

GLEANINGS II - 800

Thursday March 7th, 2019

Note : One of you, earlier this week, drew my attention to the fact that in transmission my tables come across annoyingly garbled; so here is what will hopefully be a more user-friendly version of last week's Gross Debt to GDP Ratio table :

	1999	2006	2012	2017	
France	60%	65%	91%	97%	
Germany	60	60	80	64	
Italy	110	103	123	132	
Spain	61	39	86	98	
UK	40	67	84	88	
Greece	99	104	160	179	
US	55	60	100	105	
Canada	80	71	85	90	

Quote of the week - "Don't lie, don't steal, don't cheat, don't sell drugs - the government hates competition" - source unknown (one of you sent this in), a sad, but unfortunately not entirely unrealistic, commentary on today's 'political class. Two other telling commentaries on today's society, from another Gleanings recipient, were the following :

- A picture of a woman showing her next door neighbour the laundry on her clothesline blowing in the wind & telling her proudly "It dries the washing using the very latest technology - a combination of solar, and wind power" – *so many good solutions are a function of the KISS (Keep It Simple Stupid) principle*; and
- "Civilization in 2018/19 : Phones are wireless & Cooking fireless, Cars keyless & Food fatless, Tires tubeless & Youth jobless, Leaders shameless & Relationships meaningless, Babies fatherless & Feelings heartless, Education valueless & Children mannerless, and We speechless".

While both are a bit 'over the top', there is unfortunately more than a grain of truth to them.

Atlanta Fed's GDPNow - It's March 4th reading was 0.5%, up from 0.3% three days earlier (while its 'Blue Chip Economists' Consensus' was 1.9%, down from 2.0% on February 4th & 2.1% on January 25th), & that 0.5% number was confirmed on March 8th.

Canada-China Huawei dispute heating up - After lawyering up to the hilt (she now has 13 lawyers from six different firms acting for her), on March 1st Huawei CFO Meng Wanzhou sued the Government of Canada, its border agency & the RCMP, filing documents with the B.C. Supreme Court alleging 'false imprisonment' & 'breach of constitutional rights' (???) and accusing Canadian officials of having "intentionally delayed" executing the warrant for her arrest upon her arrival at the Vancouver International Airport on December 1st (*so that they could go through her bags & her electronic paraphernalia*), while Beijing upped the ante by laying charges against the two Canadians arrested on December 10th (in retaliation for her arrest) for "stealing state secrets" - *This is a form of "asymmetric warfare". They were arrested & jailed when Meng was already out on \$10MM bail & living with limited restraints on her in the comfort of one of the two homes she & her husband own in Vancouver while the two Canadians are cooling their heels in a Chinese jail under what are described as abominably unpleasant conditions, with limited access to Canadian diplomats & local lawyers (although it's questionable how much good the latter could do them). And Beijing's official story seems awfully thin; for the two lived in*

entirely different universes; for while Beijing alleges that one, a businessman called Michael Spavor, who it claimed did the actual spying, he lived full-time in China in a city on the China-North Korea border 600 miles from Beijing where he made a living acting as a go-between for people intent on doing business with -, or traveling in-, North Korea (where he apparently is very well connected right up to the Kim level), while the other, Michael Kovrig, whom it claims he reported to, was a ten year Canada Foreign Affairs alum with quasi-diplomatic status who lived in Belgium where he was the Senior Adviser for Northeastern Asia at the International Crisis Group (the founders of which included George Soros), in which capacity he only visited Beijing periodically & by all accounts had reported favourably on China's role in the world, both domestically & globally.

