

Quote of the week : “Whiskey is for drinking, water is for fighting over” - Mark Twain (while when he said this it applied to the American West, in the 21st century it will “go global”).

The Ukrainian situation is complicated by the resignation of Prime Minister Yatsenyuk after two parties¹ in his coalition government failed to support his legislative agenda & withdrew from his government & the Speaker of the Parliament asking those selfsame parties to agree on a “technical candidate” to head an interim government until parliamentary elections can be held”.

Nothing lasts forever & I am growing increasingly fearful we may be witnessing the ‘beginning of the end’ for the state of Israel as the world has known it for the past 66 years. Operation Protective Edge risks becoming Operation Change of Direction 2.0 (the IDF’s code name for the 2006 Israeli war against Hezbollah in Southern Lebanon)². For despite Israel’s overwhelming traditional military power, Hamas is proving, as did Hezbollah did in Lebanon in 2006 & others have done elsewhere before & since, that in an era of “asymmetrical warfare” it may be of limited use³. For despite the IDF’s best efforts, the Hamas rockets have kept flying, with one coming close enough to Tel Aviv’s Ben Gurion Airport to prompt the FAA to order US airlines not to use it for at least for 24 hours (a move that, quite justifiably so from its perspective, infuriated Israel because of the very public slight of its security capabilities it implied). Meanwhile, IDF casualties are mounting (& Israel is a military casualty-averse nation, a consequence of most of the IDF’s strength being civilian reservists) & Hamas is winning the global PR war with Israel’s global support increasingly limited to the US (where even among its *younger* Jewish population their grandparents’ Pavlovian support for Israel’s cause is waning) & Canada’s Prime Minister Stephen Harper.

Meanwhile, a fact largely being overlooked is that the Arab population in Israel & beyond contains unusually large numbers of impressionable young people, vulnerable to being radicalized by the spectacle of Israel ‘beating up on the defenseless people of Gaza’, to Israel’s detriment. Be that as it may, the greatest threat to Israel’s survival may well be internal. For the

¹ The nationalist Svoboda Party & the anti-corruption, pro-European UDAR Party formerly headed by former WBC heavyweight boxing champion Vitali Klitschko, a Poroshenko supporter, until he was elected Mayor of Kiev.

² Which with hindsight may have been quite aptly named; for according to Rand Corp. military historian Benjamin S. Lambeth it was “the first inconclusive performance so far in the IDF’s many trials of fire since 1948 in that it represented the first time *ever* that a major regional confrontation ended without a clear cut victory on Israel’s part”, a polite way of saying that a few hundred individuals with towels wrapped around their heads & little by the way of formal military training, but with fire in their belly & a willingness to die for their cause, had stripped the aura of invincibility off the IDF - *and once a neighbourhood bully is challenged successfully, it’ tends to be all downhill for him thereafter.*

³ Moisés Naun is a Senior Associate in the International Economics Program at the Carnegie Endowment for International Peace, and a former Editor-in-Chief of Foreign Policy, Minister of Trade & Industry in Venezuela, and World Bank Executive Director. In his book The End of Power, part of whose subtitle is “Why being in charge is no longer what it used to be”, he estimates that for each dollar al-Qaeda spent planning & executing the 9/11 attacks, the US spent \$7MM countering it, & coping with its aftermath. And in it he cites an analysis by Boston University’s Ivan Arreguin-Toft, an expert on asymmetrical conflict, which found that, while 150 years ago the weaker party came out on top only 12%-, in the past half century it has done so 55%-, of the time.

'mainstream Jewish' part of its population has a much lower fertility rate than its *hard core* Haredi Jewish-, or Arab-, parts; so over time Israel will become increasingly polarized. And, with many male Haredis (& therefore their families) on social assistance as the family heads devote themselves to studying the Torah, & Israeli Arabs being an 'underclass', the driving force in Israel's modern, world class, technology-driven economy are the mainstream Jews, many of whom have second passports that will enable them, if ever necessary, to 'get out of Dodge while the getting is still good', taking their skills with them & hollowing out the Israeli economy (& hundreds of years of persecution in their-, or their parents'-, countries of origin in Europe, have given the Ashkenazi Jews, half of Israel's mainstream Jewry, a well-developed sense of knowing when it's time to pack it in & leave.

