

Quote of the Week - "One of the most important lessons of the war in Iraq and Afghanistan is that military success is not sufficient to win" - Robert Gates, US Secretary of Defense from 2006-2011 (*appointed by Bush 43 to clean up the mess created by Donald Rumsfeld, Obama kept him in the job for much of his first term despite the fact that he was a "stalwart Republican"; according to former Sen. David L. Boren (D.-OK)*)¹ he will "be remembered for making us aware of the danger of over-reliance on military intervention as an instrument of foreign policy."²

Quote of the Week No. 2 - "Iraq and Afghanistan are only symptoms of a much broader cancer in American foreign policy ... A few glimpses of this large affliction are that ... the US has more musicians in military bands than it has diplomats ... this year alone the Army will add 7,000 soldiers to its total, i.e. more people *in a single year* than it has in the entire American Foreign Service"³ - Nicholas Kristof in an August 9th, 2008 New York Times Op-Ed piece Make Diplomacy, Not War.

A lack of common sense not uncommon among politicians? - In 1974 a live grenade exploded in a *crowded Canadian Army Cadet barracks*, killing six & leaving dozens of others with lifelong physical & psychological after effects. This week, on March 9th, 42 years & 8 months after the event, the federal government finally agreed to make one-time payments of \$100,000 to the families of those killed & of \$42,000 to the estimated 155 survivors or their families. But the latter will also be eligible to apply for up to \$310,000 in additional compensation for pain & suffering; in other words, \$100,000 for the **total** loss of life & up to \$352,000 for a **partial** one? Go. figure!

"O Canada, we stand on guard for thee!" Or maybe not just quite so? - In 1994, the Rwandan genocide year, Jacob Damiani Lunyamila came to Canada without documentation & in 1996 was granted refugee status. Since then he has 'racked up' 389 "police encounters", 95 criminal charges & 54 convictions for assaulting his girlfriend & "randomly selected innocent civilians", sexual assault & carrying a concealed weapon. According to the Vancouver police he is a 'chronic offender & a persistent criminal'. The government has been trying to deport him but he has vowed never to sign the documents needed to complete his deportation order (sic!) & has spent three years in the slammer for this refusal. The IRB (Immigration & Refugee Board) has on five occasions ordered his release, all of which were rejected, most recently by the Chief Justice of Canada's Federal Court. Another eyebrow-raising case involves Zakaria Amara. Born in Jordan & raised in Saudi Arabia, he came to Canada as a teenager & became a Canadian citizen as a young man, and by age 20 was in a Canadian jail as the ringleader of the "Toronto 18" terrorist cell that in 2006 had planned to detonate bombs in Toronto, launch shooting sprees at the CBC & the Toronto Stock Exchange buildings & siege Ottawa's Parliament Hill to carry out executions & beheadings of politicians, incl. the Prime Minister. But

¹ Who in his youth was a Rhodes Scholar, then starting at age 26 was for eight years ending 1975 a member of the State House of Representatives, for four, while still in his 30's, Governor of Oklahoma and then from 1979 - 1994 a member of the US Senate, where he became the longest-ever serving Chairman of its Committee on Intelligence.

² For those interested in this quite remarkable individual, there's a lot more "below the line".

³ The crew a single aircraft carrier, of which the US Navy has ten, is only marginally smaller than the entire US Foreign Service staff. And in any confrontation with China they may play the role battleships in WW II, i.e. that of useless targets; for the Chinese are developing a missile that, fired from space, engages a target at Mach 6 speeds, the defense against which has so far flummoxed the US Navy.

the plot was foiled & he pleaded guilty to terrorism charges, and was given a life sentence⁴, had his Canadian citizenship revoked & was ordered deported the moment he is released from prison. But during the 2015 election campaign “Sunny Ways” Trudeau said “terrorists should get to keep their Canadian citizenship” & Immigration Minister Ahmed Hussein recently told the Senate the process of restoring his citizenship had started - *So, while Trudeau has reneged on campaign pledges for, among others, modest deficits, electoral reform & marijuana legalization, that matter to millions of Canadian voters, he’s making it a priority to keep his word to a confessed planner of unprovoked mass murder; and, while he deems himself a “global citizen” & Canada the world’s first “post-national state” with open borders that welcome all comers, to many, for Canadian hoi polloi he is out of touch with reality, devalues the Canadian ‘brand’, puts an ideal ahead of common sense &, by willing to tolerate, if not welcome, extremists & jihadists in their midst, endangers their safety & security.*

