The possibly most significant global event in a long time was the 'temporary', six months' freeze on some of Iran's nuclear program in exchange for some easing of sanctions that was struck in Geneva in the late evening hours of Sunday, November 24th, between the P5 + 1[1] & an Iranian delegation headed by its Foreign Minister. Although many people don't realize it, these talks have been going on for nine months, i.e. since long before President Rouhani's election last June. But what seems to have brought them to what's at least an interim solution was the arrival in Geneva on November 23rd of US Secretary of State John Kerry with a message from President Obama that, if they didn't make a deal tout suite, Congress might introduce further sanctions.

The deal's main detractors fall into three categories. One is the US neo-conservative phalanx in President Obama's backyard; they are personified by John Bolton, one of the moving spirits behind the US decision to launch the Second Iraq War & US Ambassador to the UN for 14 months prior to the 2006 mid-term election[2]. In The Weekly Standard he called it an "abject surrender", said any deal that didn't result in the total & absolute destruction of all of Iran's nuclear equipment was "another Munich moment" & advocated an Israeli military strike, if not outright war, to "avoid Tehran's otherwise inevitable march to nuclear weapons"[3]. Then there are the Saudis. Obama's talk of a foreign policy pivot to Asia spooked them & the talk about US oil independence rattled them some more, because, like Israel, its special relationship with the US is their security blanket, the possible loss of which has caused them to start ruminating about ending the 1970's "oil for dollars" deal (whereby they agreed to denominate oil prices in US dollars only, thereby helping to consolidate the US dollar's reserve currency role). In addition, Shiite Iran's regional ambitions worry them to the point where they have been thinking of possibly developing a nuclear capability of their own (which, however, would require diverting large amounts of money into such a project that then wouldn't be available to bribe their hoi polloi into social complacency). And finally there are the Israelis, or rather Netanyahu c.s., who have two concerns. In the short run that of nuclear annihilation by Iran. And, longer term, the loss of its current regional nuclear weapons' hegemony, either because Saudi Arabia, & possibly others, in a reaction to Iran having a nuclear weapons capability, would acquire one of their own or, more worrisomely, because the road to reining in Iran's nuclear weapons' ambitions may be via a denuclearization of the entire region that would rob Israel of its ultimate nuclear bombing fall-back which it would deem more critical to have than ever if the US foreign policy pivot talk were to prove more than just talk. For the moment, Netanyahu seems to be trying to keep his options open by first having his ambassador to the US, supposedly his confidant like none other, going on record as saying that throughout the P5+1 talks, the US has

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1 The former are there ox officio as Permanent Members of the Security Council (*a hangover from the immediate post-WW II power relations*) while Germany is there in part because it couldn't be left out if Britain & France were included & in part because it has long been a major trading partner of Iran (in fact some of the early equipment for its nuclear program was German-sourced). And the EU found its way to the table by having Britain's Baroness Catherine Ashton chair the Group as its Special Representative. .

2 President Bush 43 named him when Congress wasn't sitting in a 'recess appointment' (that's only good until the next election) after months of trying to get the Senate to approve it as a more permanent arrangement.

3 Rather interestingly, he, like most, if not all, of this neo-conservative war-mongering ilk, during the Vietnam War, while supporting it on general principle, avoided having guns fired in anger by joining am Maryland infantry reserve unit.

kept the Israelis briefed on its goings-on, & then this week by letting Deputy Defense Minister & Knesset member Danny Danon, *a hardliner member of his own Likud Party*, saying on radio "We were not part of the negotiations. We have not signed the agreement and we will do what is necessary to protect Israel." - *their reaction is like that of a spoiled child whose wishes are, for the first time ever, ignored & whose behaviour has started to turn people off, and they may be waking up to the unpleasant reality that Israel may be a big frog in its pond, but that in geopolitical terms that pond itself may be becoming less material.*

In October US pending home sales were down for the 5th month in a row. This was a good news, bad news story : the former was that at - 0.6% it was a big improvement over September's - 4.6% & the latter that it fell far short of the + 1.0% expected.

