As of midnight Thursday I had survived two 29-hour bus trips within in two weeks to & from Whitehorse, YT, to spend Thanksgiving with part of my extended family there (quite a change from my usual solitary existence to a seven member household with two, sometimes boisterous preteen members). I actually like these bus trips. This was my seventh such trip there in the past five years or so, but also only the first one in which a driver a) explained the emergency escape routes from the bus & b) tested his brakes before going down one of the many long, steep hills enroute; so, since it takes three drivers each way, that means that only one out of forty-two drivers in the past five years followed the SOP prescribed in the safety rule book). These trips put me in touch with the underbelly of Canadian society & gives me exposure again to small town Canada where the males' hobbies interests include fishing & hunting (& where not getting a moose to put in the freezer has significant household budget implications). The proliferation of temporary 'camps' along the way for those working in the "hot" (fracked) oil patch in Northwestern Alberta & Northeastern BC reminded me of the importance of the oil & gas sector to this region & to the Canadian economy (in recent years it accounted for a disproportionate share of Canada's new job creation). And it made me recall a quote I came across recently along the lines of 'when you destroy the cities but save the farms, the cities will rebuild, but if you destroy the farms, the cities perish'. I love the highways there, they are a mixture of long, sweeping, sensual curves, & straight stretches that seem to go on forever & ever, and then some : one looks ahead & sees a straightaway as far as the eye can see, and then comes to the next height of land & there is more of the same; some of those arrow-straight stretches must be 10-15 miles, or more, long! And once past Grande Prairie, tractor trailers, an amazing number of them oil tankers, vastly outnumber cars. And when I arrived in Whitehorse (at 4:00 a.m.) I ran into some excitement : the taxi driver tried to rip me off (which I should have caught on to when he didn't turn on the meter). This resulted in an altercation during which, when he tried to come at me, I gave him a solid whack with my cane to the side of his head (which I really only carry to get a better seat on the bus) which convinced him of the error of his ways & disabused him of the notion I was an easy "mark"(with him having put himself in no position to complain to the police since by not turning on the meter he had jeopardized his taxi license). There were three other things on this trip that added to my knowledge base. The low flush toilets my ex daughter-in-law has installed in her house (despite the fact that there are no water meters in Whitehorse); I took an almost child-like delight in watching them use perhaps a cup full of water, & marveled at their design, with each flush. In building new highways in Western Canada, they now place a road-wide plastic sheet at their very base, presumably to limit access to the moisture & reduce the scope for any ice-driven 'heaving' in it that causes potholes to develop in the road surface. And in a place like Whitehorse, one might as well forget about trying to access the Internet after the kids come home from school; for their playing computer games & watching videos eats up all the available band width.

Quote of the week : "The common people don't want war ... But, after all, it is the leaders ... who determine the policy and it is always a simple matter to drag the people along, whether it is a democracy ... or a parliament or a communist dictatorship; voice or no voice, the people can always be brought to do the bidding of the leaders. That is easy. All you have to do is to tell them that they are being attacked and denounce the peacemaker for his lack of patriotism and for exposing the country to danger. It works the same in any country." - Herman Goering, according to prison psychologist Gustav Gilbert during the Nuremburg Trials (in Gilbert's 1947 book Nuremburg Diary).

Mark Faber (age 68) publishes the Gloom, Boom & Doom Report. Swiss by birth & educated at the University of Zurich, he moved to Hongkong in 1973 & in 1978 became Head of Drexel Burnham's operation there (until the firm's demise in 1990), after which he hung out his own shingle. A 'one-trick pony' (*the world is going to hell in a hand basket*), his views are often not very useful. But in a recent interview he made an interesting observation, namely that the US economy is growing at a 2-3% real rate **only** if one accepts the official CPI is a realistic reflection of the cost of living - *and as anyone knows who regularly shops for "must have" goods, the 2% inflation rate is a figment of some statistician's imagination - if Faber is right, North America is much closer to a **real** recession than the official numbers indicate.*

