

In the past decade or so I have been truly blessed. First & foremost when, after a stemcell transplant failed to halt my cancer, I lucked into Phase 3 Clinical Trial for a new cancer drug that proved unusually effective, & then when it turned out that there is something lacking in my genetic make up on Chromosome 14 that made me better able to deal with multiple myeloma than many others (as a result of which my oncologist has been heard to mutter on occasion that I may be “cured” - which I don’t believe; I am old-fashioned in believing that cancer isn’t cured, just, if lucky, controlled until it flares up again). And on a day-to-basis, when I am able to continue doing the things that I would like to, some of them perhaps rather foolishly (thus recently when I took my eleven year old No.4 grandson & one of his friends to the Waterpark in West Edmonton Mall, both he & I (I against his better judgment; afterwards his comment was : “an 80 year-old guy shouldn’t be doing this”) went down the Sky Screamer waterslide (which basically involves a vertical drop of a hundred feet or so into a water-filled ‘run-out’). But I have felt more blessed than ever after witnessing two items on the Internet : one that of Dan Lou Who, a young boxer dog whose hind legs were so misformed that they had to be removed when he was still a puppy but who seems to be quite able to walk on two (legs) - to see him simply google his name, & the other a young, one-legged dancer on an Indian talent show (at www.facebook.com/photo.php?v=724601407564676) - *one could only wish that all of Canada’s Indians, rather than just a few, would display such resolve.*

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Following is some feedback from one of you that seemed worth sharing : “You commented on the lack of job growth. What is seldom mentioned is that we are in the second phase of the industrial revolution. The first was the replacement of muscle power with machinery . The second one is the replacement, or at best the augmentation, of brain power by technology. This probably will cause higher unemployment for a very long time. A situation that governments don’t really want to acknowledge. A better focus on education (e.g. engineering) may alleviate it somewhat, but at the same time many people may never work again.” - *I don’t agree with this in every detail & am certainly less gloomy, but nevertheless thought it was worth sharing.*

Further down, as a trailer to the main body is another insight by another one of you which, however, may be of limited interest only to non-Canadian recipients; hence its placement.

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The latest edition of Gary Shilling’s publication Insight, that is far too lengthy to summarize, contains a number of interesting charts. Perhaps the most telling one originates with the Bureau of Economic Analysis; it shows how real GDP growth in the US during post-WW II expansionary periods has shrunk from 5.5% in 1958 through 4.3% in 1980 to 2.3% in 2009 (thereby giving credence to those who believe that policy makers seeking to ratchet GDP growth back up to pre-recession levels are looking up a horse’s a**hole, & that Americans will have to adjust their future spending patterns & behaviour accordingly). A second one, this one from the New York Fed, illustrates the relentless climb in student loans outstanding from US\$250BN in 2004 to over US\$1BN at last report¹, & notes that since 2010 the percentage of loans 90, or more, days in arrears has grown by almost half to nearly 12%. And a third, from the US Census Bureau, verifies the growing income inequality in the US : by 2012 the top 20% of Americans by income had seen their share of the aggregate national income **increase** to 51% from 43% half century

¹ While the consensus is that universities, while for decades hiking their charges much faster than even the official inflation rate, are giving less & less ‘value for money’.

earlier, whereas that of the other four quintiles income-wise had **declined**, from 24% to 23%, from 17% to 14%, from 11% to 8% & from 4% to 3% respectively.

Puerto Rico's efforts to pump some life in its lacklustre economy has been hindered by a US\$70BN mountain of debt (for a slowly declining population of 3.7MM people). So last month its financing arm, the Government Development Bank, hired a financial restructuring firm, Milco Advisers (that in the past has advised the governments of Greece, Italy, Iceland & Argentina) and since retained a well-know restructuring law firm & most recently a West Palm Beach, Fla.-based firm with turnaround expertise. While it cannot seek bankruptcy protection, this is making a lot of holders of its paper nervous that it is planning to restructure its debt.