Bubbles, bubbles, bubbles everywhere! Right now Bitcoins gladden any speculators' heart. For they're up 4800+% YTD, equivalent to 2.5% compounded **per day!**

Last weekend the now 87 year-old Alan Greenspan on Bloomberg's Political Capital with Al Hunt pronounced the stock market not to be in a bubble (even though he expects the US economy to grow more slowly in 2014 than generally forecast). His reasoning : "The stock price generally goes up about 7 percent for the long term ... It didn't go anywhere since October 2007, and the result is that we are now just breaching that. We have had no growth in stock prices for years." - *the weakness in his argument is that this has never been a straightline progression & that there have always been, often major, deviations from the mean. But his reaction typical; for there has never been a bubble he could recognize (& neither has Janet Yellen).*

US dry shale gas output growth is slowing; in fact, it has plateaued, at least for the time being. And that's not surprising given the low gas price-driven halving of the number of rigs drilling for gas since early 2010[4], & the known rapid depletion rate of fracked wells. The one exception is the Marcellus Shale[5] that at last report accounted for 40% of all US shale gas output & three-quarters of its growth. Of the other seven identified fields output in the next largest, Haynesville, is now actually 20-25% off its peak while the other six, & the "Other US" category, are more or less holding their own. This would be bullish for natural gas prices but for the low coal prices (which early this year were down as much as one-third YoY; while that gap has been closing since, this wasn't due to coal prices now strengthening but to them weakening last year as the year wore on).

US primary bond dealer inventories of all government bonds have over time proven a counter-indicator, i.e. when they are high, it's time to lighten up on bonds, & vice versa. At the end of 2006 they were about US$40BN, six months later they were actually negative & then they seesawed in the US$120-300BN range until they shot up to US$380BN early this year. At last report they were back to US$340BN, albeit only after the New York Fed had changed the way it reports them. The reason for that growth is simple : the low cost of short term funding & the Fed's assurances to keep them so for an 'extended period of time' all but guarantees a lovely 'risk-free' spread on borrowing short & investing a little longer. And the latest talk that the Fed

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4 While the number of rigs drilling for oil since then has quadrupled from a level half of those drilling for gas.

5 That is conveniently located close to, and in, major markets, underlying, as it does, much of West Virginia, two-thirds of Pennsylvania, one-third of New York State, one-quarter of Ohio, and ever smaller bits of Virginia, Kentucky & Tennessee.

may cut the minuscule 0.25% it pays the banks on their US$1.86TR in "excess reserves', may extend that game a while longer by making more banks buying more bonds (*which would help offset the effect of any tapering for as long as the Fed's song & dance about short term interest rates remains credible (although it risks a panicked sell-off if the banks' faith in that idea ever were to falter in the least). But, according the* Financial Times *leading US banks have warned the Fed that any move to cut the 0.25% rate might force them to start charging companies & consumers for their deposits in order to make up for the resultant estimated US$6BN in foregone pre-tax profits, a threat which, if it were to have any credibility with the Fed, could influence any tapering decision.*

Earlier this year the EPA recommended pipeline operators use the latest "external leak detection" technology, such as infra-red equipment on helicopters overflying pipeline right-of-ways & "acoustic sensors" that can detect the sound of oil leaking through even a pinhole-sized opening. But TransCanada subsequently in effect said "Thanks but No Thanks", claiming it was impractical & saying it will continue to depend on traditional (*& cheaper?*) software-based methods & traditional fly-overs for leak detection purposes on its controversial, new Keystone XL, primarily dilbit-carrying, pipeline to the Gulf Coast - *small wonder one Canadian journalist recently observed, prompted by Blackberry's fall from grace & failure to adapt to changing times, that it had been "merely complacent (while) Our manufacturers and resource hewers have been comatose."* (*sitting on unprecedented hoards of cash earnings minimal returns, rather than looking for investment opportunities with greater short-, & long-, term revenue potential).*

Airlines with Boeing 787s powered by GEnx engines in its fleet were told by the Company to avoid flying within 50 nautical miles (93 kms) of thunderstorms to avoid the possibility of ice crystals forming & reducing engine thrust - *anyone for a flight on a 787?*

