

**Quote of the Week :** “Asians lend America money to police the world. Their new wealth depends on America underwriting stability.” - **Roger Cohen** (in a NYT op-ed piece entitled The Draw of the New City-States which details how the real estate booms in London & New York are driven by nouveaux riches from developing countries who want a Western lifestyle for themselves & education for their children, and a safe haven for their (*ill-begotten?*) wealth.

**Quote of the Week No. 2 :** *In the War of 1812* “the key words in Upper Canada were ‘loyalty’ and ‘patriotism’ - loyalty to the British way of life as opposed to American ‘radical’ democracy and republicanism ... Canadian order as opposed to American anarchy -‘peace, order and good government’ rather than the more hedonistic ‘life, liberty and the pursuit of happiness’ ” - **Pierre Berton** in The Invasion of Canada, 1812~1813 - the latter two concepts, from our two countries’ founding political documents (Canada’s British North America Act & the US Declaration of Independence) still seem to dominate our respective national psyches to this day.

The media-whetted hysteria about Ebola in West Africa have led to governments & airlines to impose restrictions on air travel to & from the region (that WHO & MSF say limit their capacity to help sufferers in the affected regions) & ignore the fact that, unlike corona viruses like SARS (in 2003) & MERS (since 2012)<sup>1</sup>, its spread by direct exchange of body fluids only, to Ivory Coast blocking freight traffic to the three hardest-hit countries (Guinea, Liberia & Sierra Leone), thereby creating potential food shortages there<sup>2</sup>, & to the silliest move of all, Korean Airlines’ August 14<sup>th</sup> suspension of its flights to Kenya which is 5,000 miles away in East Africa, and has not now, & never has had, a confirmed case of Ebola (although there have been periodic outbreaks in neighbouring Uganda & Sudan).

The good news about Ebola is that, according to Lewis Brown, Liberia’s Information Minister, the three African doctors who have been treated with the experimental drug Zmapp have improved remarkably. The less good news is that the WHO reported on August 20<sup>th</sup> that the Ebola victim count had risen to 2,473 confirmed cases & 1,350 deaths (with the really bad news being that the overall death rate appears to have almost doubled from a month or so ago, suggesting that recently it must have been well over the 55% cumulative death rate to date;

1

While all attention now is on Ebola,, MERS (Mediterranean Respiratory Syndrome) may be a greater longer-term danger to global public health. It got its start in Saudi Arabia in 2012, supposedly from camels who were carriers (*whereas Ebola has been traced back to monkeys and/or apes*). A last report (two months ago) there had been some 250 deaths from MERS among the almost 800 reported cases all over the Arabian Peninsula as well as a few in, among others, the UK, France, Tunisia and, in May, two in the US, most, if not all of them, traced back to people who had recently been in the Middle East. As in Ebola there is no effective known treatment; (so, as in the case of pneumonia in the olden days, & Ebola today, a patient’s survival or death - the fatality rate for MERS is in the 30% range, half or less that for Ebola - is like the flipping of a coin). It is said to spread through “close personal contact”, i.e more than the exchange of body fluids but not necessarily through airborne transmission (other than within a limited range?). There are already official warnings outstanding for more-vulnerable-than-average people to avoid travel to the Middle East, & there is concern that next October’s hadj (the required annual pilgrimage for Muslims to Mecca) could help spread it far & wide, especially since “close personal contact” will be all but inevitable among the estimated 3MM pilgrims from all over the world going to, during, & returning home from, the hadj, many of them from countries where individual-, & public-, health standards are less than ideal. And the incubation period of up to 14 days would be long enough for pilgrims to complete the hadj, fly home on crowded aircraft & transmit it to other people traveling with them and/or those who, once home, call on them to congratulate them on their achievement.

2

The likelihood of which will be further enhanced by farmers’ inability to plant their crops.

furthermore that one confirmed Ebola death has now been reported in Spain & one suspected case in Ireland, both involving men who had recently returned from West Africa.

Emerging economies account for 75% of the world's official FX reserves & half of global GDP, and most of its economic & population growth, and have the youngest populations – *draw your own conclusions!*

History has shown that economic newspaper headlines often are 'counter-indicators'; if so, the recent WSJ headline "Low rates are here to stay (and won't go away for a long time) ... It is time to get used to near-zero savings account interest rates and 10-year bond yields that don't get much higher than 3%" ought to be food for thought.