Detroit that **is** bankrupt recently, to salvage it from its bankruptcy, cut a US\$820MM deal with Michigan Governor Rick Snyder to transfer its treasured art collection in the Detroit Museum (that includes works by Degas, Matisse & Van Gogh), to a new not-for-profit entity. Now one of its many creditors, the Financial Guaranty Insurance Company, has queered that deal by coming up with four offers for it, for as much as US\$2BN, saying that "cities can't hide assets in bankruptcy any more than people or companies". Meanwhile, the city has reached agreement with holders of US\$388MM of its unsecured, general obligation bonds to settle for 74¢ on the dollar *which, while helpful, only makes the tiniest of dints in its US\$18BN indebtedness.*

Among the growing number of straws in the wind that North American stock markets are in for a correction was an article in the Financial Post entitled "Right now, it makes sense to borrow to invest"; written by a 'wealth management adviser', it reminds one of a quote occasionally used by Warren Buffett "if you look around the poker table and you cannot find the sucker, you're it."

With the publication Michael Lewis' book Flash Boys, high speed trading has acquired a profile like never before, to the point where the US Department of Justice has *finally* gotten into the act². On Fareed Zakaria's GBS program on April 6th, Lewis was careful to differentiate between "computerized trading", which can be of a value-added nature, & "computerized scalping", such as practiced in much of today's high speed trading, which has none^{3 4}. According to Credit Suisse, while it did not even exist prior to 2005, today high speed trading accounts for 40-45% of the volume of all stocks traded in the US - *high speed trading in & by itself is not necessarily*

² As it should have long ago because its most profitable & risk-free aspects involve at least two practices long deemed ethically questionable, if not outright illegal. One is "front running", when the house, knowing what a client is proposing to transact, fills a 'house' order first so that the client ends up paying more, or getting less, than he should have. And the second involves placing orders & cancelling within nanoseconds to create a semblance of supply or demand that will affect the price of the stock in question.

³ In so doing he merely echoed a comment by Goldman CEO Lloyd Blankfein a few years ago, when the worst of the financial crisis was over & he conceded to a Senate committee that 'most of our firm's activities are of limited, if any, real economic value' (once investment banks' activities added real value' by raising money to fund activities that fostered economic growth and/or providing liquidity to the market for existing assets, whereas today much of their activity involves changes in the ownership of existing assets for their own sake, rather for economic growth-enhancing reasons.

⁴ A similar sentiment was voiced on April 8th by BlackRock Inc., with AUM of US\$4TR (57% of it equities) the world's largest money manager, when it said the exchanges & regulators needed a "robust framework" to police & identify abuses (*in high-speed trading*) while being careful to distinguish them from practices that benefit end-investors."

evil, for in principle it's no different than what professional market makers used to do or what day traders try to do today; but when it involves forms of deliberate market manipulation, it becomes a horse of a different colour. But what else can one really expect when the most important financial institutions in the world, the developed countries' central banks, first & foremost the Fed, have manipulating markets, most blatantly the gold market, for decades?

North American meat prices have soared 15% or more in the past year, despite policy makers telling the hoi polloi inflation is "tame". In February, for the second month running, US wholesale beef prices rose more than in any month in the past decade, setting new record highs. This is unlikely to be a flash in the pan; for beef prices have been affected not just by high feed costs but, more seriously by drought, first & foremost in Texas, that has caused the size of the US beef herd to drop to a 63-year low⁵. And the higher pork prices are due to the spread of a fatal virus infection among piglets that has resulted in a 3+% decline in the US pig herd⁶ - *but things could be worse : in Russia, that imports as much as 40% of its beef & 30% of its pork, the shrinking value of the ruble has led to a 25% increase in meat prices YTD.*