On November 23rd China announced it had created an Air Defense Identification Zone (ADIZ) over much of the East China Sea for all aircraft but those of international carriers. This means that, upon entering it, an aircraft would have to radio its planned course & destination to the authorities, in addition to whatever other information they may demand, & carry transponders (to enable the authorities to identify & track it). This was generally seen as a step-up in its territorial dispute with Japan over the Diaoyu/Senkaku Islands. All of the US, Japan, Taiwan & South Korea protested this move & announced they didn't intend to comply with it, and the US went as far as quickly sending two B-52s on a "previously scheduled" training flight from Guam through the East China Sea back to Guam, with Beijing at the time of writing (1700 hrs GMT, Wednesday November 27th), yet to have officially reacted to this - *this looks like a potentially lose-lose move on Beijing's part; for if it were to try & enforce this policy by shooting down an aircraft of one of the other countries, this could possibly bring on a military confrontation it could not (yet) be 100% sure of winning, while failing to do so it would make it look like a "paper tiger" (under international law every country has a recognized & enforceable souvereign airspace over its landmass & the adjoining seas as far out as 12 nautical miles (22,2 kms) from its coast line; but what China is attempting to have the rest of the world accept is what is known as an* Extended *ADIZ, a concept developed by the US during the Cold War, implicitly a step towards recognition of its territorial claims in the area. In the event, on November 28th Beijing sent seven jet fighters & an Early Warning aircraft into the area, as did the Japanese & South Koreans [although presumably (& deliberately?) at a different time], with the Chinese media making all sorts of claims about its air force being on "high alert" & its intention to protect its national security in the area (something for which military analysts say they lack the capability to do effectively on a sustained basis). This is akin to children playing with matches behind a hay stack; odds are that it will lead to an untoward event.*

“It’s an ill wind that blows nobody good!” Two decades ago the Philippines booted the US armed forces off its soil. But this month, in the aftermath of the typhoon disaster, it returned with 13,000 military personnel, seven naval vessels & 70 helicopters. This has gotten the Filipinos thinking about revisiting the wisdom of that decision 22 years ago, especially so give given China’s territorial claims and its growing military might & bullying attitude vis a vis its neighbours, especially since the dreams of yore of turning biggest two US bases, Clark Air Base & the Subic Bay Naval Base into major industrial & commercial Free Zones turned into ashes.

In Germany, in the early morning of Novermber 27th, two months after the elections & one month after negotiations commenced, the right-of-centre Christian Democrat (CD) party of Chancellor Merkel & the Social Democrat (SPD) agreed on the formation of a “Grand Coalition”. Two hurdles remain : divvying up the ministerial posts & a vote by the SPD membership approving the deal, both of which are expected to be completed by Christmas. To the delight of many in the Eurozone, this heralds some easing of the German austerity hard line.

On Sunday November 24th Swiss voters rejected decisively, by almost two-thirds, a referendum proposal that would have limited to the pay of any corporate executive in the country to 12x that of the company’s average employee.

A historic milestone was reached earlier this month when BAE Systems announced the closing of its Portsmouth shipyard; for naval vessels have been built there for over five centuries. Critics of this move claim the government did not resist this move in the expectation that the Company’s consolidation of its naval ship building activities in Glasgow will influence the outcome of Scotland’s vote on independence one year from now.

The media earlier this month gave extensive coverage to the rescue, after 30 years of slavery, of three women from a home in the upscalish but multi-ethnic South London neighbourhood of Brixton. But what was less extensively covered was the fact that those involved, a 73 year-old Indian-born male & his 67 year-old Tanzanian wife, four decades ago had been prominent in the Communist Party of England (Marxist-Leninist) until expelled for “conspirational and splittist” activities, nor that such cases are by no means unusual, occurring on an almost weekly basis, with the main difference between this & other such cases being its extreme length.

GLEANINGS II - 539
Thursday November 28st, 2013

GOLD FIX DRAWS SCRUTINY ... (BB, Liam Vaughan)

- London is the world’s biggest gold trading centre : in 2012 its daily turnover was US$33BN while daily futures trading at Comex was US$29BN. The London price is determined in a process that, with a 15-year break starting in 1939, is almost 100 years old. It involves a twice daily (10:30 a.m. & 3:00 p.m.) conference call (*that replaced the original face-to-face meeting in a wood-paneled room*) among five banks (Barclay’s, Deutsche Bank, BNS, HSBC & Société Générale) during which each indicates in turn how much gold they would buy & sell at a starting price, a process that continues until a ‘clearing price’ is reached (usually this takes minutes but it has been known to take up to one hour). After some academics spotted unusual gold trading “spikes” starting at 10:01 a.m. & 3:01 p.m., the UK Financial Conduct Authority now has the process in its sights.

