

**Aftermath of Appeal Court decision re. Muslim immigrant ban** - First Trump tweeted “See you in court. The security of the nation is at stake”, prompting a retort tweet by Washington Gov. Jay Insley “We just saw you in court, and we beat you.” Then sounder judgment must have prevailed; for Trump told his February 10<sup>th</sup> press conference with Japan’s Prime Minister Shinzo Abe<sup>1</sup> “We’ll be doing something very rapidly having to do with additional security for our country; you’ll be seeing something next week.” (*generally interpreted as meaning he plans to sign another, revised & more carefully thought-through/drafted Executive Order that should pass judicial review (by excluding those with valid ‘green cards’ and/or visas from its provisions?) - likely a wise move since there is still one vacancy on the Supreme Court &, given the remaining eight judges’ voting track records, there are likely three judges who would see things his way & four who wouldn’t &, even if the often ‘swing vote’ Mr. Justice Antony Kennedy were to join the former, this would merely result in a tie vote (which has traditionally meant the lower court t decision stands)*<sup>2</sup>. None of this did, however, stop the President to tweet the next morning “Our legal system is broken! 77% of the refugees allowed into the US since travel reprieve hail from the seven! SO DANGEROUS”<sup>3</sup> (seemingly confirming he really doesn’t appreciate how the American system works).

**National Security Adviser Flynn’s firing** - According to White House Press Secretary Sean Spicer this it was not for what he had done, but “because the President had lost trust in him.” – *that begs the question as to why he did “lose trust in him?”*

**GLEANINGS II - 697**  
**Thursday February 9<sup>th</sup>, 2017**

**THE MATH DOESN’T ADD UP FOR THE OPEC DEAL TO WORK**  
**(OIL PRICE.com, Todd Royal)**

- The law of supply & demand may cause it to fail. US shale producers have cut break-even costs to the point they can now, especially with a more friendly administration, *profitably* replace *much* of the supply cut OPEC is targeting, & still make money. Exempt from the OPEC cuts, Libya will produce 700,000-900,000 bbl/d & the government believes it can hike ramp that to 1.1MM bbl/d, *up from 300,000 bbl/d in 2016, but well off the Khadafi era 1.6MM bbl/d peak*. Nigeria’s President Buhari has a near-term goal of raising output from 1.6MM-, to 2.2MM-, bbl/d. There are massive amounts of oil in storage (US - 500MM bbls, other OECD - 375MM bbls & China - 400+MM bbls, with plans to go to 500MM bbls) & these amounts do not adequately reflect the oil now ‘warehoused’ all over in super tankers). Cheating by OPEC members is not being taken

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<sup>1</sup> Which was marked by an unusual event : when Trump sought to terminate it after three questions, one each from the New York Post, Fox Business & a Japan-based outlet, Abe interrupted him, saying “One more, one more,” & then called on a second Japanese journalist.

<sup>2</sup> In the unlikely event that the nomination of Neil Gorsuch could be expedited enough for him to be confirmed in time for him to be on the Court when the appeal came before it, the betting would be that Mr. Justice Kennedy would not support it, which would make it even worse for the President since then it would have been rejected by a majority 5-4 vote.

<sup>3</sup> The source of this information was an article in the Washington Times (that, however, had also mentioned that the **total** number involved had only been 1,100).

sufficiently into account by those who talk US\$60-70 prices. And demand growth is decelerating in China & Europe.

*Meanwhile Statoil will bring the 500,000 bbl/d John Sverdrup field on stream in 2019 (that it claims will be profitable at a US\$25), 20+BN bbls have recently been added to the Permian Basin reserves (some of it profitable at US\$40) & there is regularly word of new finds all over the world.*

### **FOREIGN INVESTORS SHUN U.S. TREASURIES (Bloomberg News, Brian Chappatta)**

- In the Trump era America's biggest foreign creditors seems reluctant to finance the US government as, across the world foreigners seem to be pulling back from US debt like never before. From Tokyo to Beijing to London the consensus is clear : with the prospect of bigger deficits & more inflation under President Trump, & Fed pressure for higher interest rates, the world's safest & largest debt market seems less of a sure thing. Japan's Ministry of Finance figures show that in December investors cut their exposure by US\$21.3BN, the most in any month in almost four years (after a smaller pullback in November) & while only a small fraction of Japan's US\$1.1TR holdings, these were still the first back-to-back declines in three years. And China, which still holds marginally over US\$1TR has been selling USTs since last May to the point where now its holdings are at a seven-year low. Nobody is expecting foreigners to abandon the UST market altogether & they still hold US\$5.94TR-worth of UST's, 43% of the total outstanding (albeit down from 56% in 2008), homegrown demand has recently been picking up & for some Japanese institutional investors the fully hedged yields on 10-year UST's is 0.9%, 10x that on similar maturity Japanese government bonds, a spread as wide as seldom seen since the 1980s.