More potential nails in the coffin of the Keystone XL pipeline? Although publicly it continues to support it, San Antonio, Texas-based Valero Energy Corp, the largest independent oil refiner in the US, is said nevertheless to be shifting away from a heavy oil-based strategy to one focused on taking advantage of the growing supply of light oil from the Eagleford Shale & others. So this year it will spend US\$400MM to expand its light oil processing capability & hundreds of millions more on infrastructure to secure greater access to shale oil, with Dennis Payne, manager of its Bill Greehy refinery saying "The big deal with the Eagle Ford is price, and it's right in our backyard." And, while there is still lots of pressure 'inside the Beltway' for President Obama to approve it, a few days ago, Presente.org, a Latino pressure group, after canvassing its membership, called him not to approve it on the grounds "Latino communities in America are concentrated in areas most affected by climate change - from the drought-stricken southwest to coastal cities like Miami which are most threatened by rising sea levels ... (and) refineries that would process KXL tar sands oil are concentrated in Latino communities in Texas."

US coal prices cratered in 2008 & early 2009, when cheap shale gas started to replace it as the feedstock of choice for electricity generating purposes. But recently they have seen a (modest) resurgence & the EIA expects US coal production to rise from 984MM tons last year to 1,024MM tons this year & consumption by the electric power sector to go from 858MM to 895MM tons; for the price of natural gas is now about twice what it was two years ago. Meanwhile, the use of coal is also on the increase in Europe in the belief that by keeping energy prices low it will boost its anemic economic recovery (& to replace Russian gas where possible?), and Chinese demand for coal remains strong - *so much for the environment!*

Last week the US Supreme Court in McCutcheon vs. the Federal Election Commission ruled 5-4 that the cap on the amount individuals can give to federal politicians & political parties was an infringement on the First Amendment (free speech), & hence unconstitutional⁷, with Chief

⁵ And historically when 'restocking' starts, farmers do so by keeping older animals & young females that ordinarily would have been sent to slaughter, thereby further shrinking the supply of meat in the short term. thereby putting more upward pressure on prices.

⁶ And as we all know, or should know, antibiotics are ineffective in dealing with viruses.

⁷ Huffington Post called this "one of the worst Supreme Court decisions of all time."

Justice John Roberts declaring that “Ingratiation and access ... are not corruption” - *there are only two possible explanations for him saying so : either he is incredibly stupid, which no one has ever accused him of, or he is naive to a degree that is dangerous for someone in his position. And while some Republican party hacks were giddy at the prospect of now being able to really “squeeze the donors”, the New York Times in an editorial opined, & likely rightly so, it would be the other way around, with this giving big donors even more leverage over politicians & political parties to extract benefits for their special interests. And it has already started; for during the March 28th weekend four 2016 Republican Presidential hopefuls (former Florida governor Jeb Bush, New Jersey Governor Chris Christie, Wisconsin Governor Scott Walker & Ohio Governor John Kasich) were in Las Vegas to pay obeisance to gambling magnate Sheldon Adelson who in 2012, along with his wife, had donated US\$92.7MM⁸ ⁹to political campaigns & PACs (Political Action Committees), with each given an audience with him.*

According to the CAA those who text while driving are 23x more likely to have an accident than those who don't. And the U.S. National Highway Traffic Safety Administration says driving while texting is 6x more dangerous than doing so while intoxicated. Meanwhile, the Province of Ontario has jacked up its fine for distracted driving from \$155 to \$280 which, in an attempt to reduce the number of 'nuisance court cases', goes up to \$500 for drivers who fight it & lose.