A lack of treatment centre beds has forced the Sierra Leone authorities to resort to giving family members of suspected Ebola cases drugs & gloves so they can "treat" them at home. Meanwhile a nurse in Dallas, after having cared for the first Ebola case in the US (who has since died) while fully capped, gowned, masked & gloved contracted the disease (& so has, since then, a second nurse, who had dealt with him before he was diagnosed) - *small wonder that*, *while WHO expects the total reported number of cases in West Africa to date to reach the 9,000 level threshold this week, its officials are worried that by yearend there could be that many new cases **each** week. It is becoming increasingly clear the seriousness of this outbreak has been, & still is being, hugely underestimated, and that, unless the world community quits talking & starts **really** applying the resources needed to halt it in its tracks, it's going to get a lot worse (& some precautionary measures being taken, such as taking people's temperatures at airports are largely placebos when dealing with an infectious disease with an incubation period of up to 21 days) And it is interesting to noted that while in early August the number of reported Ebola cases in Guinea, Liberia & Sierra Leone each were in the 500 range, at last report they had increased roughly eight-fold & six-fold in Liberia (where the outbreak started) & Sierra Leone respectively, and less than three-fold in Guinea.*

One aspect of the Ebola 'crisis' that has received little, if any, attention relates to its impact on the global food supply. In the short term, it will be two-fold. By interfering with the planting of food crops in the region, a famine could ensue unless (massive) food aid is rendered; and since 70% of the world's cocoa beans are produced in West Africa, chocolate before long may become a lot more expensive. But what's is more important over the longer term is the possibility, if not probability, that other such 'black swan' events in the future will stress a global food demand/supply situation that even now can be precarious (& is likely to become so as the world's population grows faster than its ability to produce food stuffs (*which, however, should **not** be taken as an endorsement of GM food crops*).

We hear much about the worldwide incidence of communicable diseases (incl., but not limited to, malaria, HIV/AIDS, tuberculosis & polio); so it was surprising to see on the WHO website that in 2012 non-communicable diseases (incl., but not limited to, heart disease, strokes, COPD & cancer) accounted for 68% of all deaths worldwide (up from 60% in 2000), communicable diseases for only 23% & "injuries" for the remaining 9%- *the increase in the percentage of deaths from non-communicable diseases is likely the result of one or more of : progress made in combating communicable diseases, the aging of the population, success in reducing global poverty & the growing global incidence of obesity & cancer.*

In September higher output by both OPEC & non-OPEC oil producers pushed the global crude oil supply up by 900,000+ bbld to 93.8MM bbld while, according to the IEA, consumption was down 200,000 bbld to 92.4MM bbld. Saudi Arabia appears to have relinquished its traditional 'swing producer' role in order to drive pesky marginal, high-cost (*shale oil & oils sands?*) producers out of the market, while Thomas Friedman suggested in the NYT that "we're trying to do to President Vladimir Putin and Iran's Supreme Leader ... what the Americans and Saudis did to the last leaders of the Soviet Union : pump them to death". So either way in the short term there is likely a great deal more downside risk than upside potential in oil prices (*which, at the margin, ought to be beneficial for global economic growth*), especially so since the industry thinks it will take a price significantly below US$80 before it will start to seriously affect both shale oil-, & oilsands, output (with the latter, unfortunately for Alberta, far more vulnerable sooner than the former) & since, while there is growing pressure on OPEC to cut production, the Persian Gulf producers seem to be taking an attitude of 'given a choice between price & market share, let's stick with market share.'.

At the end of the first week of October gas-in-storage in the US was 11.4% below its five-year average & down 10.7% YoY, while natural gas production was up 5.4% YoY & 21.7% over 2010. And while oil prices are weakening as gas prices are doing better than holding their own, the total US rig count at last count was 1,922, of which only 330 were drilling for gas (vs. 1,756 & 378 respectively one year ago) with the number of rigs drilling for oil unlikely to decline much any time soon since many are operating under firm long-term contracts - so US shale oil output is unlikely to quit growing anytime soon, thereby adding to the downward pressure on oil prices, while, if the NOAA's forecast of a mild winter were proven wrong again, & that of the Farmer's Almanac, like last year, right again, there may be another gas price spike this winter.

