

GLEANINGS II - 793
Thursday January 17th, 2019

Quote of the week - “The US economy could easily stall in the first quarter, and the question is what happens in the second ... The longer it (*i.e. the shutdown*) goes on, the longer it takes to recover ... Even if the shutdown is over by the end of the month, the hit to growth will be material” - Ian Shepherdson, Founder of-, & Chief Economist at-, Newcastle upon Tyne, UK-based Pantheon Macroeconomics. He has 20 years of experience in the UK & the US, and twice (in 2003 & 2014) has been the winner of the WSJ’s annual economic forecasting competition, and the firm “aims at being a provider of unbiased, independent macroeconomic research to financial professionals around the world.”

BLS (US Bureau of Labour Statistics) has come up with an interesting chart on the disparate rates of growth of the price of a number of human needs & wants - While the compound average annual rate of inflation during the 21 years ended December 31st, 2018 was 2.14%, that for hospital services had been 5.54%, college tuition & textbooks 5.03%¹, medical-, & childcare-, services 3.78%, average hourly wages 2.89%, housing 2.26%, food & beverages 2.17%, cars minus 0.05%, household furnishings minus 0.10%, clothing minus 0.29%, cell phone services minus 3.25%, computer software minus 5.00%, toys minus 6.39% while the price of TVs had actually declined in nominal dollars - *if correct, these numbers suggest that the real price of human “needs” had increased significantly faster -, & the price of human “wants” significantly slower-, than wages (which in a way is not surprising since for one must purchase one’s needs, thereby giving purveyors thereof far greater ‘pricing power’ than manufacturers of peoples’ wants*

Brazil makes gun ownership easier - On January 15th President Jair Bolsonaro signed a decree easing gun controls (likely only the first of several such moves) since “it will make it easier for people to defend themselves”. While according to the source article Brazil leads the world in homicides, according to the World Bank’s ‘intentional homicide rate’ count, it ranks only 12th with a 29.53 per 100,000, with the dubious ‘honor’ of having the highest per 100,000 goes to El Salvador with 82.84, followed by Honduras (56.52), Venezuela (56.33), Virgin Islands (49.26) and Jamaica (47.01), with the equivalent rates for the US being 5, for Canada 2 and for the Western-, & Northern-, European countries & Australia 1 (*the latter down 40+% from the mid-1990s , when after a mass shooting in Tasmania gun controls were tightened*).

Canada’s ‘political correctness getting wackier - In Montreal a “progressive” research group-owned university bar has banned a comedian from performing there because he has his hair in “dreadlocks” & management says that’s a form of “cultural appropriation” ² & hence a “form of violence”. It obviously is clueless about the history of dreadlocks that, while in modern times first adopted by the Rastafarian movement in Jamaica, have a history “as old as the hills”; for they have been found on Egyptian mummies, were supposedly the reason for the Bible’s Samson’s inhuman strength, and were common among German tribes in Roman times &, a thousand

¹ And the truly sad part of this is that students today are getting a far inferior quality of education; for while in my university days sixty years ago first-, & second-, year classes typically averaged 30 students & only very infrequently had twice that number, & most professors, if not tenured, at least were on a tenure ‘track’, today it is not uncommon for them to have to teach classes of two-,three-, or even four-, hundred students and being sessional lecturers on short term contracts; in other words, they pay a lot more in real terms for what cannot help but be an inferior product.

² The adoption by one people of the cultural accoutrements of another people

years later, among the Vikings - *Pushing this idea to its (il)logical conclusion Canada's Indians or blacks shouldn't be wearing Western clothing but only feathered headgear & moccasins, and loin cloths respectively.*

China's private wealth 'leaving home' - Credit Suisse's estimate of China's 2018 'national wealth' is US\$52TR *with another source estimating its "Top 1%" accounts for roughly half that.* But due to talk of a tax on the '1%' to fund tax cuts for the '99%' [in the hope it would accelerate the lower-than-desirable (6+%) GDP growth rate] there has been a veritable 'tsunami' of private capital going offshore (by some accounts as much as US\$17TR).