The hottest thing today since sliced bread in Chinese private equity circles is Hongkong-based Boyu Capital. Founded in 2010, it quickly attracted some very high-profile investors, incl. Asia's richest man, 85 year-old Li Ka-shing, & Temasek Holdings Private Limited, Singapore's sovereign wealth fund. Just one year into its existence it bought, for US\$80MM, a 40% controlling interest in Sunrise Duty Free which runs all duty-free shops in the Beijing & Shanghai International Airports (the value of which has since increased several fold & the cost of purchase of which Boyu is said to have fully recovered from its dividend stream). And now it expects to make a bundle from two huge IPOs, those of e-commerce giant Alibaba (with sales greater than eBay & Amazon combined) & state-backed China Cinda Asset Management Co. (*the biggest of China's four 'bad banks'*). While run on a day-to-day basis by experienced executives, Boyu Capital's biggest asset is said to be its founder & foremost deal maker, 28 year-old, Alvin Jiang¹⁰ who, with a brand new Bachelor's degree from Harvard, worked for Goldman Sachs in Hongkong for nine months before launching Boyu (with its Hongkong incorporation documents listing him as its sole director). His father is Jiang Mianheng, who has a Ph.D. in electrical engineering from Drexel University in Philadelphia¹¹, at one time was involved in China's space program & a Vice President of the Chinese Academy of Sciences (until cashiered in 2011 amidst allegations of bribery & embezzlement). And the vendor of Boyu's initial stake in Sunrise Duty Free was a 60+ year-old Chinese American called Fred Kiang with homes in Hongkong, Shanghai & Tucson, Ariz. All have one thing in common, a link to Jiang Zemin, China's President from 1993 to 2003 (whose power base was Shanghai) : Alvin

⁸ A significant portion thereof in support of Newt Gingrich's unsuccessful primary campaign.

Adelson is also a major backer of Israel's Prime Minister Binyamin Netanyahu & owns Israel's biggest circulation, (free) newspaper Israel Hayom.

⁹ According to New York-based Demos, a liberal think tank, in 2012 there were 132 individuals who donated over US\$1MM to PACs, for a total of nearly US\$400MM

¹⁰ Whose Chinese given name is Zhicheng, “with ambition you can achieve”.

¹¹ A low profile, but well-regarded, private university.

is his grandson, Mianheng his son & Fred his friend going back almost three decades to Jiang's Shanghai days - *small wonder that Zemin, after Zhou Yongkang, a former member of the all-powerful Standing Committee of the Politburo, became a target of President Xi Jinping's anti-corruption campaign, was reported to have cautioned the latter not to 'let its foot print get too big' and that there are some concerns that Xi may be overreaching in his anti-corruption campaign (the flip side of it being, however, that if he can make it stick & bring a few princelings to heel, he will have consolidated his power like perhaps no Chinese President before him).*

On Wednesday August 9th Cui Jianbin, a news reader on Longshang channel, an agricultural news channel sponsored by Hubei Television, presented a report on government officials building a luxury office building in an area in the Province eligible for state poverty relief. But when he started to ad lib, criticizing "wasteful & corrupt" officials spending extravagant amounts of money while average citizens struggled, he was yanked off the air - *carefully structured & targeted, and officially-sanctioned, criticism is one thing but freelancing something else again.*

John Mauldin, in his latest weekly newsletter calls Japan "a bug in search of a windshield". For not only is government debt as a % of GDP somewhere North of 220¹², but since 1980, as the share of its population over age 60 rose from 13% to 33%, the savings rate declined from 18% to virtually zero. He also noted that, while the government's interest expense as a % of its tax revenue is now 36%, this would rise to 57% if interest rates rose 1% & to 100% if they rose 3% (*Tokyo's debt 'management' is the world's ultimate Ponzi scheme, with the government's latest budget expecting 43% of its expenditures to be funded with borrowed money*). So he expects it to try & resort to a massive, ongoing devaluation of the Yen (that in theory could result in a Lexus costing less than a Kia) which would since it would bring on the 'Mother of all Currency Wars', *in which there would be no winners*).