On October 14th US gasoline prices at the pump were down 15% in three months to an average US$3.17 per litre with the consensus being that they will go below US$3.00 - *for every 1¢ drop in the price of gasoline, US households will have, in theory at least, an extra US$1BN of their disposable income to spend on other things other than gasoline*.

Alton Nolen in jail converted to Islam & adopted the name Jah'keem Yisrael. Upon his release he found work at Vaughan Foods in Moore, Okla. On September 25th some co-workers complained about him ranting about not "liking white people"; so he was suspended. Later that day he returned to the plant armed with a kitchen knife and, despite other workers' efforts to stop him, killed & beheaded 54 year-old Colleen Hufford, and stabbed another co-worker whom he might also have beheaded, had he not been shot by the plant's manager (who in his spare time doubles as a reserve deputy sheriff). He now faces a first degree murder charge. While this appears to have been an act not unlike many others in the US whereby aggrieved (ex-) employees vent their anger on their (former) bosses and/or co-workers, ahead of the mid-term elections right wing Republicans are seeking to use this, & the arrest the next day of Kenyan Jacob Mugambi Muriithi for telling a co-worker at the Bellevue Nursing Home in Oklahoma City that he was a Muslim & "represented IS and ... IS kills Christians", and threatening to "cut off her head", to whip up anti-Muslim sentiments among voters so as to generate support for candidates across the country who share their extremist views (*in the last year there have also been three beheadings in Texas & Arizona that were, however, deemed drug/gang-related & spillovers from South of the border).*

Canada's flagship bank, the Royal Bank of Canada, got its knuckles rapped last March, in a move that received scanty, if any, media coverage, when Delaware judge, Vice-Chancellor Travis Laster, penalized it US$76MM because in 2011 its US investment arm had advised ambulance operator Rural/Metro Corp. on its sale to private equity firm Warburg Pincus LLC[2] while at the same time pitching the buyer to fund the deal, as a result of which Laster said Rural/Metro shareholders had been shortchanged by that amount - *this is the third time he has made such a ruling; in 2011 against Barclay's & in 2012 against Goldman Sachs in somewhat similar cases. The problem, however, is that this is not having much impact on bankers' behaviour; and it won't because the medium-term downside risk of being called to task is trivial compared to the short-term upside profit potential of unethical behaviour. And this is not going*

---

2 That is now headed by Obama's first Secretary of the Treasury Timothy Geithner.

to change unless & until bank executives are made to “have a dog in this fight”, either by the threat of ‘hard time’ in a real jail time (rather than a country club-like minimum security facility) or by having to pay part of the fine/penalty out of their own pocket, rather than having all of it ‘downloaded’ on shareholders, as presently the case.

Ahead of his meeting with Ukrainian President Petro Poroshenko on the sidelines of the Asian & European Leaders’ Summit in Milan, Italy on October 16th & 17th, Putin is reported to have ordered the 17,600 troops that *supposedly* were engaged all summer long in their ‘usual’ training exercises at the Rostov shooting ranges near the Ukrainian border, forthwith back to their permanent bases further inland. Meanwhile, while NATO earlier reported Russia actually had several thousand of its soldiers, complete with tanks & artillery, on Ukrainian soil, Putin steadfastly continue to deny this while at the same time maintaining Russia’s ‘right’ to defend the interests of the ‘Russian-speaking majority’ on Ukrainian soil) - *It’s worth noting that on several occasions in the recent months, he has made similar claims (of withdrawing troops from the border region) without ever following through thereon, & that by referring to the “Russian-speaking majority” he is casting a really wide net; for there are many more Russian-speaking Ukrainians than there are ethnic Russians, many of whom don’t want or need Putin to “defend” their interests. On the other hand, the sanctions, now combined with lower oil prices, may be starting to ‘bite’, forcing Putin to trim his sails a bit (provided he can do so without losing too much “face”), as also suggested by the fact that, on October 14th, ahead of the Milan gathering, Putin & Poroshenko were said to have discussed their issues over the phone (& by the rumours that at the Milan clambake, the groundwork may be laid for securing Europe’s, & Ukraine’s, gas supplies for the coming winter [possibly by the EU picking up the tab for at least some of Ukraine’s (supposedly) overdue payments for past gas deliveries?].*