Kevin Dutton - He is a 52 year-old psychologist at Oxford who specializes in the study of psychopathy (a personality disorder characterized by chronic immoral & antisocial behaviour, gratification from criminal, sexual and/or aggressive impulses, and an inability to learn from mistakes). Worldwide clinicians in the field rate people's psychopathic nature by the Hare PCL-R (Psychopathy Checklist - Revised) test³ that separates the relevant personality traits into two categories, 'aggressive narcissism' & 'socially deviant lifestyle'. Within these two the test lists separate character traits that the subject may, or may not, have, each of which is graded on a scale from 0 to 2, the sum whereof determines the severity of each case. The categories under the 'aggressive narcissism' character trait are : superficial charm, an exaggerated sense of self-worth, pathological lying, being cunning & manipulative, no remorse or guilt, shallowness, a lack of empathy & an inability to take responsibility for one's actions, while those under the 'social deviant lifestyle' include a need to be stimulated, a low tolerance for being bored, a parasitic lifestyle, an inability to control one's behaviour, promiscuity, a lack of realistic long-term goals, impulsivity, irresponsibility, juvenile delinquency & childhood behavioural problems. On the basis of this test, Dr. Dutton in August 2016, i.e. after Trump had become the GOP presidential candidate but before being elected President, concluded "Trump outscored Hitler" .

Floating solar panel power generation - Solar power 'farms' (whose global power generating capacity has grown from next to nothing in 2004 to 250GW (i.e. 0.1% of total global capacity) in 2016 & is expected to double that again by 2022⁴) are typically located on land for which there are other productive uses (although complimentary uses are being found; thus one Minnesota solar farm planted flowering plants under its solar panels to keep its bee colonies busy). But the floating variety has several advantages over land-based ones, first & foremost a vastly reduced evaporation rate. It is not a new technology; the first floating solar panel patent was issued in Italy in 2008, but its generating capacity is expected to nearly double in four years. The world's largest floating solar farm is in the city of Huainan in China's Anhui Province (400 kms/250 miles East of Shanghai) with a generating capacity of 40MW from 160,000 solar power spread over 86 acres and between December 31st 2014 & September 30th, 2018 the total electric power generating capacity of the world's 100+ floating solar farms went from 10MW to 1.1GW.

³ Named after Dr. Robert H. Hare, a well-known researcher in the field of criminal psychology (i.e. the study of the character traits of denizens in the Canadian prison system), who was born & raised (in modest circumstances) in Calgary, educated at The Universities of Alberta & Western Ontario, and spent three decades, prior to his retirement in 2000, at the University of British Columbia

⁴ I.e. to an increasingly significant share of the 6,000+ GW electric power generating capacity; in fact in 2016-2017 renewables, incl. hydro, accounted for nearly half the global new electric power generating capacity, vs. coal's 36%, natural gas 13% & nuclear's 4% while the use of oil actually declined marginally.

For a few people in Houston, TX Christmas came early this year - For on November 26th someone made a mistake & loaded a Bank of America ATM with US\$100 bills rather than US\$10 ones. So as people started getting 10x the amount they had asked for without their bank balance reflecting it, the word spread like wildfire on the social media with the result that the Harris County Sheriff's Office notified the bank & posted Deputies at the ATM to 'protect it' - *And the bank showed common sense by letting the beneficiaries keep their windfalls.*

Trump cancels trip to Davos for the January 22nd-25th Davos World Economic Forum - He did so on January 10th. Two reasons have been advanced. He expects the shutdown to last past those dates (& *intensify its impact on the First Quarter GDP growth rate accordingly?*). Or he is trying to avoid what could be a less-than-super-friendly reception on the part of other attendees. Meanwhile the event's organizers issued a report on January 16th that worsening international relations are hindering efforts to resolve global challenges & the economic outlook is "darkening", in part due to the geopolitical US-China tensions & "looks set to further reduce the potential for international co-operation in 2019", and that 88% of the experts & decision makers contacted by it expect a "further erosion of global trading rules and agreements".

