

**GLEANINGS II - 801**  
**Thursday March 14<sup>th</sup>, 2019**

**Atlanta Fed GDPNow** - On March 11<sup>th</sup> it sank to 0.2% from 0.5% on March 8<sup>th</sup> & 0.3% on March 1<sup>st</sup> (although it clawed back a bit of lost ground by reporting 0.4% on March 13<sup>th</sup> (*the next reporting date will be Friday March 22<sup>nd</sup>*). And, possibly more significantly, its "Blue Chip Economist Consensus was 1.5% on March 6<sup>th</sup>, down from 1.9% on February 26<sup>th</sup> & 2.1% on February 25<sup>th</sup> - *One can only hope; for by March 22<sup>nd</sup> there will be only 9 days until the end of the First Quarter & six weeks until the BEA's preliminary First Quarter GDP growth report that will make the Atlanta Fed look either like a hero or a fool (with the reverse true for the White House). And talking of the White House, it just came out with a prediction that "the economy will grow by about 3% annually over the next decade" and, more specifically, by 3.2% in 2019, 3.1% in 2020, 3.0% in 2021 & 2.6% in 2026 - It had grown, in line with expectations, by an annualized 2.6% in the Fourth Quarter (down from 4.2% in the Second-, & 3.4% in the Fourth-, Quarters). And there are concerns growth will slow further as the effect of the tax cuts & higher government spending starts to wear off. And 3% for a decade is a tall order; for in the 19 years since the turn of the century the average annual GDP growth rate has been in the 2.2% range, & it has equaled (or exceeded) 3% in only five years (2018 - 3.1%, 2010 -3.0%, 2005 - 3.3%, 2004 - 3.8% & 2000 - 4.2%; meanwhile the median age of the US population has gone from 35.3 to 38.1 years (which will negatively affect the potential US GDP growth rate.*

**Boeing stock down 10% in the pre-market-, and 8.7% at the official opening-, on Monday March 11<sup>th</sup>** - The cause was the Civil Aviation Administration of China announcement that, in the wake of the Ethiopian Airlines crash on Sunday, it had, effective immediately, grounded all 97 Boeing 737 Max 8 aircraft operated by the country's airlines <sup>1</sup>, *i.e. one-quarter of this type of aircraft (that came into service less than 2 years ago) now in service world-wide, on the grounds that since "it happened during the take-off phase <sup>2</sup> (not unlike the Lion Air passenger jet last October that had been just two months old) and they "have some degree of similarity" - Air Canada has 24 of this type of aircraft in its fleet & Westjet 13 (with 37 more on order that are being delivered at a rate of one per month). Since Air Canada issued a statement that said, among others, that these aircraft "have performed excellently from a safety, reliability and customer perspective", at my age I might be prepared to travel on them, but I would not be happy if my children or grandchildren would do so, at least not until a lengthy & thorough investigation had established why these two planes had encountered the problems that caused them to crash & that these problems had been corrected. This could be critical moment for Boeing, that last year delivered a 806 commercial jets (a smidgen more than Airbus' 800) & chalked up all-time record sales of US\$101BN; for the 737 Max 8 accounts for 80% of its 4,700 unit order book (with the Company planning to deliver 59 of them each month this year). As of Tuesday morning March 12<sup>th</sup>, other than China, only Indonesia & Singapore had grounded these planes, as had Aero Mexico, Aerolinas Argentinas, South Africa's Comair & Cayman Airlines, while the US FAA was sitting on its hands and American Airlines, Southwest Airlines, Fly Dubai & Norwegian Air had announced they would continue flying them. But passengers have started asking what type of plane their flight would be using, the US pilots' & flight attendants' unions have expressed safety concerns about the plane & Mary Sciaro, a CNN*

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<sup>1</sup> While Ethiopian Airlines has long had a good maintenance record, the same cannot be said about Lion Air; in fact, the latter's was so dismal that in 2016 its [lanes were banned from US & EU airspace & the AirlineRatings.com website gave a 1 safety rating on a scale of 7 (whereas at last report Ethiopian had a 6 rating.