Chancellor Angela Merkel’s unbending position that all EU members must comply with its debt & deficit limits, reminds older economic/political bystanders of Margaret Thatcher’s comment at the 1981 Conservative Party Conference that “This lady is not for turning”. And Bundesbank President Jens Weidman was singing off the same page in the same hymn book when, as the ECB is getting set to launch its own version of QE despite saying that it expects the Eurozone economy to have gathered some steam in the Third Quarter & to continue to do so in the Fourth, he reiterated that Germany is not in need thereof & that the rest of Europe would be better off if it were just to pursue structural & *fiscal* reform.

GLEANINGS II - 584
Thursday October 2nd, 2014

IMF CUTS GROWTH OUTLOOK ON ‘UNEVEN’ RECOVERY (G&M, Kevin Carmichael)

- Its latest *quarterly* World Economic Outlook report envisages US GDP to grow by 2.2% in 2014, up 0.5% from its July forecast (which it called ‘a remarkable achievement’ since it had contracted in the First Quarter). But it also said the global economy is no longer a single engine plane, that there are limits to the Unites States’ ability to power it up & that its other engines are troubled. It is concerned that, while China’s economy remains strong, its real estate market will crash, & worried about Europe & Japan where demand is so weak that deflation remains a serious threat. Its bottom line : too little momentum & too many uncertainties, incl. the Ukraine-Russia situation, the ISIS threat in Iraq & Syria, weak investment despite buoyant financial markets (because business is worried about threats to its bottom line & concerned about geopolitical tensions & inadequate demand).
- So it cut its outlook for this year’s global economic growth from 3.4% to 3.3% & that for 2015 to 3.4% from 3.8% (due to lower global trade expectations from lower oil prices),

but raised Canada's from 2.2% to 2.3% & 2.3% to 2.4% respectively, saying it will benefit from the relatively strong US economy & that the weaker Canadian dollar will boost exports (although also saying it's economy is 'vulnerable' to global trade remaining subdued, to excessive household debt & to a "still over-valued" housing market). And it said that the US economy is now a lesser version of what it was pre-2008, with its future growth held back by an aging population & slipping productivity, so that the best it can hope for now is trend growth of 2+% (down from 3% before the recession)[3].

*There seems to be an inconsistency in expecting lower oil prices **and** faster Canadian growth.*

<u>BIS WARNS OF 'VIOLENT' REVERSAL OF GLOBAL MARKETS</u>
(Telegraph, Ambrose Pritchard-Evans)

- While Guy Debelle's day job is that of Chief of Financial Markets at the RBA (Reserve Bank of Australia), he is also Chief of the BIS' Market Committee. Recently he told a Sydney audience "The sell-off, particular in fixed income, could be relatively violent when it comes ... (*some*) investors are buying assets on the presumption of a level of liquidity which is not there. This is not evident when positions are being put on, but will become readily apparent when investors attempt to exit their positions ... The exits tend to get jammed unexpectedly and rapidly." Then he went on to say "I find it somewhat surprising that the market is willing to accept the central banks at their word, and not think much for themselves" & repeated "investors taking on too much risk and having illusions of liquidity strikes me as a dangerous combination and unlikely to be resolved smoothly."

Investors should take note when a central banker starts questioning the credibility of his historically close-knit community that has always thought of themselves as the 'Masters of the (Financial) Universe'. And it was interesting in this context that this week some market observers claimed that liquidity in the US corporate (junk) bond market had "evaporated".

