

Between April 5th & 23rd the Pew Research Center, in conjunction with Associated Press, conducted a poll of 1,659 adult Ukrainians which found, with a margin of error of 3.3%, that :

- 77% of all-, 70% of Eastern-, & 58% of Russian-speaking Eastern-, Ukrainians want their country to maintain its present borders;
- 60% of Western-, 41% of all-, & 24% of Eastern-, Ukrainians say the current government has their confidence; and
- 75% of all Ukrainians say that Russia is having a bad-, vs. 25% who say it has a positive-, impact on their country.

An interesting, but potential problematic, dichotomy : distrust of Russia & strong support for their Ukrainian identity, but much negativity for the current government. This will make the outcome of the May 25th election, if it comes off as scheduled, that much more important. Other than the local & imported thugs & opportunists, the core pro-Russian support in Eastern Ukraine seems rooted in elderly people nostalgic for the heyday of the Soviet Union (when everything was so much better even if mainly because those in charge since then have been so rapacious).

Those promoting a vote on sovereignty in bits & pieces of Eastern Ukraine on May 11th got a shock on May 7th when Putin asked it be postponed to allow time for the talks on the future of the Ukraine proposed by the OSCE (Organization for Security and Cooperation in Europe), currently headed by Swiss President Didier Burkhalter, a request they decided to ignore. The outcome, as predicted was overwhelmingly in favour of sovereignty, although, whereas those promoting it had previously said it might take as much as three days to get the results, some eyebrows were raised when they were announced only two hours after the polls closed.

Moscow continues to send mixed messages. Earlier this month Putin said the May 25th Ukrainian presidential election would constitute a “step in the right direction.”¹ But on May 14th Sergei Naryshkin, the Speaker of the Duma, *Russia’s Lower House of Parliament*, told channel Russia 24 that “essentially punitive conditions ... for two areas where 7 million people live” (*i.e. Donetsk & Luhansk*) would compromise its legitimacy. This came after Foreign Minister Sergei Lavrov had expressed doubt about Ukraine’s ability to conduct a legitimate election, saying “conducting elections in a country where the army is using force against its population is quite unusual.”², even though Viktor Mironenko, Head of the Ukrainian Studies Center at the Russian Academy of Sciences Europe Institute opined “Ukraine has plenty of experience conducting elections and I believe has the ability to conduct a legitimate presidential election on May 25th “.

The Moscow Times is an English language newspaper in Moscow. Its cartoonist is Sergei Elkin. His output is accessible at themoscowtimes.com/multimedia/photogalleries/putin-russia/5123. One wonders why he is allowed to, & why he can, get away with some of them.

Sen. Marco Rubio (R.-Fla.), a potential GOP Presidential flag bearer in 2016 & an early rising Tea Party star³, lost support with his conservative base when he supported a bipartisan

¹ *He seems to be realizing the brushfire he started in Eastern Ukraine is now out of control (& feeling pressure from the oligarchs targeted by the US & European sanctions?)*

² And yet he sees nothing “unusual” in the al-Assad regime having an election in Syria, a country where there has been a full-fledged civil war for three years?

³ A Pew Research survey last year found 66% of Democrats believe human activity is the main cause of global warming, vs. 43% of Independents & only 24% of Republicans.

immigration bill early last year. Now he seems intent on recovering it by telling ABC News on May 11th “I do not believe human activity is creating these dramatic changes in our climate the way these scientists are portraying it ... And I do not believe that the laws they propose we pass will do anything about it, except destroy our economy.”- *It’s interesting to see how many climate change skeptics have a background in fields other than science*⁴. *Rather interestingly Rubio’s maternal grandfather, Pedro Victor Garcia, on two occasion was an “illegal” in the US, first from 1956 to 1959 (in the pre-Castro days) & again from 1962 to 1966. During his campaign for the Senate in 2010 Rubio took a hard line on immigration, saying undocumented immigrants had to leave & re-enter legally if they hoped to become citizens. Then, early last year, after Obama’s re-election with broad support from the Hispanic community, he faulted him for not having acted on immigration reform when his party had controlled both Houses of Congress during his first two years in office*⁵, *after which he became one of a bipartisan group seeking to overhaul the immigration system with a comprehensive bill (that included a means for illegals to become citizens) & actively courted conservatives to support it. During the next several months he flip-flopped on immigration reform & on the bill itself, until by late August he stopped talking about immigration reform & by early winter quit supporting his own bill.*