According to Mohamed El-Erian, former CEO of California-based PIMCO & now, after a falling-out with its founder, Chief Economic Adviser at Munich-based Allianz, PIMCO's owner, the minutes of the latest FOMC meeting were more hawkish than he had expected; for he said that, with the exception of labour compensation, every indicator they look at had improved faster than expected & that "the labor market had moved noticeably closer to what's viewed as 'normal', so that if there were a pick-up in the hitherto all but stagnant wages, the Fed may change its view on interest rates." While the minutes had in fact noted that "participants generally agreed that both the recent improvements in labor market conditions and the cumulative progress *therein* over the past year have been greater than expected", in the very next sentence they muddied the waters by noting, in typical central bank 'bafflegab' fashion, that "however, many participants continue to see a larger gap between current labor market conditions and those consistent with their assessment of normal levels of labour utilization than indicated by the difference between the unemployment rate and estimates of its longer-term normal level." - *be that as it may, the "if" question is increasingly being overtaken by "when" and "how much & how fast" ones.*

In July 209,000 new jobs were created. Although far less than the consensus forecast, it was the sixth month in a row it had been in excess of 200,000. Still, a recent NBC/WSJ poll found that 64% of those surveyed said that the Great Recession was still affecting their lives & 49% believed the country is still in recession (*since their own lives hadn't improved much, if at all?*).

The preliminary Thomson Reuters/University of Michigan Index of Consumer Sentiment readings for August were as follows :

- **Overall** - 79.2 (whereas 82.5 had been expected), **down** from 81.8 in July & the lowest reading since last November's 75.1 due to the fact that, while the Current Conditions Sub-Index came in at 99.6 (vs. 97.8 expected), **up** from 97.4, Expectations Sub-Index (as to conditions six months hence) slid to 66.2 (vs. 73.0 expected), **down** from 71.8, & the fourth monthly decline in a row;
- **Inflation outlook** - one year up to 3.4% from 3.3% MoM while the five-to-ten year expectation came in at 2.8%, up from 2.7% MoM.

The July 22<sup>nd</sup> Harvard Business School Working Paper 15-004 noted that small businesses employ almost half of the 240+MM US work force but since 1995 have accounted for two-thirds of all net new job creation. But to do so they have always heavily depended on bank credit &, while most banks maintain they are lending to small businesses but are having trouble finding credit worthy ones & experiencing a lack of demand due to the lingering after-effects of the Great Recession, survey after survey of small business owners point to them still facing very constrained credit markets conditions. And while the empirical evidence is scarce, that available points to bank credit for small businesses already having been in decline before-, taken a big hit

during-, & continued to be more constrained since-, the financial crisis, as banks shifted to more profitable market segments - *small business lending has always been labour-intensive & has only become more so as a result of, often quite well-intentioned, new regulations.*

In the Second Quarter US corporations' share buybacks amounted to US\$160BN, up slightly from the First Quarter (but 8x that during the depth of the Great Recession) & within shouting distance of the all-time record set in the Fourth Quarter of 2007. In real economic terms buybacks are a sub-optimal use of capital. They have been driven by the Fed's cheap money policy & by corporations' lack of confidence in the economic outlook. But they help to pump up the stock market; for with fewer shares outstanding, EPS (Earnings Per Share) can grow even if total profit stagnates; this in turn supports the view that the market is still reasonably priced because it helps to keep P/E (Price/Earnings) ratios in, or near, their historical average ranges.

On August 4<sup>th</sup> the 35 metre high tailings pond dam at the Polley copper-gold mine in South-central BC<sup>3</sup>, owned by Vancouver-based Imperial Metals, ruptured. Four square kilometres in size, it held an estimated 15MM cubic metres of water & solids, incl., among others, 400+ tonnes of arsenic. Four days later, according to the Company's President, it "was ... empty", thereby creating one of the largest-, if not the largest-, environmental disaster in the history of British Columbia, if not Canada. *Under BC law mines must maintain a "freeboard" (a buffer zone between the top of the dam & the water level behind it, which in the Polley Mine's case was one metre), to prevent "overflow". Last May the Company, & not for the first time, received an "advisory" from the Province that its freeboard at the mine was less than mandated (to which it responded, as it had in the past, by raising the height of the dam, a job which, according to Company VP Steve Robertson, has been almost an annual event). And when asked the very obvious question as to whether it was safe to keep raising the height of the dam year after year, Mr. Robertson answered (rather glibly?) "We feel very confident the engineers would have felt this was the appropriate structure for the storage that was required. " - obviously events proved him wrong. The most likely cause for the rupture is that the original dam design had lowballed the water level behind the dam (to keep down start-up costs, even if were to result in higher ongoing operating costs later on<sup>4</sup>). If so, the dam's base was designed to support a dam that was, say, 15 or 20 metres high, one unable to support the weight of a dam twice that high, in which case it had been a disaster in the making from the get-go, which makes one wonder how many more such dams there are in Canada & why some heads shouldn't roll).*