During the post-WW II era there was a saying "What's good for GM is good for the US economy" (which has long since gone the way of the dodo bird) & for many years the US economy was seen as one of main drivers, if not **the** main driver, of global economic growth. But times have changed. Whereas once US GDP accounted for 45% of the global total, today it's half that, & the share thereof accounted for by emerging markets that as recently as 2002 was 38%, now is 50%. And, while in 2002 US exports accounted for 9% of its GDP, today that is 14%. So the economic power relationship between the US & the rest of the world has been reversed & its economy has become more export-dependent, and the health of the US economy now likely depends more on the state of world economy than the other way around. So it cannot be great news for the US economy that among the BRIC nations, whose GDP in the aggregate is 80% of that of the US, China, despite the recent encouraging news, is still struggling with the fallout from a deflating real estate market & *significant industrial overcapacity*, India's economy has been growing at its slowest rate in years, Brazil is teetering on the edge of recession & Russia appears already in recession, and that in the EU, which has a GDP of a similar size as the US, while many peripheral economies have started to improve, the recent news emanating from the EU 'core' (i.e. Germany & France) has been disappointing (in May their industrial production was down 0.5% YoY).

Christophe(-Gabriel-Jean-Marie-Jacquin) de Margerie is a grandson of Pierre Taittinger of champagne fame & in everyday life CEO of the major French oil company Total SA. On July 5th he told a Cercle des Économistes conference in Aix-en-Provence he sees no need to use dollars in oil purchases, adding it *actually* makes sense to expand the use of other currencies in transactions outside the US - *this suggests that the US\$9BN fine recently imposed by the US regulators on the French bank BNP Paribas is giving greater impetus to the move away from the common use of the US dollar as the currency of denomination in the international monetary system that has been key to the dominant role of the US in it since WW II (which would be given further momentum if, as rumour has it, the US regulators now have the Commerzbank, Germany's second largest bank, in their sights for BNP Paribas-like treatment (a move which would put further stress on the already increasingly dodgy US-German relationship).*

Often when one drills deeper behind the 'headline' economic news, the message changes. This was proven last week by Carleton University Professor of Economics Nick Rowe when he did so to the latest StatsCan job growth number. For it had reported a loss of 9,400 jobs in June, seemingly another in a series of recent disappointing monthly job growth numbers. But, like the BLS in the US, StatsCan in calculating job growth doesn't differentiate between full-, & part-, time jobs. So when Rowe looked at the breakdown between the two, he found the negative 9,400 number was a function of 43,000 fewer part time-, & 33,500 more full time-, jobs. This led him to conclude that, on the (*rather aggressive?*) assumption that one full-time job equals two part-time ones, the number that should have been reported was that employment during the month had **grown** by 12,000 full time-equivalent jobs, rather than as having declined by 9,400.

Applying similar reasoning to the numbers produced in the July 3rd US Bureau of Labor Statistics News Release (288,000 new jobs, of which 275,000 part-time), but in this case assuming more conservatively that part-time jobs involve 29 hours (to avoid being caught in the ObamaCare net) & the average work week 34 ½ hours, the part-time jobs created would have totaled 231,160 full time-equivalents which, when added to the 13,000 full-time jobs created, would have generated a 244,160 new full time-equivalent job creation tally; so the headline exaggerated the real world situation by 12½% (*similarly, if one drills deeper into Apple's recent results (that the market liked) they lose some of their lustre (in part since in the past four quarters it bought back almost one-tenth of its shares).*

Still on the subject of the data policy makers base their economic policies on, John Mauldin noted that "If you pay your maid to clean your house, it adds to GDP. Except if you marry her ... In England, sex with your wife doesn't add to GDP, but sex with a prostitute does."