*The strength of the US dollar may also be a factor; according to the St. Louis Fed the US dollar's value against a basket of currencies appreciated from 72.69 to 93.61 (29%) in the past five years.*

### **RUSSIAN LAWMAKERS RUSH TO FLYNN'S DEFENSE (Washington Post)**

- On February 14<sup>th</sup>, after Gen. Michael Flynn, President Trump's *now former* National Security Adviser, resigned for misleading senior White House officials about his contacts with Russia, leading Russian lawmakers rushed to his defense. While newspaper headlines screamed "Flynn Was Pushed out - Not Because Of His Mistake But Because Of The Unfolding Campaign Of Aggression", Konstantin Kosachev, a member of the Upper House, wrote on Facebook that readiness for a dialogue with Moscow was now a "thought crime"<sup>4</sup> in Washington & that "To force the resignation of the national security adviser for contacts with the Russian ambassador ... is not even paranoia, but something immeasurably worse ..." & Alexei Pushkov, another member of the Upper House, tweeted "Paranoia and a witch hunt!", while according to Leonid Slutsky, the head of the Lower House's foreign affairs committee, "It is kind of a negative signal for normalizing the Russian-American dialogue."

*Almost in a 'mini-replay' of the Watergate affair that led to Pres. Nixon's (involuntary) exit from the White House, Gen. Flynn departure seems to have been driven less by the initial event than*

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A reference to George Orwell's book 1984.

by the subsequent subterfuge. And one can only wonder about the reason for this display of dismay in Moscow, especially so since Gen. Flynn in 2015 had been an honoured guest at a gala dinner for Putin at which Flynn was seated right next to Putin himself.

### **TILLERSON SAYS US EXPECTS RUSSIA TO MEET UKRAINE COMMITMENTS (Reuters)**

- *Two days before a four way meeting on Ukraine involving Germany, France, Russia & Ukraine & on the sidelines of the G-20 Foreign Ministers' meeting in Bonn, Germany, Secretary of State Rex Tillerson met with Sergei Lavrov, his Russian counterpart. He told reporters afterwards that the US was ready to work with Russia if it found common areas of cooperation but that "As we search for common ground, we expect Russia to honour its commitment to the Minsk Agreements and work to de-escalate violence in Ukraine<sup>5</sup>" & that, when we do not see eye-to-eye, "the United States will stand up for the interests and values of America and her allies." While he told them the meeting had been "productive" & covered a range of issues of mutual concern, he gave no details & answered no questions.*

*Lavrov later told reporters it had been a "pragmatic" meeting in which "we noted the existence of common interests, primarily in terms of the fight against terrorism" & had discussed the situation in Syria, Ukraine & Afghanistan but not the US sanctions on Russia, and reiterated "Russia does not interfere in other countries' interior affairs. Reporters complained since, while they had been present during Lavrov's opening remarks, they were shown the door when it was Tillerson's turn.*

### **WITH FLYNN GONE, TRUMP'S NEXT MOVE IS CRITICAL** **(Christian Science Monitor, Linda Feldman)**

- His immediate challenge is to put his presidency back on track, by quickly replacing Flynn with a seasoned professional who plays well with others; for only then can he begin to fully address all the foreign policy-, & national security-, matters on his plate. In the past National Security Advisers like Henry Kissinger (Nixon & Ford), Brzezinski (Carter) and Brent Scowcroft (Ford & Bush 41) have been lynchpins in foreign policy who worked in close proximity to their Presidents and according to Peter Feaver, now a professor of political science & public policy at Duke University in Durham, NC, but once a member of Bush 43's National Security Council, the right choice would be invaluable to Trump in his putting flesh on the strategic judgments behind his campaign promises.

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And it has not gone unnoticed that the day after a January 28<sup>th</sup> Trump-Putin phone dialogue, the Russian-backed rebels in Eastern Ukraine ratcheted the fighting up to a level not seen in four years (which makes people wonder what Trump might have told Putin in it.

