

The Baltic states rightly worry that, if Putin is not stopped in Ukraine, they may be next on his 'hit list'. In the mid 1920's they, like Ukraine, had small Russian minorities (8.2% in Estonia, 10.5% in Latvia, 2.5% in Lithuania & 9.2% in Ukraine). Then, as provided for under the 1939 Molotov-Ribbentrop Pact, the USSR in that year invaded, & annexed, the three of them, only to driven out again after Nazi Germany attacked the Soviet Union in June 1941. But in 1944, after the tide had turned, the USSR re-occupied the three countries, upon which Stalin launched a Russification program as a result of which the Russian population component in the four countries by 1959 had risen to 20.0%, 26.6%, 8.5% & 16.8% respectively, which has stayed roughly the same since (thereby providing Putin with an excuse to step in to 'protect their rights').

Two weeks ago the Ukrainian armed forces, *to some people's surprise*, seemed to have gained the upper hand over the rebel forces in the East of their country & had limited them to an ever-shrinking bit of land around Donetsk, and they appeared headed for certain defeat. But the recent opening of a second front by Russian regulars at Novoazovsk, 120 kms South of Donetsk (& *increased personnel & arms' support?*) now has turned the tide (*meanwhile NATO's half-hearted efforts at supporting Ukraine have been meaningless for someone who he operates on the basis of "sticks and stones will break my bones but words will never hurt me".*) So, with it now having become abundantly obvious that NATO is going to do little to help Ukraine deal with the Russian invasion (*or "incursion" as it now is euphemistically referred to*) than talk about & that it has been frightened into giving up on its plans to move its sphere of influence several hundred miles West into the soft underbelly of Russia, it's not surprising that President Poroshenko earlier this week sought to cut a deal with Putin (which will likely end up giving the latter most, if not more than-, what he had originally aspired to in terms of control over Ukraine's internal affairs at minimal cost to the Russian treasury - *bottom line : Putin has achieved the inverse of what the West set out to achieve, dooming the Ukrainian people to more poverty, with the only possible way now for the West to spike Putin's guns being to arrive loaded with cash & trade opportunities, the likelihood of which is somewhere between nil & zero. The West will live to regret this; for its many adversaries in the world have taken note of the fact that it no longer has the cojones to fight & that 'crime does pay'. The West's only hope now is that down the road Putin may find he went 'one bridge too far' & that, no longer able to whip up nationalist paranoia & xenophobia, the oligarchs & hoi polloi will re-focus on 'bread & butter issues'.*

On August 31st the Showboat Casino Hotel in Atlantic City closed its doors after a 27-year run. Two days later the US\$2.4BN Revel Casino Hotel followed suit, just two years after it had opened its doors amidst high hopes it would revitalize the city's once all but unchallenged position in the East Coast gambling market. And on September 16th the Trump Plaza will make it three-of-a-kind¹. This will cost 8,000 people, one quarter of the city's casino work force, their job. In three decades Atlantic City's gambling revenues had ramped up 40x to US\$5.2BN by 2006. But the recession, greater competition for the gambling dollar all along the East Coast & the loss of the city's allure as a destination point as gamblers opted for more 'convenient', i.e. close at hand, venues, led to their decline to just US\$2.9BN last year.

The cover story in the latest issue of Barron's is entitled "Work is for Squares". Its basic theme is that the drop in the labour participation rate (that is now at a 37-year low) cannot be explained by Baby Boomers starting to reach the age of retirement alone & that part of the explanation lies in the fact that it's too easy to get by on the benefits paid by social safety net programs which, it says, will have major ramifications for the potential future growth of the US economy.

¹ Small wonder the city is dead last in job creation terms among the 372 US metropolitan areas surveyed by the BLS.