George Friedman is Founder & Chairman of Stratfor, the highly regarded, Austin, Tx.-based global intelligence shop. He has just published a contrarian, but plausible, assessment of the Eastern European situation entitled Can Putin Survive?. It challenges the view, or at least offers an alternative to the view, that Putin has defeated & intimidated his opponents, and is threatening his neighbours. For Friedman says Putin has mishandled Ukraine's post-2004 Orange Revolution situation & is vulnerable because of the precarious nature of the Russian economy, and that "ultimately politicians who miscalculate tend not to survive." It's available on the Internet & *seems to echo my own long-held view that the cost of his imperial dreams are beyond the capacity of Russia's 'one trick pony economy to sustain & are leading him down a garden path not dissimilar to that which led to the collapse of the Soviet Union twenty-five years ago.*

In the best of all possible world's, the West would call Putin's bluff & convince the Kiev government with loads of money and/or fast tracked EU-, and/or NATO-, membership to let go of its two rebel provinces. For this is Putin's nightmare scenario, getting stuck with 6MM or so people on the dole, thereby further straining his country's already precarious fiscal situation, & a shifting of Western influence several hundred miles further East. And as far as Germany's, & other European countries', dependence on Russian gas is concerned, this is a 'Mexican stand-off'; for any serious diminution of Russian natural gas exports would bring the Russian economy faster to its knees than it would those of its natural gas customers, especially in summer time, when homes don't need to be heated & the demand for 'must have' electricity is at a seasonal low.

The Russian state-controlled media are doing a spin job worthy of Joseph Goebbels himself. So the Russian public has been told, among others, about the Flight MH 17 disaster that :

- the plane was full of corpses when it took off from Schiphol Airport;
- while over Ukraine it intentionally veered North from its usual flight path towards rebel-held territory (to bring it within range of Ukrainian military SAM missiles);
- flight controllers had ordered it to a lower altitude just before it was shot down;
- the plane had recently been reinsured;
- the Ukrainian military had mistaken it for Putin's presidential plane;
- the passports found at the crash site were in brandnew condition, even after having gone through an explosion & fire, suggesting they were placed there after the crash; and
- this was the same plane that supposedly as Flight MH 370 had disappeared over the Indian Ocean but in reality had been "taken to an American military base, Diego Garcia".

As Shakespeare put it : “methinks the lady doth protest too much.”

Meanwhile, according to the LAT the day after the crash, the US has known, from its 7/24/365 global surveillance cum espionage activities, almost from the moment the rocket was launched where it originated *but won't use this information for fear of compromising those activities.*

The BRICS countries agreed earlier this month to create a US\$100BN Development Bank, based in Shanghai, to counter the global influence of the IMF & IBRD (& supposedly to provide poor, but resource-rich, developing countries with an alternative source of funding on less harsh terms than those demanded by existing lenders⁴), with Xinhua in an editorial calling it “a long-awaited alternative to the Western-dominated institutes in global finance.” It is also worthy of note in this context that China's President Xi visited Brazil this month (*see the last item in the main body*), as did President Putin who in Cuba, where he forgave it 90% of its debt to Russia & re-opened a spy station there he himself had closed down in 2000, early in his first term as President, as a gesture of good will to the US, & then in Argentina, that is faced with default, once again, at the end of this month, sought to demonstrate that Russia is a global power, not a regional one as President Obama recently intimated, that its exclusion from the G8 has opened the door for it to work more closely with non-Western nations, that it is on their side in their disputes with the US & UK respectively, and that there is Russian interest in improving trade with them (in the case of Cuba a measly US\$185MM-, & Argentina just US\$1 ½ BN-, per year (*out of a total US\$1TR or so*).