<sup>2</sup> In both cases the pilot, within from minutes from take-off, but not during the take-off phase per se, reported stick control problems, and asked-, & was given permission-, to return to the airport but, gauging by the crater they made, came down in a near vertical mode, c lose to 100 miles from the airport.

aviation analyst & former US Transportation Department's Inspector General, opined it would be a good idea for Boeing or the airlines to ground these airplanes before the government does it for them, in order for them" to get on top of the issue as the passengers already are" (a move that could raise havoc with the industry's day-to-day operations). And it would take only one more Boeing 737 Max 8 crash, or even an incident that gets resolved without people getting killed, for this plane to be 'dead meat', at least for a while, as pilots lose confidence flying-, & travelers to start outright refusing to fly on-, it. As of 1400 hrs GMT Wednesday March 13<sup>th</sup>, a total of 44 countries & 27 airlines worldwide had grounded the plane, with a number of countries in Europe having gone as far as banning it from their airspace altogether & it had become common knowledge that in the past year at least five US airline pilots had filed complaints with the FAA about control problems with this plane. And one can only wonder if the FAA's refusal to take action may have had something to do with the fact (no matter how qualified Daniel Elwell looks on paper) that the agency has been run by an Acting Administrator for the past 14 months. Finally, after Canada at about 1900 hrs GMT on Wednesday March 13<sup>th</sup> had grounded the Boeing 737 Max 8 & banned it from its airspace (& while it was at it, extended the ban to the 737 Max 9 model, an extended version from the Max 8) on the basis of "new information" (i.e. the satellite tracking of the Ethiopian Airways plane pre-crash flight path, that had displayed a pattern similar to that of the Lion Air flight five months earlier <sup>3</sup>, the US finally caved in with President Trump himself making the announcement from the White House an hour later - this sort of situation is of a lose-lose nature for the authorities; for if they do make a move that with the benefit of hindsight is proven to have been unwarranted they will be criticized, while if they don't & another plane falls from the sky, they will be accused of having been stupid, if not inhumane, & have their ears sued off.

**China's January & February economic data, while in line with expectations, were still nothing to write home about :**

- Industrial production was up 5.3% YoY, down from 5.7% in December;
- Retail sales were up 8.2% YoY, the same as in December, but down from the Fourth Quarter's 8.3% average; and
- Total fixed asset investment was up 6.1% YoY, once again up from December's 5.9% but down from the Fourth Quarter's 7.2% average.

*Like all Chinese economic data, these may well paint an 'above reality' picture.*

<sup>3</sup>

The Canadian official making the announcement, 70- year-old Transport Minister Marc Garneau, a former Navy combat systems engineer & astronaut (on three NASA Space Shuttles in 1984, 1996 & 2000), gave the following explanation of what might have happened. As the plane leaves the runway and climbs, "angle of attack sensors" measure how steeply it is doing so (for if the angle is too steep, the plane could stall).

Authorities now believe that the sensors in the Lion Air plane were faulty, so they sensed the nose was too high and its Maneuvering Characteristics Augmentation System (MCAS) software sought to correct this by forcing the nose of the plane down and "the pilot said, it's not too high, so he countered that ... And then a number of seconds later, the MCAS software kicked in again and tried to force it down again, and (the pilot) said 'No, no, we've got to climb' ... and eventually, unfortunately, the pilot lost that fight with the software". And along the way he illustrated the plane's flight path with his hand, palm down in front of him undulating in a wave-like manner (Many years ago, when I was in university, on my way to Thompson, Man. For my summer job, I had a similar experience on a flight on local airline's an old DC-3 from Winnipeg to Flin Flon Manitoba when, a few minutes into the flight, the pilot came on the PA system and told the passengers "Folks, we have a landing gear problem. So I am going to try & shake it loose by making some steep dives & rapid pull-outs, so please fasten your seat belts & expect a few of those" (It wasn't a great experience but ended well; for when he didn't succeed, we returned to-, and landed safely at, Winnipeg airport, after having mindlessly circled around, well outside the city, for a couple of hours to "burn off some fuel"

