

Anyone still using a safety razor might want to 'invest' in a bottle of baby oil. For I read a couple of years ago that their useful life can be extended considerably if kept immersed in baby oil, rather than left exposed to air, between uses. And it works! I used to switch to a new blade as often as every second day, but now do so every second week, if not month. This has served to explain something to me that had always puzzled me, namely the old-time barbers' practice of "stropping" their straight razors on a leather strap; for over time the baby oil gets filled with tiny flecks of grey material that doesn't, however, seem to interfere with the oil's effectiveness). This leads me to believe that stropping didn't realign the steel molecules in the razor, as I was always told, but removed from the blade's cutting edge the tiny bits of steel oxide that dulled it.

I have long believed that the hype about China is overdone & that its policies merely attempt to 'make hay while the sun shines', funded by the US' largesse. For its population is aging & its work force shrinking, many of its best & brightest have escape hatches in place outside the country, its pollution problems are daunting & creating serious long-term public health problems, its farm land is poisoned & it faces serious water availability problems. If India's President-elect Narendra Modi indeed has vision and were, & is able & allowed, to play his cards right, he may set the stage for India twenty years hence being **the** Asian super power.

At a recent conference, after Niall Ferguson had waxed eloquent about the global dangers of US isolationism, Eurasia Group¹ founder Ian Bremmer argued an even greater global danger lay in the ambiguity on where the US stood in the world; for hamstrung by a lack of support from the American people to enforce what he called hollow threats over "red lines" in Syria & Ukraine, the Obama Administration has left its friends & allies alike assuming the worst (the former that it won't stand by them in their hour of need & the latter that it is a "Paper Tiger") - *Americans have long needed a Pearl Harbour-type moment to awaken them from the self-indulgent slumber; 9/11 could have served that purpose, but that opportunity was botched.*

People have been given the impression that major countries have been "deleveraging". Austin, Texas-based Hoisington Investment Management, which has AUM of US\$6BN, all of it in fixed income instruments, begs to differ &, from various central bank data banks, has pulled together the evidence to support its case, as shown below (illustrating the change in aggregate private & public debt as a % of GDP between 2008 & March 31st, 2013) :

	2008	2013
	-----total debt as a % of GDP-----	
Japan	605	657
UK	501	544*
Eurozone	413	463
US	357	346 ²
Australia	325	326
China	320	420
Canada	244	286
Average	403	436

* both these numbers are warped by London's international financial centre role.

¹ The world's largest political risk consultancy group, with 150 employees at its New York headquarters & offices in London & Tokyo, and 500+ 'consultants in 90 countries.

² All of it due to private sector-, incl. bank-, & not public sector-, deleveraging.

Total global annual nickel consumption is about 2MM tones, with Indonesia's 450,000 annual exports accounting for almost one-quarter thereof. Small wonder, therefore, that, after Indonesia banned exports of the metal last January 12th (*& to the market's surprise stuck to its guns despite the impact on its economy*) its price is up 50+% YTD, as China & Japan, its primary users, scrambled to meet their needs. And matters weren't helped when Vale announced recently that it had been suspended operations at its 60,000 tonne Goro nickel mining operation in New Caledonia, after a leak spilled acid in a nearby river. Morgan Stanley now expects the global nickel supply situation to go from a 173,000 tonne oversupply in 2013 to a 70,000 shortage next year.

In recent years demand for just about every metal under the sun has been driven by China. So it is puzzling that, as China's economy slowed down, YTD prices for most metals have been relatively strong, despite selling pressure from some big banks that, by choice or forced by changes in regulations, are getting out of the commodities' business.

According to Chicago-based Bianco Research (*that provides macro analysis services to institutional investors*) the global High Yield deal flow, on a rolling three months' basis, grew modestly from 2001 to about US\$40BN by early 2013. But in the year since it has grown meteorically to a level about five times that amount - *if history is anything to go by, this likely was accompanied by an equally meteoric collapse in its average quality.*

At the very time of an upsurge in the number of antibiotic-resistant organisms, FDA approvals of new antimicrobial drugs has declined 17 per year in 1980-84 through 12 in 1995-1999 to 6 in the most recent five-year period - *not a comforting thought at a time a proliferation of anti-bacterial soaps & the like undermine the robustness of peoples' immune systems.*

According to a January 2013 chart by the World Resources Institute, an entity with offices in Washington, DC, Beijing (China), Sao Paulo (Brazil) & Mumbai (India), just about all of the US West of the Mississippi was 'seriously water-stressed', as were Mexico, all of England (*as opposed to Scotland & Wales*), Spain, Morocco, much of the Middle East, and a stretch from Iran through Pakistan into Western India, Northern China, & Indonesia's main island, Java.