Earlier Greece announced it would sell, on Thursday April 10th, 2BN Euros-worth of five-year bonds at a yield in the 5.00%-5.25% range; but in the event, faced with 20BN Euro-worth of demand, it upped the amount to 3BN Euros & cut the yield to 4.95%, with yield-hungry & risk-defying investors undeterred by a car bomb exploding outside a Bank of Greece building in central Athens & the economy still being in poor shape, with 25+% unemployment & deflation rampant (although the fact the bonds were issued under English-, rather than Greek-, law may have helped). Meanwhile, yields on most bonds issued by the governments of various European dodgy countries are now at Euro era lows - *thereby possibly setting the stage for some nasty surprises in the foreseeable future if investors' current "risk-on" attitude were to evaporate.*

Venezuela, where even the most basic consumer goods are in short supply (although it remains the world's ninth-largest importer of Scotch whiskey¹³) & inflation is said to be running at a 56% annual rate, is selling oil at below market prices through an organization called Petro Caribe to Cuba, Jamaica & 16 other Caribbean countries. This prompted Alejandro Grisanti of Barclay's in New York to comment "The guy with an unstabilized economy is subsidizing the guy that has better roads, better inflation & better fiscal figures" (& *that's saying something; for neither Cuba,*

¹² Compared to Greece's 160%. Japan has been able to get away with this since its borrowing was historically funded domestically. But with the mama-sans now cashing in bonds rather than buying more & the national pension fund shifting to holding more equities, its fiscal situation will become subject of greater scrutiny by to the credit ratings agencies.

¹³ Accounting for about 2½% of Scotch exports, it is the biggest market for it in Latin America & on a per capita basis imports about 50% more Scotch than the US.

Jamaica nor most Caribbean countries are known for their stellar infrastructures or fiscal positions).

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CHINA THE NEXT LEHMAN BROTHERS? (The New Yorker, John Cassidy)

- In his column this week the Financial Times' Martin Wolf asks "Is China different? Or must its borrowing binge, like most others, end up in tears."
- China's transformation from a Communist command economy has been one of the wonders of modern history¹⁴. But in recent years, its growth has slowed & its total debt has, according to the IMF, risen from 125% of GDP in 2008 to 200% in 2013. Large parts of China resemble Nevada in 2007. Sales of air conditioners YTD are down 20% YoY. Wei Jao, a *Hongkong-based* economist at Société Générale, says "Signs are mounting that the housing market in a number of cities is not just cooling but ... cracking." Developers are slashing prices by up to 40% & still unable to service their debt, raising concerns about the health of banks, "shadow banks"¹⁵ & trust companies, and leading observers to expect China may soon face a "Minsky Moment"¹⁶ (when players in a boom realize the gig is up, credit dries up¹⁷ & wholesale panic ensues).
- But according to the IMF the government sector is in relatively good shape, with a Debt to GDP ratio of only 45%, & therefore with scope to head off a financial implosion. If so, there may not be any Minsky moment. The financial markets certainly don't seem to think there will be one, and neither does Stephen Roach, *now at Yale but prior to that for years Chairman of Morgan Stanley Asia & its Chief Economist*, who believes Beijing can stick handle its way through the situation & has, in fact, already made significant progress doing so. But George Soros doesn't agree & Michael Pettit who teaches at Peking University & *hence likely more credible in matters Chinese than Soros*, has consistently warned that the challenges facing Beijing's decision makers are far greater than most outsiders appreciate. Be that as it may, one thing is sure : whatever happens in China will affect the Rest of the World, incl. the US; for in the past decade China's demand for resources has been a key driver of global economic growth & any shock there will be a shock for everyone else.

The total debt figure is, in & by itself, meaningless. China's 200% is child's play, compared to Ireland's 600+%, Japan's 500+%, the UK's nearly 500%, and the 300+% of the US & France. Secondly, the total debt figure has four components, government-, financial intermediaries'-,

¹⁴ But by no means unique; for it closely parallels Japan's experience in the 1960s & 70's, and is not entirely unlike Germany's post- WW II 'Wirtschaftswunder' recovery.

¹⁵ Unregulated financial intermediaries that by offering higher rates of interest to savers have grown like topsy in the past half decade, with all, or most of it, 'invested' in real estate lending.