**Crude futures rose 1% to US\$56.63 after Khalid al-Fatih, Saudi Arabia's Oil Minister said any end to the OPEC+ supply cuts was unlikely before the June OPEC meeting** - This came prior to this week's CERA Conference, that is organized by the London-based information & market insight company IHS-Markit and attended by thousands of oil industry people, investors & bankers <sup>4</sup>, with this year's 48 speakers including the US Secretaries of State & Energy, two Senators (from Alaska & Texas), & the Head of the EPA, the UAE's Minister of Energy, the OPEC Secretary-General & the CEOs of a number of major oil companies, incl. Shell, Repsol (Spain), Petrobras (Brazil), YPF (Argentina), IOCL (India) & ADNOC (Abu Dhabi), the CEOs of Japan's Mitsubishi Heavy Industries & Germany's Siemens, and of the UK-based & BP CEO-chaired OGCI Investments, a two year-old company that invests in ventures that seek to reduce "methane leakage" or "reducing and/or recycling carbon dioxide". Meanwhile, in its annual Five Year Outlook report the Paris-based IEA said that "The second wave of the US shale revolution is coming" which "will shake up the international oil & gas trade flows, with profound implications for the geopolitics of energy", as US crude production is expected to account for 70% of the total increase in global production capacity by 2024 when its total exports of crude & refined products should reach 9MM bbl/d, surpassing those of both Russia & Saudi Arabia (& *depriving Canada of its prime traditional oil & gas export market*).

**Gloom over Germany's economic outlook** - According to the Handelsblatt <sup>5</sup> the 2019 GDP growth may as low as 0.8%, down from earlier forecasts of 1.0% & before that 1.8% (this was before the March 11<sup>th</sup> factory output report of a 0.8% decline in January).

**Fed doesn't "feel in any hurry" to change the level of interest rates it calls "roughly neutral"** - At least this is what Fed Chair Jerome Powell told CBS' "60 Minutes" on March 10<sup>th</sup>, saying it is content to watch how the slowing global economy will affect that of the US. And when asked if he thought President Trump can fire him, his response was "No. The law is clear ... I have a four-year term and fully intend to serve it." - *He also noted that while "The US is coming off a strong year ... we have seen a bit of slowing ... (but) I would say the principal risks to our economy seem to be coming from slower growth in China and Europe and also risk events such as Brexit." Him disregarding the views of his 'political master' is not a new phenomenon; for over the years government leaders have time & again appointed supposedly like-minded people as 'their' central bank governor only to find out that, once secure in their new post, they develop a, for the political leaders distressing & unexpected, independent central banker mindset.*

**Not a great week for President Trump** - First on Wednesday March 13<sup>th</sup> the House voted 248-177 & the Senate 54-46 to end US military aid to Saudi Arabia in its conduct of Crown Prince Mohammed's war in Yemen. Then, the next day, the House passed overwhelmingly (420-0) a non-binding resolution urging the Justice Department to make the Mueller Report public although Sen. Lindsey Graham (R-SC) blocked it from being brought to a vote in the Senate. And later that same day, & most significantly, the House voted 245-182, & the Senate 59-41 (i.e. with 12-, rather than the earlier expected 4-, Republican Senators voting with the Democrats), to block the President's attempt to fund building part of his 'Wall' by declaring a national emergency, even though he has long made it clear that he would veto any such move & appears to be planning to make his signing of the veto a White House 'photo op' - *while the 'talking heads' on TV counsel their listeners not to read too much into this, the fact remains that*

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<sup>4</sup> Each of whose employers had forked out the US\$8,500 attendance fee.

<sup>5</sup> Germany's Duesseldorf-based leading business newspaper..

*all but twelve of the Republicans in the House & half the Republicans needed in the Senate to override a Presidential veto voted their conscience and/or what was best for the nation, fully aware of the wrath President Trump showers on those whom he believes are “disloyal” to him.*

**Once upon a time the GOP was the small government, fiscally conservative party, but no more** - Since WW II there have been seven Republican-, & six Democrat-, Presidents. During the tenure of the former the annual deficits ranged from 1.1% to 23.2%-, & averaged 12.9%-, of GDP, while during that of the Democrat ones they ranged between 0.4% & 10.7%, & averaged 5.2%. And following are those of the 13 President individually : Truman 0.4%, Ike 1.1%, JFK 3.1%, LBJ 3.2%, Nixon 6.8%, Ford 18.8%, Carter 10.7%, Reagan 23.2%, Bush 41 13.5%, Clinton 4.0%, Bush 43 12.6%, Obama 9.1%<sup>6</sup> & Trump 14.5%.

