."