Can Pandas Fly? (The Economist)

- When President Trump started the trade war with China, most sides, incl. many countries in Europe & Asia, agreed that China's steroidal state capitalism made it a bad actor in the global trading system by funneling cheap capital to SOEs (*State-Owned Enterprises*) and bullying private-, & breaching the rights of foreign-, companies. And the resultant backlash is coming at the very time its model of massive debt, heavy investment (*in often low rate of return 'marquee projects*) & state direction has started yielding diminishing returns. By opening the economy & curbing the state (*the Deng Xiao-ping formula that caused the economy to grow at a 10% compound annual since 1980*) President Xi could boost economic performance at home & lessen hostility abroad. *But haunted by what happened in the Soviet Union when Gorbachev sought to ease the Communist Party's control, he is going the very opposite route.* So, since 2013, when he became President, China has in some ways gone backwards as he has tightened the state's-, & the Party's-, grip over the economy; thus the mostly quite inefficient SOEs' share of new bank loans has gone from 30% to 70%, the once exuberant private sector has been stifled & its share of total output stagnated, as all private firms, *incl. foreign ones*, now must have "party cells" that have an input in most corporate decisions, *incl. the vital hiring-, & investment-, ones.*
- And while President Xi's approach can be made to work for a while by *continually* injecting more stimulus, *if & when its implosion comes, it will likely do quite suddenly with frightening rapidity & intensity.* In January alone Chinese banks extended a record \$477BN in new loans (*i.e. an annual rate of 40% of GDP*). Meanwhile the working age population has started to shrink, *about 25% of the 0-15 year future workers age cohort consists of "left-behind" children who are under-, or un-, educated & emotionally scarred by the experience, & likely to be, when their time comes, substandard additions to the work force,* the investment component of its GDP (often in low-, or no-, return projects) has swollen to 44% ¹and, as resources are sucked into wasteful projects or inefficient state firms, productivity growth is slowing. And with debt levels having surged, so have interest payments on that debt to the point where possibly as much as three-quarters of the new loan volume ends up going into meeting existing debt servicing obligations.

Once interest payments start being made with newly borrowed money, the total collapse of a system is typically not far behind.

¹ In 2017 it was the sixth highest such ratio in the world after Guinea (75%), Mauritius (58%), Surinam (57%), Bhutan (47) & Haiti (43%) and well ahead of, among others, Indonesia (32%), South Korea (31%), India (28%), Sri Lanka & Singapore (26% each) and the global 23% average.

China's National People's Congress - This year China celebrates the 70th anniversary of the People's Republic of China. And March 5th was the first day of the second (*annual*) session of the 13th (two week) sitting of this nearly 3,000 member, largely consultative, body, that typically serves to broadcast Beijing's planned economic path for the New Year. So at its opening Premier Li Keqiang went on record as saying the nation must be prepared for a "tough struggle" & a "grave and more complicated environment", setting the 2019 economic growth rate target at 6.0-6.5%, down from 2018's 6.5% target (& the 6.6% realized, a post-1990 low). And his list of nine priorities included "energizing market entities & improving the business environment ... *and promoting an all-around opening up of the economy*"². And he also indicated that this year any economic stimulus will come from the fiscal-, not the monetary-, policy side (i.e. from tax cuts & bigger deficits rather than from still more easy money).

ECB's new policy stance? - According to Reuters, at a March 7th meeting Mario Draghi surprised his colleagues by coming out of the woods with a proposal for an "aggressively dovish" shift in monetary policy - *this likely was prompted by the fact that in 2018 the GDP growth rate had slipped to 1.9% from 2.4% in 2017 & that recently the outlook for growth in 2019 & 2020 was revised to 1.5% this-, & 1.7% next-, year from last fall's 1.9% & 1.8%. But his views are beginning to matter less, for he is becoming a 'lame duck' (his term as President ends next October 31st) & speculation (& infighting?) has already started as to who will succeed him.*

Geneva-based WHO has issued a warning against drinking bottled water - This came after an analysis of 250 bottles of some of the most popular brands bought at 19 locations in 11 countries contained an average of 325 plastic (micro)particles per liter of water - *so there are millions of deluded fools in the developed world who have been inveigled into paying more for bottled water than for gasoline in the belief it's healthier than free tap water that in most of those countries is OK to drink, even if not always perfect.*