**The US' US\$610BN defense budget in 2017 was about the same as the aggregate of the next eight biggest spenders on defense** - China - US\$228BN, Saudi Arabia - US\$69BN, Russia - US\$66BN, India - US\$64BN, France - US\$58BN, UK - US\$47BN, Japan - US\$45BN & Germany - US\$44BN - *But much of the US spending may (due to the power & influence of what Eisenhower once referred to as the “military-industrial complex”?) not be wisely spent, on ‘toys for the boys’ (& on unduly costly ordinance support) incl. aircraft carriers that cost US\$12+BN to build & US\$1+BN annually to operate while the US Navy has yet to figure out how to protect them effectively against the Mach 5 anti-aircraft carrier missiles China is believed to already have operational, never mind the Mach 9 Putin has been bragging about, so that they may be the 21<sup>st</sup> Century ‘sitting duck’ equivalents of WW II’s battleships, on a Cyber Command structure that only last year was ‘unified’, after a decade of being spread among-, & being the subject of the usual internecine turf wars between-, the various traditional US Armed Forces’ “services” (incl. the Army, Navy, Air Force & Marines), and on a multiple of the number of four star generals & their staffs that the country had in WW II when its Armed Forces were, manpower-wise, nearly 8x the size they’ re today. Meanwhile, China has two-thirds the number of people in uniform for a little over one-third the money & India about as many as the US for marginally more than one-tenth the US military budget.*

**Trump-Xi Summit at Mar-a-lago postponed until next month** - This was confirmed by Treasury Secretary Steven Mnuchin late Thursday March 14<sup>th</sup> - *the consensus is that, while progress has been made, there has been less of it than Washington had expected & that the delay will improve the likelihood an agreement will be reached.*

**US Navy’s newest ‘stealth’ destroyer USS Zumwalt makes its first foreign visit ... to Victoria, BC** - This is another expensive piece of equipment (*on a strictly per tonnage basis its cost is more than twice that of an aircraft carrier, most like the reason why the US Navy after once planning to built 32 of them, has cut that number by 29*). But the backbone of the US Navy’s guided missile destroyer fleet remains the Arleigh Burke class units, the first one of which was commissioned in 1991 & of which it now has 66 in service & 11 more on order or under construction that have a tonnage of two-thirds of the Zumwalt & cost 60% less to build - *just for the heck of it’s the cost of the largest class of container ship (that has a tonnage almost twice that of an aircraft carrier) is about US\$ 200MM (because a) it is a much less sophisticated type of ship than a carrier & b) it is built in South Korea, rather than the US).*

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<sup>6</sup> Possibly the only one that in purely Keynesian terms was fully justified in running deficits after being endowed with an economic mess by Bush 43.

**Venezuela is giving a whole new meaning to the term “failed state”** - Its oil production keeps slipping & is now only about half what it was five years ago (as is its price) <sup>7</sup>, *with a significant portion thereof still going to China to service the US\$50BN in loans Hugo Chavez took on board not long before his death in March of 2013.* There are serious, if not outright desperate, shortages of food & medicine. Maduro’s attempt to raise money through the sale of “Petro” digital currency units seems to have been all but still born. One tenth of its population has fled to neighbouring countries. And its recent power blackouts seriously added to its hoi polloi’s already extremely miserable existence.

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## **US GETS ITS ASS HANDED TO IT IN WAR GAMES** **(Breaking Defense.com, Sydney J. Freedberg Jr.)**