Trump initiates tit-for-tat - On January 16th House Speaker Nancy Pelosi (D-CA) sent him a letter suggesting he might postpone his State of the Nation Address to Congress scheduled for January 29th until after the shutdown issue was settled. Only this was more than a suggestion; for the President does so at the invitation of Congress & her letter effectively told him 'No end of shutdown, no State of the Union address'; i.e. she was telling him there are limits to his power [not surprisingly, & likely wisely so, Senate Majority Leader Mitch McConnell (R-KY) kept himself well out of this cat fight]. Trump got even the next day when, hours before she was to have left, he denied her the use of a military aircraft for the trip to Brussels, Cairo & Kabul she & her staff had been planning for weeks for her & a large delegation, telling her in a letter "I am sorry that your trip to Brussels, Egypt and Afghanistan has been postponed ... We will reschedule this seven-day excursion when the Shutdown is over ... obviously, if you would like to make your journey flying commercial, that certainly would be your prerogative." - *be all that as it may, Pelosi showed appallingly bad judgment; for however good an operator she may be on the playing fields of Washington's micro-political 'game', she lost macro-political credibility by going on a "swan" at a time she should have been earning her pay at her post back home doing whatever she could to restore the flow of services to tax payers back to normal & put bread back on the table for large numbers of workers who normally help deliver those services*

US 'Holiday' retail sales not quite up to snuff - Macy's Inc. shares plunged 18% on January 10th after it slashed its full year profit & sales forecast on the back of an anemic Holiday Selling Season that it said had started well but then had experienced weakness in women's sports-, & sleep-, wear, fashion jewelry, watches & cosmetics that resulted in the critical November/December months' comparable sales being up only 1.1% YoY. Kohl's Corp. reported similarly muted comparable sales (except that they had been down 5% YoY, after having been down, at one point, nearly 9%). And on January 10th Target Corp. shares took a 3% hit, even though it reported nearly 6% sales growth. And, while overall sales for the 2018 holiday season hit a six-year high as shoppers were encouraged by early discounts, some are already calling for an industry-wide slowdown in 2019,. with Ken Perkins, founder of the Boston-based Retail Metrics research firm, saying "It looks like the consumer is in good shape, but generally there are signs of some slowing in the economy" (as it looks as if consumer confidence in 2019 may be strained by the higher interest rates, the continued trade spat with China, market volatility attributable to concerns over global growth & the political deadlock in Washington). And according to Jeff Yasmin, Editorial Director at the Delray Beach FL-based Banyan Hill Publishing investment advisory firm "If we do get a recession, the retailers that can offer strong

value in both physical bricks & mortar format, as well as a good online experience will do best ... That leaves many department-store chains like Macy's on the outside until they can figure out how to marry 'luxury' with the convenience of retail that consumers want."⁵

US home ownership - Between 2005 & 2014 it declined in the 24-32 age cohort from 45% to 36%. Fed researchers attribute this to the high levels of student debt (that in inflation-adjusted terms doubled during the period) & to the fact high levels of student debt lower their credit scores & complicate getting a mortgage - *in the decade ended last year total student loan debt went in nominal terms from US\$600BN to US\$1.5TR & the default rate doubled to 11% , not surprisingly so given the above-noted extraordinarily fast growth of college tuition costs, The truly said part of this is that much of it was accounted by the growth of administrative-, rather than student beneficial-, costs; thus today many more students are being taught by sessional lecturers on short-tem contracts rather than by tenured professors than used to be the case.*

-o-o-o-o-o-o-o-o-o-

THE GREAT GLOBAL HOUSING SLUMP IS ON (G&M, Gary Mason)

- Recently some of the most expensive *housing* markets, incl. Hongkong & London, *never mind Vancouver & Toronto*, have seen house prices decline & the Washington-based IMF (International Monetary Fund) issued a warning that if the *house price* valuation descent we're witnessing were to continue, deepen and/or spread, it could produce "financial and macroeconomic instability". While for some, i.e. those who bought at the top of the market, this is deeply disconcerting, for those whom the high cost of houses robbed of the middle class dream of home ownership, the lower prices are welcome.