Twitter’s IPO was last November 7th, with a total of 545MM shares outstanding (about 700MM fully diluted). Of this total the 480MM held by insiders were subject to a six- months’ “lockup” selling restriction. When it ended on Tuesday, May 6th, the market got hit by a selling wave (in three hours 65MM shares changed hands) that caused its share price to crater 18% on the day - *There are two ways to look at this. One is to wonder whether this is just the result of insiders wanting to monetize their gains or of them having a negative view of the outlook for the Company, and the other that, with this ‘overhang’ out of the way, now is a good time to buy the stock. Given the fact that its latest quarterly results suggested the Company is having trouble turning revenues into profit, especially as other entities providing similar services are starting ‘to eat its lunch’, the latter is likely the more “risk-on” strategy.*

A May 6th report by the Pew Research Center found that the share of American mothers with children under age 18 who don’t work “outside the home” was 29% in 2012, up from a low of 23% in 1999 (when a three decades-long trend of more women entering the work place for empowerment-, and/or family financial-, reasons had ended). The recession was partly to blame for this but so is the fact that some mothers find the cost of third party child care makes working outside the home not worth their while⁶. But lead author D’Vera Cohn maintains “The majority of mothers would like to be in the work place ... There may be a ceiling to how much stay-at-home motherhood can increase” - *other factors that may have contributed to the reversal of this trend are the growth of a) the number of home-based businesses, b) the number of immigrant families*

⁴ Although Rubio has a BSc, it is in Political Science, & after that law.

⁵ Conveniently overlooking the fact that Obama had then been up to his ass in alligator trying, albeit with the benefit of hindsight not very adroitly, to deal with the mess his Republican predecessor had endowed him with.

⁶ While in the Department of Finance in 1971, my secretary, then just back from maternity leave with her third child, & I once sat down to calculate what she was really adding to family income. While making \$9,000 gross, after income tax & other deductions, and child care-, & work related-, expenses, her net was \$1,300/year, \$0.65/hour. Upon which I told her that “If I offered you a job paying \$1 an hour net/net/net, you’d slap my face for thinking you were stupid while I would actually have been offering you a 50% raise”.

from countries in which women don't work outside the home & whose husbands don't want them to do so, and whose expectations of the good life don't require two incomes, & at the margin c) parental dissatisfaction with the school system resulting in more home schooling⁷.

Controversy is now increasingly surrounding the ever more common practice of fracking. And so, albeit in a more behind-the-scenes way, has long been the 'plugging' of abandoned oil & gas wells. The technology for doing the latter has hardly changed in the past half century since for the industry it is a peripheral nuisance expense to have to put up with; so it is still basically a matter of forcing a water-based slurry of drilling mud & cement down the hole in the expectation that this will prevent the remaining hydrocarbons from migrating up the borehole into geological formations & aquifers closer to the surface. But this technology doesn't work in fracked horizontal wells; for fracking punches holes in underground pipes on a 360° basis & no one has yet figured out how to get the plugging slurry to defy gravity by sealing the holes in the pipes, & the cracks in the geological formation behind it, in the upper half of the borehole. So what is now still just relatively mild public concern about fracking could turn into a veritable storm once environmentalists catch on to the fact that there is no reasonably foolproof way as yet of effectively plugging abandoned fracked horizontal wells⁸, whose number, given their limited useful life, will grow exponentially in the years ahead.

