

A banner weekend for terrorist bombers? - On Friday December 9th, two Boko Haram-inspired female suicide bombers killed 57 people & wounded 177 others in a market place in the Northeast Nigerian town of Madagali. Two days later there were five more bombings in-, or near-, the African continent. In another Boko Haram-strike two eight-year old girls blew themselves up near a market in Maiduguri, a 1MM inhabitant city 95 miles Northwest of Madagali, killing themselves & three adults, and injuring 17 (the damage would have been far greater if they had not been refused admission to the market place itself by a civil defence person since they seemed 'confused' & were unable to speak either of the local languages. That same day an explosive device containing 12 kg. of TNT was detonated in a chapel adjacent to Egypt's main Coptic Christian cathedral, St. Mark's, killing 25 & injuring 49 attending a Christian church service, most of them women & children, an Al-Shabab suicide truck bomb killed 16 near the 9MM inhabitant Somali capital of Mogadishu, ISIS bombed a military school in Yemen, killing 48 soldiers while Kurdish rebels set off a bomb in Istanbul that killed 38, most of them policemen - *rather ironically, these instances of Muslims killing Muslims occurred as all over the world Muslims were preparing to celebrate "Eid-e-Milad-un-Nabi" (the birthday of the Prophet Mohammed).*

Advice for Young Muslims - How to Survive in an an Age of Extremism and Islamophobia

- The title of a series of 'cri de coeur' letters to his 16 year-old, eldest son (*at an age vulnerable to the extremists 'siren call' ?*) by the Balliol College, Oxford & University of London-educated, 45 year-old UAE Ambassador to Russia (since 2009) in the January-February 2017 Foreign Affairs can be Googled & ought to be required reading for anyone interested in 21st Century global affairs & the role of Islam therein. Its key sentence may well be "What worries me is that global as the extremists' ideas have spread, the circle of Muslims clinging to other conceptions thereof has ... become quieter and quieter, until only the extremists seem to speak and act in the name of Islam".

Boeing's plane deliveries to China - Vice Chairman Ray Connor told a US-China Relations event that he expects China to account for 25% of its plane deliveries & for 150,000 American jobs each year in Washington State & North Carolina - *Beijing has warned that, if President-elect Trump were to start a trade war with it, it may shift its new commercial aircraft orders to Airbus (and/or accelerate the development of its own domestic aircraft manufacturing industry?)¹*

Goldman Sachs' oil price outlook - It has raised its near-term oil price expectation to US\$57.50 (from US\$55) in the case of WTI & to US\$59.00 (from US\$56.50) for Brent, and expects 84% compliance with the production cut pledges (but sees little evidence that they will be implemented within the next month or so) & warns that a strong US\$ may limit the upside oil price potential (*because of its impact on global demand?*).

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One year ago last month COMAC (Commercial Aircraft Corporation of China) 'rolled out' its first C919 medium range, narrow body, 156 passenger jet (designed to compete with Boeing's 737-, & Airbus' 320-, 'bread & butter' models) that will go into service in 2018 (two of its ARJ21 regional jets are already in service with Chengdu Airlines, one of China's half a dozen or so lowcost carriers, that also operates 3 Airbus 1319-100s & 19 Airbus 320-200s & has 28 more ARJ21s on order). Chengdu is the capital of Sichuan Province (located to the West of Tibet); it has a population of 80+MM, a landmass of 485,000 square kilometres, two-thirds that of Texas, has a strong agricultural & resource base (but has been developing a growing hi-tech manufacturing sector) and is home to the world famous Chengdu Research Base of Giant Panda Breeding.