- In simulated war games with Russia & China done by the Rand Corporation <sup>8</sup> for the Pentagon, the US keeps losing as its bases are burnt & its aircraft carriers sunk. But according to David Ochmanek, a well-connected Rand expert, that could be fixed for a mere US\$24BN annually (about 3% of the *proposed* 2020 Pentagon budget). The reason for that is that the US superweapons have a ‘little too much Achilles in the heels’. Thus according to Robert Work, a former Deputy Secretary of Defense with decades of war games’ experience under his belt, “In every case I know of ... the F-35 rules the sky when it’s in the sky, but gets killed on the ground in large numbers.” For big air bases on land & big aircraft carriers on water are big targets for long-range, precision-guided missiles, such as are now increasingly part of Russian & Chinese arsenals. So according to Ochmanek “things that rely on sophisticated base infrastructures like runways & fuel tanks are going to have a hard time ... so are things that sail on the surface of the sea ... hence the 2020 Budget retires the USS Truman *aircraft carrier* decades early & cuts two amphibious landing ships, and the Marine Corps is planning to buy the ‘jump-up’ version of the F-35 which can take off & land almost anywhere “although it remains a question if such a high tech plane can be maintained/*serviced* in a low tech environment”. While the Air Force & the Navy took most of the flack at a recent Washington DC-based Center for a New American Security panel discussion on the “Need for a New American Way of War”, the Army too got its share of criticism ;for its huge supply bases are vulnerable to going up in smoke and its tanks to being shot up by guided missiles, drones & helicopter gunships, because it has largely gotten rid of its mobile anti-aircraft troops, and its anti-missile units would get overwhelmed by the sheer volume of incoming fire. And worst of all, Ochmanek says, the US doesn’t just take body blows but hits to the head as well, with its command & control systems vulnerable to heavy hacking & jamming to the point of not just being “suppressed” but “shattered”. And, again according to Work, the US has wargamed cyber-, & electronic-, warfare in field exercises but the ‘red’ (i.e. enemy) force always shuts down the US networks so effectively that nothing works & nobody gets any training done; so we “just stop the exercise” (instead of trying to figure out how to keep fighting when your command & control systems give you nothing but blank screens & radio static.” The Chinese call this “system destruction warfare”, plan to use it to attack the American network & “practice it all the time”.

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<sup>7</sup> I.e. its oil industry’s gross cash flow is about 25% of what it used to be five years ago.

<sup>8</sup> Based in Santa Monica CA, it is a non-profit global think tank that was created in 1948 by the Douglas Aircraft Company to do research & analysis for the US Armed Forces that is now funded by the US government, private endowments, corporations & universities & private individuals.

*The Rand solution is that “US\$24BN a year will buy lots & lots of missiles” & the US Armed Forces’ command & control systems “must be toughened up”.*

### **NORTH KOREA MAY SUSPEND NUCLEAR TALKS WITH ‘GANGSTER-LIKE’ US (Reuters, Joyce Lee & Josh Smith)**

- News reports on March 15<sup>th</sup> from the North Korean capital quoted a senior diplomat as saying that the Kim Jong Un regime may rethink its ban on missile-, & nuclear-, testing unless Washington makes concessions. And Vice Foreign Minister Choe Son Hui blames US officials for the breakdown in last month’s Hanoi Summit, telling reporters “We have no intention to yield to the US demands ... in any form, nor are we willing to engage in negotiations of this kind”, expanding on that by saying that Secretary of State Mike Pompeo & National Security Adviser John Bolton had “created the atmosphere of hostility and mistrust and, therefore, obstructed the constructive efforts for negotiations between the two supreme leaders...”. She let it be known that President Kim is set to make an official announcement soon on his position on the denuclearization talks with the US & his government’s further actions. And then she topped it all off by saying that “I want to make it clear that the ‘gangster-like’ stand of the US government will eventually put the situation in danger ... *although* Personal relations between the two Supreme Leaders are still good and the chemistry is mysteriously wonderful.”

*John Bolton displayed his (mis)understanding of the situation by telling reporters outside the White House that he had seen the statement from the North Korean official & “I think that’s incorrect”. And Choe’s reference to the “two Supreme Leaders” is evidence of the fact that for Kim this Summitry is a deliberate attempt to elevate his status back home & in Asia generally to a level ‘way beyond his pay grade’.*

### **AT TENSE MEETING WITH BOEING EXECUTIVES. PILOTS FUMED ABOUT BEING LEFT IN THE DARK ON PLANE SOFTWARE (WP, Faiz Siddiqui)**

- Last November Boeing executives sat down with pilots at the Allied Pilots Association low-slung brick headquarters in Fort Worth TX. Tensions ran high; for one month earlier one of its new jets - hailed by it as an even more reliable version of its stalwart 737 - had crashed into the ocean off Indonesia shortly after take-off, killing all 189 people on board. While subsequently Boeing had issued a bulletin that its *new* line of planes was equipped with a new type of software as part of its automated functions, some pilots were furious since they hadn’t been told that before. According to Dennis Tager, an American Airlines 737 captain at the meeting, “They said, ‘Look we didn’t include it because we have a lot of people flying on this and we didn’t want to inundate you with information’ “ (*a non-sequitur if ever there was one & a statement a Company spokesman denies its executives ever having made*) & to which he recalled his reaction had been “That’s not acceptable”.
- After years of the Company trumpeting the new plane would offer a “seamless” transition from previous models, so that the airlines wouldn’t have to invest in expensive re-training, in its statements in the week *after the Indonesian crash* the Company reiterated that safety was its top priority & that it now would take several steps to make them “even safer”, with the changes to be implemented over the coming weeks <sup>9</sup> (which highlights

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<sup>9</sup> Which apparently never was done.

the concerns of pilots & other groups that Boeing hadn't moved fast enough after Lion Air crash in Indonesia to warn users that the new MACS software can, unless switched off, on rare situations override pilot control impulses, thus interfering with their long training that pulling back on the yoke raises a plane into a climb, in other words, that the automated system could counteract the pilots' input.