Few Americans appreciate that for a country the size of Holland the loss of 189 citizens aboard flight MH-17 was greater than the 2,996 lives lost on 9/11 at New York's twin World Trade towers.

The Globe & Mail on July 22nd contained a two page, centre fold feature by one of its reporters who visited Ukraine this spring. He noted that :

⁴ But as some African countries have already learned the hardway, there is still a great deal of truth in the old saying dating back to the days of Troy : “Beware of Greeks (*or in this case, Chinese*) bearing gifts.”

- “There are at least three different sets of separatists⁵ - often distrustful of each other - (*and only*) held together by anger at February’s revolution in Kiev (which saw Donetsk native Viktor Yanukovich deposed by pro-Western crowds)”;
- many residents are supporting the Donetsk People’s Republic out of sheer desperation, fearful that any association with the EU would result in the closing of the few mines & aging factories that are still in operation, and who see their salvation in a union with Russia, “the only market that still buys what eastern Ukraine produces”; and
- Putin’s goal has been to create chaos “*on the cheap*”, not to annex the region, as he did with Crimea (*which has oil, that otherwise would have benefited Ukraine*) so as to maintain control over Kiev and ensure that any application by Ukraine to join the EU and/or NATO wouldn’t garner much support among their members.

What is the world coming to? According to France’s Union des Métiers et des Industries de l’Hôtellerie (UMIH)⁶ 85% of France’s 150,000 restaurants buy frozen vacuum-packed meals, from boeuf bourguignon to tarte tatin (*an upside down cake in which the fruit was carmelized in butter & sugar before baked*) from industrial producers, heat them up in microwave ovens & serve them to their customers at 10x the price they paid for it - *the union may not be the most unbiased source around & is likely to be exaggerating but even so this is a massive break with tradition.*

It has gone almost unnoticed in the Western media that last year Nicaragua granted the Hongkong-based, *but Beijing-funded*, HK Nicaragua Canal Development Investment Co. a 50-year concession that may result in the construction of an 180 mile, US\$40BN that would link the Pacific & Atlantic Oceans in competition with the existing, next month century-old but recently enlarged, Panama Canal (that could, however, have a permanent competitive edge because it’s only 77 miles long).

GLEANINGS II - 572 **Thursday July 24th, 2014**

WEST PAYING PRICE FOR COMPLACENCY, LACK OF LEADERSHIP (DT, Peter Foster)

- As was the case before WW I, the centenary of which is next month, there is a detectable sense of complacency among the coddled citizens of Europe & the US *that politicians are catering to*. The idea that economic interdependence would protect us from wars has proven a fallacy; for nationalism is irrational, as Putin is proving by continuing his proxy war in Ukraine as his economy goes down the drain. And with Iraq, & soon Afghanistan, behind them, for Americans war is now something that involves others.
- The map of the Middle East is being redrawn, with the West mostly just watching. In the Pacific region, China may be approaching the limits of its politics & demographics (*and its environment?*) but nevertheless jousts almost daily with its neighbours *to arouse its citizens’ nationalist feelings & keep them distracted from their country’s real problems*, another accident waiting to spin out of control with nothing in place to manage the fallout. And then there is the uncertain future of Afghanistan, the fragmentation of Iraq,

⁵ Incl. the main Donbass People’s militia, the harder core Russian Orthodox Army & the Russian, & even Chechen, mercenaries

⁶ Union of Hotel Industry Professions.

Libya's slide into failed state status, North Korea's increasingly erratic behaviour, *the Islamist challenge in Northern Africa & the Ukrainian situation*, & the election of a Hindu nationalist as Prime Minister of a nuclear-armed India (*the last of which may prove the least of our worries*).

And that is just a list of the potential political train wrecks waiting in the wings. But there are as many, if not more, in the financial domain that could be just as unsettling, for which the world is no better prepared, where the sense complacency is just as pervasive & that entail the added risk that they could erupt with much less, if any, forewarning, if not almost instantaneously.