Kim's recent different mode of travel to Hanoi from last June's initial Trump-Kim Summit - Then he flew in a matter of seven hours to Singapore in a 'borrowed' Air China Boeing 747, while this time around it took him about two days to travel almost the same distance (4,500 vs. 4,740 miles) across China's entire North-South length to Hanoi. The main reason for this appears to have been that his trip to Singapore had given rise to many jokes about North Korea being a province of China & that, according to Cheng Xiaohe, a North Korea expert at Beijing's Renmin University, "he does not want to show the world his heavy reliance on China *by being photographed leaving a Chinese plane standing in front of the Chinese flag, as he did in the Singapore airport ... traveling by train was a forced choice*" (*the US push for Vietnam as the venue for the second Summit had been driven the US organizers', incl. Secretary of State Mike Pompeo's, expectation that seeing how Vietnam had become an economic powerhouse with a positive relationship with the US after emerging from the post-US Vietnam War's poverty & isolation would give Kim him the idea that the same might be in the cards for his country if he were to 'play nice' with Trump (which shows how clueless they are about Kim's way of thinking).*

North Korea says it has a food problem - In January the Kim regime issued an international appeal to help combat the country's food shortages after floods (*in part caused by deforestation*) & drought led to a poor harvest that had worsened the impact on its economy of the UN sanctions. And it told the UN it had a shortfall of 1.4MM tons of rice, wheat, soybeans & potatoes, prompting the UN to estimate that as many as 10.3MM North Koreans are undernourished (even before the government had, effective last January, cut the daily per

² Seemingly in total contradiction of President Xi's priorities.

capita food ration to 300 gram/10.5 ounces) - *This crisis is partially man-made. For the North Korean economy is a two-tier one : the elite & those critical to the regime's survival (incl. its nearly 1MM active-, & 5.5MM reserve-, military personnel) live relatively 'high of the hog' (have you ever seen a picture of a North Korean soldier who doesn't look well-fed?) while the other nearly 20MM are left to fend for themselves the best they can. And the South China Morning Post reported last July that Chinese customs data had revealed "an increased demand from North Korea" for discretionary 'luxury' goods like alcohol & chocolate.*

Not bad for a Sub-Saharan "shit hole" country - Over the past three decades Ghana's GDP has never grown at less than a 3.3% annual rate (& that only in two years, 1990 & 1994) & once, in 2011, even at 14.4%, & the average GDP growth rate over those 30 years has been in the 5+% range (& never negative). And there are other countries in the sub-continent with entirely dissimilar GDP growth track records. And yet, as the moniker coined by President Trump for the region implies, North American political-, & business-, decision makers seem to have largely failed to appreciate-, and/or take advantage of-, this.

On Monday March 4th Prime Minister Trudeau for the second time in a week had one of his apparently more worthwhile, & female, Cabinet members jump ship - This time it was 57 year-old Jane Philpott, the MP for Markham-Stouffville North of Toronto in the 905 Area Code region in the GTA (Greater Toronto Area) encircling Toronto that will be a key battleground in this year's election, who told him among others in her letter of resignation "I must abide by my core values, my ethical responsibilities and constitutional obligations ... There can be a cost to acting on one's principles, but there is a bigger cost to abandoning them."³ According to Maclean's magazine she, a medical doctor with an impressive track record in her field, was "one of the few breakout stars in an otherwise 'dim' Cabinet" who in the past 3 ½ years had acquitted herself well in three heavyweight Cabinet posts (Health, Indigenous Services & Treasury Board). Her stated reasons were "I have lost confidence in how the government has dealt with this matter (*i.e.* S.C.-Lavalin) and ... in how it has responded to the issues raised ... the SNC-Lavalin. affair is now an existential threat to the government."⁴ - *This came the day after Celina Caesar Chavannes, another first term (black) female MP (for Whitby, also in the GTA/905 Area Code region), revealed she had informed the Prime Minister last February 12th that for personal reasons not related to the SNC-Lavalin affair*⁵ *she would not seek re-election later this year (this is the more noteworthy since she had been the Prime Minister's Parliamentary Secretary for the first two years after the October 2015 election).*

³ What a quaint old-fashioned idea in an era that elected-, & professional-, public servants' highest priority often seems to be 'what's in it for me'.