Modern technology has its pros & cons. Thus, while in the old, face-to-face, paneled room environment there was limited scope for insiders "front running" the price fixing outcome (even if doing so had then been deemed 'kosher')[6]*, now there is little by way of practical and/or ethical impediments for a non-fix participant in any of the five banks to listen in on the discussion, getting a read on the way the wind is blowing, & rushing out to front run the outcome (it was just reported that similar suspicious activity at specific time points in the US$5TR daily turnover FX markets prompted the authorities to launch investigations there as well - will this ever end?)*

<u>WHAT IS GOLDMAN SACHS DOING WITH VENEZUELA'S GOLD?</u> (BB, Matt Levine)

- A decade ago Greece could only join the Eurozone by lying about its national debt with help of behind-the-scenes financial legerdemain involving its gold by Goldman Sachs[7] *(of whose international arm the current ECB President, Mario Draghi, was then Vice Chairman)*. Subsequently, Goldman's Vice Chairman Michael S. Sherwood said his firm would never again do another deal to mask a country's true indebtedness, while noting it had received feelers from other European souvereign borrowers to do so. But now it seems about to do another such deal with Venezuela, only this time out in the open. For on November 26th the Venezuelan newspaper <u>El Nacional</u> reported the country's central bank & Goldman were about to sign an asset-backed loan dressed up as a swap : Venezuela will get US$1.6BN for seven years @ 8% (i.e. about UST + 600) with Goldman getting as security control over US$1.8BN of Venezuela's gold (*about one-eighth of its official gold holdings)* in the vaults of the Bank of England, with the actual amount subject to margin calls if the price of gold were to decline *further.*

This will enable Venezuela to continue to include it as part of its gold holdings in a case of 'have your cake & eat it' until the time comes that Goldman can "go long" gold when it forecloses.

<u>MAYOR GOLD PLAYER UBS SLASHES PRICE FORECASTS</u> (MoneyBeats, Laura Clarke)

- On November 26th, as gold traded at US$1,245, UBS slashed its one-month gold price forecast from US$1,450 to US$1,180 & that for three months from US$1,375 to US$1,100, while Barclay's Suki Cooper went on record as saying "Physical buying is taking place but ... not enough to drive prices higher ... you have continued disinvestment" (*by Western holders of gold derivatives*) & Mark Turner, a precious metals analyst at Macquarrie, that outflows from gold ETFs this year have dumped nearly 800 tonnes of the metal back onto the market which, together with 200 tonne lower gold sales in India, had resulted in an almost 1,000 tonne supply for China to absorb. And according to Turner, while the central bank complex remains a net buyer, its

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6 Although it wasn't impossible : in 1960's when Canada's Treasury Bill auctions were conducted manually, some juniors in the Department of Finance used to troop, every Thursday at about 11:30 a.m. to the Bank of Canada to help enter all bids by pencil on specially designed bid sheets. As they did so, a Bank of Canada official always looked over their shoulders who would disappear about ten minutes before noon, only to re-appear just before the noon cut-off time with the Bank's bids (that always produced results consistent with its monetary policy targets (there was at least one occasion of a big fuss when the Bank missed the noon deadline & an attempt was made to enforce it.

7 Which then had the lack of integrity not to reveal that material fact in the prospectuses for several Greek government bond issues it subsequently underwrote.

pace in doing so has slowed this year, all of which led him to conclude that the base case for 2014 was not for a gold price recovery.