At 4:00 p.m. on May 8th nine cars of a CN train derailed in the centre of the Northern Alberta town of Slave Lake (pop. 6,500+)⁹. Fortunately most of them were loaded with grain, & those that did carry dangerous goods stayed upright; so there was no spectacular fireball. But it was still enough to make the locals ask : "What if?". Rather interestingly, six months earlier local residents, prompted by two derailments elsewhere in the Province, had met with CN officials to try & learn more about the goods the two freight trains, averaging 77 cars, that come through their town each day might be hauling, what the Company was doing to prevent derailments, & what emergency measures it had in place in case of a derailment - *CN's attitude being what it has historically been, chances are all they got was bafflegab & "Trust Us" assurances.*

The City of Edmonton recently awarded an \$11MM contract for a 1.3 km. storm drain to the Canadian arm of China's Shanghai Construction Group (while its bid had not been the lowest, 60% of the evaluation underlying the decision had been based on methodology & only 40% on price). Now the Canadian Concrete Price and Precast Association & the Cement Association of Canada are up in arms because it plans to import the necessary concrete pipe from China, supposedly so that it will be compatible with the "micro-tunnelling" machinery that is part of the methodology that won it the contract in the first place.

The Pope is slated to make a visit to the Holy Land later this month. Recently there has been a pickup in churches & monasteries in Israel being defaced with both anti-Christian & anti-Arab

⁷ According to US Department of Education's National Center for Educational Studies, as of a year ago 1.5+MM school age children (3% of the total) were being home-schooled.

⁸ For if a slurry is pumped underground into a fracked horizontal well, it tends to take the road of least resistance & **follow** gravity into the pipe perforations in its bottom not **defy** it by going into those in the top.

⁹ Which made the headlines in 2011 when an out-of-control forest fire fanned by 60 mph winds prompted the evacuation of its entire population before burning one third of the town to the ground & inflicting various degrees of damage to much of the rest.

graffiti. While Shin Beth, Israel's domestic security agency, expects their incidence to grow as the date of the Pope's visit approaches, the 'Custody of the Holy Land' agency called on the Israeli authorities to "work urgently against extremist elements" (*from the ultra-Orthodox settler community?*) to ensure peace & safeguard Christian holy places" - *one can only hope that this is not a harbinger of Israel becoming targeted by internal, as opposed to external, terrorism.*

In 2012, in its struggle against the anti-government forces, Syria's al-Assad regime added a new weapon to its arsenal, the 'barrel bomb', any container, although oil drums are commonly used, that can be packed with explosives and all kinds of small metals objects like nails, screws & ball bearings, and dropped from helicopters. When they, *rather amateurishly*, used lit fuses, this proved inefficient since they sometimes went out, or set the explosion off too late or too early for maximum effect; so now the 'new, improved' versions use contact fuses - *while land mines are nasty, their nastiness cannot hold a candle to that of a barrel bomb. While both are non-targeted weapons that indiscriminately kill or maim anyone unfortunate enough to set them off, or be close to one going off, the barrel bombs, because of their far bigger explosives 'load'¹⁰, have a far greater 'kill range' &, because of their far greater shrapnel-carrying load, a much bigger killing potential; thus, while a hand grenade typically kills one person, or at most a handful, barrel bombs are said to have killed as many as 250 people at a time.*

For the last several months the Iraqi army in Anbar Province, West of Baghdad, with help from some anti-al Qaeda Sunni irregulars, has been fighting rebel fighters associated with an al-Qaeda break-away group, the Islamic State in Iraq and the Levant¹¹. While it has met some success, it hasn't been able to regain control of the city of Fallujah that straddles the main highway from Baghdad to Syria & Lebanon (thus forcing a suspension of Iraq's 12,000 bbl shipments of oil by truck to Amman, Lebanon). There now are reports, from Mrs. Leghah Wardi, a member of the Iraqi Parliament, & from al-Jazeera, that the Iraqi army has been using barrel bombs in Fallujah to try & dislodge the rebel fighters, in the process inflicting 'collateral damage' on the civilian population - *the use of barrel bombs hasn't received much coverage in the Western media; so neither did the fact that Russia last December opposed a move by the UN Security Council to condemn Bashar al-Assad for his army's use of barrel bombs.*