⁴ And the polls seem to bear that out; for while in September 2016, eleven months after the 2015 election, the Liberals had led the Conservatives 49.6-30.0 and on February 21st still did so 35.7-34.5, by March 5th the Conservatives were leading the Liberals 37.0-33.6, despite the fact that the Conservative leader, Regina Sask's Andrew Scheer, has as much voter appeal as a wooden cigar store Indian of old. And according to Maclean's magazine, while in 2015 Trudeau had attracted record turnouts among young (18-24)-, women-, & indigenous voters, the bloom now seems to be coming off that rose; for according to the Angus Reid polling organization the opinion of Trudeau of 6 out of 10 Canadians had worsened in recent weeks and to a recent Léger/Canadian Press poll 37% of female voters felt that the Prime Minister had done something wrong in his dealings with the former Justice Minister cum Attorney-General Jody Wilson-Raybould and only 12% that he hadn't.

⁵ In fact she had been supportive of the former Minister of Justice cum Attorney-General calling her at one point "fierce, smart and unapologetic".

Roger Stone at risk of going to jail? - Last February 21st Washington Judge Amy Berman Jackson imposed a strict gag order on him, warning him that this was it & he would “not get a second chance” if he broke it. But on Monday March 4th Special Counsel Robert Mueller notified her that an Instagram post by Stone could have been in violation thereof, citing a CNBC story the day before that had detailed a posting by Stone of an image of him under the heading “Who framed Roger Stone” (*that had, however, been removed expeditiously after CNBC had gone public with it*) - *Stone is like Trump in thinking ‘the rules don’t apply to me’ but the judge had so far (as of Friday March 8th at 0922 hrs) not acted on her threat.*

Signs of the times in China :

- The Ministry of Finance has started exerting pressure on the SOEs to become more efficient so they can make greater remittances into its coffers & ‘to that end’ has started to exercise greater direct day-to-day control over them. And it has also moved to rein in the local governments’ excessive borrowings;
- On March 7th the CAAM (Chinese Association of Automobile Manufacturers) announced that January’s car sales had been down 16% YoY to 2.37MM units following declines of 14% in November & 13% in December (*historically auto sales have always been a bit slow during the Chinese New Year period (that this year was from January 28th to February 4th) as consumers have other things on their minds; still this was the seventh consecutive month of sliding car sales. And in this context it is interesting Kia is planning to close down the eldest of its five plants in Beijing (due to slowing demand, greater competition from local & foreign competitors, & a dearth of models that appeal to buyers. And in order to get consumers to loosen their purse strings & put more oomph in the economy, Beijing is promising subsidies on car sales in rural areas & on “new energy” (i.e. electric) vehicles, sales of which in January were up 140%, albeit to only 95,700).*

US budget deficit going through the roof? - In the First Quarter of FY19 (i.e. October 1st to December 31st, 2018) it came in at US\$319BN, i.e. at an annualized US\$1.3TR rate (6.2% of GDP), more than twice the 2018 deficit of US\$585BN (3.1% of GDP) and close to the all-time high US\$1.4TR in 2012 (10% of GDP) - *It was up 77% YoY, as receipts were **down** 2% to US\$1.1TR, primarily because of the tax cuts, & expenditures **up** 9% to US\$1.4TR due to higher spending on defense & ‘other priorities’ (incl. social security), a trend that is not expected to turn around anytime soon – So while historically the GOP has financially had a reputation for frugality, in the last nearly 40 years, under Presidents Bush 43 & Trump, it has become the party of the ‘Big Spenders’, although the Bernie Sanders’ think-alikes in the Democratic Party would like to ‘outtrump’ it in that respect.*

US trade deficit going through the roof? - The Commerce Department reported that, *despite two years of “making America great again”, the 2018 US trade in goods deficit had been a record US\$891BN ⁶, up from US\$504.8BN in 2016, the last year of the Obama administration. This was the third consecutive year of rising US trade deficits, the main reason for that being that the overvalued US dollar (currently 19% over its 10 year average valuation against a basket of other currencies) has eroded the competitiveness of US exports in global markets. And more specifically, the US trade deficit with China was US\$419BN, i.e. almost half the total & up 12% YoY - This is certainly a long way from Trump’s contention in a 2016 campaign speech in*

⁶ The number of US\$621BN used more commonly by Trump apologists refers to the total balance of payments that nets the positive balance on the trade in services against the negative balance of trade in goods.