John Mauldin in his latest Thoughts from the Front Line column asserts that at least one-third of the 2% annual GDP growth since the Great Recession is directly attributable to the fracking boom, with at least some of the rest a function of a perception this will result in a long-term availability of reasonably-priced energy that has encouraged manufacturers to expand their operations in the US, in some cases by repatriating them from abroad. In his column he also references a chart, generated by Mark Yusko² of the world's shale gas reserves, to wit : China - 1,275 TCF, US - 862, Argentina -774, Mexico - 681, South Africa - 485, Australia - 396, Canada - 388, Libya - 290, Algeria - 231, Brazil - 226, Poland - 187, France - 180, Norway - 83, Chile - 64, India - 63, Paraguay - 62, Pakistan - 51, & UK - 20 - *while it seems to leave out some obvious names, this may be because, while they may be conventional gas-rich, they may be, so far at least, shale gas-poor. Be that as it may, his chart suggests the LNG business is likely to become huge in the years to come.*

In early August ISIS briefly overran the Lebanese city of Aarsal³ on its border with Syria, capturing 19 Lebanese soldiers, incl. one Ali al-Sayyed. On August 30th it released a video of him being beheaded, warning the Lebanese government that, unless its supporters in Lebanese jails are released, others among al-Sayyed's colleagues would suffer the same fate. The fact that al-Sayyed was a Sunni Muslim himself apparently was irrelevant - *in an ideal world such behaviour ought to convince Sunni Muslims far & wide that, rather than jihadists, ISIS is just a bunch of thugs, & erode support for them among mainstream Muslims, but in the world we live in, who knows anymore?*

Since then, on September 2nd, ISIS released another beheading video, this one featuring American journalist Steven Sotloff, who disappeared in the Aleppo region of Syria a year ago. Two weeks ago, when ISIS released its first video, the one showing the beheading of James Foley, it was accompanied by a message for President Obama that "His (*i.e. Obama's*) next move will determine Sotloff's fate" which did not, however, stop US Air Force jets a few days later from carrying out missile strikes against ISIS units near the Mosul Dam (that it then, briefly, controlled). This time its message to Obama was "Just as your missiles continue to strike our people, our knife will continue to strike the necks of your people ... because of your arrogant foreign policy towards the Islamic state" - *The executioner in both cases, an individual now nicknamed 'John Jihadi', has been tentatively identified by the British as Abdel-Majed Abdel Bary, a 23 year-old former rap singer of Egyptian origin who until a year ago lived with his family in a £1MM home in London's upscale Maida Vale district. His father, a political refugee in Britain, was arrested there in 1999 on a US warrant charging him with terrorism for his (background) involvement in the 1998 bombing of the US embassies in Kenya & Tanzania and, after having been found guilty in 2006 on 11 of the 15 charges he faced in Britain, and sentenced to seven years each on eight, & 21 months each on the other three, all to be served concurrently, he was extradited to the US in October 2012 (six months before his son vamoosed & re-emerged with ISIS). Apart from his personal need for revenge, it must be a real rush for a 23 year-old to think he's 'holding the President of the United States' feet to the fire'.*

While President Obama talks about "how well-financed" ISIS is, it is worth remembering that this was *in part indirectly* due to the US Treasury's largesse in funding the re-equipment of the 'new'

² Founder, CEO & CIO of Chapel Hill. NC-based Morgan Creek Capital Management

³ Pop. 40,000 (plus 120,000 Syrian refugees).

Iraqi army that, among others, was kind enough to donate' the Humvees ISIS fighters now are shown tooling around in.

Six weeks ago there were media reports that China's second-, & fourth-, largest state-owned banks, the Bank of China & the China Citic Bank, had been helping rich Chinese spirit their money out of the country by manipulating the currency controls for them & by providing them with "underground" banking services. Rumour now has it that Hongkong resident Li Ka-shing (age 86), according to Forbes, with US\$34.8BN the 11th richest individual in the world & the richest in Asia, and for years a big investor in China, "is pulling out". *If so, this would be far more significant; for while the others may be worried about getting caught in President XI's anti-corruption net, Li Ka-shing is unlikely to have such concerns. And it is a known fact that last spring he & members of his family disposed of billions of dollars of Mainland real estate & that last June 27th he told the graduating class of Shantou University in Guangdong Province (which he helped found in 1981) that there were three things that made it difficult for him to fall asleep at night : the continuing disparity of wealth-, the lack of arable land & of safe drinking water-, and the loss of mutual trust & the willingness to tell each other the truth-, in China.*