For years the objective of China's monetary policy was to keep real interest rates negative so as to promote development. This meant that there was there was a disincentive for savers to put their money in banks. This led to the emergence, & explosive growth, of an unregulated "shadow banking system" that offered above-market rates & used much of the money it garnered to invest in speculative real estate and/or for terms much longer than that for which they had borrowed it (in the expectation that, when the time came to pay it back, they would be able to 'roll it over'). But it now appears to have changed to providing savers with an incentive to use the banking system by giving them real returns on their money if they do so. So less money is flowing into real estate, and in the First Quarter new housing starts were down 25%, despite huge pent-up demand &, while house prices were down 7.7%, they are still well out of reach for many aspiring homeowners - *and it interesting to note in the context of the outlook for China's*

¹⁰ Barrel bombs with loads of as much as 250 kg. of explosives are said to have been used whereas the standard M67 hand grenade that is standard issue in the US army weighs 14 ounces (400 grams) & contains 6½ ounces (185 grams) of explosives.

¹¹ That is also one of the strongest rebel groups in neighbouring Syria &, in fact, controls large swaths of Syrian territory.

real estate market that Hongkong billionaire Sir Li Ka-shing, who went 'long' the Chinese real estate market big time in the 90's, recently has been selling.

Japan's current account surplus in March was down 81% MoM to US\$216MM, whereas the forecast had been for US\$647MM - *if this poor performance were to continue, it may trash confidence in the Shinzo Abe government & possible set the stage for a global financial crisis.*

While India's exit polls have been known to be wildly off the mark, they suggest that the business-friendly, Narendra Modi-led BJP Party & its allies will form the next-, & likely even a majority-, government. There were six sets that went from a low of 249 to a high of 354, and averaged 276 (with 232 for BJP alone), just above the 272 threshold needed to have a majority in the 543 seat House - *while in large part a vote for him & his successful economic growth track record as Chief Minister of Gujarat State, there was also a strong element of a protest vote against the Congress Party and its economic & über-corrupt track record to the point that many Muslims voted for Modi's Hindu-nationalist party & despite the fact that he allegedly had stood by idly when large numbers of Muslims were slaughtered in Gujarat State while he was its Chief Minister. All India & the world can hope for now is that as Prime Minister he will be driven by a desire to make history, rather than money for himself & his hangers-on.*

In May in Germany, the ZEW Survey of Investor Confidence unexpectedly cratered to 33.1, from 43.2 in April, far below the 41.0 expected. According to ZEW President Clemens Fuest this " should be seen against the backdrop of a strong economic development in the first quarter ... (and) there are indications that Germany will not be able to maintain this fast pace of growth" - *its First Quarter QoQ GDP was 0.8%, twice that in the Fourth Quarter of 2013; it is interesting that this German economist appreciates that such a growth rate is an exception, whereas the US authorities are still mindlessly pursuing a 3+% growth rate 'mirage'.*

In his 15 years as President of Venezuela, Hugo Chavez & his United Socialist Party of Venezuela had the strong arm support of the army¹² (of which he had been part, albeit often controversially so, since he was a teenager) & the voting support of the country's poor whom he bribed with social benefits paid for by stripping cash out of the goose that laid the golden eggs, the treasury of the national oil company, PDVSA (Petróleos de Venezuela SA). Towards the end of his life, dark clouds had begun to gather, largely because PDVSA's oil output, after years of having its treasury plundered & stripped of the cash it needed to maintain & grow its business, had declined, and the price of oil had quit rising. To make matters worse, to make ends meet in the short run he had secured loans from China that were to be serviced from, & repaid by, payments in kind, thereby pre-empting his government's future oil revenue stream. His successor, Nicolás Maduro, now has to deal with Chavez's 'chickens having come home to roost' and, given his trade union background, lacks his natural support base in the army; so it is not entirely surprising, given the state of the economy, that in recent weeks thirty or so military men have been arrested for 'plotting against the state'.