HAMAS IS NOT ABOUT TO FOLD; LIKE ISRAEL, IT'S SURE IT'S WINNING **(Times of Israel, Avi Issacharoff)**

- The July 23rd speech in Qatar by Khaleed Mashaal, Head of Hamas' Political Bureau, was bad news; for he made it clear fighting will continue since all of Hamas, military & political, in Gaza & elsewhere, agree there can be no ceasefire without a total end to Strip's blockade. This confounds Israel's political & security leaders' hope & assumption that Hamas would at some point halt its fire, surrender or moderate its demands. But that's not reality; given the heavy price the residents of Gaza have paid in the past eight years, nothing short of real change, & not just a return to the status quo, will do for them.
- Israel faces difficult options. It can hold onto its current position a few miles inside Gaza & tread water; but this would just expose its troops to further attacks & not appeal to our political & military leaders. A second, more likely, option is to widen the conflict in the hope of defeating Hamas, or at least forcing its surrender; but this would risk the deaths of dozens more soldiers, the international community turning against Israel *even more that it already has*, & the Israeli public consensus *in support of the war* cracking⁷. Finally, it can unilaterally withdraw (as it did after Operation Cast Lead in 2009) in the (*vain?*) hope Hamas will understand the need to stop, or pay a still higher price. While the latter looks the most likely, & sanest, option, Hamas may not play & *is likely to* continue lobbing rockets into Israel, hoping to draw it into a war of attrition, return to tunnel building & re-equip itself with rockets to do more harm to Israel in the next go-around.
- The long & short of it is that on both sides there is more will, motivation & capacity to keep fighting than to stop, *with time likely on Hamas' side since the day will come that global and/or domestic public opinion will force Israel, rather humiliatingly, into Option 3, which would be seen as a huge victory not just by Hamas & the Arab world, but by practitioners of asymmetric warfare everywhere. And it could possibly be a signal for those Israelis who can, to start thinking about what the Army refers to as 'bugging out'*

The Times of Israel is an online newspaper, founded two years ago, that now has English, French, Arabic & Chinese editions, claims to have over 2MM readers & prides itself on being "independent" (even though some of its start-up capital came from an American opposed to the

⁷ That may already be happening. For, according the Stars and Stripes, while the Israelis' furor about the Hamas rockets is powerful, in recent days "public opinion has begun to focus more closely on the devastation in Gaza & the question of disproportionality in Israel's actions" (while Netanyahu's spokesman, Mark Regev, maintains Israel's action is "both measured and proportionate). For, "while news shows still are dominated by calls to 'let the army complete its job' ... even in Israel some - still a fringe - are questioning this ... (*and*) Gideon Levy, a prominent leftist columnists said 'a longstanding dehumanization of the Palestinians' had resulted today in a 'total lack of any kind of empathy' with them."

settlement movement). And the writer of this particular piece formerly wrote for Haaretz, as did some of his now colleagues at the Times).

MOSCOW PULLS THE SEPARATISTS' STRINGS (EJ, Bohdan Klid)