After Der Spiegel reported Chancellor Merkel was 'displeased' with ECB President Mario Draghi's speech at Jackson Hole (in which he said, among others, that "it would be helpful for the overall stance of policy" if fiscal policy were to play a greater role alongside the ECB's monetary policy, *i.e. if it were to move away from its focus on austerity*), a government spokesman said "the assertion that the chancellor took President Draghi to task does not correlate to the facts in any way⁴." - *according to the mass-selling daily Der Bild she, with (ready) support from her Social Democrat junior coalition partners, will cut her closest ally, France (which it refers to as "Krankreich", i.e. 'Sick Empire', a word play of its official German name 'Frankreich'), some slack if President Hollande commits himself to serious reforms (which he may not, however, be able to get through parliament); thus her Finance Minister, Walter Schaeuble, told a Paris audience on August 28th he agreed with President Hollande on the need for private & public investment to boost economic growth (the problem the anti-austerity types are studiously ignoring is how to engage in government debt-financed pump-priming without the debt-to-GDP ratio going to nosebleed levels).*

One bit of good news in the now multi-faceted global battle against Islamist extremists when an American air strike in Somalia demolished a vehicle in which the leader of the al-Shabab was riding. But, while Pentagon spokesman Rear Adm. John Kirby called this a "significant blow" to the al-Shabab organization, the last decade of fighting Islamist extremists has shown they are like the Hydra-headed monster of Greek mythology (that grew back two heads for every one lopped off, until Hercules came up with a solution).

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HOW TO SURVIVE A SECULAR STAGNATION (Bloomberg, Mohamed El-Erian)

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Being a firm believer in "where there's smoke, there's fire" & that the more senior a government official denying a rumour the more likely it is correct, Merkel likely did do as rumoured.

- At PIMCO in 2009 my colleagues & I postulated economic growth in the West might not bounce back as it had historically done after a crisis-induced downturn & that, as a result, it might experience unusually sluggish growth & persistently high unemployment. We called this the “new normal”. This theme has now been picked up in a new e-book from the Center of Economic Policy Research that should be read by for all policy makers, academics & investors. Under the heading of what it calls “secular stagnation” it brings together respected economists representing different schools of thought, incl. Harvard’s Larry Summers, Princeton’s Paul Krugman & the University of California (Berkeley)’s Barry Eichengreen, to discuss various possible explanations, including :
 - structural headwinds from aging populations, poor infrastructure, heavy debt burdens, slow productivity growth & inequality;
 - global demand that is poorly distributed, & inadequate as people pay down debt, rather than spend; and
 - labor market sclerosis as prolonged unemployment erodes workers’ skills & youth unemployment threatens to create a lost generation.

One disturbing finding in the book is that central bank stimulus may be ineffective in simultaneously delivering high growth, robust job creation, price stability & financial soundness, or as Summers puts it, “there is likely a price *to be* paid in terms of financial stability.” While some people still believe the Western economies are just suffering flesh wounds *from the Great Recession* & that a gradual healing supported by steadfast central bank policies will set the stage for economic lift-off, a (*growing?*) minority believes something more worrisome may be in play, requiring serious *new* thinking to develop alternate policies, such as investing *more* in education or infrastructure, increasing the central banks’ inflation targets and/or raising the retirement age, all of it at odds with the old *economic* thinking.

*At the end of the day it comes down to two things : yesteryear’s debt-fueled consumption spending binge in Western countries ‘borrowed’ consumer buying power from today & tomorrow, and the pile-up of government debt was a function of yesteryear’s taxpayers being unwilling to pay from their taxes for the government services they felt entitled to, preferring to download part of their cost onto future generations. Unfortunately, those chickens have come home to roost, and today’s & tomorrow’s taxpayers face the unhappy prospect of having to foot the bill for today’s government services **and** for part of yesteryear’s!*

ARE STOCKS SET FOR A MAJOR DECLINE IN THE FALL? (Seeking Alpha, Eric Parnell)

- Market news coverage is increasingly polarized between those who believe the sky is the limit & those who fear it may be about to fall. The fall has historically been a tumultuous time for the stock market : since 1871 October has been the only month in which the average two month return to the end of the month has been negative, by - 0.35% (*in part due to the major market corrections in 1929, 1987 & 2000?*). In those 140+ years 22 Octobers saw market setbacks of 10+%, six of them in this century (2000, 2001, 2002, 2007, 2008 & 2011). While the good news is that in 19 of those 22 years this came after a summer of lacklustre-, if not outright negative-, market performance (unlike this summer), the less good news that in the other three years (1929, 1987 & 2000) investors “drifted steadily through the summer with the impression that all was well with the world” until the market proved them wrong & handed them their head.