Moving the US Embassy in Israel to Jerusalem - The way things have been going, those Israelis who envisaged Obama’s replacement with Trump as the dawn of a new era, may well be disappointed. For he may not live up to their expectations⁵. In 1995, after Congress voted to have it moved to Jerusalem, President Bill Clinton issued an Executive Warrant stating it was ‘not in the American national interest to do so at this time’, and in the 22 years since all three Presidents, incl. Bush 43, have ‘rolled over’ the EW every six months with the latest extension expiring next June 1st. - *If Trump were to follow in his immediate predecessors’ footsteps in this matter, he may send Netanyahu a possibly not entirely unwelcome message, but the Israeli hardliners both in-, & out-, side- his coalition a most unwelcome one.*

Yellen to become a target? - Politico has raised the possibility that any Fed rate increase that puts the post-November 8th stock market’s euphoria ‘on the skids’ could make her a target for the President’s (Tweeted?) displeasure – *this would be welcomed by the many Republicans who have long wanted to gain more control over it.*

GLEANINGS II - 701
Thursday March 9th, 2017

OPEC MAY HAVE TO CUT DEEPER IN 2018 ... (Seeking Alpha, Robert Boslego)

- EOG Resources Inc.⁶ says it has cut its cost of production *in the Permian Basin* by 25% in the past three years, BP’s CEO expects to recover his operating-, & dividend payment-, costs there with Brent at US\$35-40, & the break-even cost there now is, *generally speaking*, US\$40. The Permian is like a layer cake with six to eight oil-rich zones on top of each other. Scott Sheffield, the founder of Pioneer Natural Resources says “It will eventually surpass the Ghawar field in Saudi Arabia (*the biggest in that country & hence the world*) ... We think it could produce 8-10MM bbl/d within ten years.”

⁴ He was up for parole last year but it was denied but under Canada’s “revolving door” prison system will, sooner or later, be turned loose again on Canada’s streets.

⁵ And in the Embassy’s there is a practical reason for that; for by 1982 all but two foreign missions had relocated to Tel Aviv where most government departments are located, and by 2006 the two holdouts (Costa Rica & El Salvador) had finally also decided to ‘pull up stakes’; so moving the embassy to Jerusalem would seriously undermine its effectiveness.

⁶ Whose share price is up 39% YoY.

[up from 2.18MM last month, that the EIA expects to grow by 70,000 bbl/d (3%) this month)]. On January 31st it had 1,757 DUCs (Drilled but Uncompleted Wells), up 36% YoY & nearly triple their number 3 years ago. Companies expect their production in the Permian this year to increase 15-20% YoY.

- And in January the “US Commission on the Organization of Oil Producing Countries Act of 2017” to “investigate any anti-competitive involvement of OPEC, its member nations,, and affiliated entities in the oil markets, and make recommendations to reduce the adverse impacts on the US of such involvement, became the ‘law of the land’.

Permian per well oil output was 200 bbl/d two years ago, less than one-third of today’s 700 bbl/d. Meanwhile, the Paris-based IEA has come out with a report calling for an oil price “spike” in three years⁷ (which should be taken with a grain of salt; for while it is a valuable source of data, its forecasting record has been mostly “counter-indicative”, i.e. it is has more often been wrong than right - The author has a BA from Harvard & an MBA from Stanford, and in 1980 founded Scottsdale AZ-based Boslego Risk Services that specializes in “energy price risk management/ hedging & appears to have developed a gold-plated client base on both sides of the market.

THE THREE FAILURES OF TRUMP (The Atlantic, David Frum)

- In an article on Trump’s Address to the Joint Houses of Congress, in which Frum noted the President had “worked his way through more than an hour of television without insulting or demeaning anyone ... and although he again trafficked in misleading or deceptive statements, he eschewed outright lies”, he outlined three Trump “failures :
 - **No. 1** : To mobilize support in Congress & the country for a *coherent set of legislative plans*;
 - **No. 2** : To start building majority support in Congress for his legislative plans; and
 - **No. 3** : To deal with the still accumulating scandals .
- And he called it ‘highly symbolic’ that the President delivered the address on the very same evening that Trump siblings Donald Jr., Eric & Tiffany were out of the country for the opening of their family’s newest hotel, a project that “had been built & financed by the son of a Malaysian plutocrat with a criminal record.”

The author is the son of the onetime CBC personality Barbara Frum & brother to Linda Frum, since 2009 a Conservative member of the Canadian Senate. He himself is a leading US neo-conservative & in Bush 43’s early years in the White House served as his speech writer, and as such was responsible for coining the phrase “the Axis of Evil. The article is well worth the read (as is another one of his in the same magazine, entitled How to build an autocracy ... Here’s the playbook Donald Trump can use to set the country down a path to illiberalism.