The reasons for the price decline include the fragility of-, & concern about-, the global economy , the looming trade wars, the measures taken by the Chinese government to stem the torrent of capital fleeing the country & the higher interest rates (and in Canada the new mortgage stress tests that have made it more difficult for new entrants to the housing market to get the necessary funding). And while in Canada most of the attention has been focused on the skyrocketing house prices in Vancouver & Toronto, the house price inflation phenomenon has been far more widespread than generally appreciated. Thus, while this century the compound annual growth rate (CAGR) of wages (before taxes) has been in the 2.65-2.70% range, that of the nation-wide average house prices was 5.44%, and of houses in Montreal 3.72%, in Ottawa 5.43%, Calgary 6.38% & Regina 7.75% (albeit from much lower bases), vs. 8.14% in Toronto & 9.86% in Vancouver. And since about two-thirds of Canadian households own their homes, there is another factor to consider : declining house prices have a "negative wealth effect" (i.e. they reduce home owners 'marginal propensity to consume", i.e their willingness to spend, especially at a time like the present when households' debt-to-income ratios are at 'nosebleed' high levels. It is also worthy of note in this context that in December Canadian home sales were down for the fourth month in a row [and by 2.9% MoM to 36, 759 units, a five year low, & by 19% YoY], and the average price by 4.9% to \$472,000 (or ex Vancouver & Toronto to 375,000), while a year earlier, in December, 2017, prices had been up 5.7% YoY.

U.S. BUYBACK MARKET SUPPORT MAY WANE THIS YEAR (Reuters, Sinead Carew)

⁵ And Macy's now expects 2% growth in sales (down from between 2.3% & 2.5%, and for EPS of US\$3.95-4.00 whereas in November it had envisaged US\$4.10-4.30.

- US companies' share 'buyback' shopping spree helped put a floor under market declines in 2018 but may do less so this year. While optimists say it could provide the market with an even better buffer this year, many strategists see the lift from buybacks losing some steam as earnings growth slows & the effect of the tax cut bonanza fizzles out; thus according to Jack Ablin, CIO of Chicago-based Cresset Wealth Advisers (*AUM of US\$3BN as of September 31, 2018 - not too shabby for a firm just 14 months in existence*) "Companies bought back around 2.8% of shares outstanding in 2018. That was substantial support to the markets and (60%?) bigger than dividends *flowing back to shareholders* ... [In 2019] we expect the corporate firepower behind share buybacks to be diminished. The growth in cash flow will be slower." And last year may well go in the books as a record for buybacks; for during the first three quarters companies bought back US\$583BN of their own shares, just short of the 2007 full-year record of US\$589BN. But even that wasn't enough to keep 2018 ending with a resounding thud as *in the Fourth Quarter* the S&P 500 fell nearly 20% from its late September high for the year and, as for the year as a whole, the Index fell 6.2%, its poorest showing in a decade. And while total buybacks for the year were up 44% to US\$770BN, Goldman Sachs now (*optimistically?*) expects 22% growth (to US\$940BN?) as the growth in companies' ability to buy back shares in 2019 may be negatively affected by any further slowdown in the repatriation of foreign profits (that last year declined from US\$295BN in the First-, to US\$93BN in the Third-, Quarter; furthermore, in part because of the non-recurrent nature of the 2017 corporate tax cut, Wall Street expects the S&P 500 earnings growth rate to decline this year to 6.7%, down from 23.5% last year.
- Buybacks have been a major support to the bull market that got underway in March 2009; according to Audrey Kaplan, Head of Global Equity Strategy at Wells Fargo in New York since then the S&P 500 companies *alone* bought US\$4.5TR-worth of their own shares, about one-third of the entire US\$15TR gain in the equity markets valuation during the period & she expects their spending on buybacks to stall around their 2018 level as companies weigh slower earnings growth against their strong cash balances (although lower share prices may make managements willing to buy more of their shares); so Burns McKinney, a Dallas-based portfolio manager at Allianz Global Investors thinks "Buy buybacks hasn't peaked but the growth *rate* ... perhaps has."

Given the increases in interest rates (& the resultant pressure to hike dividend payout rates?), the likely impact of the shutdown on the First Quarter GDP growth rate, & by derivation on that for the year as a whole, and the possibility of unforeseen political developments at home & abroad the downside risk, may well exceed the upside potential.