US dollar strength - On December 15th the US dollar hit a 14 year high against the Euro & a broad basket of currencies as the market started anticipating, following the FOMC meeting & its 0.25% rate increase, a faster rate of Fed rate hikes *than hitherto expected*. Since Trump became President-elect, the Yen has plunged 11% & the Mexican peso 10%-, and the Chinese Yuan slipped to its lowest level in three years against the US\$ - *None of this is good news for the US balance of payments (& for job growth?). And in October Japan overtook China as the largest foreign holder of UST bonds as its holdings declined by just US\$4.5BN to 1,131TR, whereas China's did so by US\$41.3BN to US\$1,115TR (in part because of a need to support the Yuan & in part due to a deliberate politically-driven policy decision to lower its exposure to the US\$).*

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IEA WARNS AGAINST EXCESS OPEC OPTIMISM (FP. Jesse Snyder)

- In its latest monthly oil market report the Paris-based International Energy Agency warns the OPEC/non-OPEC production cut arrangement is only a six months' deal²). And while it has sent oil prices surging & is *generally* expected to result in a better supply-demand balance, it warns "OPEC ... appears to be signaling that high-cost producers (*incl. the Alberta oilsands producers?*) should not take for granted that they will receive a free ride to higher production ... These high-cost producers, who assume that the cuts at the very least guarantee a floor under prices, might think twice before taking the risk of sanctioning new investments since prices could drop sharply if participants fail to meet their production quotas, an outcome that many analysts see as highly probable."

Alexander Novak, Russia's Energy Minister, speaking in Vienna, opined "What the past two months have shown is that there is a growing consensus among oil producers that the market recovery process has taken far too long. It has had a major impact on all our countries, in terms of economic growth, heavy losses in revenues & deep social spending cuts. This is a truly historic event, the first time that so many oil producing countries are meeting in one room ... (with) more than half of the global oil production." - But according to former long-term Saudi Oil Minister Ali al-Naimi "The unfortunate point is that we tend to cheat" & to the WSJ that in the 17 OPEC production cut agreements since 1982 its members had missed their pledged cutback targets by 40%) - and it remains to be seen how effective the first-ever, five member (OPEC's Algeria, Kuwait & Venezuela and Russia & another, yet to be named, non-OPEC member) "compliance committee" will be in enforcing the pledged cutbacks³.

FEDERAL RESERVE ADOPTS BAILOUT-PREVENTION RULE ... (WSJ, Ryan Lacy)

- On December 15th the Fed approved 5-0⁴, without making major changes to its initial draft, a new regulatory regime for the US's eight "systemically important" banks⁵. This

² On the other hand it seems a bit optimistic on the outlook for demand growth

³ The risk is that the fiscal problems in a number of oil-producing countries are so great they won't meet their production cut undertakings on the assumption that if the others do, they can have their cake & eat it too, i.e. benefit from higher prices on constant-, if not higher-, production.

⁴ The Federal Reserve Board now has two vacancies &, due to 'political gridlock' (as a result of which in 2011 one Obama nominee withdrew his candidacy after the Senate had for 14 months 'sat' on his confirmation), hasn't had its full complement of seven governors since 2006

'bailout-prevention'/'total-loss absorbing capacity' (TLAC) rule would force them, & the large foreign-owned US banks *whose parents fall in the same category*, to issue debt that in a crisis would be convertible into equity, estimating that compliance with this rule will cause four of the eight to incur up to US\$2BN in additional debt servicing costs & require them to issue US\$70BN (& *Wells Fargo alone US\$29BN*) of such debt (down from its US\$120BN estimate at the time of its initial October 2015 proposal, due to the action already taken by the banks in anticipation, incl. the issuance of new equity and/or the shrinking their balance sheets. In a statement Fed Chair Janet Yellen said "this new rule is one of the last critical safeguards that make up the core of our post-financial crisis reform efforts", Governor Daniel Tarullo, one of its architects, that it would help impose "market discipline" on big banks ... *since* "Investors holding this debt will be motivated to monitor the banks more closely ... because they would be converted into equity holders if the firm failed", Greg Baer, the president of the Clearing House Association, a trade group of large US banks, that this is "the culmination of a legal and balance sheet revolution that has effectively ended 'too big to fail' ", & Sally Miller, CEO of the Institute of International Bankers that while it "appreciated the changes "we continue to question the need for" the rule.

In Europe this is commonly & more correctly called a "bail-in", because it dumps the cost of a bank's mismanagement and/or malfeasance into the laps of bond holders (& shareholders) where it rightly belongs, instead of that of the taxpayers where it definitely does not (belong).