REBELS SHATTER GOP UNITY WITH CAPITOL MISCHIEF (AP, Erica Werner)

- GOP unity in the wake of Trump’s victory last November has all but disappeared and, while his speech to the Congress was well-received, it did little to paper over the cracks. After long lying low & playing nice Sens. Rand Paul (R.-KY), Mike Lee (R.-UT) & Ted Cruz (R.-TX) are now united against the healthcare legislation &, like their conservative counterparts in the House, may command the votes to defeat it. On March 2nd Sen. Paul

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That, however, in my experience, has been most useful as a data source & a ‘counter-indicator’, i.e. a forecaster that gets it more often “wrong” than “right”.

infuriated GOP leaders in both House & Senate by marching to the House with a gaggle of reporters in tow to demand to see the draft *healthcare* bill & criticize the GOP Congressional leadership for keeping it under wraps, & the next day tweeted a picture of himself pointing at a closed door with the message “We are continuing our search for the Obamacare Lite Bill! Do you know where the secret location might be? Has anyone seen the bill?”, prompting Senate Minority Leader Chuck Schumer (D.-NY) to note “who would have thought, one month into the fight over the ACA, it’s the Republicans, not the Democrats, who are in disarray and pointing at each other like an Abbott and Costello show.” Meanwhile in the House Rep. Mark Meadows (R.-NC), a *third term* heading an influential group of conservatives⁸ there, said in an interview on March 3rd “Currently there are not enough votes to pass it in the House and while leaders seem to believe they can jam the bill through by arm twisting & getting Trump to make a few calls ... such tactics would fail without substantial change to the bill⁹”. Another GOP rebel, Rep. Thomas Massie (R.-KY) dismissed its leaders’ March 2nd replaying of clips from Trump’s joint session speech in an effort to show they are aligned with the President on their bill as “very unconvincing”, and these lawmakers criticize the draft legislation *to implement a top campaign pledge* as “Obamacare lite” & object to its center piece refundable tax credit feature that they say amounts to a costly new entitlement program & demand a straight ‘repeal only’ bill. But Speaker Ryan (R.-WI) & the GOP leadership still expect to ram it through Congress by early April, with the former telling reporters on March 2nd “ I am perfectly confident that when all’s said and done, we’re going to unify, because we ... ran on repealing and replacing, and we are going to keep our promises.”

In the House it would only take twenty or so (out of 237)-, & in the Senate just three out of 52-, Republican lawmakers not supporting the bill for it to fail; and while the Tea Party zealots may have less clout than before (in 2011 the House Tea Party caucus had 60 members, two years later 48 & at last report 30 or so, it still may be enough to do the job. And while the President has started to support the Ryan proposal more proactively, pressure against it from prominent hospitals, seniors & doctor groups is gaining momentum (although it overcame a hurdle on Thursday March 9th when it passed through the House Ways and Means Committee and concern is growing that a slower-than-expected passage through Congress may hike investor pessimism that the legislation enacting Trump’s tax cut promises may also be delayed.

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)¹⁰ SAYS CANADA IS SHOWING EARLY WARNING SIGNS OF FINANCIAL CRISIS (NP/FP, Barbara Shechter)

- In its latest Quarterly Review (made public on March 6th) it notes that two-thirds of *past* banking crises were preceded by “credit-to-GDP ratio gaps”¹¹ in excess of 10% in the

⁸ The House Freedom *Tea Party* Caucus.

⁹ Meanwhile his wife, Debbie Meadows had, allegedly without her husband’s knowledge, sent an email to 15 of her friends that, among others called on them to flood House Speaker Paul Ryan’s-, & the White House-, phones with calls since “for reasons we cannot fathom, Republican leadership is putting forth a so-called Obamacare ‘repeal’ that is not a repeal at all ... it is selling it as a repeal and has convinced many in the White House that it’s terrific ... but ... will actually create a huge government entitlement program that will cost even more than Obamacare.”

¹⁰ The 67 year-old, Basle-based Bank for International Settlements is a sort of central banks’ central bank that seeks to foster their monetary & financial stability and cooperation between them.