With all the goings on in North Africa, the Middle East, Eastern Europe & the South China Sea, the cloudy economic outlook, especially in Europe, Russia & Japan, the dysfunctionality of, & drift towards isolationism in, the US system, the snakes & dragons that may be hidden in the

derivatives' reeds, and the strains & stresses associated with the global move towards multipolarity, it's hard to argue that "all is well with the world", increasing the probability that, despite the market's strong summer performance, things could "be different this time". So the risk of an outlier 'black swan' market event this fall may be real (the author has a CFA, founded, & owns 99% of, a small Glenmoore, Pa.-based money manager, Gerring Capital Management, and, while he calls the past two years' market performance as "full of hot air and multiple expansion", still believes that, while the market rally may be "tired", the uptrend remains intact).

US CONSUMER CONFIDENCE UNEXPECTEDLY INCREASED (BB, Michelle Jamrisko)

- The Thomson-Reuters/University of Michigan final Consumer Confidence Index reading for August was 82.5⁵, up from 81.8 MoM & a preliminary August reading of 79.2. This was driven by the strongest payroll gains since 1999 & the improving labour market. To put this number in perspective, this index averaged 89 during the five years prior to-, & hit a low of 64.2 during-, the Great Recession, and, while the Current Conditions Sub-Index increased to 99.6 (a seven year high) from 97.4 MoM, the Expectations Sub-Index (of conditions six months hence) declined to 71.3 from 71.8 MoM.

Only the very short-sighted, deluded and/or wilfully blind take comfort from numbers that raise the probability of wage-driven inflation & show consumer pessimism about the near-term.

DETROIT, CREDITORS FACE OFF IN COURT (WSJ, Matthew Dolan)

- After Detroit filed for bankruptcy protection 18 months ago, with US\$18BN in liabilities & no scope to meet them in full, the Governor hired Kevyn Orr as Detroit Emergency Manager. He then pushed the city into to filing for bankruptcy as 'the only option for a city whose financial ruin had been decades in the making'. While he then cut deals with some creditors who accepted significant haircuts, others alleged he was treating them unfairly & illegally; so on September 2nd the players in the largest US municipal bankruptcy case ever were in court for what is expected to be several weeks.
- Initially the city offered to pay holders of some GO bonds linked to city revenues, once deemed rock-solid investments, 15 cents on the dollar, although it later agreed to pay some of them up to 74 cents. Generally speaking, payouts have ranged from 100 cents on the dollar for some secured creditors to as little as 10 cents for unsecured ones. And among the unsecured creditors pension holders have generally fared relatively well, although retirees will see the cost of their healthcare plans increase & their benefits shrink, and have their pensions cut 4½%, & most will lose their cost-of-living increases, while the police & firefighters will only lose their cost of living increases.

A bone of contention has been the contents of the city-owned museum, the Detroit Institute of Art, one of the country's most renowned of its kind. While federal mediators had cobbled together a deal worth over US\$800MM, funded by state & private sources, to spin off its treasures into a not-for-profit, to help meet creditor claims, some of the latter claim selling off its treasures would generate more (although lawyers for the proponents maintain selling is a non-starter since much of them were the result-, or paid for from the proceeds-, of donations.

CALIFORNIA'S DROUGHT : WHAT LOSING 63 TRILLIONS GALLONS OF WATER LOOKS LIKE (WP, Nick Kirkpatrick)

⁵ The very top end of the forecast 76.5 -82.5 range of the 59 economists surveyed by Bloomberg.

- Scientists estimate California has “lost” 63 TR gallons of water (*i.e. roughly 50x the amount of water in the Great Lakes*⁶). The loss of the resultant 240BN tons of weight on the earth’s crust has caused the ground to lift, in the mountains by as much as half an inch⁷. According to the Los Angeles Times the state’s “three largest” (*sic*) reservoirs are now at 30% of capacity (although the average statewide reservoir level is still above the 41% recorded in 1997 when another devastating drought hit the state).

For some dramatic pictorial evidence of the impact of the drought, google the above heading.