- The so-called prime minister of the Donetsk People's Republic (DPR), Alexander Borodai (age 41), hails from Moscow where he once worked as a journalist for *Zavtra*, a newspaper with ultranationalist views (*authoring many articles there glorifying Russia's past*). In 2002 Pravda⁸ reported he had been appointed Deputy Director of the FSB (the KGB's successor) for information policies & special projects (*which he now claims was a 'prank' to celebrate his 30th birthday*). Prior to coming to Donetsk he was a consultant to Sergei Aksyonov, who allegedly has links to organized crime & who seized power in Crimea to prepare it for annexation by Russia (according to Borodai himself⁹ his move to Donetsk was a logical step following the completion of 'the Crimean project'). His Deputy for Security & Internal Affairs, Vladimir Antiufeev (age 63) is a Russian citizen with a long record in security in the Soviet Union who commanded an internal affairs unit in Latvia that sought to prevent its move towards independence in 1991. After a warrant was issued there for his arrest, he fled to Russia where in 1992 he was tasked with heading the security service in Transnistria, a breakaway region of Moldova supported by Russia. After gaining a reputation there for ridding the region of "enemies" (& providing cover for contraband trade), he had to flee once again after being relieved of his post, and an attempt was made on his life & another warrant was issued for his arrest, this one by the Transnistrian authorities. And the commander of the DPR's fighters is Igor Girkin (age 43), aka Strelkov, another Moscovian, who in a recent press conference identified himself as a retired FSB colonel who had taken part in the Bosnian wars (on the side of the Serbs), the two Chechen wars & on the pro-Russian side in the Moldova conflict that resulted in Transnistria breaking away, *and who on July 17th, shortly after Flight MH 17 was shot down, boasted on the social media that his troops had shot down a Ukrainian transport plane (an item subsequently taken down but not before others had made copies thereof) & who, the next day, was quoted as saying that people at the crash site had told him that "a significant number of the bodies weren't fresh" and that they had been drained of blood & reeked of decomposition.*

Their common denominator seems to be a link to the Soviet Union's/Russia's security apparatus once headed by none other than Putin himself.

TOUGHER SANCTIONS WON'T SWAY PUTIN (G&M, Brian Milner)

⁸ The government's mouth piece in the Soviet era it was sold by Yeltsin to Greek interests, only to be bought back in 1997 by the Communist Party of the Russian Federation.

⁹ In an interview on July 24th Borodai bragged that "If the Ukrainians start an offensive, it (*Donetsk*) will become a second Stalingrad" (the decisive WW II battle on the Eastern Front in which Russian troops recaptured the city in high fatality house-to-house fighting).

- Washington's sanctions to date, incl. those against OAO Rosneft, the state-controlled global oil giant that accounts for 10% of Russian GDP, was a step in the right direction. But unless the US & its *European* allies impose really serious sanctions that would inflict genuine harm on the already battered Russian economy, albeit at the price of some economic & financial pain at home, Putin won't change his course.

*Last Sunday morning on Fareed Zakaria's GPS program one of his guests put this situation in a nutshell when he said Putin wouldn't change his ways until Germany quit selling much-needed industrial equipment to Russia, France doesn't proceed with its planned November 1st delivery of the Sevastopol, the first of two state-of-the-art, Mistral class naval vessels it has been building for the Russian Navy^{10 11}, & Britain denies the Russian oligarchs, their families & money free run of London &, perhaps most importantly, their offspring access to its schools). One can only wonder what these countries' reaction might have been had Flight MH-17 carried 189 of their own-, rather than Dutch-, citizens¹². Generally speaking, there is a three way split in the EU on sanctions : its Central & Eastern members (that have most to lose politically & least economically) are hawks & its Southern members doves (Greece & Italy even oppose **any** sanctions - which cost Italy's Foreign Minister, Federica Mogherini the EU's Foreign Policy Commissioner's job due to sentiments such as expressed by Lithuania's President Dalia Grybauskaitė when she said she wouldn't support anyone "openly pro-Kremlin")- while the ones that really matter, its Northern member governments, pushed hard by their business communities, have been sitting on the fence, but may be stiffening their spine & readying themselves to harden their stance.*

RUSSIAN BILLIONAIRES FRANTIC ABOUT BUSINESS PROSPECTS, AS PUTIN RISKS ISOLATION (Saskatoon Star-Phoenix)

- They fear that if he doesn't end the war in Ukraine he will become an international pariah like Belarussian Aleksander Lukashenko, which one of them said "would be bad for Russia & bad for business"¹³ although he wouldn't say so openly for fear of retribution. UK Defense Secretary Michael Fallon has called Putin a "state sponsor of terrorism" (like Qaddafi in the days of Lockerbie, or Iran today), which, *if it were to gain widespread*

¹⁰ As part of Putin's ambitious plan to spend US\$700BN (i.e. 4%-5% annually of its GDP) by 2020 re-equipping its armed forces.