*I learnt the hard way long ago to never, ever buy the first year's edition of a new car model; for they almost invariably have some unforeseen bugs that need ironing out & that typically only come to light under 'working conditions', & can see no reason why the same shouldn't hold true for airplanes. And the Company last week's 'damage control' efforts were pitiful, to say the least.*

### **EXXON AND CHEVRON JUST ANNOUNCED PLANS TO SURGE OIL AND GAS OUTPUT FROM TOP US FIELD (CNBC, Tom DiChristopher)**

- On March 11<sup>th</sup>, one day before a meeting with investors, Exxon announced plans to hike its output of crude oil & natural gas from the Permian Basin 80% by 2024 to 1MM BOED (Barrel of Oil & Equivalents per Day) while the next day, at a meeting with analysts, Chevron told them it will double its output theirs to 900,000 BOED by the end of next year. Texas' Permian Basin is the epicentre of the US shale boom that has made the US the world's top producer of oil & natural gas and, while once the domain of small independents, the shale drilling process for oil & gas is now being 'industrialized' by large international oil companies (*with deep pockets & a need to add to their reserves*), with Chevron CEO Michael Wirth telling the CNBC "Closing Bell" on March 12<sup>th</sup> "The big thing that has changed is that the shale game has become a scale game, and so people that can do things on a large scale and bring the capabilities to bear that a company like Chevron has are the ones that really can take this to the next level". Chevron last year already increased its output from the Permian Basin to 377,000 BOED, up 84% YoY & plans to spend US\$19-22BN a year there in the three years ending December 31<sup>st</sup>, 2023, while Exxon's production there in the Fourth Quarter was up 93% YoY with the Company saying that, even if the price of oil were to go to US\$35 the return on its Permian Basin assets would still average 10%.

*The Permian is expected to produce 4+ BN bbl/d this year (a growing share thereof from the Spaberry field near Midland in West Texas), roughly one-third the 2019 record US 12MM bbl/d output (making it the world's largest producer) and, while to date output has been constrained by a lack of pipeline capacity, analysts expect the industry to bring more new pipeline infrastructure on line, & clear all other bottlenecks, by the end of this year. Meanwhile, Exxon has also made what has been coined "one of the biggest discoveries in recent years" in offshore Guyana (that will prove to be a boon (or a curse?) for this dirt-poor country's 800,000 people).*

### **BIG DEFAULT SCARES GIVE INVESTORS WHIPLASH (Bloomberg)**

- Last month three large Chinese borrowers, Qinghai Provincial Investment Group Co., China Minsheng Investment Group Corp. & Beijing Orient Landscape & Environment Corp. missed bond payment deadlines (although all somehow came up with the necessary cash shortly thereafter (make three guesses & the first two don't count!). And the month before Hongkong Airlines Ltd. had seen its dollar bonds plunge on repayment concerns although it paid its maturing note out as scheduled (with help from the China Development Bank?), after which its bonds recovered half their earlier losses. According to Gary Zhou, the fixed income director at Hongkong -based China Securities International, "Price volatility in distressed names does bring investment (???)

opportunities ... But they are most likely to be grasped by specialized distressed fund managers who follow those names closely”.