HIGH DRAMA, FEW RESULTS AS TRUMP WARNS OF 'LONG' SHUTDOWN (AP, Lisa Mascaro et. al.)

- On the 25th day of the shutdown Trump did not give up his demand that Congress give him US\$5.7BN for the wall he had promised his base *Mexico would pay for*, telling supporters in a conference call "We are going to stay out a long time if we have to."

And he's telling people "another 'carava' is coming (this one from Honduras)... that only 'a wall or a steel barrier'⁶ will stop". Apparently there are two schools of thought in the (increasingly sparsely populated) White House, one telling him that he should get out of the shutdown mess

⁶ A confirmation of his concession a month ago of the adequacy thereof from his campaign promise of a 'big, beautiful barrier made of concrete, rebar and steel,

while the getting is still good & the other that he has “leverage & should stay the course” (one of the latter being Vice President Pence who has been downplaying the shutdown’s economic effect because of the “roaring economy!”). The former’s advice may well be better founded. For on January 15th the Senate ‘kicked over the Presidential traces’ by voting 57-42 to discuss legislation to reverse a Presidential decision to lift sanctions on three Russian companies (on the grounds that oligarch & Putin henchman Oleg Deripaska “no longer has a controlling shareholding in them” - as if that **really** matters), even though Deripaska himself remains blacklisted for his 2016 election meddling, that same day tens of thousands of employees were called back to work, without pay, to process tax return claims, ensure flight safety and that of food & drugs &, when he invited a number of members of the House for lunch at the White House, all Democrats & even a few Republicans were ‘no-shows’ and the few that did attend were Republicans of limited significance, while Ken Hassett, the Head of the White House CEA (Council of Economic Advisers) upped the weekly impact of the shutdown on the First Quarter GDP growth rate to 0.13% (i.e. 0.50+% per month).

FROM TRAVEL TO IPOs, SHUTDOWNS HIT THE US (AP, Christopher Rugaber)

- Delta Airlines cannot put eight new aircraft into service because of the FAA’s partial shutdown & is experiencing revenue losses of US\$25MM/month due to lower seat occupancy rates (much of it due to less government travel). Over a million government employees & contractors aren’t getting paid (& while the former will get back pay after the shutdowns ends, the latter won’t). And the rate of new business start-ups is down since the shutdown prevents the issuance of tax identification numbers from the IRS.

While some economists say that to date the hit to the economy has been ‘slight’, the consensus is there will be real damage if the shutdown were to drag on into February.

HUAWEI SAYS IT WOULD NEVER SPY FOR CHINA (G&M, Christine Dobby)

- The giant Chinese telecom provider has faced mounting pressure as multiple countries have barred their wireless carriers from using its equipment in their evolving 5G cellular networks out of concern Beijing would compel the company to conduct espionage on its behalf. Three of Canada’s allies in the Five Eyes intelligence-sharing network (the US, Australia & New Zealand) have already barred Huawei while Canada is conducting a cybersecurity review of the company & its 5G technology as it considers a similar ban. And after months of silence Huawei Canada released a statement on January 10th that “With respect to Chinese lawful access legislation, we work for our Canadian customers and partners only. Simply put, we comply only with Canadian laws” - “respect to Chinese lawful legislation” & “comply only with Canadian laws” is a very ambivalent choice of words, if not an outright ‘contradiction in terms’ .

This came the day before Poland’s counterintelligence service arrested Weijing Wang, Huawei’s Sales Director in that country, as well as a Polish citizen, on charges of espionage, & searched their homes (prompting Huawei to announce the very next day that Weijing had been fired “for bringing the company into disrepute” . And on January 15th Huawei founder Ren Zhengfei held a (rare?) press conference to declare “we’d say ‘no’ to spying for China” & more specifically “We would definitely say no to such a request”, and chuckled it would be up to the authorities to “file litigation”. Furthermore that he had never received a request for “improper information” about anyone - it all depends on the definition of “improper” by someone who spent two decades as a non-uniformed technician in the PLA & long was denied membership in

the Communist Party because of his parents' Kuomintang connections, and hence is unlikely to have strong connections in the Party's leadership