WHAT REALLY HAPPENED IN THE GAZA WAR (WP, William Booth)

- On September 3rd a top Israeli intelligence official sat down with a small group of foreign journalists & ran them through a slide show on the 50-day Gaza War, incl :
 - contrary to those, incl. Hilary Clinton, who faulted Hamas for firing rockets from civilian areas, “most ... were underground ... fired by remote control ... and hard to locate”;
 - the Israeli count of Palestinian casualties (2,127) is very close to the UN number. So far the IDF has determined, with “100 percent certainty” that 616 of were combatants (341 from Hamas, 182 from Islamic Jihad 93 from smaller factions), although 805 still remain to be accounted for;
 - Hamas was hit hard, but not that hard; for only about 5% of the 16,000 Hamas-, & the 5,200 Islamic Jihad-, fighters were killed;
 - there were dozens of tunnels, many kilometres in length, beneath Gaza itself, as well as 32 “offensive” tunnels, of which 14 had actually reached the Israeli side (that let them “move, conceal, surprise and disappear ... low-tech but effective”);
 - of the 4,500 rockets fired by Hamas & its allies, 875 had landed within Gaza itself, some of them duds & others targeting Israeli soldiers during the ground offensive;
 - according to the most recent poll⁸ Hamas & its “military approach” is now more popular than ever (*the same phenomon as after previous Gaza wars, although in those cases that didn’t last long*).

⁶ This number is so staggering that I have done the calculoation several times only to come up with the same results each time; what it does do, however, is to put in perspective the relative insignificance in the overall scheme of things of the ‘stock’ of water in the Great Lakes.

⁷ And it likely would have lifted it a great deal more but for the sinking of the surface due to the (increasingly) non-sustainable rate of water withdrawal from the underground water aquifers; one can only wonder if the resultant shifts in weight distribution on the state’s underlying tectonic ‘plates’ may have been a factor in the August 24th 6.0 earthquake in Northern California.

⁸ Taken by the Palestinian Center for Policy and Research in both the West Bank & Gaza during the period August 26th- 28th, it involved 1,270 individuals in 127 randomly selected locations. The results are interesting, to say the least, & can be accessed by googling the Centre’s website and then going to the September 2 poll. It provides oodles of readings incl. : 94% expressed satisfaction with Hamas’ military performance, 86% support renewing the rocket attacks if the siege/blockade of Gaza is not lifted, 79% believe Hamas won the war & 78% approved of its defense of Gaza civilians. It also found that Hamas would win a general election hands-down, and that in a two-way Presidential race Hamas leader Ismael Haniyeh would beat Abbas 61-32, up from 41-53 three months ago (the intriguing part of which is that Haniyeh would beat him 66-25 in the West Bank but only 53-41 in Gaza) & that in a three-way race that would also include Marwan Bargouti (who, while sometimes referred to as the “Palestinian’s Mandela”, is serving five life sentences in an Israeli jail for murder), he would still lead the pack with 48% support vs. Bargouti’s 29% & Abbas’ 19% (vs. the 33-36-28 tally three months ago).

ISRAEL'S SEIZURE OF MORE LAND CRITICIZED (Bloomberg)

- Israel this week declared 1,000 acres/400 hectares of land near of Bethlehem *that currently hold Palestinian-owned olive groves owned by Palestinians* “state property” (*i.e. expropriated it*), a first step towards building new settlements there. While this move was condemned by the Palestinians, the U.S. & the United Nations as detrimental to the peace process, & Washington called on Israel to reverse this move & ‘expressed concern’ about its other settlement plans in East Jerusalem, Economy Minister Naftali Bennett said the concept of a Palestinian state wasn’t working, for “Whenever we hand them land and pull out, we get shortly thereafter, radical Islamic terror.”

Bennett believes the West Bank (or as he & other hardline rightwingers call it “Judea & Samaria) ‘belongs’ to the Jewish people by God’s right & that the Palestinians living there are squatters. And his claim on the effect of handovers takes license with the truth; for there has been only one case of Israel handing “them” land⁹, & “pulling out” (in Gaza in 2005 when it practiced “scorched earth” as it did so). And a case can be made with relative ease that Israel’s problems with Gaza have, in part at least, been self-induced.

GOLAN HEIGHTS PEACEKEEPER CRISIS (AP)

- In 1974 the UN established UNDOF (United Nations Disengagement Observer Force) to help keep the peace in the Golan Heights. On August 27th al-Qaeda-associated “Nusra Front” Syrian rebel forces overran the Quneitra border crossing point between Syria & the Golan Heights. The next day they captured 44 Fijian members of UNDOF & surrounded two encampments occupied by Filipino members of the force. Those in one of the latter managed to escape on their own & the 40 Filipinos in the other were successfully ‘extracted’ on August 30th, after a seven-hour firefight, by Irish & Filipino members of the force using armoured vehicles.