The IRS has an Earned Income Tax Credits (EITC) program of refundable tax credits for low-to-medium income family units, those with income thresholds of US\$14,340 for singles & US\$19,680 for couples without children, and of up to US\$51,567 for those with children depending on their number. Payouts range from US\$467 for singles to US\$6,044 for those with three or more children. The IRS Inspector-General reported *on May 13th* that last year "improper payments" (*i.e. to recipients that were not entitled to them*) had amounted to between US\$13.3BN & US\$15.6BN - *this is one of the US' largest anti-poverty programs that last year paid out US\$26BN to 27MM families (i.e. about US\$1,000 each).*

NASDAQ has an Internet Group Index of, according to SVP Steven Bloom, "some of the exciting internet companies listed on it". It is a 'modified capitalization-weighted' index based on 99 of the largest & most liquid US-listed companies engaged in internet-related business, incl. Amazon³, eBay, Google, Netflix, Open Text, Priceline, Yahoo & several Chinese companies but, somewhat surprisingly, not Facebook (Twitter is NYSE-listed). During the first five months of last year both it & the S&P 500 gained about 10% (with the former doing a tad better). But then the Group broke out of the gate & left the latter in its dust : by late February of this year it was 85%

3 That trades at a mind-boggling 477x earnings.

above its January 1st, 2013 level, vs. the S&P 500 20+%; but since then it has given up much of those gains & is now only about 40% higher, with the more plodding S&P 500 now closing in on the Internet Group Index - *while one observer opined "the tortoise is catching up with the hare", one wonders if there might not be some 'early warning' in this sudden weakness in these more "concept"-, rather than "fundamental value"-, driven stocks that are most epitomous of the gambling casino atmosphere in much of today's stock markets.*

Apparently the folks at Disneyland are among those in the economy, along with those in academia, healthcare & a few other sectors, that aren't aware that inflation is supposed to be "tame". For the price of a single day ticket was just hiked by US\$4 to US\$96, i.e. by 4.34%, for anyone over the age on nine; and this is not a new phenomenon, for its ticket prices have more than doubled in the past decade, i.e. have gone up by over 7.2% annually.

On Monday May 19th, prior to leaving for Shanghai to attend a meeting of CICA (*see below*) &, he hoped, to sign a big natural gas deal with China, Putin ordered the Russian troops deployed near Ukraine to return to their bases. This was taken as a sign he believes he has achieved his main goal of maintaining Russian influence in Eastern Ukraine without having to send in troops (although he still wants assurances it won't join NATO & will broaden power to its regions.)

Narendra Modi, India's Prime Minister-elect⁴, will have his work cut out for him. But in comparison to China, he will have several things going for him. His country's corporate sector is better managed & operating under better governance systems. More of its business people are fluent in English & it has a legal system compatible with British Common Law (even if corrupt in its application). The head of his central bank, Raghuram Rajan, is highly regarded. There are six states with BJP governments that, in a best of all possible worlds, would facilitate him introducing much-needed changes requiring state cooperation. His country has, & for many years to come will have, a potential, GDP growth-boosting low 'dependency ratio'. He has had experience at the state level in overcoming bureaucratic obstacles of the kind he is likely to encounter in New Delhi. He has received overtures from Pakistan of a kind the incumbent never did, & Japan's Prime Minister, who presumably looks upon Modi's India as a potential natural counterweight to China, in both an economic & military sense, has invited him to Tokyo (presumably as a prelude to a wave of Japanese funds being invested in the Indian economy).