Trump since offered Flynn's job to Vice Adm. (Ret.) Robert Harward, a long time Navy Seal who retired in 2013 after 38 years of service. A 'Navy brat', he spent his teenage years in Iran during the Shah era, when his father was a military adviser there, & is fluent in Persian. He has served several tours in Afghanistan & Iraq, served on Bush 43's National Security Council as its Director of Strategy & Policy for the Office of Combating Terrorism, & his final pre-retirement posting was that of Deputy Commander of Florida-based US Central Command under now Secretary of Defense, Gen. James Mattis. Interestingly enough, he asked for 'a few days to think about it' & this may well go nowhere, since he apparently wants a free hand in picking his National Security Council staff (that numbers in the hundreds & has been in "a state of unrest" since Trump took office), while Trump is said to have promised one of Flynn' senior appointees that she can keep her job. So it may well come to nought<sup>6</sup>, which would be a pity because he would seem capable of 'bringing a lot to the party', incl. an established working relationship with the Secretary of Defense.

### **U.S. CONSUMER WATCHDOG TARGETED FOR BUDGET CUTS (Reuters)**

- In the wake of the 2008 financial crisis the Obama administration created the Consumer Financial Protection Bureau (CFPB) to enforce federal banking regulations, and act as a policeman/watchdog for the financial industry. Egged on by the too-big-to-fail banks this enraged many Republicans who believed he had overstepped his authority. On February 9<sup>th</sup> Rep. Jeb Hensarling @-TX), Chairman of the House Financial Services Committee, said it could be "functionally terminated" if Congress were to simply drain its budget & wrote in a WSJ editorial "The Senate can achieve this with a simple majority vote."

*This goes well beyond the Administration's February 3<sup>rd</sup> announcement of "broad changes" at the agency by personnel changes (i.e. by replacing its Director, Richard Cordray?).*

### **SENIOR ATF OFFICIAL PROPOSES LOOSENING GUN REGULATIONS (WP, Sari Horwitz)**

- An 11-page "White Paper", dated January 20<sup>th</sup> & entitled Options to Reduce or Modify Firearms Regulation, by Ronald B. Turk, the Associate Deputy Director & Chief Operating Officer of the Bureau of Alcohol, Firearms and Explosives (ATF), calls for removing restrictions on the sale of gun silencers, allowing gun dealers to have more guns used in crimes traced to their stores before the federal government requires additional information from them, and initiating a study on lifting the ban on the import of assault weapons on the grounds that "Restrictions on imports serves questionable public safety interests, as these rifles are already legally available for manufacture and ownership in the Unites States."

*For a long time buying a silencer for a firearm in the US has been almost as difficult as buying a machine gun, involving a background check that can take a year. But now, with Trump in the White House, the gun lobby is pushing Congress to ease restrictions on them to "preserve the hearing of gun users". According to Erich Pratt, the Executive Director of Gun Owners of America "We look upon this as a health issue ... The decibel level of a fired fun, even the lowly*

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<sup>6</sup> As indeed it appears to have (come to nought"; for Fox News reported late in the day on February 16<sup>th</sup> that he had turned the President down for "family reasons", saying that he had "really wanted" to do the job (also according to Fox News, the reason was that his wife & other family members wanted him to stay in the private sector - he is currently CEO of Lockheed Martin in the UAE). Trump subsequently tweeted that he is now "considering four others."

*.22-caliber, can cause hearing damage.” - (for an objective outsider this may be questionable reasoning!*

### **ISIS LAUNCHES COUNTERATTACKS ON IRAQI TROOPS (AP)**

- Mogul's east end was declared "fully liberated" in January after 3 months of grueling *street-by-street* urban combat and according to Brig. Wald Khalif, the Deputy Commander of the Iraqi Army's 9<sup>th</sup> Division, it is now "preparing ... to launch a big operation in order to liberate the rest of Mogul (with Iraqi & coalition officials warning the fight for West Mogul, a densely populated urban area, will be "more difficult" *than it had been in the eastern part*). Meanwhile, on Sunday evening February 12<sup>th</sup> ISIS launched a counterattack near the town of Tall Afar, West of Mogul, detonating 17 car bombs that targeted a position held by the Iraqi government-sanctioned, mostly Shiite, Popular Mobilization Forces militia.