The global gold market is a three-ring circus. In one ring are the media that blow events out of proportion, like Russia's September sale of 0.37 tons out of its 1,051.1 ton gold hoard (i.e. 0.035%), while ignoring that Kazakhstan that same month had hiked its gold holdings by 1.8% to 137 tons, that Russia itself had increased its gold holdings by 5.7% in August, that, while central bank purchases in the first nine months of this year had been down YoY, 2012 had been a record year, that this year's July-September quarter had been the 11th consecutive quarter of net central bank buying, & that in the first nine months of this year the central bank complex had each month been a net gold accumulator. In the second are those North Americans who seem unable to grasp the difference between the sale of paper gold by Western 'investors' & the ongoing accumulation of physical gold bullion & jewelry by billions of Asians who now have the financial wherewithal to indulge their, once only potential, culture-driven appetite for owning gold, who don't appreciate this involves a shift of physical gold from "weak" into "strong" hands", & who don't realize the resultant deleveraging of the gold market will in due course, if not sooner, boost the importance of real market forces. And in the third is the interplay of real world gold metal supply & demand forces. On the supply side, according to the World Gold Council (which, while having its own agenda, is still one of the more useful sources of gold flow data, & one the veracity of which is enhanced by the IMF's less detailed, but at the macro level more objective, gold market monitoring efforts) during the five year period 2008-2012, newly mined gold production had averaged 2,547 tonnes (& seemed to have plateaued at that level), far in excess, as it had for many years, by the average annual 'disappearance' of 4,084 tonnes (2,200 tonnes into jewelry, 1,483 tonnes into the hands of 'investors', 439 tonnes into technology end uses & 160 tonnes into central bank vaults). And going forward, the outlook for maintaining that level of output don't appear promising : at current gold prices many producing gold mines, first & foremost those in South Africa, are barely, if at all, in the black, the almost 25% of new gold production accounted for by China & Russia seldom, if ever, flows into commercial channels, Barrick Gold, the world's largest gold miner, is curtailing production at some of its mines & proposing to close others (& recently halted work at its huge Pascua Lama gold/silver property on the Argentinian-Chilean border), & just this week the founder & CEO of Detour Gold, the operator of Canada's latest big gold mine, parted ways with the company after a Board Room fight[8] subsequent to the Company having reported Third Quarter output of half its targeted 20-year average at a cost of US$1,214, on a day the going price was US$1,227. Meanwhile, some of the numbers on the physical gold demand side are mind-boggling. In the Third Quarter global demand for physical gold was 869 tonnes (i.e. on an annualized basis one-third or more in excess of newly-mined production). While much emphasis was placed by the media on the fact that in India, historically the largest global source of demand for physical gold, albeit now overtaken by China, Third Quarter demand had been down 32% QoQ due to tax hikes, it had nevertheless still been up 19% YoY. Ditto for central banks' purchases; while the media focused on their purchases being down YoY, as of the end of September the central bank complex had been a ***net*** *accumulator of the yellow metal for nine months in a row. Meanwhile, as demand in India slackened, it was booming in Dubai where retailers expect gold sales this year to end up being as much as 100% over last year's. China's gold imports from Hongkong in October, at 131 tonnes, were up 18% MoM, & at their second-highest ever level (exceeded only by last March's 136 tonnes), had been in excess of the 100 tonne level for the fifth month running & brought the YTD total for the first ten months of the year to 986 tonnes, more than double that*

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8 Likely prompted by the fact that its share price was down 85% from its 52-week high & 60% of the price at which its sold shares to investors in June.

during the year-earlier period, with retailers expecting continued strong demand until at least the Chinese New Year's gift-giving season in late January (with demand possibly boosted by the government's drive against corruption & ostentatious spending & gift giving by public servants - a little gold bar or some nice gold jewelry attracts much less attention than a new Bimmer). All over Asia demand for jewelry is up strongly YoY, incl. 57%, 28%, 19% & 14% in Thailand, Hongkong, Indonesia & Vietnam respectively. And finally, in an era in which bankers have lost much credibility & are increasingly seen as intent on making money ***off****, rather than* ***for****, their clients, more & more questions crop up as to whether such price forecasts might not be self-serving, i.e. made to fatten their bottom lines by panicking investors into selling when the banks want to go "long" gold & into buying when they want to take profits & unwind to unwind their long positions (with specific allegations of this nature having been made this year against, guess who .... Goldman).*

BUBBLE WATCHER WARNS OF LOST DECADE AHEAD FOR STOCKS
(G&M, David Berman)

- John Hussman, owner of the Maryland-based mutual fund family of the same name, is convinced we are in a stock market bubble, and after Fed Chairman-designate Janet Yellen & St. Louis Fed President James Bullard recently rejected the notion that it is, addressed an Open Letter to them saying among others "The Fed has done enough, and perhaps dangerously more than enough ... The prospect of dismal investment returns is an outcome that is largely baked-in-the-cake. The only question is how much worse the outcomes will be as a result of Fed policy that has few economic mechanisms other than to encourage speculative behaviour." He believes that investors are being misled by P/E ratios that, while are moderate by historical stand, are based on corporate profits 70% above their historical norms (*in terms of their share of GDP*) & says that the median Price-to-Revenue ratio for the S&P 500 is now even higher than before the dot.com was pricked *on March 10th, 2000.*

Once a professor of economics & international finance at the University of Michigan, he says he had his moment of enlightenment when he realized that "academic debates are so bitter because the stakes are so low." He correctly foresaw the Great Recession, & is predicting another, more serious, version thereof as a result of the US government's bad policy decisions. A quick look at his funds' performance suggests their best feature may be their low MERs but that may be because he is a "bear market money manager", i.e. one who makes his clients' capital wax less in bull markets but compensates for that by having it shrink less in bear markets. Time will tell).