The ECB's benchmark deposit rate is currently zero. According to Der Spiegel there is a real possibility that at its June 5th rate-setting meeting it will decide to 'go negative' & cut that rate to minus 0.1%, partly in the hope this will weaken the Euro (*currency wars anyone?*), although even if it doesn't, it would be a psychologically important move.

Sudan's penal code criminalizes the conversion of Muslims to other religions & provides for the death penalty for offenders. The latest potential victim thereof is a woman whose father was Muslim but mother Orthodox Christian, who married her husband in a church in 2011, who has an 18 months' old son & is eight months pregnant, & who refused to recant her Christian faith - *she likely inherited her faith from her mother & married a Christian against her father's wishes.*

⁴ He will be sworn in next Monday, May 26th.

GLEANINGS II - 563
Thursday, May 22nd, 2014

CHINA'S OIL RIG INCURSION ACCUSED OF MASKING BIGGER DESIGNS
(Thanhnièn News)

- Ngo Thuong San, former general director of PetroVietnam, warned on May 13th that, if China is allowed to conclude positioning its US\$1BN, Haiyang Shiyou-981 drilling rig in Vietnam's exclusive economic zone *offshore*, it will continue to expand in Vietnam's sea territory in the future (*so as to establish a 'base line' before moving on to other targets elsewhere in the South China Sea where it is contesting territorial claims by countries with closer ties to the US*). And he says video clips show the rig was towed into position by military-, not commercial-, vessels, & that there were no signs anywhere of the drilling equipment needed if the idea had been for it to drill (*rather than test the US willingness to challenge its first major step to implement its controversial "U-shaped line" that claims sovereignty over 80+% of the South China Sea*) – *It's interesting in this context that one Chinese official referred to the rig as a "mobile sovereignty platform"*.

On May 10th & 11th Chinese military aircraft were said to have flown over Vietnamese marine police vessels in the area at heights of between 800 & 1,000 metres while on the surface, the 65-70 vessels China supposedly has in the area continue to harass any (of the much smaller) Vietnamese vessels they encounter with water cannon &, in extreme cases, by ramming or sideswiping them. Subsequently, on May 21st, Vietnam's Prime Minister, Ngyen Tan Dung, during a visit to Manila emailed Reuters answers to questions it had posed him, the most important of them being that his government "is considering various defense options (with regards to the presence of the Chinese drilling vessel in its exclusive economic zone), including legal action in accordance with international law" - which would infuriate Beijing (since it knows what the outcome would be), especially if it were to be a joint referral to the courts by Vietnam & the Philippines (and possibly others).

FED IS THE GREAT DECEIVER (Institute for Political Economy, John Craig Roberts)

- Belgium is a country with a GDP of US\$480BN and both its current-, & trade-, accounts in deficit. And as a member of the Eurozone it cannot print money. So eyebrows were raised when, in the three months ended January 31st, 2014, it bought US\$141.2BN-worth of UST bonds, equal to 29% of its GDP, & *to more than its GDP during the period*.
- There is only one place where the money to do so could have come from, the Fed. If so, as it was 'tapering' at the front door, at the back door it was ramping up its bond purchases. And what was even more intriguing was that the seller(s) involved didn't execute & clear the transaction in the usual fashion using the Fed's own National Book Entry System (NBES), which facilitates ownership changes for Fed custodial clients, but instead removed the securities from the Fed's books, sold them through the Brussels-based Euroclear, with the buyer redepositing them in the Fed's custodial system
- The Fed initiated QE to support the balance sheets of the "too-big-to-fail" banks. But this put pressure on the dollar; so to maintain confidence in it, it introduced 'tapering' to reassure (*foreign?*) holders of dollar-denominated securities it was reducing its US dollar printing. But if it had directly bought such a large amount of UST securities it might have spooked investors & risked a stampede out of dollars (particularly if the bonds had originated with a single seller), causing it to lose control over US interest rates.
- Washington's super power status ultimately rests on the global use of the dollar as the system's reserve currency. This allows it to pay its bills with debt & enables it to cast

countries out of the international payments' system & to impose sanctions *on those who displease it*. But much as it seeks to protect the big banks that control the New York Fed, its overriding priority is to protect the dollar. So the fact that it seemed to believe it should not be seen buying these bonds, *for which there appeared to be no other ready buyer*, directly & hence did so surreptitiously by running the purchase through a third party, suggests it is concerned the world is losing confidence in the dollar. And if the world truly were to do so, the US cost of living would rise sharply, economic hardship & poverty in the US would get worse and political instability rise, its wars & overseas bases could no longer be financed, and the (no longer sustainable) US empire would collapse.