<u>IS CHINA'S BUBBLE THE NEXT FINANCIAL CRISIS?</u> (BB, Mark Whitehouse)

- Between 2008 & 2013, to maintain growth amid a weak global recovery, Beijing pumped over US$13TR of new credit into its economy. As a result, according to the London-based Centre for Economic Policy Research, during this period total Chinese public-, & private-, sector debt (ex financial institutions) went from 147% to 213% of GDP.

While significantly less than 410% in Japan, 275% in the UK, 260% in the US & 255% in the Eurozone, it's much higher than Argentina's & South Africa's 130%, and Brazil's & India's 120%.

<u>AN HISTORIC VOTE ON PALESTINE IN THE BRITISH PARLIAMENT</u>
(Huffington Post, David Hearst)

- Israel is losing the battle for public opinion in Britain (& not just because of the millions of Muslims who now live there). Gone is the once rose-tinted vision of Israel as a beacon of democracy in a sea of irrational & violent Arabs, the belief that Israel wants to negotiate

---

[3] Rather interestingly, New York Fed President Bill Dudley, in a recent speech at the Rensselaer Polytechnic Institute, also said, *in defense of his position it will be necessary to keep rates lower longer*, that " I ... believe that the likelihood that growth will be substantially stronger than the point forecast is probably relatively low", *as a result of the impact of a stronger dollar on exports & of tepid consumer spending, especially on durable goods (autos).*

but lacks a partner to do so, & that this is a battle between equals. All Britons are now aware of the thousands of settlers' homes approved during the nine months of *peace* negotiations, the 600,000 settlers in East Jerusalem & the West Bank, the insouciant Israeli racism against all non-Jews & the cost in Palestinian lives of Israel's definition of its national security, and have given up on the idea peace is just around the corner. The more Israel demands its supporters must choose between liberalism & Zionism, the weaker its case becomes : it's no longer a cause for its supporters, but a heavy burden.

- The October 13th six-hour debate, & vote, *on a three back bencher-sponsored motion (one from each of the major parties*) to recognize the Palestinian state[4] didn't come out of the blue. It was heralded *in 2012 by Britain abstaining from voting in the UN General Assembly on enhanced status for the PA in that body & more recently* by the resignation of Foreign Office Minister Lady Warsi over Britain's "morally indefensible" stance on Gaza. While it will be largely symbolic since it is non-binding on the government, it will still be significant since a vote in favour, despite the *unusually* heavy Israeli lobbying of all MPs from all parties, will signal a historic (*first*) act of defiance of an ally used to dictating the terms of the debate. Abbas once said 'occupation is cost-free to the occupier"; the Yes vote in the House may be the start of making it more expensive.

After six hours of debate[5] the motion passes 274 - 12 despite Labour Leader Ed Miliband [due to some of his MPs' reluctance to accept recognition as a way to breathe new life into the (peace) negotiations] having had to abandon his plan for a "three-line whip" in favour of recognition ('vote, & do so as we tell you to, or else') to a "one-line whip" (if you vote, vote with the leader; if you don't want to do so, don't show up). Supporters of the motion were heartened when, on the eve of the vote, a group of 350+ Israeli politicians, civil society activists & others sent an open letter to the MPs urging them to support the motion since "the long-term existence and security of Israel depends on ... (that) of the Palestinian state." In what was said to be a quality debate, Churchill's grandson, Sir Nicholas Soames, read into the record that part of the 1917 Balfour declaration that had promised the Palestinians a state (of their own) alongside the Jewish homeland, former Foreign Secretary Jack Straw observed "The only thing that the Israeli government ... in its present demeanour under Bibi Netanyahu understands is pressure", & Richard Ottoway, the Conservative Chairman of the Foreign Affairs Committee, members of whose family had been instrumental in setting up the State of Israel & who himself has long been a staunch supporter of Israel, said that the latest settlement proposals had left him no option but to vote for a Palestinian state. More generally speaking, Israel's growing isolation is illustrated on the one hand by a senior EU official's observation that "Each time there is a major event like the Second Lebanon War, Operation Cast Lead (in Gaza) or the Turkish flotilla ... support for Israel drops back a bit more", & on the other by anecdotal evidence that Israeli officials are increasingly discounting all criticism of their country's policies vis a vis the Palestinians as emanating from "Nazi-hugging anti-semites"[6]

---

4 As 134 other countries have already done.

5 With one observer saying the measured tones in which Jewish MPs spoke were in sharp contrast to the "nonsense" the Jewish lobby inflicts on Canadian & US politicians to the point of calling them antisemitic if they don't support the Israeli government in whatever it chooses to do.