The Nusra Front has since issued three demands for the release of the Fijians : its removal from the UN terrorist list, humanitarian aid sent to parts of the Syrian capital Damascus & compensation for the trio of its members killed in the firefight with the Filipinos. And on September 4th, as Nusra Front fighters & Syrian Army units continued to fight over the Quneitra border crossing point, the IDF injected itself into this mess by firing a Tamuz missile at a Syrian Army position as retribution for a couple of mortar shells having landed in the Israeli-held portion of the Golan Heights (despite having conceded they likely were unintentional fallout from the Syrian civil war).

WHILE NATO SWILLS CHAMPAGNE, IT’S PUTIN WHO CALLS THE SHOTS **(The Guardian, Simon Jenkins)**

- This week’s lavish NATO Summit in Wales came at the worst possible time. For while pretending to be the world’s most powerful military alliance, NATO has been humiliated by Putin who can, & does, lie, bully, invade & shrug off sanctions, knowing it won’t go to war. While defense experts of every stripe have daily demanded that “the West stand firm ... show resolve ... teach Russia a lesson ... show Putin who is boss” & call for more

⁹ And Gaza by no stretch of the imagination has ever been part of the Jews’ God-given patrimony.

sanctions, demand stronger backing & more aid for Ukraine, and support for the border states” the politicians’ resolve is “to avoid war” & “a diplomatic solution is inevitable.”

According to the Italian centre-left daily La Repubblica Putin on August 29th told outgoing EU President José Manuel Barroso over the phone, when the latter asked about the presence of Russian troops on Ukrainian soil, that “If I want, I’ll take Kiev in two weeks”¹⁰. While generally taken as the words of a braggart, it really revealed that the Russian army’s capabilities may be overrated if it require two weeks to cover the less than 200 mile distance from the Russian border to Kyev against what at best would be weak resistance, & confirmed that all along his objective has been, as Elvis Presley once put it, “Why buy the cow if you can get the milk through the fence”, i.e. to gain a veto over events in Ukraine while avoiding the financial burden of subsidizing the Russian coal miners in Eastern Ukraine & ensuring it will remain with Kyev, thereby hindering its economic rebirth after years’ of Yanokovych’s plundering of its treasury.

CANADA BALKS AT NATO PITCH TO BOOST DEFENCE SPENDING **(Postmedia News, David Pugliese)**

- Even before a proposal to boost military spending by NATO members to 2% of their GDP could be presented at the NATO Summit on September 4th, Canada’s Prime Minister Stephen Harper & German Chancellor Angela Merkel had voiced their opposition. The Prime minister’s spokesman said that “We agree with our NATO allies that it is important to continue increasing our defense spending¹¹, and we have committed to doing so ... But the notion of setting an arbitrary target does not make sense” while Germany’s Defense Minister, Ursula von der Leyen, says that what matters is the amount being spent on the military, rather than measuring it as a percentage of GDP *whatever that gobbledygook is supposed to mean* (its military spending is currently equal to 1.3% of its GDP).

Publius Flavius Vegetius Renatus was a Fifth Century AD Roman writer who in his book De Re Militaris expounded the idea that “If you want peace, prepare for war”. And more recently Teddy Roosevelt coined the phrase “Speak softly & carry a big stick” (in contrast Prime Minister Harper’s foreign policy appears based on ‘having a big mouth & carrying a limp wiener’).

BELLIGERENT PUTIN RATTLES NUCLEAR SABRE (London Daily Telegraph, Tom Parfitt)

- Accused by Europe & NATO of launching a full-scale invasion of Ukraine, on August 29th he boasted, during a visit to a youth camp on a lake near Moscow that “It’s best not to mess with us ... Thank God, I think no one is thinking of unleashing a large-scale conflict with Russia. I want to remind you that Russia is one of the leading nuclear powers.” That same day a spokesman for the Russian-backed separatists in the Ukrainian coastal town of Novoazovsk (where NATO believes there are now 1,000 Russian soldiers) said the plan is to push 35 miles further West to the more important port of Mariupol, where the Ukrainian forces are preparing for a full-scale Russian assault. This is heightening

¹⁰ According to Yuri Ushakov, Putin’s foreign policy adviser, this statement had been “taken out context and carried a completely different meaning” without going into detail what that might have been.