*The fact that Belgium bought this unusually large amount of bonds is not news but hitherto it had been attributed to some nefarious plot by Beijing; but this explanation will, to some people at least, make more sense. As to John Craig Roberts himself, he has a solid track record, incl. stints as Assistant Secretary of the Treasury early in the Reagan Administration & as Associate Editor of the Wall Street Journal, although now he is deemed part of the "Intellectual Left". He has long been a critic of the financial industry (which he says has been fostered at the expense of more basic & gainful human economic endeavours). He believes the War on Terror destroyed the protection provided Americans by the Constitution. And he ain't afraid to speak his mind; thus in 2009 he wrote in the magazine *Counterpunch* that Israel for 60 years had replicated "the 17th, 18th and 19th century theft of American Indian lands by US settlers" & elsewhere that "we must not confuse the Israeli Zionist regime with world Jewry, just as we should not confuse the American people with the war criminals in the Bush regime."*

McDONALDS VACATES HEADQUARTERS DUE TO WORKER PROTEST (BBCNews)

- On May 20th thousands of protesters (incl. a few hundred McDonalds employees) demanding it pay a minimum wage of US\$15⁵ had planned a protest demonstration at the Company's US headquarters in Oakbrook, Ill., a western suburb of Chicago. So, after consulting the police, the Company decided to vacate the five-building complex (& give its 3000 employees there the day off), prompting the protesters to move to McDonald's nearby Hamburger University (*where it came off rather peacefully*).

The demonstration was timed to pressure the May 22nd Annual Meeting (where one item on the agenda is 'executive compensation' - CEO Don Thompson last year was paid US\$9.5MM).

GREENSPAN STILL WONDERS WHAT CAUSED THE CRASH **(Postmedia News, Allen Abel)**

- In his twilight years he ponders the nightmare from which his country has yet to awake. He asks himself "Where did I go wrong ... How did I miss the most important thing in economics in my lifetime? ... It wasn't supposed to happen", & says "I always thought people in their own rational long-term interest would essentially sustain the system". He now believes "you've got ... ever-increasing technology that is irreversible, because ideas build on ideas build on ideas ... What this means is that the system is becoming so

⁵ Vs. the current US\$7.25 federal minimum wage (that President Obama is trying to get bumped up to US\$10.10). Currently among the states, six (Alabama, Alaska, Louisiana, New Hampshire, South Carolina & Tennessee) have no minimum wage, Oregon has the highest (US\$9.10) & Minnesota the lowest (US\$5.15 for those with sales < US\$625,000 & US\$6.25 for those with more (to rise in stages to US\$7.75 & US\$9.50 by 2016).

complex that fewer and fewer human beings have the capacity to ... to make it function. We're finding that an ever-smaller group of people can run the system."

He clearly missed the point that in an 'instant gratification environment', people don't give a hoot about the long term. And he is the living proof that, the fewer people run the system, the greater the adverse consequences of a bad call (than if decision-making had been more dispersed).

CANADA'S IMAGE IN DECLINE, SAY CHINESE (G&M, Nathan VanderKlippe)