6 Resorting to name-calling is usually the last refuge of those unable to support their case with evidence

<u>NETANYAHU'S US TRIPREVEALS THE DAMAGE HE CAUSES TO ISRAEL'S STANDING. THE PM'S MASKS ARE TORN OFF AND THE WORLD IS LOSING PATIENCE IN THE FACE OF ISRAEL'S POLICY OF DECEPTION</u> (Haaretz, Editorial)

- While an AFP photo showed him waving after a bilateral October 1st meeting at the White House (that he said had been a "good" meeting), White House spokesman Josh Earnest immediately after the meeting issued a statement harshly condemning Israel's latest plans to build more settlers' houses in East Jerusalem, saying it would "poison the atmosphere ... (*and*) put into question Israel's commitment to a peaceful negotiated settlement with the Palestinians." Furthermore, before his White House meeting he had one with UN Secretary-General Ban Ki-moon that turned rancorous, & according to one Israeli official "tense", when Ban told Netanyahu it was not possible to keep having wars every few years that created death & destruction *in Gaza*. And while America continues to support Israel diplomatically, militarily & *financially*, the damage from Netanyahu's policies keeps growing & will ultimately sabotage the relationship.

Haaretz is no Netanyahu acolyte but has seldom been this critical of him & his policies. He is likely counting on the US mid-term-, & the 2016 Presidential-, elections giving him more slack, the rest of the world be damned. And the latest polls give Obama an approval rating of 40%[7], tied for second-lowest in post-war midterms with George W. Bush in 2006 (when he lost 30 House seats), to Truman's 39% in 1950 (when he lost 28). And the polling results for the more important Senate seats at stake look like a sea of red (Republican), although in most cases not by huge margins. At the end of the day it will be a matter of which party does the best job of getting the vote out (especially the independent one); for while the Democrats outnumber the Republicans among "registered voters" 28% to 25%, where "likely" voters are concerned it's the other way around : the Republicans are (way) ahead : 31% to 22%.

<u>THE ISRAEL CONVERSATION AMERICAN JEWISH LEADERS AREN'T WILLING TO HAVE</u> (Haaretz, Peter Beinart)

- On October 12th I addressed the inaugural conference of <u>Open Hillel</u> (which seeks to open Hillel, that oversees Jewish life on America's college campuses, up to a broader debate on Israel). And, while it says it has no agenda other than wanting to open up the discussion about Israel in America's Jewish community, it had a distinct anti-Zionist feel. One reason is generational. Older American Jews don't question Zionism, even if they don't like Israel's policies; for they remember the Holocaust, the Soviet-, & Ethiopian-, emigrations of the 80's, and suffered discrimination first hand. But this is alien to a younger generation turned off by Israeli policies to the point of questioning the existence of its state & by the difference between its leaders' talk & walk. A second is Gaza, which prompted a radicalization, with hawkish Jews moving further right & dovish ones further left (the latter a boon for <u>Jewish Voices for Peace</u> which, according to its Execitive Director has added 25 new chapters, & gained 60,000 more online supporters, since last June). But the third, *& perhaps most telling*, reason *for the anti-Zionist tone of the conference* was that no one from the Right showed up to make their case (despite having been invited to do so). But this is nothing new : for years they have dealt with those whom don't agree with them by ignoring, of vilifying them, while the younger generation, in the best of Jewish tradition, needs to be argued with. And while the

---

[7] Largely due to the fact that 77% of those in an October 15th ABC News poll were "worried" about the direction of the economy & 57% felt the standard of living is declining.