¹⁶ A handle coined by Paul McCulley (who also originated the moniker "shadow bank"), during the 2007-2009 financial crisis, while a Managing Director at Pimco, & who named it after Hyman Minsky, a Keynesian economist at Washington University in St. Louis who sought to generate a better understanding of financial crises & whom he greatly admired..

¹⁷ In January the shadow banks put out US\$160BN in new loans, & in February ZIP!

non-financial (i.e. corporate)-, & private debt, and the breakdown between these four is critically important (thus the high UK number is due in part to the City of London's role in global banking). Thirdly, what matters a great deal is how much of the total debt is owned by locals, & how much is owed to foreigners¹⁸. Finally, what is more important than the ratio itself is its rate of growth (where China's has not been much, if any at all, worse than that of some other major countries). Next, the IMF number used is misleading; for it only takes into account China's national debt, while the real financial snakes in the grass in China's public sector lie in a local government sector that has been the handmaiden of the developers in their real estate speculation. Be that as it may, Roach will likely be proven right in the short run (although this may set the stage for even bigger problems down the road). On the other hand, panics are funny things that have a nasty habit, like land slides & avalanches, to strike unexpectedly & suddenly, and with rapidly accelerating momentum & great ferocity. And the conditions for a panic are clearly present in China; thus late last month there was an old-fashioned run on two small banks in Jiangsu Province, North of Shanghai¹⁹, after one of them turned down a request by one of its customers to withdraw 200,000 yuan (US\$32,000)²⁰ with, in this digital age, China's Twitter counterpart, Weibo, fueling the flames of panic by spreading "the bank is going bankrupt." And the risk of an unfortunate financial event gaining real momentum in China is heightened by the fact that it may be ignored in its early stages by a government distracted by environment-, and/or unemployment-, driven social unrest, by infighting in the top echelons over President Xi's war on corruption and/or by its pursuit of territorial claims in the East-, & South-, China Seas (in researching the total debt data, it was interesting to find that the Total Debt-to-GDP ratios of the BRIC countries were modest compared to those of the developed countries : Russia - 75%, India - 120%, Brazil - 150% & China - 190%).

MONEY IS KEY TO DEFEATING PUTIN (NYT, Thomas L. Friedman)

- Putin runs a petro state; so key to cutting him down to size is to cut the energy revenues flowing into his coffers (& those of the oligarch clique that are his power base)²¹.

Since 2000 his economic & political focus, & that of the 150 or so oligarchs, has been the oil & gas industry²². In 2012 Russia produced 10.4 bbld, more than Saudi Arabia & 12% of total global oil production, over half of which it exported, as well as 20% of the world's gas. But he has ignored serious economic & social problems. Other than oil & gas, there is little Russia produces that the world wants. One quarter of Russian men die before age 55. Three quarters of Russian teenagers aged 15 to 17 regularly drink vodka. Only 30% of Russian babies are born

¹⁸ In this respect, for instance, Japan & Italy are "outliers", with most of their debt owned locally (which is much less dangerous because in the final analysis dealing with debt owed to locals merely involves a redistribution of wealth among them while debt problems involving foreigners involve having to transfer **real** resources to them.

¹⁹ Where there have been enough reported bankruptcies to make the locals skittish.

²⁰ Remember the recent (minor) kerfuffle in the UK when HSBC gave one of its customers a hard time about wanting to withdraw a measly £5,000?

²¹ Which, generally speaking, would boost economic growth in the developed countries.

²² With an emphasis on increasing the government-owned share thereof : since then, by hook or by crook, its state-owned part has gone from about one-fifth to over 55%.

healthy. And the public health situation is so dismal that half the Army's conscripts are only capable of 'limited service' because of their poor health²³. So the price of Putin chasing mirages has come at the expense of his 143MM fellow Russians' ability to live healthy & happy lives²⁴.