A recent survey by the Shanghai-based research firm Hurun Report found that 64% of China's "rich" (i.e. those with a net worth of US\$1.6MM or more) are planning to emigrate, (*suggesting that, while outwardly the country appears in the ascendancy, those close to the scene have their doubts?*). The main drivers for this appear to be the promise of a better lifestyle & concerns about *political-, & environmental* conditions in China. And while Beijing isn't putting undue obstacles in their way, it is making great efforts to ensure their first loyalty will remain with the country of their birth & that their residence abroad will generate benefits for China from trade, espionage and/or the creation of pressure groups to promote policy initiatives to China's benefit

---

<sup>3</sup> That came on stream in 1997 but was closed down four years later only be re-opened in 2005.

<sup>4</sup> This has been a feature of North American economic history from the frontier days when capital was scarce, to skinny up on upfront costs at the expense of higher operating costs down the road from cash flow (i.e. short-term gain for long-term pain), while in Europe, where capital was more plentiful, the tradition has long been spend money up front to optimize operating later on. And the extent to which its remained part of North America's economic landscape was evidenced by the US railways' argument a few years back, in the face of pressure from the regulators to replace the DOT 111 rail tank cars, that this would cost billions while derailments only cost US\$62MM a year.

in their host countries - *Rupert Hoogewerf CA (aka Hu Run) was born in Luxemburg in 1970, attended Eton & Durham University in the UK & worked for Arthur Anderson after graduation. In 1999 he founded this monthly publication that is best known for its "China Rich List" & that in 2009 earned him the Magnolia Award, Shanghai's highest honour for foreigners.*

Some people believe President Xi's anti-corruption campaign is driven by a desire to keep capital from leaving the country; the above confirms that train has already left the station.

On August 17<sup>th</sup> Russia's leading state-run broadcaster, Rossia 24, led off its newscast by telling its listeners that a devil-worshiping religious sect had been given permission by the Ukrainian authorities to build a church in Kyev (as part of a broadly-based movement to destroy the Russian Orthodox Church in that country); and according to reporter Nikolai Sokolov, Ukraine's Prime Minister belongs to the Church of Scientology [which he denies, saying he is a member of the (small) Ukrainian Greek Catholic Church, which for the Russian Orthodox may well be worse] & the Speaker of its Parliament a Baptist - *this seems part of an ongoing official misinformation campaign that in recent months has sought to demonize Ukraine, its leaders & its non-Russian population, so as to provoke nationalism & paranoia among Russia's hoi polloi.*

On August 21<sup>st</sup> a Russian consumer rights watchdog ordered four McDonald's in Moscow closed, incl. its flagship outlet on Pushkinskaya Square, its first ever in Russia that, opened in 1990, predates the Soviet Union's collapse. While its official explanation was "Multiple violations of sanity norms ... detected ... during inspections carried out between the 18<sup>th</sup> and 20<sup>th</sup> of August", the agency has a history of closing down establishments with links to countries that are out of favour with the Kremlin. And the agency has since announced plans to inspect all 300+ McDonald's outlets in the country. According to Quentin Peel, the former Financial Times bureau chief in Moscow "this will hurt Russians more than anyone" (*as if the Kremlin cares*).

After several earthquakes in the region, on August 18<sup>th</sup> the risk of an eruption of Iceland's Bardarbunga volcano was raised to 'Orange', its next-to-highest level (in 2010 an eruption at the Eyjafjallajokul volcano, much closer to Reykjavik, shut down much of Europe's airspace for six days, inconveniencing 10MM travelers & costing the airline industry an estimated US\$1.7BN). Although the region is sparsely populated, the authorities on August 20<sup>th</sup> issued an evacuation order for those who live there out of concern that since it is a "subglacial" volcano, i.e. one located under an icecap, an eruption could trigger massive flash floods.