*As of the middle of last year, the total volume of dollar bonds issued by Chinese corporations & banks (& to a limited extent the Chinese government) was estimated to be North of US\$500BN. And with the dollar-yuan exchange rate having gone from 6.05 in late 2013 to 6.95 three-, & 6.25 four-, years later, and back to 6.95 in early 2018 & recently to 6.70, it was all a matter of when one had borrowed in dollars & had to repay in yuan, as to how happy experience it had been, especially since the Chinese economy’s now slower growth path has impinged on borrowers’ ability to repay.*

### **THE NEW SCRAMBLE FOR AFRICA (The Economist)**

- There have been three surges of foreign interest in Africa. First, when the European colonial countries carved up & seized ‘African land’ in the late 1800s Then during the Cold War when the Soviet Union & the US vied for the allegiance of the newly independent African states, with the former backing Marxist tyrants & the latter despots who purported to believe in capitalism. And now the rest of the world has taken notice of the fact that the continent is becoming important, & will become increasingly more so, if only because of its growing share of the world’s population (thus the UN predicts that in *as little as* the six years there will be more Africans than Chinese in the world). So governments & businesses from around the world are rushing in to strengthen their diplomatic-, strategic-, & commercial ties with countries on the African continent. Thus from 2010 to 2016 320+ new embassies have been opened there, with Turkey alone accounting for 26 & India having announced plans to open 18 more (almost doubling its number). Military ties are deepening as the US & France are lending muscle & technology to the struggle against jihadism in the Sahel (*the region stretching across Africa between the Sahara & the Savannahs from Mauritania in the West via Senegal, Mali, Burkina Faso, & Chad to Sudan & Eritrea in the East*) & in late 2017 China founded its first ever overseas military base in Djibouti, halfway up the Red Sea). And commercial ties are also being upended, thus, while in 2006 Africa’s three biggest trading partners were the US, China & France, a decade later that had changed to China, India & the US, with France reduced to seventh place, while during the same time period Africa’s trade had more than quadrupled with Russia & trebled with Turkey and Indonesia. And while the biggest sources of FDI (Foreign Direct Investment) still are the US, the UK & France, China is catching up, with India & Singapore coming on strongly as well.

*While the writer opines “If Africa handles the new scramble wisely” (&there are now more reasons to expect this to be so than twenty, thirty years ago, Canada, that through its historic Commonwealth & Francophonie links and the hundreds of thousands of Africans who studied in Canadian universities & have, generally speaking, good memories thereof, should have had the inside track, is ‘fishing behind the net’ in part since Prime Minister Harper a decade or so ago was dumb enough to cut the number of Canadian embassies in Africa to a number below even Brazil’s 34, & less than half those of the US (48), the UK 35) & France (39).*

### **VENEZUELA BLACKOUT : WHAT CAUSED IT AND WHAT HAPPENS NEXT** (The Guardian, Sam Jones)

- The country suffered a massive country-wide black out on Thursday March 7<sup>th</sup>, affecting at least 18 of its 23 states & causing *frighfully scarce* food to rot in refrigerators, hospitals struggle to keep life-saving equipment operating & havoc to br created in its *public*

transportation systems. According to opposition leaders it also left 26 people dead, six of them children. And, while on Tuesday morning March 12<sup>th</sup> Information Minister Jorge Rodriguez said power had been restored to the “vast majority of the country”, that morning parts of the capital, Caracas & of other cities were still in the dark and the Caracas Metro still hors de combat.

- President Nicolás Maduro accuses the US of engaging in a “demonic” plot to force him from power by an imperialist “electromagnetic attack”, claiming the Pentagon & the Southern Command have mustered a “cyber-attack against the electrical, telecommunications and internet” systems of our country & has asked the country’s Supreme Court to investigate if opposition leader Juan Guaidô had been involved in the “sabotage” of the national power grid. But in reality a fault, possibly caused by a fire, had knocked out three 765kV power lines that move 80% of the country’s electricity from one end of the country to the other, incl. the national capital, Caracas. But technical people familiar with the situation blame years of underinvestment in the network that has been mismanaged for years by politically reliable loyalists, often from the military, rather than by qualified technicians while many of its skilled staff has been among the 3MM Venezuelans who have fled the country (if they hadn’t already left years ago).

*The 50 year-old Simón Bolívar Hydroelectric Plant (aka the Guri Dam) in Southeastern Venezuela’s Bolívar State accounts for 80% of the country’s electricity supply <sup>10</sup>. From it, the three above mentioned 765kV power lines move the electricity it generates across the country. But according to Miguel Lara, once the manager of the system, “The network lines and transformers weren’t looked after and got overgrown by vegetation”, some of which on March 7<sup>th</sup> ‘bridged’ a couple of lines somewhere, causing one of those 765 kV lines to fail which in turn overloaded the other two, causing them to fail in succession.*