PUTIN WARNS EUROPE OF GAS SUPPLY CUTS OVER UKRAINE DEBT (Reuters)

- On April 7th Ukraine failed to pay its March gas bill to Gazprom (after its price was nearly doubled from before President Yanukovich's ouster). On the 10th Putin he sent a letter to 18 fellow heads of governments in Europe, demanding urgent talks on pulling Ukraine's economy out of crisis, making it clear that his patience had run out on Kiev's US\$2.2BN gas bill in arrears, & that he was considering cutting of further gas supplies to it, with a resulting reduction in the onward flow of gas to the rest of Europe.

Anyone with even the remotest interest in this issue should read the article in the April 5th edition of The Economist entitled "Conscious Uncoupling", the operative part of which is its closing sentence that "They (i.e. the European governments) already knew what to do. They just didn't want to do it." One can only hope this will be proven wrong; for the West's position, in the short run at least, is stronger than Putin's; for with the summer coming &, as a result of a relatively mild winter, Europe's gas storage reservoirs fuller than usual, it may need Russian gas over the next few months less than Putin needs Western cash.

UNTAXED US CORPORATE PROFITS HELD OVERSEAS TOP \$2.1BN (Reuters, Kevin Drawbaugh & Patrick Temple-West)

- Based on federal filings by the Russell 1000 Index companies, a report by the research firm Audit Analytics made public last week reported that since 2008 they had increased by 93%. with the biggest players being GE (US\$110BN), Microsoft (US\$76.4BN), Pfizer (US\$69.0BN), Merck (US\$57.1BN) & Apple (US\$54.4BN). This prompted the new Senate Finance Committee Chairman Ron Wyden (D - Ore), who in the past has called for repeal of the "offshore corporate income tax deferral" (along with a 'repatriation holiday') in a tax code remake & last month called it "a rotten carcass that the special interests feed on", to tell reporters on April 8th that "The new numbers ... certainly highlight what is one of the key challenges for tax reform."

Someone must have told him it that, now that he is Senate Finance Committee Chairman, it behooves him to use more temperate language.

ILLINOIS LAWMAKERS SEND CHICAGO PENSION BILL TO GOVERNOR (Reuters)

- On April 8th a bill to boost funding for two of Chicago's employee retirement systems breezed through both houses of the (Democrat-controlled) State Legislature (with both support & fierce opposition from within the unions) & now awaits the signature of Governor Pat Quinn (who hitherto hasn't shown his hand on the issue). Starting in 2016, it would raise the City's contribution to them in five annual steps & that of the employees

²³ To put this in perspective, however, only about 20% of Canada's armed forces is deemed suitable, for training and/or physical fitness reasons, for deployment overseas.

²⁴ Most of this material comes from an article on Yahoo News entitled Vladimir Putin : Driven by Russian Nationalism By David Kilgour & David T. Jones.

over five years from 8½% to 11%, & replace pensioners' 3% COLA clause with one geared to actual inflation (that even could be skipped in certain years). But neither the Legislature nor the Governor were willing to go along with Mayor Emmanuel's proposal to hike property taxes by US\$50/year to pay for its share, with the governor saying he could not support any move that would 'heap more taxes' on Chicago residents (*thereby leaving it to city officials to figure out how to square that circle*) & Republican State Rep. Davis Harris that "The great international city of Chicago simply cannot go the way of Detroit, Harrisburg or Vallejo or any other city that has declared bankruptcy ... It is too significant a city for us to let that happen."

This was prompted by Moody's having cut the city's credit rating four notches since last July but addresses only a part of its pension problems; for it still leaves it in a position of having to find US\$600MM for a state-mandated boost to its two public safety workers' union pension funds.

KERRY SAYS IT'S 'REALITY CHECK TIME' IN TALKS (NYT)

- Secretary of State John Kerry noted on April 4th in Rabat, Morocco the Administration is reviewing its approach to Middle East peacemaking with a view to deciding whether, given the two sides' inability to make progress, it's worth its effort, saying "There are limits to the amount of time and effort the United States can spend if the parties themselves are unwilling to take constructive steps in order to be able to move forward."