U.S. CONGRESS PASSES BILL FACILITATING SENIOR MILITARY EXCHANGES WITH TAIWAN (IHS Jane's, Gavin Phipps)

- On December 2nd the House 376-34-, & on December 8th the Senate 92-7-, passed the National Defense Authorization Act 2017 (*for the year ending September 30th, 2017*); while an annual event that authorizes all Pentagon's spending, for the first time ever it included a section on senior military exchanges with Taiwan.

Any appearance of closer US-Taiwan military ties will not go over well in Beijing.

CHINA WARNS TRUMP AGAINST USING TAIWAN FOR LEVERAGE ON TRADE (Bloomberg)

- Trump told Fox News on December 11th that his support for the One-China policy, that has underpinned US relations with Taiwan since the 1970's, will hinge on a better deal with China on trade (he continues to repeat his pre-election anti-China rants & last week told an audience in Iowa China would soon have to "play by the rules"). In response, during his regular press briefing on Monday December 12th, China's Foreign Ministry spokesman Geng Shuang noted "Adherence to the One-China policy is the political bedrock for the development of the China-US relationship ... if it is compromised or disrupted, the sound and steady growth of the China-US relationship, as well as bilateral cooperation in many fields, would be out of the question ... We urge the new US administration and its leadership to fully recognize the sensitivity of the Taiwan question, and stick to the One-China policy".

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JPMorgan, BankAmerica, Wells Fargo, Citigroup, Goldman Sachs, Morgan Stanley, BNYMellon and State Street.

While Trump oracled “I don’t want China dictating to me⁶”, China’s *Xinhua* news service opined “World peace depends on close and friendly ties between the US and China”, & the Party-owned *Global Times* wrote “China should make Trump hit ‘some snags’ to show him it’s not “easy to bully”.

TRUMP ‘IGNORANT AS A CHILD’ (AP, Nomaan Merchant)

- Beijing was angered by Trump’s 10-minute phone conversation with Taiwan’s President Tsai Ing-wen⁷, the first by any US president in nearly four decades. Then, after he repeated, on Fox News his pre-election rhetoric of not being bound “by a one-China policy unless we make a deal with China having to do with other things, including trade”, & said he was reconsidering how to deal with Taiwan, the next day Beijing went apeshit, with a *Global Times* Chinese language editorial entitled “Trump, please listen clearly : ‘One China cannot be traded’ ” saying, among others, “China needs to launch a resolute struggle with him ... Only after he’s hit some obstacles and ... understands that China and the rest of the world are not to be bullied will he gain some perception ... Many people might be surprised at how the new U.S. leader is ... a ‘businessman’ through-and-through ... But in the field of diplomacy, he is as ignorant as a child.”

The Taiwan phone call affair may have involved more than meets the eye. For, according to the NYT, last January ex-Sen. Bob Dole, the ultimate Washington insider⁸, was retained by the Taipei Economic and Cultural Representative Office, Taiwan’s unofficial Embassy in the US, to help, for a US\$20,000 a month, Taiwan to become part of the TPP (that Trump supposedly will walk away from), to achieve its “military goals” (i.e. maintain a steady supply of weaponry from US firms?), and to orchestrate access to Congressional leaders of both parties & obtain access to the other GOP presidential hopefuls & to the PNC national convention.

CHINA AGREES TO RETURN US DRONE SEIZED IN SOUTH CHINA SEA, PENTAGON SAYS (USAToday, Heidi Przybala)

- On Thursday December 12th, the USNS Bowditch, an unarmed US Navy ‘oceanographic’ survey vessel with a civilian crew operated by the US Military Sealift Command was deploying an unmanned, underwater “research drone” gathering “weather & water temperature data off the East coast of the Philippines when the armed PLA Navy vessel twice its size that had been shadowing it launched a boat that

⁶ But he can announce that China will have to “play by the rules”?