Pennsylvania that the trade deficit was a “politician-made disaster” that he would “quickly put an end to”. And while there have been much ballyhooed reports that a US-China deal is just around the corner, the WSJ reported on March 7th that the likelihood thereof seemed to have lessened (besides, the deal China is said to have put on the table would increase its imports from the US by just US\$1.2BN over six years, i.e. US\$200BN per year. So it will be interesting to see if Trump can ‘close the deal with President Xi later this month at their Second Summit with him at Mar-a-lago or if he latter will not want to ‘lose face’ after Larry Kudlow’s bragging that “we have them over a barrel”.

Will the real Chinese GDP growth rate please stand up? - According to a paper recently published by the Washington DC-based Brookings Institution “we estimate that *China’s* GDP growth rate from 2006-2016 is 1.7% lower than reported” (the reason being that *it is based on growth rate reports by local governments that have every reason to inflate their number (so as to gain brownie points with the central authorities).*

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JOB CREATION GRINDS TO A NEAR HALT IN FEBRUARY, WAGES STILL ON THE RISE (CNBC, Jeff Cox)

- After a blistering 304,000 start in January it came in at a post-September 2017 ⁷ low of 20,000 in February, only a small fraction of the 180,000 expected; on the other hand, the unemployment rate that had been expected to come in at 3.9%, down from 4% in January, came in at 3.8%.

But in the case of the EU rate, this was a function of the bogus methodology of the Department of Labor to calculate it; for the lower rate was a function of an increase of 198,000 in the number of people it no longer considered to be part of the labour force & of the number of those classified as unemployed declining by 300,000. Still, according to Ben Ayers, the Senior Economist at Columbus OH-based Nationwide Insurance, “the three month trend in job gains remains solid, while survey data suggest no letup in the demand for workers by employers.”

HUAWEI : US CONGRESS ACTED AS “JUDGE, JURY AND EXECUTIONER” WITH THE BAN ON ITS PRODUCTS (CNN, Sherisse Pham)

- It announced on March 7th at a press conference at its Shenzhen, China corporate headquarters that it is suing the US government in the District Court for the Eastern District of Texas ⁸ to fight back against accusations that its technology poses a global security threat & to challenge a recent US law that bans federal agencies from buying its products on the grounds “This law is not only unlawful but also restricts Huawei from engaging in fair competition and ultimately hurts US consumers”. More specifically, it is asking the court to overturn parts of the *annual* National Defense Authorization Act that President Trump signed into law last August since it “violates the US Constitution by singling out an individual or group for punishment without trial”. According to Paul Triolo of the now 20 year-old, well-respected New York-based political risk consulting Eurasia Group “it is not likely to result in Huawei gaining more access to the US market ... It is a

⁷ When two major hurricanes hit.

⁸ Its US headquarters is located in Plano TX, a city of 300,000 32 kms/20 mi North of downtown Dallas with a median household income of US\$79,234, 60% in excess of the national average.

symbolic marker to influence other players around the world considering potential limitations or laws against the firm.”

This is but the latest twist in an escalating legal/public relations battle against the backdrop of the US-China trade dispute.

LIBERAL SUPPORT SAGS AS PM’s IMAGE SOFTENS
(Abacus Data, Bruce Anderson and David Coletto)

- Between January 30th & March 4th we interviewed 8,000 Canadians and between February 28th and March 4th (i.e. before the Dr. Philpott resignation) 300 a day. When we asked them during the latter period “How would you vote tomorrow?”, we got the following results, with last December’s corresponding numbers for Canada as a whole in brackets) : Conservatives 36 (34), Liberals 30 (36), NDP 16 (17), Greens 10 (7) and Bloc Quebecois 4 (4), while the regional numbers across Canada for that day were as follows :

	LIB	CON	NDP	GREEN	BQ	OTHER
Atlantic Canada	39	30	13	12	-	6
▣ Quebec	35	21	10	10	19	5
Ontario	31	38	20	9	-	2
Manitoba/Saskatchewan	27	41	26	5	-	1
▣ Alberta	13	67	12	4	-	4
British Columbia	31	34	20	11	-	4