Zionists have shortcircuited questioners by accusing them of anti-semitism, they have failed to come to grips with the basic question as to how to reconcile Zionism, a movement that privileges some religious/ethnic groups, with the pledge in Israel's Declaration of Independence of "complete equality of social and political rights, irrespective of race, religion or sex".

Once the Israel loses the unquestioned support of American Jewry, it's goose will be cooked!

FOR MANY SUNNIS IS IS THE LESSER OF TWO EVILS (Deutsche Welle, Oliver Ernst)

- Some Turks & many Sunnis in the region look upon IS as the most effective al-Assad opponent[8] and, therefore, the lesser of two evils. This poses a problem for the Turkish government since half its population are Kurds & Alevis (who feel this way because Assad he has historically been in favour of religious tolerance, *presumably because the Alawite version of Islam that Assad belongs to accounts itself for only 12% of Syrians)*. Ankara has never seen Assad as part of any solution; so from early on it advocated a no-fly zone over Syria (although it never acted on that itself or pushed the idea hard enough with others). And while the pressure of IS on Assad is such that in some quarters he is seen as a potential ally against it, Ankara wants no part of that. Meanwhile, those who question Turkey's commitment to the anti-IS struggle overlook the fact that it has opened its borders to 200,000 Syrian Kurds despite the fact this could lead to greater unrest among its own Kurds (because those in Syria's border regions have long supported the PKK in its fight for a Kurdish homeland). On the other hand, the last thing that the Syrian Kurds want is Turkish troops stationed in Kobani. Last, but not least, the Turkish regime doesn't think it need fear IS since theirs is a 'strong state'.

As a Middle East expert once said early on in the post-Second Iraq War era, 'everywhere in the world the shortest distance between two points is a straight line ... everywhere but in the Middle East' (the writer is part of the Middle East Department at Berlin's Konrad Adenauer Foundation).

KOBANI SIEGE RAISES STAKES FOR TURKEY (DJ, Ayla Albayrak)

- Turkey has for three decades faced an insurgency among its Kurdish minority. While on October 13th it tabled a peace plan in Parliament, the Kobani siege presents it with a conundrum : it must reverse its decades-old policy by backing the (*Kurdish*) Kobani defenders whom it deems terrorists, or deny all but humanitarian aid to the Kurds & risk inflaming more tension among its own Kurdish population (*& that in neighbouring Syria*).

Ankara has made a (small) concession in recent days by allowing its NATO ally, the US, to use some of its bases on Turkish soil against the Islamic State; but this won't satisfy the Kurds.

WHY THE ISLAMIC STATE IS LOSING (Politico, Michael Knights)

- Taking Mosul was easy; for it is a Sunni city where the Shia-dominated security forces were hated. But Baghdad is a predominantly Shia-populated city (albeit with some Sunni neighbourhoods). So whereas Mao Tse-tung once said that guerillas must "swim among the people as the fish swim in the sea", for IS fighters to take Baghdad would be akin to

---

8 On the basis of a not uncommon belief in the region that "the enemy of my enemy is my friend."

them having to swim in a sea of piranhas[9] (*while there are just too many of them to kill)*. And while it seems to be making progress in marginal places like Kobani in Syria, it has been less successful in Iraq. Thus in recent weeks Kurdish peshmerga forces & local Sunni tribesmen of the Shammar confederation (who are usually bitter rivals) dislodged IS from the Rabiya border crossing that is a vital link between the IS forces in Syria & Iraq, in Huluiya, 45 miles North of Baghdad, Sunni tribesmen of the Jabouri confederation, with help from Iraqi security forces & *even* from Iran-backed Shia militias from the Kataib Hezbollah movement are pushing the IS from their lands, & near Kirkuk the Obeidi confederation of Sunni tribesmen has been cooperating with Shia Turkmen & the Kurdish security forces in fighting IS with sufficient success that the Iraqi army is now able to have tanks & supply columns use the Baghdad-Kirkuk highway. Still, none of this should be taken as a sign that IS is rolling over.