- A 400-page primer on Canada published by the Guangdong University of Foreign Studies' Center for Canadian Studies says it is veering sharply from its past & sullyng its international reputation by pushing its dirty oil sands crude. It calls Stephen Harper "Canada's George Bush", & says that, while Canada once took seriously its role as "defender of peace in the international community, a sincere mediator of international arguments and a good global citizen ... (its) function as a model country is weakening ... (& in a worst case) its unique status globally will disappear as a consequence." It attributes this to a decline in the "moral level" of Canada's diplomacy "which Canada used to be proud of." And in turn attributes this to the primacy placed on the economy by the Harper administration.
- The document is the result of two years' work by over 20 academics & is intended as the first in an annual series focusing on one country at a time, to guide China's diplomats, government officials & business leaders. It says Canada sees China as a "substitution market" as it seeks to move away from the US & it "is still sleeping with an elephant, but ... has ... begun dancing with the dragon" (*in 2006 Mr. Harper spoke publicly about not selling "out to the almighty dollar" in its dealings with China, only to do a complete 180 three years later & now seldom, if ever, publicly criticizes China's detention of dissidents or its concerted efforts to stomp out free speech*). From a Chinese perspective he has seen the error of his ways, "realized the damage" from values-based diplomacy, & switched to a "softer and more pragmatic attitude" with China that is helping relations to develop "in a healthy and good way." But it thinks more can be done; thus Zhong Weihe, the President of the Guangdong Centre, says to alleviate "mutual suspicion" he should avoid meeting the Dalai Lama & get Canadian politicians to quit criticizing China's governance system; for "the frictions are to a great extent initiated by Canada, rather than by China." It concludes that Canada "cannot have a mature & productive relationship with Beijing unless we are willing to openly state our differences and criticisms of its regime" & that any effort by Canada to sneak in advocacy for good governance - through NGOs, aid, or otherwise "will bring challenges and risks to cooperation between the two countries."

Beijing always does things for a reason. So it's interesting, & likely meaningful, that Canada was chosen as the first country for this treatment. The report is duplicitous in criticizing the "dirty oil sands" when Chinese SOE's having been buying into them. And, while it makes valid good points in some places, it talks out of both sides of its mouth at the same time in others. Be all that as it may, the underlying message seems to be 'If you want to do business with us, you'd better do as we say, & not worry about what we do'; if so, if Harper is really bound & determined to get a free trade deal with China, he'd better be prepared to do so on bended knee.

RUSSIA'S SCRAMBLE FOR CHINA ENERGY DEAL (BBC News)

Putin (and UN Secretary-General Bo Ki-moon & Iran President Hassan Rouhani) will be in Shanghai on May 20th & 21st (to attend the Fourth *quadrennial* Summit of the CICA⁶; while there he hopes to close a multi-billion dollar natural gas sale to China.

Xinhua quoted him as saying on May 19th that preparations for such a deal had, after two decades of talks, entered their “final phase” & that “for Russia implementing these agreements means diversifying its gas supply destinations, while for our Chinese partners ... it could be a remedy for energy shortages and help ecological security.” But while early this month CNPC, the designated buyer, said agreement had been reached ‘but for the ironing out of price differences’, Gazprom over the weekend said it was still “one digit” away from finalizing a 30-year agreement (for the sale of 38BN cubic metres/1.34TCF a year for 30 years, one-third of what it has been selling each year to Europe). And it will have to build a US\$22BN pipeline first. With the stumbling block having long been price (Russia wanted one based on what it was getting in Europe & China one based on the lower price it pays Central Asian producers, one can bet one’s bottom dollar that Putin won’t be getting his way since he is in a weak bargaining position⁷. And what is interesting is that, while the 38BN cubic metres would meet one-quarter of China’s current natural gas needs, by 2020 this is expected to shrink to only 10%, since Beijing is planning to replace ‘dirty coal’ (much of it locally produced & much of that imported coming from Mongolia for which such a move would be a serious economic blow) with 50% less dirty, but mostly imported, natural gas to generate electricity.

A VOTE FOR CHANGE - AND DIGNITY (G&M, Amrit Dhillion)

- His rise from a (*low caste boy*) tea seller to Prime Minister is unprecedented. The Congress Party badly underestimated the extent to which Indians were fed up with hardship & to which their feudal loyalty to the Gandhi dynasty had eroded. This was evidenced in a comment by Mani Shankar Aiyar, a Gandhi acolyte, who at a Congress Party meeting four months ago was quoted as having said “Modi will never be prime minister, but if he wants to sell tea here, we can find a place for him”, this as Modi had dominated the election from the get-go. His campaign was more like that of a rock star on tour than that of a politician chasing votes; he traveled 300,000 kilometres & attended 5,000 events, while using every possible media, incl. all the digital ones, to reach his country’s 814MM voters.
- In part his appeal was due to out-and-out popular loathing for the Congress Party & its ‘noblesse oblige’ approach of throwing the poor an occasional crumb. But far more important was the fact he offered Indians, *for many of whom his low caste background was a powerful ‘vote magnet’*, at a time their aspirations are higher than ever before, a vision of a modern, developed country with roads, homes, sanitation, electricity &