⁷ To which Trump’s response during the interview was “Why should some other nation be able to say I can’t take a call? ... I think it would it actually would’ve been very disrespectful, to be honest with you, not taking it” - *his objection to this, no matter how well-founded, is really no different in principle than Beijing’s objection to being told it would have to start ‘to play by the rules’.*

⁸ Born in July 1923, he was a lawmaker in the House from 1961 to 1969 & in the US Senate from 1969 to 1996 (the last 11 years as the GOP’s Leader in the Senate, during eight of which the GOP was in the minority). He also was Gerald Ford’s running mate in the 1976 election (that Carter won) & the GOP presidential candidate in the 1996 election (in which Clinton won a second term). And he & his 13-year younger wife, Elizabeth, were for decades one of Washington’s most prominent ‘power couples’, with her having served for nearly two decades ending in 1990 under four presidents as an FTC Commissioner, Director of the Office of Public Relations and Secretary of Transportation & of Labor, finally topping it all of with six years as a Senator from North Carolina (the last four of them as its senior one). Since retiring from politics he has been a registered lobbyist.

recovered the drone & took it back to its mother ship which then skedaddled, acknowledging as it did so, but not responding to, a radio message from the Bowditch, which, of course, prompted US protests & demands for the return of "its property". On December 14th, after Pentagon spokesman Peter Cook had reported that "through direct engagement with Chinese authorities, we have secured an understanding that the Chinese will return the UUV (*unmanned underwater vehicle*) to the United States." And, lo & behold, late that day Yang Yujun, a Chinese Defense Ministry spokesman, issued a statement saying a Chinese lifeboat had discovered an unknown device in the South China Sea that might pose a danger to ships in the area and that, after verifying that the device was American in origin & unarmed "China decided to transfer it to the US through 'appropriate means' " Meanwhile President-elect Donald Trump had added his *not particularly helpful* two bits by tweeting on Saturday "China steals United States Navy research drone in international waters, rips it out of the water and takes it to China in an unprecedented act."

If all this indeed happened in the open ocean just 50 miles from Subic Bay (on the Phillipines' West Coast) this incident occurred well outside the so-called "Nine Dash Line" (that demarcates the South China Sea waters where, contrary to the UN Law of the Sea, Beijing claims sovereignty. While the US will get its UUV back, there can be little doubt that, while in Beijing's hands, it was the subject of intense study as to how it worked (so it could be 'reverse engineered'?) & what information it had might have gathered ('innocent weather-, & climate-, data, as claimed, or information of military value). While on occasion in the past, the Chinese under similar circumstance have returned properties to the rightful owner(s), there is a risk for Beijing in doing so on this occasion, since it might involve a 'loss of face' or, worse still, be taken as evidence by other countries that in the Trump-Xi first 'game of chicken' the latter had 'blinked' first.

IT'S ALL OVER FOR THE ALEPPO REBELS (AP, Sarah el Deeb)

- On December 12th the Syrian High Command reported it had regained control of 98% of Eastern Aleppo & that "its forces"⁹ had encircled the last sliver (one square mile) of rebel-held territory (*packed with fighters & & tens of thousands of civilians*). The last remaining medical clinic in the rebel-held districts has shut down & "those killed and wounded ... *just left on the streets.*". Bassam HajMustafa, a Syrian rebel spokesman & member of the Harakat Nour al-Din al-Zenk group (one of the more significant of the dozen plus rebel groups, that has been involved in the Battle of Aleppo from the very beginning in 2012), called the collapse "terrifying ... they are doing their best to defend what is left."

According to Jane IHS, the hundred+ year-old, Coulsdon, Surrey, England-based publishing firm specializing in military information, the US in the last two months of 2015 sent an "exceedingly large" amount of munitions & weaponry through Turkey to the rebels, incl. 875 tons of small arms'-, & heavy machine gun-, ammo, and anti-tank-, & anti-aircraft-, missiles, as well as 40 tons of of missile launchers (but this was too little too late, especially so in view of the waning Saudi support for the rebels,, & a mere token 'drop in the bucket' compared to Russia's ramped-up support for al-Assad in the past 15 months. The risk now is that the Iranian-, &

⁹ With the Syrian army having lost most, if not all, of its effectiveness after five years of fighting, the forces fighting al-Assad's battles now largely consists of Iranian-, & Lebanese Hezbollah-, Shiite irregulars on the ground, and Russian planes in the air.

Lebanese Hezbollah-, Shiite irregulars that now are the backbone of the forces backing the Assad regime's will take advantage of the situation to indulge in a Sunni massacre-, if not genocide-, campaign (and there are reports this is already happening).