HOW CONGRESS COULD DERAIL THE NUCLEAR DEAL WITH IRAN
(BW, Cameron Abadi)

- When John Kerry joined the nuclear negotiations with Iran late Saturday November 23rd, he did so waving a huge club, telling Iranian Foreign Minister Javd Zarif that, if there was no agreement over the weekend, Congress was likely to approve more sanctions against his country. Little more than 24 hours later, a deal was struck that in exchange for a 'temporary' freeze on Iran's nuclear activities was intended not just to forestall further sanctions but to dramatically reduce those already in place.
  •But while the White House has every ability to rescind those it imposed by Executive Order, incl. that which froze US$7BN held by Iranians in foreign bank accounts, Congress since 2010 shed its bipartisanship long enough on three occasions to cooperate on three separate rounds of sanctions, incl. those targeting the Iranian central

bank, the removal of which is among the Tehran's top priorities. And getting it to rescind those may prove to be a horse of a different colour. For the deal calls for Iran to be able to continue its uranium enrichment activities to low levels, *such as those needed for creating medical isotopes*, well short of those needed to produce weapons-grade material whereas many members of Congress have gone on record as saying that Iran cannot be trusted with any enrichment capability at all *Period, Full Stop (which is the Netanyahu line*). To gauge its mood, Sen. Mark Kirk (R.-Ill), a co-sponsor of the most recent proposal calling for more sanctions, recently defined an Iranian moderate as someone "who's out of bullets and money" & Sen. Mark Rubio (R.-Fla.), *supposedly a 2016 Presidential hopeful*, said following the weekend deal "There is now an even more urgent need for Congress to increase sanctions until Iran completely abandons its enrichment and reprocessing capability." (*which is a non-starter; for Tehran equates that with an unwarranted encroachment on its souvereign status & with confirmation that it is a peon, not a player, in global affairs, whereas it perceives itself, with some justification, as* ***the*** *dominant regional power in the making*).

The deal is likely far from ideal but nowhere near as bad as its detractors make it out, & possibly could even be a decent first step to a more permanent solution. But in the overall scheme of things that's irrelevant. Obama is seriously weakened & has frittered away his one-time political goodwill. He lacks support on the Iran issue from even many Democrats & now will pay the price for his wussy approach to Netayahu's escapades & for having failed to follow through on his famous June 4th, 2009 Cairo speech. And Netanyahu will be burning the phone lines lobbying, & calling in his markers from, his Americans contacts (regardless of whether the NSA will monitor them) who in turn will lobby their lawmaker contacts & calling in their markers.

CARVILLE : OBAMACARE ROLLOUT A 'JOKE', IS PRESIDENT'S FAULT
(Newsmax, Cathy Burke)

- He told the Imus in the Morning ABC (now Cumulus Media Networks) radio program, that is also being simulcast on the Fox Business Network, on November 21st that "I think the president himself has himself to blame as much as anybody ... I don't think he was done in ... by anything. It was just a massive mess-up that's cost him and cost the Democratic Party ... temporarily I hope." He said that he (*i.e. Obama*) and his aides made one misstep after another ... "I think it is all self-inflicted". And yet he said that "I ... continue to believe, that in the end this thing will work out pretty good ... in places where it's up and running ... Massachusetts ... California, Connecticut, Kentucky[9], it is actually doing fine."

James Carville has long been an influential Democratic backroom figure. In 1992 he managed Clinton's successful first election campaign &, after the election married Mary Matalin, his counterpart in Bush 41's unsuccessful one.

OTTAWA'S 'ECONOMIC DIPLOMACY' MARKS HISTORIC SHIFT (G&M, John Ibbitson)

•In a Global Markets Action Plan, released on November 27th, the Prime Minister told the Department of Foreign Affairs & International Trade to "entrench the concept of 'economic diplomacy' as the driving force behind the Government of Canada's activities through its international diplomatic network ... All diplomatic assets of the Government of

[9] All of them, by the way, states with Democrat Governors.