## **GLEANINGS II - 576** **Thursday August 21<sup>st</sup>, 2014**

### **122B ALBERTANS DIAGNOSED WITH E.COLI (CBCNews)**

- Since July 15<sup>th</sup> there have been 59 confirmed cases in Calgary, 48 in Edmonton & 15 more elsewhere in the Province. Alberta Health has yet to identify the source (although earlier this month several people were admitted to Edmonton hospitals after eating contaminated bean sprouts) *although it has determined that this particular strain of E.coli is unique to Alberta & hence likely came from a local source.*

*This number exceeds the total number of confirmed E.coli cases in Alberta for all of 2013. This makes only the more amazing that it has taken a month for this to get out, especially since in the past far smaller outbreaks in Canada have gotten far bigger headlines far sooner. It may well have been a case of Alberta Health not having wanted to go public until it had hard facts in hand about its source for fear of otherwise creating a panic.*

### **HAMAS FIRES ROCKET AT ISREAL'S BEN GURION AIRPORT (Daily Star)**

- On August 20<sup>th</sup> the military wing of Hamas issued a warning to international airlines to halt flights to Israel's Be Gurion Airport 15 kms southeast of Tel Aviv to avoid being hit by incoming rockets (with Israeli sources subsequently confirming a number of flights had indeed been rescheduled. Sure enough, the next day it did fire a rocket at the airport
- The latest body count since hostilities got under way on July 7<sup>th</sup> now is said to be 2,069 Palestinians dead, most of the civilians, & over 10,000 injured, while on the Israeli side at least 64 Israeli soldiers & three civilians have been killed.

*The rocket in question was an M-75. While described as "home made", this was only partially true. The ones traditionally home made in Gaza were are typically crude, small & with a range of only a few miles The M-75, however, is a knock-off from the Iranian Fajr-5 rocket (in turn a knock-off from a rocket sold earlier to Iran by the Chinese), which is 10 metres long, has a range of 75 kms & carries a 100 kg explosive payload, and was re-assembled from, or made with, Fajr-5 components smuggled in through the earlier subterranean tunnel network.*

### **RISING UNREST IN CHINA A THREAT TO THE ECONOMY? (CNBC, Katie Holliday)**

- Incidents indicative of *social* unrest are on the increase in China. While illegal, official police statistics show their number grew ten-fold to 87,000 between 1993 & 2005, & third party estimates are that they now occur at a 300-500 daily rate (*i.e.* 110,000 to 170,000 annually), with anywhere between ten & tens of thousands of participants, ranging from farmers protesting land grabs through environmental protests by middle class elements to deadly ethnic minority riots. According to James Miles, the *long-time* Economist's Beijing Bureau Chief, while most have involved "farmers pushed of their land ... (*and*) poorer people in urban areas kicked out of their homes, to make way for development ... (& *typically are*) poorly organized", more recently large scale environmental protests by a middle class long viewed as a crucial government support base have alarmed the authorities, especially by "the way in which these demonstrations have rapidly formed using social media."

*Combined with the above-noted Hurun Report findings, this suggests China may be becoming a potential "giant with feet of clay" (Daniel 2 : 33)*

### **INDIAN FIRMS TOOL UP FOR DEFENSE ORDERS (Reuters)**

- China-generated tensions in the region have prompted an arms race in Southeast Asia. Now India has joined the party. Historically the world's largest arms importer, mostly from the Soviet Union & its successor states, the previous government's critics had nevertheless questioned the country's ability to defend its land borders & keep its sea lanes open. So during the recent election campaign Narendra Modi promised, among others, to boost the nation's military prowess so as to boost its ability to deal with the challenges posed by China & Pakistan. Now, as Prime Minister, he has acted on that promise by increasing the military's budget **for the current fiscal year** by 12% (even at US\$37BN it will still *only* one-third China's) & pledging to provide it with US\$250BN over the next decade for new equipment & promote "indigenization" (less dependence in imports & more domestic sourcing). This has companies in the local defense industry sectors chomping at the bit, with the US\$100BN Tata conglomerate, for instance, already having announced plans to invest billions in its defense-oriented business units.