¹¹ The difference between its credit-to-GDP ratio and its long-term trend.

three years prior. So it deems Canada, with a *still growing* 17.4% gap ¹², among the jurisdictions that show early warning signs of financial crises & domestic banking risks (in its Fall 2016 Edition it had already indicated Canada had one of the highest-credit-to-GDP gap ratios among developed nations & that its “unusually” elevated level posed a threat to its banking system^{13 14}). While it said Germany, Greece, Japan, & Portugal are in a not dissimilar, unenviable position, it put Canada, China (which has a ratio of 26.3x) & Turkey in a class of their own as countries that face “potential risks” if interest rates were to start rising. Two charts in the report support its view. One shows that since 2008 Canada’s Credit-to-GDP ratio gap has gone from 8% to 17.4%, while during the same nine years it went in the US from 11% to -9%, in Australia from 18% to 1% & in Japan from -12% to +4%, & the other that during these years a “real” house price index in Canada had gone from 95 to 130, vs. from 141 to 120 in the US, from 90 to 115 in Australia & from 105 to 102 in Japan.

According to Edward Jones’ Jim Shanahan the CIBC’s portfolio of uninsured mortgages & home equity loans is now equal to 5.4x its regulatory capital (up from 4.7x YoY) and that of RBC 3.5x, TD 3.0x & BNS 2.6x (at the time BMO had yet to report its latest financials) - i.e. even relatively small write-downs would have a disproportionate impact the quality of their balance sheets. And Moody’s last June 16th warned that, if house prices were to decline 35%, as they had in the US a decade ago, the ‘hit’ on Canadian banks could be \$12BN, & on mortgage insurers (incl. the Government through CMHC?) another \$5BN. To make matters worse, historically as real estate booms matured the average quality of mortgage portfolios slipped, Canada’s total household debt to disposable income ratio is now in an all-time record 165+% range & StatsCan surveys show that over 60% of Canadian household borrowers are only “fairly” or “not very” financially literate. And, while the Bank of Canada’s year-end review last December acknowledged key vulnerabilities in the Canadian banking system, incl. elevated household debt, imbalances in the housing market across the country & fragile fixed-income market liquidity, it justified its poo-hooing of the inherent risk thereof by putting its faith in the fact that “household vulnerabilities” would be “mitigated over time” by the new housing finance rules the Trudeau government had introduced (which so far, however, seem to have had limited, if any, real effect).

SUPREME COURT OF CANADA WON’T HEAR APPEAL BY TRUMP, DEVELOPER (CP)

- On March 10th it upheld a lower court ruling in favour of investors who had launched a law suit alleging they had been misled by now US President Trump, US developer Talon International & its former executives; the plaintiffs, warehouse worker Sarbjit Singh & home maker Se Na Lee, alleged they had been sold units in Toronto’s Trump International Hotel & Tower under false pretenses, i.e that the building was owned by Trump himself while it was so by one of one his companies that merely leases the name.

“Oh, what tangled we weave when first we practice to deceive” - Sir Walter Scott.

TURKEY, RUSSIA, US ARMY CHIEFS DISCUSS ANTI-ISIL STEPS (al-Jazeera)

¹² One of the few, if not only major countries with a higher ratio than Canada is China, with 26.3%.

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¹⁴ While the media have been focused on their high rates of revenue-, & profit-, growth, resulting in investors driving their share prices, according to the Globe & Mail, to “historical peaks”.

- On March 7th Generals Hulusi Akar, Turkey's Chief of Staff, Joseph Dunford, Chairman of the US Joint Chiefs of Staff & Valery Gerasimov, Russia's Chief of General Staff met in the southern Turkish city of Antalya, with a Turkish Army statement merely saying "common issues related to regional security, in particular Syria and Iraq, are being discussed", while Binali Yildirim, Turkey's Prime Minister, said the meeting would continue of Wednesday *for a second day*.

Must have an interesting meeting (& not just since a few days earlier Russian planes had come close to bombing US troops embedded with a peshmerga Kurdish unit &, according to Breitbart, the Turks have been regularly bombing peshmerga targets). I would have loved to be a fly on the wall; for the three countries have quite different objectives : while for the US eliminating ISIL is the be-all & end-all, for both Turkey & Russia it's a side show, Turkey, America's NATO ally, deems all Kurdish troops, that are doing America's heavy lifting in fighting ISIL & control much of Northern Syria along the Turkish border, "terrorists" who will foment unrest in its Kurdish population North of the border by giving substance to their dream of having an independent Kurdish state in parts of Turkey, Iran, Iraq & Syria¹⁵, while for Russia ISIL is only one, & not necessarily the most important, of the several groups opposing the al-Assad regime. Meanwhile, the Pentagon appears to have convinced the White House that leaving day-to-day tactical decision-making on the ground to its generals will be more successful than the Obama White House's micro management; for it has started deploying hundreds more troops in support of the Kurdish forces.