TRUDEAU : CHINA ACTING "ARBITRARILY" IN GIVING CANUCK DEATH SENTENCE **(CP, Jim Bronskill)**

- In 2014 Robert Lloyd Schellenberg (age 36) was arrested in Dalian [286 mil/461 kms, Northeast of Beijing in Southern Liaoning Province (that abuts North Korea) with a population of 7MM that is China's 8th largest port]] & charged with being 'an accessory to drug smuggling' ⁷. Two years later, a Dalian court sentenced him to 15 years in prison. But on January 14th he was brought back into court for a retrial attended by Canadian diplomats after which, that evening, the court issued a statement online that it had "reconsidered the case and changed the sentence to the death penalty". This led to Canada's Prime Minister, Justin Trudeau saying in Ottawa that his government intercedes on behalf of any Canadian facing execution abroad & that "This is very much a concern to see that China is acting arbitrarily and applying the death penalty to a Canadian and that his government will continue to talk to its allies and to China about this", while his government updated its travel advisory with respect to China to warn Canadians of "the arbitrary enforcement of local laws" *there*.

Unfortunately, when the news of the change in Schellenberg's sentence reached Ottawa on Monday morning January 14th Ottawa time, the Trudeau government's reaction was even more inappropriate than its earlier response to the arrest of the two Canadians still lingering in a Chinese jail, especially so since China (routinely) executes one or two foreigners a year, mostly for drug offenses. Foreign Minister Freeland called the sentence "inhumane & inappropriate", told reporters "We have already spoken with China's ambassador and requested clemency", reiterated Canada's long-standing opposition to capital punishment" (as if Beijing would give a hoot) & emphasized that "a large and growing group of our allies has stood with Canada", while the Prime Minister condemned the death sentence's "arbitrary use" & then spent part of the day on the phone to his counterparts in Argentina & New Zealand to try and get them to join the other Canadian 'allies' on the issue⁸. This train of events has its origin in the December 1st arrest, in Vancouver while enroute from Hongkong to Mexico, for breaking US law pursuant an extradition treaty with the US, of Meng Wanzhou , Huawei's CFO & Deputy Chair and, more importantly, the daughter of its founder 74 year-old Ren Zhengfei⁹). Two days

⁷ *His crime in China was being part of a group that had concealed 222 one kg bags of methamphetamine in pellet form & had it shipped 1,200 miles from Guandong Province North of Hongkong to Dalian with plans to export it, hidden in tires & tubing in a container, to Australia (with him having argued in court that he was just a tourist visiting China & had been "framed by criminals" & his lawyer that there was insufficient evidence on which to base a conviction (although later he had pleaded guilty to all the charges against him)*

⁸ Which could, almost by definition, be an exercise in futility. For China is Argentina's second-largest trading partner, whose two-way trade with China has doubled in the past decade, that has seen its soybean exports in China jump recently due to the US-China trade spat & that last year made a breakthrough meat export deal with China, while China is New Zealand's biggest trading partner with their two-way trade being close to 10x New Zealand's with Canada; so for both of them there would be little benefit in irritating Beijing for the sake of a Canadian with a drug-driven criminal record old enough to know better

⁹ Whose youngest daughter (by his second wife), 20 year-old Annabel, is at Harvard studying computer science.