*This could prove a defining moment for Modi & not just because it may have major implications for the military balance of power in the region; for while India's indigenous defense industry has long been dominated by inefficient, state-run companies with a history of under-performance finance-, & time-, wise, meeting Modi's military procurement targets in a timely fashion & promoting indigenization will almost inevitably necessitate largely sidelining the state-run firms in favour of private sector firms more likely to fill large orders within budget & on time*

### **THEIR MODERNITY IS BUT SKIN DEEP (G&M, Amrit Dhillon)**

- Wearing expensive *tight* jeans, drinking hazelnut mocha & *driving BMWs* may give India's urban youth the outward trappings of modernity but the way they continue to follow tradition shows this is only skin-deep. For a recent survey of India's urban youth by the Hindustan Times newspaper showed that, while young people elsewhere often rebel against the status quo & display an idealistic fervour to create a better world, their Indian counterparts *overwhelmingly* continue to follow tradition, even bad ones such as caste & blind obedience to authority. Thus of the 5,214 men & women between the ages of 18 & 25 in the Hindustan Times sample, 88% said they wanted to get married in the traditional lavish-, & often bordering on vulgar-, way, 63% of the men that they want their brides to be virgins (even while condoning pre-marital sex), 68% of both sexes that they always listen to their elders & 67% that they want their families to be 'extended', rather than 'nuclear', 60% that dowries are OK & over half that it's all right for their parents to select their life partners from the same caste & religion, while only 4% would override their elders' opposition to marrying someone who is their, & not their parents', choice.

*The writer may be too impatient & infused with that western abomination, instant gratification. Change is a fact of life but change for change's sake often doesn't work out well. Evolution beats revolution. But the wheels of time tend to grind slowly & economic & political evolution is a matter of grafting new onto old, rather than throwing out the baby with the bath water. Traditions have the advantage of being time-tested while today's short-term time perspective has the built-in disadvantage that what feels good today may not do so tomorrow & that the latest technology over time often has been proven to be a 'false god'. This was the case with radium : after Pierre & Marie Curie 'discovered' it in 1898, it was marketed in America for decades as a cure-all for "everything from impotence to insanity", until this was found to be life-threatening. Ditto for fat : many of today's nutritionists are now believe that their precursors' fat demonization did more harm than good. And DDT once was deemed a boon to mankind, fluorocarbons superb cooling agents, X-ray machine in shoe stores a great way to measure how well shoes fit & asbestos a superb fire-resistant, insulating material.*

### **MINUTES SHOW TWO BANK POLICY MAKERS VOTED FOR RISE (BBCNews)**

- They show that at their August 6<sup>th</sup>-7<sup>th</sup> meeting two of the nine member Bank of England's rate-setting Monetary Policy Committee (MPC) voted to hike the benchmark interest rate in place since May 2009 by 0.25% to 0.75%. While not entirely unexpected, it was still the first time in three years that its decision hasn't been unanimous (& is generally taken as an indication a rate increase may come sooner, rather than later). They also indicated the Bank had upped its GDP growth forecast for this year *marginally* from 3.4% to 3.5% & for 2015 from 2.9% to 3.0%. This came one week after the Bank had halved its average wage growth forecast for 2014 to 1.25% (in line with their 0.6% growth in the First Half), & after it had been reported elsewhere that headline CPI growth in July had

been at a 1.6% annual rate, down from 1.9% the month before & well below the 1.8% expected, and that the average for the three months ended July 31<sup>st</sup> had been 1.7%<sup>5</sup>.

*One aspect of this which hasn't received much media coverage is the identity of the two dissenters. For of the nine MPC members five are inhouse & four "external". Two of the latter are university professors & the other two economists with more 'real world' exposure. One of the former two, both of whom voted with the majority, teaches at MIT (& a decade ago was on the White House economic staff) &, having assumed her post on July 1<sup>st</sup>, this was only her second meeting, and the other, who teaches at Imperial College, London, is midway through his second three-year term & last week had shown his hand when he told the BBC that inflation is likely to remain below the (Bank's 2.0%) target "for some time to come" which, he said, was "good news" since it meant it would not "be pushed into raising interest rates sharply or immediately." On the other hand, one of the two dissenters, a two-year MPC veteran, is a former Chief Economist at the Confederation of British Industry with career stops at BP, NatWest, Barings, the Economist & the International Chamber of Commerce, while the other is midway through his second three-year term & for 15 years headed the National Institute of Economic and Social Research (both of the latter argued that the rapidly falling unemployment rate will prompt upward pressures on wages & salaries & that hence a rate hike was desirable as a way of anticipating the resultant wage-, & salary-, increase-driven inflationary pressures and that, even if the rate were hiked 0.25% to 0.75%, monetary policy would remain "extremely supportive", given the fact that prior to 2008 it had averaged 5%.*