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WORLD WHEAT SURPLUS POINTS TO STALL IN PRICE ADVANCES (BB, Jeff Wilson)

¹² Which is half the size of Brazil's & Columbia's (which has been actively fighting rebels for many years) despite the fact that the former's population is 6½x that of Venezuela, & the latter's 50% greater.

- A Bloomberg survey of 15 analysts found they expect global stockpiles of wheat on May 31st to be up 5.8% YoY. So Goldman Sachs¹³ & Morgan Stanley, despite the drought in the US & events in Ukraine & Russia possibly interfering with their wheat exports, expect the biggest rally since 1960 YTD in wheat prices¹⁴ to run out of steam. And Informa Economics expects global wheat output to rise, even with smaller US & Black Sea crops.

*On the other hand, the International Grains Council on April 25th (slightly) marked its month-earlier forecast of production during, & the carryover at the end of, the new crop year **down** & that of consumption (marginally) **up**. And on May 9th USDA too came out with a forecast that was at odds with the analysts' expectations, particularly as it related to North American wheat. The US winter wheat crop is apparently not great, drought continues to prevail in other wheat growing regions & weather conditions being what they have been in Western Canada, the possibility of a serious drop in its wheat output from last year's record level all but seems like a "done deal". And overarching all these 'micro' considerations are the macro facts that, even if the global wheat inventory were grows by 0.5% to 187.4MM tons during the year ahead, the world population will grow by 1+% , & that, while the 27% of annual end-of-year carryover may be greater than the 22% a few years ago, as far as wheat is concerned the world is like someone living from paycheck to paycheck with just three months of household expenses in his/her 'rainy day fund'.*

SECOND MERS CASE FOUND IN THE U.S. (NBCNews, Maggie Fox)

- MERS (Middle East Respiratory Syndrome) first cropped up in 2012 in Saudi Arabia. It has since been traced back to camels (even though many of those infected had no exposure to them). So far close to 500 cases worldwide have been reported to WHO, most of them in Saudi Arabia. It is caused by a coronavirus, related to that which causes the common cold but also to that which caused SARS (Severe Acute Respiratory Syndrome) in 2003 (that affected 8,000 worldwide & killed 10% of them), although the MERS virus appears less infectious but more deadly (killing 30% of those it strikes). This second case in the US, in Florida, was reported just after the first case, a health worker in his 60's from Muenster, Indiana, was released, fully recovered, from hospital on Friday, May 9th.

The WHO's concern is that such diseases can spread rapidly in an age of rapid international travel & that there are growing numbers of disease organisms that are resistant to antibiotics.

STALLED KEYSTONE A D.C. CASH COW (CP, Alexander Panetta)

- It has created a deluge of cash for lobbyists, advertisers, NGOs & political fund raisers. Politico now calls "Keystone Inc." & an activist the most costly environmental fight he's ever seen. TransCanada alone has had 10 lobbyists registered at the House, its bill for lobbyists at both Houses & various federal agencies last year was over a quarter of a million dollars, and to date it is said to have spent over US\$1MM on them¹⁵. And other groups have lobbied for the Keystone, incl. the American Petroleum Institute, a big

¹³ Both of whom go as far as predicting a 24% price drop by mid-October.

¹⁴ Wheat futures on the Chicago Board of Trade as of May 8th were up 21% YTD.