⁶ The Conference on Interaction and Confidence Building Measures in Asia was founded in 1999 by Kazakhstan’s President for Life Nursultan Nazarbayev to help bring about an environment of confidence” among its member states, hopefully as a prelude to ultimate military alignment. Its membership includes Egypt (which is not located in Asia), **both** Israel & Palestine, and only the Jordan & the UAE among the Arab states; on the other hand, it does **not** include the states with which China has territorial disputes (Brunei, Japan, Malaysia, Philippines, South Korea & Taiwan, as well as Turkmenistan. According to China’s state media the meeting proves that the non-Western world is not “the periphery ... but the center.

⁷ And reports are that this was in fact the case, as seemingly born out by the fact that the deal was signed later in Putin’s stay than he had expected.

schools, in sharp contrast to the failure of the Congress Party, that has ruled India for most of the six decades, to make serious enough inroads into eliminating poverty.

- Once stoicism marked the average Indian. But no more. Young Indians, & there were 100+MM first time voters, want a job, a home, a scooter or car, nice clothes, clean surroundings⁸, schools for their children & a toilet. And Modi made voters feel he could make this dream, partially at least, become reality as he would enable them to lift themselves out of poverty by giving them the skills & job opportunities they needed to do so.

*Modi now has a strong mandate for change at a time that social & economic change is the order of the day in India. His party's traditional less 'nanny state' orientation than the Congress Party could stand him in good stead in promoting 'bootstrap growth'. On the other hand, he will find that being Prime Minister of the country is a different kettle of fish than being Chief Minister of an, albeit important, state. And it remains to be seen whether he can live up, even partially, to his advance billing. For now the hard work starts, complicated by the fact that **each year 10MM** young people join the work force & that there will be many in the public sector who will do their utmost, for personal & political reasons, to try & make sure that he cannot deliver⁹. And if he cannot, today's high hopes will spawn tomorrow's anger; for nothing upsets people more than first having their hopes raised only to have them subsequently dashed.*

UKRAINE SKEPTICAL ABOUT PLAN PUSHED BY GERMANY (AP)

- The plan laid out by the OSCE (Organization for Security and Cooperation in Europe) has the support of Moscow that has called for its swift implementation (although it also demands Kyev cease its military operations to recapture public buildings & withdraw its forces from the region, saying that if it did so the separatists would respond in kind¹⁰). It calls on all sides to refrain from violence & urges an amnesty for all involved in the unrest, as well as for talks on decentralization & the status of the Russian language. But speaking in Brussels on May 13th Ukraine's Acting Prime Minister Arseniy Yatsenuk *politely* thanked the OSCE for its efforts but said his government has drawn up its own "road map"¹¹ & said the people of his country should be allowed to settle the issue themselves¹². And a spokesman for his Foreign Ministry was critical of the fact the plan doesn't oblige Russia to do anything (& *he has a point, with Moscow threatening, once again, to cut off Ukraine's gas if it doesn't pay by June 1st the US\$23BN it claims it is owed for past deliveries (which money would have to come out of the West's pockets but would help relieve Putin's cash problems that his gas deal with China won't, at least not for the next several years, i.e. until a US\$22BN pipeline is built).*

⁸ Which today are sorely lacking, most certainly in much of the big cities.

⁹ Although he apparently dealt fairly effectively with this phenomenon in his home state, Gurajat, after becoming its Chief Minister.

¹⁰ As well they might; for that would in effect mean they would have achieved their goal.

¹¹ An unfortunate choice of words for those who remember what happened to the last one.

¹² In an ideal world he would be absolutely right in the latter observation, but in reality wholly unrealistic; for his country is worse than flat broke, needs a big bailout and a mental readjustment, no matter how unpalatable that 'beggars cannot be choosers & that 'he who pays the piper, picks the tune.').