¹¹ Which Washington could pre-empt by offering to take them off France's hands. While this would infuriate US shipbuilding interests, they likely would be a useful addition to the US Navy and buying them would be a slap in the face for Putin, and hard evidence of its willingness to put its money where its mouth is & of its support for its European allies. Or perhaps Prime Minister Harper should do so; the Canadian Navy might be happy to have them on short notice, rather than having to wait for years until they are built locally (at far greater expense), even if they may not meet their exact specifications.

¹² Although there is a remarkable, albeit understandable difference between the West's delay in securing the MH 17 crash site & President Hollande promptly despatching a French military unit to this week's Air Algiers' AH5017 crash site in Mali to "protect the crash site", when half its 116 victims were French.

¹³ Never mind their personal wealth : according the Bloomberg's Billionaires' Index since this all started the 19 richest Russians' wealth has declined US\$14½BN.

acceptance, would *indeed* have a profound impact on Russia & on any company dealing with Russia. But Putin's spokesman, Dmitry Peskov, on July 20th texted that Russia doesn't care about being labeled a sponsor of terrorism &, according to the Eurasia Group, "Putin will still view Russian influence over Ukraine and a Russian veto over Ukraine's NATO membership as vital to Russian interests ... (so) military aid to the rebels will continue."

The nigger in this woodpile for Putin is that the oligarchs are his powerbase & that, if he lost their support (& that of the hoi polloi as the economy worsens?), it could turn out badly for him.

LARGEST RESERVOIR IN US DROPS TO HISTORIC LOWS (Reuters)

- According to Rose Davis, a spokesperson for the Bureau of Reclamation, the water level in Lake Mead, the reservoir above the Hoover Dam YTD has dropped 20 feet, to the level it attained when it was first filled in the 1930's, i.e. 39% of its capacity. And with millions of people depending on the lake for their water, officials warn that if the drought were to persist water shortages in the US Southwest will be "inevitable".

One aspect of its low water level that has received little publicity is its impact on the dam's power generating potential. Officially, its 17 turbines have a 2,079MW capacity & in the past have generated 4BN KWh of power annually, enough for an estimated 1.3MM people. But last month the lesser "head" behind the dam prompted their 'derating' to 1,592MW (23.5%), & if things continue the way they have been, another 'derating' is expected before the year is out.

GOVERNMENT DEFICIT DECREASES TO 1.9% IN EU (Kuwait News Agency)

- On July 23rd EuroStat reported that in the First Quarter a QoQ decline in government spending in the EU from 48.8% to 48.5% of GDP, & growth in government revenues from 45.7% to 46.6%, had resulted in its deficit-to-GDP ratio declining from 3.1% to 1.9% (& that the Eurozone's had increased *only marginally* from 2.6% to 2.7%).

Be that as it may, the EU's debt-to-GDP ration nevertheless increased from 87.2% to 88.0% & that for the Eurozone alone from 92.7% to 93.9%.

CHINESE SEARCH ENGINE BAIDU GOES LIVE IN BRAZIL (ZDNet, Angelica Mari)

- Two years after setting up an office in Brazil & starting to offer free Web services, Baidu has now launched its search engine there, intent on capitalizing on Brazil's growing number of Internet users. This coincided with a series of new agreements between the Brazilian & Chinese governments made public during President's Xi's visit there, incl. the creation of a "digital city" in the remote state of Tocantins with Chinese Development Bank money as well as partnerships with universities to support the Brazilian government's international scholarship program, the construction by Alibaba of a logistics centre in Brazil, and the creation of an R&D centre focused on mobile-, cloud-, big data-, & cyber security issues.

Google with 34,600 employees has a 71% share of the global search engine market & Baidu, with almost 50,000 employees, 14%.