US WARNING TO ISRAEL SIGNALS NEW BACKPEDALLING BY TRUMP **(ABCNews, Joseph Federman)**

- Addressing the Knesset on March 6th, before leaving for a 'working visit' to the US, Israeli Foreign Minister Joseph Lieberman told it "We received a direct message - not an indirect message and not a hint - from the US that imposing Israeli sovereignty on Judea & Samaria (*i.e. the West Bank*) would mean an immediate crisis with the *Trump* administration". This prompted an immediate angry reaction from Miki Zohar (a junior Knesset member & one of a growing number of Likud MKs who reject the idea of a Palestinian state & instead want Israel to just annex the West Bank & be done with it) who told i24News, an Israeli news channel, "The two state solution is dead. What is left is a one-state solution, with the Arabs there not as full citizenship, because citizenship can let them vote for the Knesset ... they will be able to vote and be elected in their city under administrative autonomy and under Israeli sovereignty and complete security control."
- Ayman Odeh, a *multi-lingual lawyer who is* the leader of the Joint List of Arab Parties in the Knesset, told reporters "One state at this moment means apartheid ... I think there needs to be great pressure for a Palestinian state to be established on the 1967 borders." And, while Lieberman said he had received phone calls "from the entire world" asking whether Zohar's proposal reflected the government's position & calling on the coalition to "clarify very clearly that it had no intention to impose Israeli sovereignty over the West Bank, Justice Minister Ayelet Shaked said "We are not a banana republic. We

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That would include one-third of Turkey's current landmass & one-sixth of its 80MM population.

are an independent sovereign state ... There is a supportive administration in the US¹⁶. That admiration needs to back the state of Israel and its government's policy."

There is something anomalous in the Justice Minister's observation; while she declares that Israel is "not a banana republic" that others tell what to do, in her next breath takes it upon herself to tell the US what to do. But there may be more to this than meets the eye. For on February 8th, one week before Netanyahu was to meet Trump in Washington, the Jerusalem Post reported that the former had enthusiastically welcomed Trump's election, believing it would give him freedom from pressure to stop settlement building & make peace with the Palestinians, and a chance to kill the Iran nuclear deal, and that he had started celebrating this by announcing the construction of thousands more homes for settlers in the West Bank & confessing that he had no plans to give the Palestinians their own state, just some Bantustan-like "state minus", an article written by none other than Douglas Bloomfield, a US syndicated columnist & lobbyist, who for nine years in the 1980's served as Legislative Director of -, & Chief Lobbyist for-, AIPAC, long the main US pro-Israel lobby.

NETANYAHU SEEKS PUTIN'S HELP (WP)

- Until now the Israeli government has kept pretty quiet about goings-on in the six year-old Syrian civil war, acting militarily only when it feels its security threatened. But he was in Moscow on March 9th seeking reassurances from Putin that his country's presence in Syria would help Israel block Iran from taking advantage of the chaos to position itself permanently on Israel's northern border.

Interesting. In his country's civil war Bashar al-Assad Russia has been a relative newcomer while he has received hands-on military support from the get go from Iran (which has long had a friendly relationship with Putin), & from Iran's regional vassal, Lebanon's Hezbollah (that in 2006 took on the IDF & forced it to leave southern Lebanon with its tail between its legs, inflicting irreparable harm to the IDF's once stellar military reputation). And Netanyahu may have reason to be concerned; for in his Inaugural Address last October Michel Aoun, Lebanon's new (Christian, but 10-year Hezbollah ally) President, vowed to recover what he claims are "Israeli -occupied" lands in the South of his country

¹⁶ Like all of her political ilk, she must have taken Candidate Trump at his word & assumed that once he was in the White House Israel would have a free hand in dealing with the West Bank question in whatever way it saw fit. But President Trump may have different fish to fry; for he appears to believe that solving the Israeli-Palestinian issue, with his son-in-law playing in a key role doing so about, would be the "deal of the century" & a feather in his cap legacy-wise; in fact, at a January 20th Pre-Inauguration Night VIP dinner for US\$1+MM donors & Washington heavyweights, when he got to that subject in his speech, he turned to Jared Kushner who was there with Ivanka to tell him in front of all those present "If you cannot produce peace in the Middle East, no one can." (Once again proving his utter cluelessness about foreign affairs; for while orchestrating an Israeli-Palestinian peace agreement would be a monumental achievement, it would only be a baby step on the road to "Peace in the Middle East". And Netanyahu may now be in the position of those who, as the Book of Hosea in the Hebrew Bible puts it in Chapter 8 : 7, did "sow the wind and reap the whirlwind"; for he has catered to the extreme right for so long that his own Likud party is now shot through with believers in annexation to the point his own political survival may now be at risk.