In other words, if the Liberals were to lose voter support East of the Ontario-Quebec border the party would be in deep doo-doo - Abacus Data is an Ottawa-based market research organization founded in 2010 by Davic Coletto shortly after he got a Ph.D. in political science from the University of Calgary. And last February 26th Canada’s pre-eminent polling firm, Angus Reid, reported that 60% of Canadians say they had an unfavourable view of Justin Trudeau, 59% that their opinion of him had changed for the worste in the past month although 54% also didn’t think much of the Conservative leader Andrew Scheer either (& 64% of NDP leader Jagmeet Singh). And Trudeau’s approval rating, that was 65% in September 2016 (after 11 months in office) & 52% a year ago, was 35% last December.

REALTORS PLEAD FOR LOSER MORTGAGE RULES AS TORONTO HOME SALES DROP AGAIN (Bloomberg, Chris Fournier)

- In February the Toronto housing market posted its biggest monthly sales decline in over a year, prompting the city’s Realtor Board to call for a review of the *more stringent qualification* mortgage rules introduced by Ottawa’s Office of the Superintendent of Financial Institutions (OSFI) last year, that, it claims, keep prospective buyers on the sidelines. For sales had been down 7.7% to 6,212 units (& new listings 6.2% to 9,828) while the benchmark price (adjusted for the type of home sold) had been up 0.8% MoM (& 1.6% YoY) to \$780.397 (& for condos 6.1% to \$562,161, despite the fact there is a huge overhang of new condo buildings under construction). And the Board is agitating

for the amortization period on federally insured (i.e. low down payment) mortgages to be extended back to 30 years “to give buyers a break”.

The Board is ‘talking its own book’; for what is really keeping prospective buyers on the sidelines is the price of homes; for the \$780,397 average home price is 10x the median family income in the GTA (Greater Toronto Area), vs, for instance, 6x in Calgary & slightly less than that in Montreal, while the 22x ratio in Vancouver is a function of the flood of, safe haven-seeking Chinese money.

CHINA HALTS CANOLA SHIPMENTS FROM MAJOR CANADIAN SUPPLIER **(CBC, Pete Evans)**

- Beijing has terminated the license of Winnipeg-based Richardson International, Canada’s largest canola exporter to China, *because of “pest-, & harmful organism-, concerns” in its shipments & “in accordance with laws and regulations and international practice”*⁹. In 2018 Canada exported over \$5BN worth of canola, *about twice the value a decade earlier*, almost half of which went to China. According to the Canola Growers Association this move will “basically curb or shut down the exports of canola.” In the wake of this Marie-Claude Bibeau, Canada’s *brand new* Minister of Agriculture¹⁰, told the CBC “We are closely monitoring the situation and any potential impact on Canada’s agricultural trading relationship with China ... We are in regular contact with industry stakeholders regarding this matter, and we will keep them informed as additional information becomes available”.

As if any Quebec MP or Prime Minister would give a hoot about canola; for while Canada’s production thereof nearly tripled in the three decades to 2017 to 22,725MM tonnes (& exports grew at an 8% compound rate between 2008 & 2015), the share thereof produced in the three Prairie provinces went from 97% in 1987 to 99% in 2017. The same is true for jobs; for while the SNC-Lavalin affair is all about 8,600 jobs in Canada (3,400 in Quebec & 5,200 in the rest of Canada) & another 40,000+ abroad, in the four years after the oil price crashed in mid 2014, 46,267, mostly high-paying, private sector jobs went up in smoke in Alberta (although 30,000 ‘new’ jobs were created there as all three levels of government, all of them waist-deep in deficits, boosted their employee rolls in Alberta by 76,733.