*It is noteworthy that the experience of the local Sunni Muslim population with the notionally Sunni ISIL rule has been such that it seems to have welcomed 'liberation' by the largely Shiite Iraqi army.*

### **MILITANT HARDLINER IN CHARGE OF HAAS (AP, Fares Abram)**

- Hamas is sworn to Israel's destruction, has *over the years* killed hundreds of Israelis in suicide bombings, shootings & other attacks<sup>7</sup> & has long been designated a terrorist organization by the US, Canada, the EU & Israel. Elections that started late last year have now resulted in Yeshiva Sinwar (age 55) being elected its political leader & Khalil al-Hayya (57)<sup>8</sup> his deputy. Sinwar is one of Hamas' founders & has *long* commanded its militant military wing (that has thousands of fighters & a vast arsenal of rockets), and has battled the IDF in three wars since Hamas seized control of Gaza a decade ago - *one year after it beat Mahmoud Abbas' corrupt Fatah party in the 2006 (& last) election in Gaza & the West Bank, the outcome of which, despite the fact that it had by all accounts been a reasonably fair one, Bush 43 refused to accept*. Sinwar spent over two decades in Israeli jails until released in 2011 in a prisoner swap for IDF sergeant Gilad Shalit & in September 2015 was personally declared a "terrorist" by the US.

*This marks the takeover of control over Gaza by Hamas' hard line armed wing from the somewhat more pragmatic civilian leadership group headed by Ishmail Haniyeh<sup>9</sup> that in the past decade had sought to make the most of running what for all intents & purposes is a 1.8MM inmate concentration camp, with almost half of those 'inside' under the age of 15).*

### **U.S., CHINESE AIRCRAFT IN 'UNSAFE' ENCOUNTER (AP)**

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<sup>7</sup> Although in all fairness it should be noted that in the latest, albeit Hamas-instigated, 'Gaza War', from July 8<sup>th</sup> to August 27<sup>th</sup>, 2014, the UN's casualty count was 2,700 Gaza residents, the vast majority of them non-combatants, vs. 73 Israelis (incl. 7 civilians)

<sup>8</sup> A son, daughter-in-law & grandson of whom were in the latest (2014) Gaza War in an air strike targeting his home.

<sup>9</sup> Who, word has it, will be 'bumped up' to become Hamas' Beirut-based overall leader.

- On February 10<sup>th</sup> the US Pacific Command reported that two days earlier, for the first time since Donald Trump was sworn in, a US Navy Lockheed P-3C *four-engine, turbo prop anti-submarine & maritime surveillance* patrol plane & a Chinese KJ-200 *four-engine airborne early warning* plane had an “unsafe” encounter<sup>10</sup> over the South China Sea. According to a Pacific Command spokesman the plane was on a routine mission & operating in accordance with international law (*but close one of China’s artificial islands*). And while the Chinese Ministry of Defence had not responded quickly to a faxed request for comment, a Phillippine Defence Department spokesman *lost no time* expressing concern because the incident occurred near (*above?*) the Scarborough Shoal located within the Phillippines’ 325-km ‘exclusive economic zone that is *nevertheless* claimed by China *despite the fact that it is 947 kms. from the nearest Chinese landfall, Hainan Island.*

*The ungrateful wretch! Phillippine President Rodrigo Duterte is sucking up to Beijing as the US seeks to validate its long-term ally’s, by current international law parameters, legitimate territorial claims while Beijing is flouting existing international law (as a creation of the US) by claiming virtually the entire South China as its “sovereign territory” (it could have been worse if the Chinese aircraft had been a fighter jet rather than a large lumbering four-engine patrol aircraft, both because the fighters are much faster, & speed heightens the risk, & because ‘jet jockeys’ have a more daring attitude than ‘bus drivers’. And there is an interesting parallel here with the Israeli-Palestinian conflict, for as long as the US condones the willful breach of international law by the settlements in the West Bank, the weaker its case against China’s breach thereof in the South China Sea.*

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### **THE DARK VISION OF STEVE BRANNON (NP, Joseph Bean)**

- The vision of this major driver of America’s domestic & foreign policies is an apocalyptic one, born out of chaos & purifying destruction in which the old order falls to make way for a new one. It draws on an intellectual tradition dating back to Karl Marx that sees revolution as inevitable & even morally necessary. It is driven by the “generational theory” of Neil Howe<sup>11</sup> & the late William Strauss<sup>12</sup> which sees a four stage cyclical pattern in history that begins with a “high”, followed by an “awakening” & then an “unraveling” and finally climaxing in the arrival of a new order, that becomes the next ‘high’. Thus in the last North American cycle the immediate post-WW II period was the “high”, the 1960’s the “awakening”, the wars of the 1990s (& *of the first decade of this century?*) the ‘unravelling”, and the Great Recession the “Fourth Turning”. According to Howe “All of our total wars have occurred in Fourth Turnings”

<sup>10</sup> I.e. came within 1,000 feet of one another.