#### **FRANCE REBELS AGAINST AUSTERITY AS EUROPE'S RECOVERY COLLAPSES** **(The Telegraph, Ambrose Evans-Pritchard)**

- Eurozone growth has ground to a halt : Germany's economy contracted 0.2% in the Second Quarter, France's is stuck at zero & Italy is in a triple-dip recession. Amidst all this France's Finance Minister told RTL TV the government will no longer try to meet its deficit targets<sup>6</sup> & not further damage its economy by tightening, saying "I refuse to raise taxes to close any budget gaps ... What is absolutely necessary is to adjust the pace of deficit reduction to the exceptional situation we are in today. Growth is too weak in Europe and inflation too low. We must therefore stop reinforcing the cause of this depression ... We must face the figures in front of us with realism ... growth has broken down in both France & Germany."
- According to LSE Prof. Paul De Grauwe the EMU elites have misdiagnosed the cause of Europe's slide into economic slump, blaming it on a lack of reform while, he says, it is a "demand crisis" made worse by the debt purge since the financial crisis.

*Things are being made worse by what Putin calls "the boomerang effect" of the sanctions on Russia (that is hitting the Germany economy especially hard) & as a dictator he doesn't worry unduly about pain & suffering among his hoi polloi<sup>7</sup> & likely believes he has greater tolerance for*

<sup>5</sup> So real wages are still declining, giving rise to what some refer to as Britain's "cost of living crisis"; the problem is that while employment growth has been on a tear, productivity is still lagging its 2008 level & productivity growth is a sine qua non for real wage growth.

<sup>6</sup> Which could set up an ugly confrontation later this year. For Brussels must each year approve the preliminary budgets of its member country governments &, if France's deficit target were to get too far above the supposed 3% of GDP level, it would face a Hobson's choice between sending the French budget proposals back to Paris for revision or, by not doing so, risk eroding its credibility (& the global status of the Euro).

<sup>7</sup> Which may not be a risk-free working hypothesis for him.

*being sanctioned than the others will have for living with the domestic consequences of sanctioning. But the Europeans may make matters worse if, after first having chosen to go the short-term pain over long-term gain route & then failing to adequately follow through on that decision, they now were to do “a 180” before their original policy had much of a chance to bear fruit. And the “debt purge” De Grauwe talks about certainly bypassed the major Eurozone governments, all of which now have Debt/GDP ratios much higher than six years ago (& possibly also the banks, that are chock-a-block with potentially dodgy loans & securities). Finally, the very governments that De Grauwe wants to start borrowing more to boost GDP growth preside over economies with aging work forces (& unsustainably costly social benefit programs) that limit their GDP growth potential. Meanwhile President Hollande told Le Monde over the weekend he wants to speed up reforms (better late than never, although one wonders how he expects to do that now when he couldn't, or wouldn't, do so earlier when times were somewhat better), pledged to boost homebuilding (housing starts are at 16-year lows due, developers say, to new regulations that impose limits on rents in cities of > 50,000), undertook to introduce tax-, & welfare benefit reforms that would help low income households (an income redistribution initiative that if paid for with higher taxes would create a drag on growth and it with borrowed money would just make a bad fiscal situation worse & increase the probability of a market confidence crisis), & clung to the view that, despite its recent weakness, the Euro is overvalued<sup>8</sup> - with the French public having lost faith in his ability to deal with the situation & his public approval rate at a post-WW II low for any French President, he may now be running out of time for doing anything that is likely to bear fruit in time for him to benefit thereof in the next Presidential election.*

### **TRAGEDY PUTS MARINA SILVA AT THE HEART OF BRAZIL CAMPAIGN** **(BBCNews, Julia Carneiro)**

- On August 13<sup>th</sup> a plane carrying Eduardo Campos, the Socialist Party's Presidential candidate in Brazil's October 5<sup>th</sup>, 12-candidate Presidential election, crashed *in bad weather* near Sao Paulo, killing him & the other half dozen or so other people on board. The next day the Party named his running mate, environmentalist Martina Silva, a rubber tapper during her youth & someone with the ambition to be “the first black woman of poor origin” to be Brazil's President, to replace him. She was former President Luiz Inacio “Lula” da Silva's Environment Minister (*from 2003 to 2008 with her proudest achievement being that during those five years the rate of Amazon deforestation declined by 59%*). In the 2010 election she was the Green Party's Presidential candidate & garnered a more-than-respectable 19.9% voter support, that placed her third, not enough, however, to participate in the second round run-off.