RUMOURS GROW OF A RIFT BETWEEN THE SAUDI KING AND CROWN PRINCE (The Guardian, Stephanie Kirchgaessner)

- This is said to have been building ever since the assassination of Jamal Khashoggi in Istanbul, accelerated since on February 12 he was filmed walking on the roof of the Kaaba in Mecca, the holiest site in Islam, which upset many people & caused the King to be flooded with complaints by religious leaders, & in recent weeks is known to have been further augmented by disagreements on a number of important policy issues, incl. the war in Yemen. And the tension between them is said to have increased dramatically in recent weeks during the 83 year-old King’s visit to Egypt, *starting on Saturday*

⁹ But more likely in further retaliation in the Huawei/Meng affair, with Richardson International specifically targeted because Beijing believes, rightly or wrongly, that the 162 year-old, 2,500 employee privately-held firm is controlled by the traditionally bulwark Liberal Richardson family.

¹⁰ A Quebec MP, she was appointed Minister of Agriculture on March 1st after being Minister of International Development for three years.

February 23rd to attend the two day EU-Arab Summit in the Red Sea resort of Sharm El-Sheikh that he undertook despite warnings from his advisers that doing so would risk of a move against him in his absence (which resulted in a team of hand-picked loyalists from the Interior Ministry being *hurriedly* flown to Egypt to replace the team that had gone there with him & the Egyptian security personnel who were to have guarded him while in Egypt being sent packing. And the Crown Prince was not among those who welcomed him at the Riyadh International Airport upon his return home (which was seen as a deliberate snub to him). For during the King's absence, when he was "Deputy King", as the Crown Prince is customarily named during the King's absence abroad, *within minutes after the King's 747 had left for Egypt*, he had made two major appointments that the King only found out about it from television, that of Princess Reema bin Bandar bin Sultan ¹¹ as Ambassador to the US & of his full-, & younger-, brother Prince Khalid bin Salman ¹² as Minister of Defense (thereby consolidating more power in his branch of the Royal Family). According to Bruce Riedel, a 30-year CIA veteran & now Director of Brookings Intelligence Project "these are subtle but important signs of something amiss in the royal palace ... A healthy crown prince is expected to welcome the king home from a foreign trip. It's a sign of respect and of the continuity of government. The royal family will be closely watching what this means."

Crown Prince Mohammed better watch himself & hope his father sticks around for a few more years. And meanwhile he would be well-advised not to upset him by being too much in a hurry; for he needs his support, & more time, to consolidate his position as the 'King in making' ; for so far he seems to have few supporters in the 6,000+ member royal family among whom there are at least a few who think they have more right than he does to be the next king & many more of whom would prefer someone other than him to become King.

UK CASH SYSTEM ON THE VERGE OF COLLAPSE (The Guardian, Rupert Jones)

- The Access to Cash Review sponsored by-, but independent from-, the cash machine network Link & headed by Natalie Ceeney, the former head of the Financial Ombudsman Service, has warned that over 8MM UK adults would struggle in a cashless society & that the country's "cash infrastructure" is in danger of collapsing as Britons increase their use of digital payments and the number of bank branches & ATMs is declining (the latter at a rate of 300 per month). And it recommends that companies and organizations providing "essential services" should be required to enable customers to *continue to pay by cash*. Last year in the UK, for the first time ever, debit cards overtook cash & coins as the most popular form of payment & the report predicts cash could be reduced to as little as 10% of all payments within the next 15 years. One of the problems with the present structure is that its cost is fixed & its income rapidly declining so that it is rapidly becoming unsustainable. But the group also highlighted the vulnerability of digital banking, revealing for the first time ever that the British banks have been hit by IT (Information Technology)-, or security-, failures, that have prevented customers from making payments, at an average rate of more than once a day.

¹¹ Now 44 years of age, her father had been the Saudi Ambassador to the US from 1983-2005 during which time she attended Washington DC-based George Washington University where she got a degree in Museum Studies and after her return to Saudi Arabia became involved in several businesses & one of the country's leading advocates of female empowerment.

¹² Aged 30 and an F-15 pilot who has flown in the Yemen War, he was Saudi Ambassador to the US from April 2017 until succeeded by Princess Reema effective February 23rd.