<sup>11</sup> Currently age 65 & grown up in California, he has a BA in English Literature from the University of California at Berkeley, and an MA in Economics & an M.PHIL. In History from Yale. Along the way, he worked in Washington on global aging, long-term fiscal policy & migration, as an advisor on public policy at the Blackstone Group and as a senior associate at CSIS (Center for Strategic & International Studies), a Washington-based think tank with a US\$33MM budget.

<sup>12</sup> As laid out in their 1991 & 1997 books Generations & The Fourth Turning.

- When Bannon made his 2010 Generation Zero movie about the Great Recession, he consulted Howe & also David Kaiser, an expert on generational theory<sup>13</sup>. In a *recent* interview Kaiser said it is a pity this theory is being portrayed in the media coverage of Bannon as the wacky idea of a demented presidential puppet master, *while* “It’s so obvious that their broad prediction is coming true, not only in the U.S., but almost all over the world ... And now the Republicans (???) want to finish the job. My real fear is ... we’re going to sink into real anarchy, that all our institutions just won’t function at all.” Also, that Bannon is set firmly in his conviction that the old order will not fall away easy & has made it clear he anticipates a war, and “If we do get into big crisis, with Iran, or even with China, and there’s a danger of war, I don’t think that’s going to bother Bannon at all ... He is (*in his own mind* ready for it. He would view it with equanimity.” Finally Kaiser said that Russia is about one turning ahead of America, it had a Fourth Turning in 1917, an awakening in the 1950's & another Fourth Turning with the Soviet Union’s collapse in the late 1980's. Today Russia is still in its “high” and, according to Thomas E. Graham, Managing Director of Kissinger Associates & a former member of the National Security Council<sup>14</sup>, “exudes a prickly nationalism, born of wounded pride, a deep sense of vulnerability & an unquenched desire for respect”. And it is in this new dynamic, involving two flawed alpha males, Trump & Putin, that, thanks to Bannon’s dark vision, the greatest threat of war may lie.
- According to Garry Kasparov<sup>15</sup> America’s Russian policy has gone from “feckless” to “reckless” with Trump having a “strange affinity” for Putin and that the latter knows that “the prospect of a “grand bargain” would appeal to Trump’s vanity ... *while Russia is on a crusade against the free world ... Aggressive foreign policy is virtually the only tool Putin can use to justify his endless stay in power.*” And according to Neil MacFarlane, a Russian foreign policy expert at Oxford “Putin had certainty with regard to Obama, and it was an unpleasant certainty ... Now he has uncertainty. Putin is no dope. He’ll play along to see how far he can get. We don’t know how far he can get, because the signals from the Trump administration are so ambiguous.” He can mess in Ukraine, Georgia, Armenia or Moldova since they are not in the Western sphere of interest, but the Baltic states that he covets are protected by NATO’s Article 5 &, while failure to defend it would send NATO’s credibility “down the toilet”, there is no evidence this weighs on Trump’s mind; in fact he has been openly skeptical thereof and “Maybe we should ask if it weighs on Steve Bannon’s mind.”

*The one saving grace may well be that the Secretary of Defense, Gen. (Ret.) James Mattis & the Secretary of State, former ExxonMobil Chairman & CEO Rex Tillerson, both of whom may turn out to be the ‘heavyweights in Trump’s Cabinet, appear less taken with Putin than Trump.*

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<sup>13</sup> Age 45, he has two Ph.Ds from Harvard (in physics & in the history of science with his daytime jobs being Germeshausen Professor of the history of science, Head of the Science, Technology & Society Program & a senior lecturer in the Department of Physics, at MIT.

<sup>14</sup> A Russian expert whose career, prior to joining Kissinger Associates, includes 14 years as an FSO (Foreign Service Officer), incl. two postings in Moscow, &, stays at the Carnegie Endowment for International Peace, back at State and, from 2002 to 2007, at the National Security Council.

<sup>15</sup> Born in April 1963, he became World Chess Champion 22 years later & remained so for 19 years. He retired in 2005 to spent more time on politics and has become a prominent critic of Putin. He now has Bosnian/Croatian dual citizenship & resides in exile in New York City.