¹⁵ Both amounts are, of course, not even petty cash for the Company.

pipeline supporter, that spent US\$2.6MM on lobbyists for this, & other projects, in the Fourth Quarter of 2013 alone (vs. US\$300,000 by the Environmental Action Fund for all its causes last year & The League of Conservation Voters just US\$45,000).

- The pro-transparency Sunlight Foundation says lobbying is now a US\$6.7BN business in Washington, with 12,000 registered lobbyists (critics allege their actual number is far greater), and Open Secrets¹⁶ estimates US\$6.3BN was spent on the 2012 Presidential & Congressional races (of which the oil & gas industry accounted for US\$73.4MM, with 90% going to the GOP¹⁷), vs. \$46MM in Canada (although the latter doesn't include the cost of issue-based ads paid for by outside groups). And then there is advertising : a Steyer-funded group¹⁸ *paid millions* for an ad during Obama's State of the Union Address that told viewers Keystone was a "sucker's deal" for the US, and Ottawa has budgeted \$16.5MM for an advertising campaign to promote 'responsible resource development' that, among others, has blanketed some Washington subway stations with pro-Keystone XL ads (*one wonders how many **really** influential politicians use the subway system?*). All this prompted Mark Leibovich, author of This Town : Two Parties and a Funeral - Plus Plenty of Valet Parking! - in America's Gilded Capital to note "the dysfunction ... we see here is very, very good for business ... This town functions and thrives, not only on disagreement, but on gridlock, and on combat, and on not on working problems out, but on fighting battles. If you can keep the battles going ..., you're going to keep a lot of people in business."

Leibovich says it all. Politics, & the public service generally, with relatively few honourable exceptions, is no longer about the public good, but about personal interest (& self-aggrandizement). For many lawyers & lobbyists (often one & the same individual), there is little incentive to solve problems since more cash flow is generated by not solving them.

WOMEN'S COLLEGE SNUBS IMF CHIEF (EJ, Briefs)

- On May 12th Northampton, Mass.-based Smith College announced Christine Lagarde had withdrawn as its Commencement Speaker since "it was clear that many did not want her on campus & she didn't want to distract from a joyous occasion". This came after faculty & student protests, and an online petition with hundreds of signatures that said "she represents a corrupt system that fuels oppression and abuse of women worldwide".

They may well be right in principle, but for anyone attending, or teaching at, a college with annual tuition fees of US\$44,450 this likely is a matter of the 'pot calling the kettle black.'

SON OF VICE-PRESIDENT BIDEN JOINS UKRAINE GAS COMPANY (Moscow Times)

¹⁶ The website of the Centre for Responsive Politics which purports to "inform" citizens about how money in politics affects their lives, to "improve" voters & activists by providing unbiased information, & to "advocate" a more transparent & responsive government.

¹⁷ With California-based billionaire and former hedge fund manager, & anti-Keystone activist Tom Steyer having promised to spend up to US\$100MM in next fall's mid-term elections to help the Democrats, half of it his own & the other half from third parties.

¹⁸ Tom Steyer made his billions as a hedge fund manager, more recently a big fund raiser for Democrat politicians, incl. the President & an avid opponent of the Keystone XL.

- Limassol, Cyprus-based Burisma Holdings announced on its website on May 13th that Hunter Biden will join its Board & become Head of its Legal Department, quoting him saying “As a new member of the Board ... I may be of assistance in counseling the company on matters of transparency, corporate governance and responsibility, international expansion and other priorities that will contribute to the economy and benefit the people of Ukraine.”