Canada will be marshaled on behalf of the private sector." More specifically, it targets three sets of countries. Emerging economies like Brazil, Chile, China, Indonesia, Russia, South Africa & Turkey where Canada 'can make broad gains because of their rapid growth & (*the*) fit between their needs & Canada's ability to provide'. Next are emerging markets with 'specific opportunities for Canadian businesses' like Ghana, Kazakstan, Mongolia & Uruguay. And bringing up the rear are the developed countries (*this coming hot on the heels of the recent signing of the much-vaunted Canada-EU Free Trade Agreement*). While critics like former Prime Minister Joe Clark, *who more importantly in this context served almost 9x as long as Foreign Minister than he did as Prime Minister*) is among those who deems the Prime Minister's foreign policy 'ham-handed' because of its simplistic view of world affairs & obsession with trade, the Heads of the Canadian Council of Chief Executives, the Canadian Federation of Independent Business, the Canadian Chamber of Commerce & the Canadian Manufacturers and Exporters support the plan (*as well they should, for they all served on the advisory panel that helped draft the bloody thing*).

Even though he may have too much empathy with the |striped-pants crowd", it's hard to disagree with Joe Clark. What's the "natural fit" between what Brazil & Russia need & Canada sells? Pray tell what "specific business opportunities" might there be in Mongolia (a country with 25% more people than Manitoba & Saskatchewan combined but & 10% of their GDP), except as possibly related to the interests of a "specific" company? And how might Mr. Harper reconcile this with his blinkered support for Israel (with smaller two-way trade with Canada than Kazakhstan, Angola, Vietnam' the UAR or Columbia)? While being marketed as necessitated by a need to compete with the Chinese, this seems like more evidence of it being, as previously noted ("ham-handed") Amateur Hour in Canada's foreign policy making - if one really wants to start competing with China (on its terms), only two things are needed : a willingness to bribe & bags of money to invest!

ABBAS SAYS WILLING TO ADDRESS KNESSET ON OWN TERMS (JP)

- On Monday November 18th Israeli Prime Minister Binyamin Netanyahu called on *Palestinian President Mahmoud* Abbas to address the Knesset & recognize Israel's right to exist as a Jewish state. Subsequently, three days later, the latter told the Voice of Russia he would make a speech in the Israeli Parliament "but only in order to say what I want to say, and not what [Netanyahu] wants to hear."

Coming upon the heels of the Al-Quds editorial reported on last week, this makes one wonder what's going on; might it be an attempt by Netanyahu to somehow 'front-run' what he deems an undesirable outcome of the Iran/P5+1 talks or might there be something more positive going on? He is besides himself at having been left out negotiations he believes critical to his country.

KENYA LAUNCHES NEW RAILWAY (BBCNews)

- On November 28th President Uhuru Kenyatta officiated at the ground-breaking ceremony for a new railway link between Mombasa & Nairobi. Once it is completed in 2017 plans are are to extend it to the Ugandan capital of Uganda, with there being talk of subsequently reaching into Rwanda & Burundi, and South Sudan (& possibly even into Kisangani, formerly known as Stanleyville, the capital of the Congo's Orientale Province on the upper reaches of the Congo River in the Northeastern part of the country.

Touted as a US$13.5BN project, its first phase, the Mombasa-Nairobi link, will cost one-fifth that. This first 'leg' is a national "transformational" project & if the rest of it would come to fruition it would be a regional, if not sub-continental, transformational one. It will replace the existing narrow-gauge, winding, single Mombasa-Nairobi rail line built over a century ago with modern, more directly routed, standard gauge twin tracks. It will cut passenger-, & freight-, travel times between the two cities by as much as two-thirds and, according to the government, cut the cost of transporting goods between them by up to 79%. It will be built by Chinese construction companies & funded by China's railway company. Having been indicted by the International Criminal Court for crimes against humanity during the 2007 election, Kenyatta has been cozying up to the Chinese since &, having nevertheless been elected President last spring, has been in a position to make that pay off, with Beijing quick to jump on the unique opportunity it presented to vastly increase its entanglement in a strategic part of Africa. But this move has not been without controversy; not only because some people's discomfort with China's growing encroachment on their world & its neocolonialist attitude, but last last April the government's own legal adviser opined that awarding this contract without a public tender was illegal.