Sweden is further along than most-, if not all-, other countries towards becoming “cashless”, with its cash in circulation to GDP ratio now just 1%, down from about 4% a decade ago & from the 10% in the EU (albeit seemingly without a clue as to what can effectively replace cash when it is no more). But in this it appears to be an outlier as illustrated in Graph 1 entitled ‘Card Payments and Cash Demand have Generally Increased since 2007’ in an article in the March 2018 BIS Quarterly Review entitled “Payments are a-changing but cash still rules”, as can be seen from the evolution of the cash in circulation to GDP ratios in the following eight countries : Brazil 3.9% in 2007 to 3.7% in 2016, UK 3.4% to 3.9%, Canada 3.6% to 4.2%, South Korea 2.8% to 5.9%, Mexico 4.4% to 7.3%, US 5.9% to 7.9%, Russia 12.4% to 10.2% and Japan 16.2% to 20.0%. And Joe & Jill Private Consumer is beginning to appreciate that the personal information that they make public on the social media, and on ‘affinity-, debit- & credit cards, is like gold for government ‘data miners’, as witnessed by the ‘social credit system’ now under development in China that by 2020 is expected to be a ‘national reputation system’ that will enable Beijing to track & assess the social behaviour of each & every one of China’s nearly 1.4BN citizens. And while I am an eternal optimist who believes that “the darkest time of the night is just before dawn”, if the present trend towards ‘digitalization’ were to continue, I cannot help but feel sorry for my grandchildren who will have to spend their lives in an ‘Animal Farm/Brave New World/1984’ socio-political environment.

UKRAINE’S 2019 ELECTIONS MAY BE COMPLETELY UNPREDICTABLE BUT FIVE THINGS ARE CERTAIN (Atlantic Council, Brian Mefford)

- This is election year in Ukraine : a presidential one on March 31st (with a likely run-off three weeks later) & another for a new parliament in the fall. While the former’s outcome is unpredictable, there are five things about it that are not. One, no openly pro-Russian candidate can win; for while at one time pro-Russian voters accounted for 25% of the total, Putin’s annexation of the Crimea & occupation of part of the Donbass region has reduced their share to less than half that. Two, while the polls show that, *among the 44 registered candidates*, Yulia Tymoshenko is in the lead, with a relative newcomer, comedian Volodymyr Zelensky, in second-, & President Poroshenko in third-, place¹³, they may be proven wrong since they are no longer objective indicators of public sentiment but tools for influencing public opinion, and it is a known fact that 80% of Ukrainians don’t want her as President. Three, most of the other 41 presidential candidates are actually campaigning for parliament & only running in the presidential race to raise their visibility for the fall election. Four, Tymoshenko & Poroshenko will battle it out in the run-off, as they did in 2014, when Poroshenko beat her by 39 points, and while right now Tymoshenko is ahead by 7 points, Poroshenko’s rating was rising prior to securing independence for Ukraine’s & the powers of incumbency are always strong, so it may be close. And finally, Five, the winner of the presidential election will have momentum going into the parliamentary elections. And there the situation is clouded because no one will have a majority, so a coalition must be formed and half the MPs will be “majoritarians” elected in districts *on a first-past-the-post basis*, most of them businessmen who want friendly relations with the government¹⁴ (so in 2014 Poroshenko

¹³ This is an out of date reading for between November 25th & February 23rd Tymoshenko’s voter support declined from 21% to 15%, while Zelensky’s went from 15% to 25% & Poroshenko’s from 14% to 19%; so the run-off may well involve Poroshenko & Zelensky (with the former likely to come out the winner)

¹⁴ And Poroshenko once was a businessman himself whose prominence in the country’s confectionery business earned him the moniker of Ukraine’s “Chocolate King”

more than doubled the size of his faction in parliament by adding *more than his share of* majoritarians). And those who will complain that the election will just be a matter of the same old faces returning to power, ignore that the political paradigm has changed with Ukraine's European civilization choice, with the public now expecting, & demanding, higher standards & more transparency, and no longer willing to accept politicians' statements at face value - *The writer is a non-resident Senior Fellow at the Atlantic Council & the resident Director & owner of the Kyiv-based Wooden Horse Strategies LLC government relations cum strategic communications firm & hence likely has 'an axe to grind' and he may be quite wrong about how much the political paradigm has changed.*