HECK OF A YEAR FOR PUTIN'S MACHINATIONS (NP, Kelly McParland)

- Even before Trump's victory Putin's winning streak was impressive. He invaded the Crimea, destabilized Ukraine, kept Bashar al-Assad in power in Syria & reversed the advances the ISIL terrorists had been making across the Middle East¹⁰. Furthermore, he successfully demonstrated Europe's lack of unity & backbone, challenged the NATO alliance without suffering serious repercussions & put the fear of the Lord in a vulnerable group of Baltic countries from Poland to Estonia, which are now nervously making plans in case they are next on his hit list (*especially so since he has been 'beefing up' the "defensive military capabilities of the Kaliningrad enclave"*¹¹). And Trump's denouncing the US intelligence officials' findings that Russia had actively intervened in the election must have been music to Putin's ears since it undermines the credibility of the agencies & their future findings. And there may possibly more good news coming his way if Exxon's Rex Tillerson were to become Trump's Secretary of State; for he has known Putin for years, criticized the sanctions that have hobbled the Russian economy (& affected Exxon's investments there) & is on such good terms with him that in 2013 Putin personally gave Russia's Order of Friendship. And while Sen. John McCain (R-AZ) told Fox News on December 10th that "Vladimir Putin is a thug, a bully, and a murderer, and anyone who describes him as anything else is lying", he is part of the Republican Old Guard that Trump disdains, if only because of his failed 2008 Presidential bid.

Trump has since made it official, nominating Tillerson for the Secretary of State's Cabinet post¹². But this may by no means the end of the story & could turn out to have been his first step in a cow flap. For the Senate may stall consideration of this nomination, or simply refuse to confirm him, in its first head-to-head confrontation with Trump, with the Democrats needing no excuse to support such moves on general principle & a some Republicans doing so since they're starting to 'feel the heat' of the 2018 mid-term elections (that have typically been unkind to incumbents) and/or because they share John McCain's view of Trump and/or think Tillerson is 'too tight' with Putin (whom Tillerson first had dealings with in 1988, i.e. in the pre-Soviet Union break-up-, pre Yeltsin-, days when, after 13 years with Exxon, was in charge of a small Exxon operation sub in the Soviet Union and when he & Putin both still were small, but ambitious, 'fry' in their respective hierarchies¹³).

¹⁰ The latter is a questionable surmise; for by most accounts the anti-Assad rebels, not the ISIL jihadists, have been the focus of the Russian war effort in Syria.

¹¹ Prior to WW II known as East Prussia, it has 1MM inhabitants (with its once dominant German component thereof now a miserable 0.8%, a land mass of 15,000 sq. kms, i.e. about half that of the Netherlands or the state of Maine, borders to the South on Poland, the North on Lithuania & the West on the Baltic Sea (thereby providing Russia with its sole year-around ice-free port).

¹² Which may, or may not, create a quandary for the Exxon Board since next March, upon retiring the compulsory retirement age of 65, he will be entitled to US\$175MM-worth of stock options.

¹³ Tillerson's personal relationship with Putin need not be a drawback-, & could even prove an asset for the Trump administration. As to the Order of Friendship, it was a 1994 Yeltsin resurrection of the Soviet Union's Order of Friendship of Peoples and, like it, seeks to reward "foreign nationals whose work, deeds, and efforts were aimed at the betterment of relations with the Russian Federation and its people". Included among the 50-some people that have since received it are George Blake, a

former MI6 agent turned double agent who in 1966, five years into a 42-year sentence, escaped from a British prison, former Canadian Governor-General Adrienne Clarkson & former Prime Minister Jean Cr tien, Prince Michael of Kent, Lee Kuan Yew (Singapore's first Prime Minister who served as such for over three decades), Jacques Rogger, the long-time IOC President, Ambrosio Mennini, the Apostolic Nuncio to Russia from 2002 to 2010 & Rowan Williams, the Archbishop of Canterbury, and, most interestingly, the former Danske Bank executive, Dmitry Romanov, the Head of the 'Imperial House of Russia'.