The conservative-leaning website, The Federalist, opined “It’s so bizarre that you almost have to assume it was a hoax ... But the indications are ... (it) actually happened.” Burisma owns several oil & gas companies in Ukraine & has assets in its Dnepr-Donetz region, the Carpathian Basin (underlying much of Hungary & parts of neighbouring countries) & the Azov-Kuvan Basin under Eastern Crimea, the Azov Sea & adjacent parts of Southern Russia. Last year it produced 11,600 BOE & planned to boost that up to 40% this year. It is controlled, via another Cyprus company, by Mykola Zlochevsky, former Energy Minister & Deputy National Security Council Chair under Ukrainian President Viktor Yanunovych (who lied about having disposed of his energy assets when he became Minister). Hunter Biden’s appointment apparently was effective April 18th, the day after the US Vice-President Joe Biden visited Ukraine, urging its government to become less dependent on Russian gas¹⁹. Coincident with Biden Jr’s appointment to the Burisma Board was that of Drew Archer, an up-&-coming Democratic fund raiser & ‘fixer’ with close ties to John Kerry’s wife’s family (he was her son’s roommate at university & is a trustee of her family’s trust), who also served as Co-Chair of Kerry’s campaign committee in his 2004 run for the Presidency. Another member of Burisma’s Board is Aleksander Kwasniewski, Poland’s President from 1995-2005 who, as such, had been the EU’s point man in its efforts to draw Ukraine closer to it (& who more recently had made numerous visits to Kyev to try & convince Yanukovych to release Yulia Tymoshenko). As to Hunter Biden himself, he is 44 years of age, was Director of Economic Projects in the Department of Commerce under Bill Clinton & a former SVP at the MBNA Bank, was appointed in 2006 by George Bush to a five-year term on the Amtrak Board, and is currently a Managing Partner at Rosemount Seneca Partners, a Washington-based ‘investment advisory’ firm, a counselor to the Armonk, NY-based national litigation law firm Boies, Schiller, Flexner LLP (that in 2010 was rated 89th in the country by revenues, but third by revenues-, & fourth by profit-, per partner), and President of the US branch of the World Food Program, the US Global Leadership Coalition, the Centre for Security Policy & the National Democratic Institute. He won’t move to Ukraine.

RUSSIA PAYS HIGH INFRASTRUCTURE PRICE FOR CRIMEA (Global Construction News)

- Russia’s Economic Development Minister, Alexei Ulyukiyev, announced on May 13th that Moscow will spend US\$4.5BN/year on Crimea’s energy-, water-, and transportation networks and that he was cancelling two large infrastructure projects to free up US\$3.2BN for use elsewhere, incl. Crimea (one in the Black Sea port of Taman *on the pretext that, with Sevastopol now Russian, it is no longer needed*, & the other a bridge that would have linked the Eastern Siberia’s Yakutsk region with the rest of Siberia).

Earlier Prime Minister Dmitry Medvedev had announced that Crimea would be given the status of a “Specific Economic Zone”, exempt from taxes & certain regulations, “to make it as attractive

¹⁹ The Kremlin’s response to which had been that of spokesman Dmitry Peskov that “As anyone knows, there’s no gas in Ukraine ... The gas in Ukraine is Russian.” - *which may have been an exaggeration.*

as possible to investors” (& rumours have it that Moscow in recent months may already have spent possibly as much as US\$4.8BN in Crimea).

RUSSIA DUCKS VOTE CONTROVERSY (Postmedia News, Matthew Fisher)

- Emboldened by their May 11th ‘landslide victory’ on the future of the People’s Republic of Donetsk, the next day rebel leaders called for Putin to absorb it into Russia. *Small wonder* Russian Foreign Minister Sergei Lavrov looked glum when he called for “the will of the people to be respected” & the “implementation of the results of the referendum”; for what Moscow **really** wants is an outcome of greater autonomy for Eastern Ukraine in the talks brokered by the OSCE (Organization for Security and Co-operation in Europe) *that the Kyev government earlier this week, very reluctantly, agreed participate in.*
- The ballot question “Do you support the act of state self-reliance of the Donetsk People’s Republic?” could, & was, interpreted in many different ways, *the three most important of them being* as a basis for negotiating a power-sharing deal with Kyev, to gain the status of an independent state, & to be a prelude to a union with Russia. But David Frum tweeted from Ukraine that the “90% pro-Russia vote ... is a sad comedown from the 100% vote scored by the USSR when it annexed the Baltic republics in 1940”, although it apparently did meet the organizers’ target of outdoing the recent 86.6% pro-Russian vote in Crimea. But it did reinvigorate the rebels who recently lost several gun battles with government forces. And the voting process was a travesty : there was no information about how many people had voted, & counting took place in Donetsk’s City Hall, now the rebel headquarters, with security in the hands of the same shadowy armed men who have been seizing public building all over Eastern Ukraine.