This will send AIPAC & Congress' Israel boosters in a frenzy & as a result, & partly because of Obama's nature, likely prove little more than posturing. This came after Abbas announced on April 1st that, since Israel had failed to release, as promised, the last batch of 26 pre-Oslo prisoners, he would restart its efforts to gain recognition in 15 UN agencies (which should be a done deal; for goodwill towards Israel has all but evaporated in the UN & the US doesn't have a veto in any of these agencies, although it can withhold its budgetary contributions). Matters weren't helped by Israel then reissuing tenders for 700 more housing units in Eastern Jerusalem. This could be the beginning of the end for Israel as the world has known it since 1948; for Netanyahu has now achieved what he had always studiously sought to prevent, namely have Hamas in Gaza approve anything Abbas does. And it must be making the Israelis nervous that, according to the IDF, its Iron Dome missile defense system only managed to down 3 of the "at least 40" missiles fired on March 12th from Gaza into Southern Israel; for it has said Hezbollah has 10,000+ missiles in Southern Lebanon (many of them far more sophisticated & with a far greater range than the often home-made, limited range jobs launched from Gaza).

XI JINPING URGES DEFENCE CHIEF CHUCK HAGEL TO WORK ON CLOSER MILITARY TIES WITH CHINA (SCMP, Teddy Ng)

- On Tuesday April 8th US Secretary of Defence Chuck Hagel "exchanged fire" in Beijing with his Chinese counterpart, Chang Wanquan, on a range of contentious issues that could threaten their two countries' relationship, with Chang warning Hagel not to try to create an "Asian Nato" & subsequently on CCTV (China's dominant TV broadcaster) taking the *usual bogus* line "both sides should stick to the principle of non-confrontational, non-conflict, mutual respect and mutual benefit to pro-actively push for pragmatic cooperation on various aspects." The next day, in a meeting said focused on less contentious issues, President XI told Hagel their two militaries should "properly manage conflicts" & avoid confrontation.

It's nonsense to talk about military machines "managing conflicts". For, as Publius Renatus put it in the Fifth Century, "Si vis pacem, para bellum" (If you desire peace, prepare for war); so their 'raison d'être' is not to "manage" conflicts. Apart from these 'good cop, bad cop' theatricals, there are three possible explanations for Xi departing from Beijing's 'Middle Kingdom' approach to world affairs : he has been fomenting xenophobia to distract his fellow citizens' attention from the domestic problems facing him & Premier Li, he isn't ready for a military confrontation (especially with his anti-corruption drive now closing in on the PLA's upper echelons) and/or he thinks he can smooth talk his way into getting what he wants (a throwback to when the Soviet Union looked upon negotiations not as a way to compromise but to get its way.

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For those interested in Canadian politics, and more specifically the outcome of last Monday's Québec election, following are some observations by one of you :

"As a native Québécois I am delighted about the result. It has been my view since 2007 that the PQ as a party is finished and would soon disappear. My thinking, at the time, was that the party was the party and vision of one man, René Lévesque. Just as the Union Nationale was when I was a youth. And that party disappeared about ten years after the death of Duplessis who was originally a Conservative and who united two parties into the Union Nationale. Following this the Union Nationale was replaced by the PQ ... The old guard under dear Ms. Marois had one last hurrah and I think now will fade. Their Raison D'être is over. How can you be a separatist party that won't talk about separation and if they do they lose, as witnessed yesterday. When Lévesque was first elected he had a coalition of terrific minds in his caucus ... folks on the left and right who had one goal, to leave Canada. This was indeed a scary period from a federalist viewpoint. But look who is attracted to the party today. The old guard is gone and I don't see the bright minds being attracted to Lévesque's vision and party." - the party has lost its one-time appeal for young people & in the election was supported mainly by aging Boomers stuck in the past.