*Over the years she has received numerous international awards & tokens of recognition. She resigned in 2008 as Lula's Environment Minister quoting “growing resistance found by our team in important sectors of the government & society” (prompting Greenpeace's head in Brazil to quip “It's time to start praying for the rainforest.”) The next year she quit Lula's Workers' Party altogether to join the Green Party. Most recently she sought to create a new party, the Sustainability Network, but, after failing to get the 500,000 signatures needed for it to become officially recognized as a party, she switched over to Eduardo Campos' Socialist Party & emerging last April as his running mate when he announced his intention to run for the*

<sup>8</sup>

This is the Achilles Heel of the Euro concept, and/or the banana peel that the Euro could slip on, it deprived national governments of the ability to take the time-honoured easy way out in making basic adjustments to their economies, & handling excessive debt, by devaluing their currency.

*Presidency, despite the fact she disapproved of some of his allies at the state level (who were members of Brazil agricultural lobby whom she despises but who have much political influence, if only because agriculture accounts for 20% of the country's GDP, vs. only 1% in the US – which has not stopped the farm lobby there from having a great deal of clout). While Campos was deemed to have much going for him longer term, this was not seen as an election for him to win; thus early this month, in the last poll before his death, he was a distant third, with 9%, far behind Rousseff's 38% & the 23% for Acio Neves, the candidate for the Workers Party's traditional main rival, the Brazilian Social Democratic Party. But her entry into the race lengthens the odds of Dilma Rousseff being re-elected. For Silva will have a voter base among environmentalists, split the women's vote, and benefit to some degree from the growing feeling the Workers' Party has been in power for too long & that it is time for a (radical) change. She may also attract more than her share of support from those who protested against the extravagant & misplaced World Cup cum Olympic Games spending, from the younger generation & from those who feel that the two mainline parties don't represent their interests, and many of Brazil's poor will identify with her because of her background. And the most recent poll numbers (last week) ought to give Rousseff food for thought; for while she largely held her ground with 36% support, Silva had jumped into second place with 21%, a whisker ahead of Neves' 20%. The question now is whether this is a 'flash in the pan' protest cum sympathy phenomenon, or will prove to have "legs", allowing her to beat her 2010 performance & propel her into the run-off.*

#### **BOKO HARAM OVERRUNS NIGERIAN POLICE ACADEMY (UPI, Ed Adamczyk)**

- On August 20<sup>th</sup> several hundred Boko Haram militants using tanks overran a well-known police academy near Gwoza, in Borno, the most Northeastern of Nigeria's 36 states & in the process seized an assortment of weapons. While the casualty rate among its staff & 300 students still unknown, they are expected to be substantial. This came two weeks after Boko Haram had seized control of this city of 50,000 (from which most, if not all, of its inhabitants are said to have fled).

*This has been a problem area for some time; thus last May the Emir of Gwoza (the head of the local government) was killed, along with the Emir of Hawal, after their convoy was ambushed while enroute to the funeral of their colleague, the Emir of Gombe. And while the Nigerian Army has been trying to regain control over Gwoza, its efforts to do so have been blunted by soldiers refusing to follow orders on the grounds that the Boko Haram fighters have better weapons than they do (some of them courtesy of the Nigerian Army which abandoned them by losing them on the battle field, as were the five tanks used in the attack on the police academy). And Sen. Ali Ndume, whose constituency includes Gwoza, blames the persistent violence in the region on "the way the government has been handling the (Boko Haram) issue", incl. the way in which it has failed to give the army units seeking to get the better of the Boko Haram, the weapons-, & logistical-, support they need to do so. And one really has to wonder is why the army left such a blatantly obvious target as the Police Academy so ill-prepared to defend itself.*