What the separatists don’t seem to realize is that Putin has no real interest in Donetsk, & all the headaches & drains on the Russian treasury that annexing it would entail, other than to use it as a bargaining chip to keep Ukraine weak & out of the West’s orbit.

RUSSIA RETALIATES AGAINST US SPACE PROGRAM IN RESPONSE TO SANCTIONS (Moscow Times, Matthew Bodner)

- Recently Russia’s Deputy Prime Minister Dmitry Rogozin, *who is responsible for Russia’s arms industry & space program, the only internationally competitive parts of its economy other than oil & gas*, warned the US & EU sanctions could have a “boomerang effect”. On May 13th he acted on that warning, announcing that Russia was rejecting a NASA proposal to extend cooperation in the ISS (International Space Station) Program & didn’t accept the idea of extending its life beyond 2020 (“After 2020, we would like to divert these funds to more promising space projects”), that Russia was “seriously concerned about continuing a relationship with ... unreliable partners, such as the US”, *that, effective June 1st it was halting the operation of all 11 American GPS stations on Russian soil* & that Roscosmos chief Oleg Ostapenko²⁰ had been instructed “to intensify

²⁰ The same Ostapenko who last month in an interview with Vedomosti (A Russian business daily JV between Dow Jones, the Financial Times & Sonoma, the publisher of the Moscow Times) had backed up NASA Administrator Charles Bolden’s assertion that “nothing had changed’ despite the latter having been ordered to cease all contacts with Russian space officials except as needed to maintain operations aboard the ISS (because Ostapenko had not yet received any official notification of the US move). And it was interesting that in the same interview he had already alluded to the fact that Moscow was seeking closer cooperation with China in space operations.

work with our partners in the Asia-Pacific region ... looking for interesting near-earth and deep-space projects.”

His attitude may be partly a function of personal pique. For earlier in the month he & other Russian officials had gone to Transdnistria²¹ to wave the Russian flag there at its annual Victory over Nazi Germany celebrations. On the way there, their plane was not allowed to overfly Ukraine & had to take a much longer roundabout way. Then on the way back Romania did the same, causing him to tweet, in English, that “Upon US request Romania has closed its airspace for my plane ... Ukraine doesn’t allow me to pass through again. Next time I’ll fly on board a TU-160” (Russia’s largest & supersonic bomber). Meanwhile, Russia has also halted the export of RD-180 (rocket) engines, one the prime importers of which isthe United States which uses them, believe it or not, to send military satellites into orbit. And on the same day that Rogozin made these announcements, it was announced elsewhere, with less fanfare, that the budget of Russia’s space agency is to be boosted by another US\$52BN over the next six years - a couple months ago Russia’s Economy Minister warned Putin openly that he should not count on the Russian economy growing by more than 2% per year during the rest of the decade (whereas his grand schemes at that time were said to require a 5% annual growth rate). Since then his spending needs have gone up & up, while his economy has gone in the tank. One can only wonder if he is going to repeat Moscow’s mistake in the 1980’s when Reagan forced it into an arms’ race it couldn’t afford (which led to the collapse of the Soviet Union).

²¹

A narrow (4,100 sq. km. strip of land, one-fifth the size of the Netherlands, with a population of 2½ + MM), sandwiched between Moldova & Ukraine that after the breakup of the Soviet Union broke away from Moldova in 1990.