¹¹ Which is a creative twisting of the truth : while it may be increasing in current dollar terms, in real terms it is now in the 1% range, well below the 1.3% spent by Jean Chrétien’s government during the 1990s so-called “decade of darkness” of military spending cuts.

concerns that Moscow is planning to open up a 'land bridge' on what is unquestionably Ukrainian soil along the coast of the Azov Sea between Crimea & Russia proper.

*NATO at this week's Summit in Wales is expected to approve the formation of a rapid response force¹² to deal with threats from Russia. This is an empty PR move. For NATO has no stomach to get embroiled in a brawl with Russia, & Putin knows it. Besides the need is for action **now**, not at some point in the future when such a force may have been cobbled together. Meanwhile the warships from navies across Europe in Cardiff harbour are, according to one newspaper, "an incredible show of force by NATO's most powerful countries" (incl., apart from German & French navy vessels¹³, ones from such geopolitical power houses as the Netherlands, Norway & Latvia). They **might** have done some good if assembled in the Black Sea but their presence in Cardiff harbour is just an meaningless, empty, window-dressing, money-wasting gesture.*

U.S. FEARS REPEAT OF RUN-IN WITH CHINESE FIGHTER JET **(Asian Review, Naoya Yoshino)**

- On August 26th, over the South China Sea 217 kms. East of Hainan, a Chinese fighter jet flew within 6 metres/20 feet of a US P-8 Poseidon patrol plane (*which at the speed these planes travel, is a high-risk move*). According to Pentagon press secretary, Rear Adm. John Kirby, it did so several times, on one occasion even doing an acrobatic manoeuvre called a "barrel roll" to "make a point of showing its weapons." The Pentagon didn't report this incident until August 29th because all China-related incidents require White House approval and the three-day delay is taken as evidence that the tension between Washington & Beijing has reached new heights.
- Last December Beijing declared the East China Sea an ADIZ (Air Defense Identification Zone) upon which the US deployed a number of P-8 Poseidons to Okinawa's the Kadima Air Force base & it increased the number of its surveillance flights over the South China Sea after Beijing last May deployed an oil rig in waters claimed by Vietnam (that it moved out again two months later, presumably satisfied it had made its point).

This was apparently by no means the first time that US, & Japanese, planes have been subject to harrassing moves by the Chinese jets (that could, ever so easily, lead to an international incident). Beijing has just also infuriated Hanoi by announcing plans to start weekly tourist cruises to the contested Paracel Islands (pop. 1,000) in the region where it deployed its oil rig last May. It may be intent on "making hay while the sun shines", i.e. taking advantage of the near paralysis in Western geopolitics brought about by NATO' fruitless dithering about Ukraine & by the jam Obama is in over ISIS.

THOUSANDS OF NIGERIANS FLEE ATTACK (AP)

- Thousands of Nigerians have been fleeing the Northeastern city of Bama (pop. 200,000), the second-largest city in Borno State (in the very Northeast of the country), a

¹² The 'strength' of which being talked about is about 4,000 personnel (which, realistically speaking, would have a military deterrent impact of peeing on a hot plate).

¹³ With the involvement of the latter being wholly negated as long as it was bound & determined to proceed, on schedule, with the delivery to Russia of two naval vessels later this-, & next-, year far more powerful than the it'sy-bitsy ones now gathered in Cardiff harbour (while it has recently announced it had changed its mind, it is likely to do so again once the heat is off).

hotbed of Boko Haram (Islamist) activity. While the military claims it has repelled the insurgents in fierce fighting, the refugees reported on September 1st that the rebels had overrun the military barracks in Bama (which the military disputed). Be that as it may, if Boko Haram does gain control of Bama, it will have a springboard from which to launch an attack on the State capital Maiduguri (pop. 618,000), 75 kilometres Northwest of Bama, where the military's anti-Boko Haram headquarters is located.

- On September 2nd London-based Chatham House, home to the Royal Institute of International Affairs, issued a report saying the Nigerian government's military campaign against Boko Haram had failed & Nigeria's allies should help it find an alternate strategy.

The Chatham House report is defeatist & utter tommy-rot; for in dealing with religious zealots of any stripe the only alternative to seeking a military solution is abject surrender on the others' terms. The real solution lies in having 'an iron fist in a velvet glove', a campaign at two levels, one military & the other one for 'the hearts & minds', for in the latter respect Nigeria's political leaders dropped the ball by alienating ordinary Nigerians & demoralizing the armed forces.