Hopefully this contrarian assessment will prove to have been prophetic, and, if proven correct, it will be because locals are providing the needed 'boots on the ground' (and prove Obama, the reluctant warrior right). For the reality is that the ISIS fighters are not ten feet tall, nor that numerous, nor impervious to lead poisoning; the only things they have really going for them is much captured weaponry of US origin (that is vulnerable to aerial attacks), some financial resources backing them, & a greater willingness to sacrifice their lives for their cause. Meanwhile, as the White House keeps insisting "No boots on the ground", many serving & retired generals, with support from members of both parties in Congress, keep publicly pushing for a more pro-active role for the US forces, even after the White House National Security Adviser continued to nix the idea. But that may well change after November 4th mid-term elections (which IS is likely clever enough to appreciate as well).

FATAH, HAMAS MUST REBUILD RELATIONSHIP (Haaretz, Jack Khoury)

- On October 9th, the fact that, for the first time in seven years, senior Palestinian Authority (PA) officials, led by Prime Minister Rami Hamdallah could travel openly across Israeli territory from Rahmallah to Gaza & have a Cabinet meeting in President Abbas' abandoned residence during the Eid al-Adha festive season was a historic event. It also underscores the paradoxical Israeli policy towards the PA & illustrates the huge gap between the talk of Netanyahu, Avigdor Lieberman & Naftali Bennett & their walk, and accentuates how Israel is being dragged along, however sourly, by the PA's moves. Netanyahu c.s. are living a contradiction : in public they play to the rightist Israeli vote by attacking the Palestinian reconciliation government while behind the scenes quietly cooperating with it.
- For months Netanyahu has been publicly denigrating the PA, refusing to recognize its legitimacy & calling it a terrorist government. Even in his recent address to the UN *General Assembly* he told it, & hence indirectly President Mahmoud Abbas, that "Hamas deliberately placed its missiles within hundreds of residential areas ... these are war crimes committed by Hamas, your partner in the reconciliation government you head ... (*that*) you should have investigated and condemned from this podium last week." But this didn't stop him from allowing the PA delegation to pass from Ramallah through Israeli territory to the Gaza Strip, nor from agreeing to a UN-brokered deal for a mechanism whereby the PA will supervise the delivery of building materials for Gaza's rehabilitation. But he has no choice; for the international community recognizes the reconciliation government *no matter what he does, says or wants*, & wants it to succeed.

---

[9] Keeping in mind that historically the Shiites were held to be more prone to violence than Sunnis.

And his position is further undermined by Egypt's President Abdel-Fattah al-Sissi organizing a *pledging* conference *for last weekend* to fund Gaza's rehabilitation, that the PA will be in charge of (*that raised billions, albeit not as much as the PA had hoped).*

Jerusalem's current Egypt policy is to give it whatever it wants, & then some, hoping to return their relationship to something closer to the Mubarak days. And despite all their ranting & raving about the PA, according to senior Israeli official "We want the Palestine Authority back in Gaza."

PRESIDENTIAL RACE TAKES RIGHT TURN (G&M, Stephanie Nolen)

- Maria Silva, the *left-of-centre* environmentalist & political reformer who came, *somewhat unexpectedly*, third in the first round of Brazil's presidential elections *on October 5th*, has endorsed the right-wing candidate, Aecio Neves, in the October 26th run-off against the incumbent, the Workers' Party's Dilma Roussef, saying that the latter had taken the country backward in her four years at the helm & that "an alternation of power will be good for Brazil" (*the latest poll showed Neves leading Roussef 46-44*).

Roussef is handicapped four ways. Her party has been in power for 12 years. An undertow of public resentment about the money spent on this year's soccer World Cup & the 2016 Olympic Summer Games (that was hugely beneficial to some party insiders), instead of on much-needed social infrastructure. The bloom is off Brazil's economic growth rose. And a corruption scandal in the national oil company, Petroleo Brasileiro/Petrobras involving members of her party.