Meanwhile, the BBC News' Paul Kenyon visited a Ukrainian rebel facility near the Russian border that was training one hundred men to become local anti-government militia leaders in their communities. Its leader has links with parties in the Russian Parliament other than Putin's majority United Russia Party & will settle for nothing less than full membership in the Russian Federation. And Ivan Simonovic, former Croatian Justice Minister & now Assistant UN Secretary-General for Human Rights, told Kenyon's colleague Mark Lowen that the division in Ukraine is deepening with each incident & the window of opportunity for a solution involving a united Ukraine is "closing" (the nightmare scenario for Putin since this would mean the Russian treasury would get stuck, directly if Eastern Ukraine were to join the Russian Federation & indirectly if it were to gain independence, with the bill for keeping it afloat while there would be nothing to stop a then solidly pro-Western Ukraine to join the EU and NATO, which in the short run would move the West's military boundary several hundred miles closer to Russia's heartland &, longer term, without the Eastern Ukrainian albatross around its neck, possibly enable the Western Ukraine to achieve a measure of economic wellbeing that would make the East green with envy to the point of perhaps even seeking some form of re-association with the West, and would set a bad example for his own people.

STEELWORKERS ROUT SEPARATISTS IN CITY OF MARIUPOLE **(NYT, Andrew E. Kramer)**

- On May 15th thousands of steel workers, wearing only their protective clothing & hard hats, fanned out over the region's second-largest city, which the week before had seen bloody confrontations between Ukrainian troops & the pro-Russian militants who had seized control of the city several weeks earlier. And by nightfall they & miners, joined by police, had deployed in at least five cities, incl. the regional capital, Donetsk, although without gaining the degree of control they had in Marioupol, with the pro-Russian protesters & the representatives of the Donetsk People's Republic seemingly having melted away into the woodwork. The workers involved have a history of political activism going back to the miner strikes that helped bring down the Soviet Union but hitherto hadn't chosen sides. And they are employees of Rinat Akhmetov, Ukraine's richest man, *once an ally of former President Yanukovich but an early supporter of those who ousted him, and a proponent of Ukrainian unity.* His company, System Capital Management, through subsidiaries employs 280,000 people in Eastern Ukraine, & the day before he had issued a video-taped statement rejecting the cause of the self-styled Donetsk People's Republic (but endorsing greater local autonomy), saying in part "Nobody in the world will recognize it (*i.e. the Donetsk People's Republic*) ... We will come under huge sanctions, we will not sell our products ... This means the stopping of factories, this means unemployment, this means poverty."

Akhmetov is not only 'buttering his own bread' but doing Putin a favour. For in the short run he is hoisting him off his own petard, & longer-term may help bring about the solution Putin seeks, a united Ukraine whose overall economic wellbeing will be held back by the millstone of the Eastern Ukraine coal mines (many of them owned by Akhmetov), that will be a financial drain on the West, but will have limited scope for getting too 'cozy' with it.

BALKAN FLOOD CRISIS CONTINUES (The Weather Network, Daniel Martins)

- Serbia & Bosnia had three months' of rain in three days, which Serbian Prime Minister Aleksandar Vucic called a once-in-a-thousand-year happening, with so far 25 deaths. These rains have brought on serious floods & many landslides (300 in Bosnia alone,

where one-third of the country is totally water-logged), some of which engulfed entire villages & made roads impassable, and helicopters the only means of rescuing people.

The death toll will rise as reports come in from now cut-off villages (as it has).

SWISS REJECT WORLD'S HIGHEST MINIMUM WAGE (BB, Catherine Bosley)

- On May 18th 76.3% of those voting rejected, as expected, a union-sponsored proposal to introduce US\$25/hr minimum wage. This was taken by some as a sign citizens don't want the state to meddle with their lives & a vote of confidence in the economic system.

In reality this was a non-issue since 90% of Swiss working full-time already make over US\$25 (the median wage is more like US\$33). In the same plebiscite they also rejected the idea of six weeks of paid vacation time, as well the government's proposed acquisition of US\$3.1BN-worth of Swedish-made Saab AB JAS 39 Gripen fighter jets (by comparison the minimum wage in Germany is 8.50 Euros/US\$11.65 & in the UK £6.50/US\$10.90).