later, in apparent retaliation¹⁰ the Chinese authorities arrested a former Canadian Foreign Affairs official now working for an NGO, while on one of his regular visits to Beijing, & two days later another Canadian with permanent resident status living in a city on the border with North Korea & ,subsequent to that , gave a third a Canadian, a teacher, a hard time about her visa, with the difference being that, while Meng was promptly brought to court & ten days later released on bail since “she had no criminal record in China & had medical problems”, the two Canadians have basically been kept incommunicado, not appeared in court & not charged with anything, with Canadian diplomats having difficulty having access to them. Prime Minister Trudeau’s initial reaction to Beijing putting pressure on him was wholly & totally inadequate and limited to prattling that “his government will continue to talk to its allies and to China about this”. For this is out & out bullying & the only thing that bullies understand is action & having their bluff called. Someone recently applied an old Chinese saying, “Kill the chicken to scare the monkey” to the Meng situation, with the three Canadians being the chickens & the Prime Minister the monkey (or, as a stretch, Canada being the chicken & Washington the monkey). And there is only one thing bullies understand, pro-active responses & action. Moreover, in Asia, few things are more important than to avoid “losing face” ; so if a relative insignificant country like Canada headed by a seemingly namby pamby Prime Minister were to stand up to President Xi’s bullying, this would be a huge loss of face for Xi. So Canada’s Prime Minister should have **acted** boldly, first by publishing a conciliatory statement informing the world that, while Canada did not condone Mr. Schellenberg’s activities¹¹ & agreed significant jail time had been in order, his drug smuggling had been of a non-violent nature and had in no way endangered Chinese citizens, and that hence Canadians questioned his death sentence and that the Canadian government was concerned that, if he were executed, it would poison China-Canada relations for years to come (& that his government would be willing to have Mr. Schellenberg transferred to a Canadian jail to serve his full 15 year sentence (the “carrot”) . And then his next step should have been to summon China’s Ambassador to Canada to request that he inform to his superiors in Beijing that Canada, while preferring to settle this affair quietly & informally, would not hesitate, in case Mr. Schellenberg were executed to “go public” & express its displeasure by declaring one or more of the Embassy staff members, or he himself (quite justifiably so given his recent remarks in the press), “persona(e) non grata(e) and initiating action that would affect the presence-, and/or educational & business activities-, of Chinese citizens in Canada (the “stick” that would likely be very well received by Canadian public).

¹⁰ And any doubts about this being retaliation vanished when, shortly after Meng’s arrest, China’s state media dug up the two year-old Schellenberg case & started heavily publicizing it.

¹¹ Unfortunately Mr. Schellenberg is a less than ideal candidate for Canadian Prime Ministerial support. For he has a (drug-related) criminal record going back to 2003 when got off with just six months for possession, while in 2012 the police raided his apartment in Chilliwack BC on the grounds it was a “distribution centre” and seized \$6,080-worth of cocaine & heroin and \$3,205 in cash (which resulted in him getting two years for possession of cocaine & heroin for the purpose of trafficking as well as for the possession of cannabis resin & methamphetamine of which, due to credit for time served, he did only 16 months & 12 days) at which time he claimed to be “deeply ashamed & worried about his father” (who had disowned him), with Supreme Court of BC judge Neill Brown telling him “Your country deserves much better from you ... You are in one of the best countries in the world to live in ... You are not caught up in Libya or Syria , I do not have any evidence of any abuse in your childhood ... (and while) I accept that you have your own struggles to deal with ,,, you have to confront these. After all, it’s not as if you are 18 and having to storm Juno Beach”.

CHINA RIPS TRUDEAU'S "IRRESPONSIBLE" CRITICISM OF CANADIAN'S DEATH SENTENCE (Huffington Post)¹²

- On June 15th it expressed "strong dissatisfaction" with his criticism about the death sentence handed to an alleged Canadian drug smuggler, with Foreign Ministry spokeswoman Hua Chunying saying he should have "respect for the rule of law, respect China's sovereignty, correct mistakes and stop making irresponsible remarks" while the ministry's consular affairs office published a notice that Canada had recently "arbitrarily detained a Chinese national", urging Chinese citizens to "fully assess the risks of going to Canada for tourism".

The actions & verbiage of Canada's Prime-, & Foreign-, Ministers' may well have increased the probability of Mr. Schellenberg's demise in a Chinese jail; he has ten days, i.e. until next Thursday to appeal (as his lawyer said he would). And they will have change tactics; for Beijing has made it clear time & again that it doesn't appreciate being 'talked down to (and will need a solution from the corner it has painted itself into that will not make it 'lose face'. To make matters worse it has for some time had a bone to pick with Canada, a country that by its standards is just another "shithole" country but for its resouces. And it has for some time placed a high priority on bilateral extradition treaties that would facilitate the (forced) repatriation of former senior Chinese officials accused of corruption that are living abroad and (in its view, predominantly in Canada) & has succeeded in negotiating a number thereof. And in the case of Canada in September 2016, during Premier Li Keqiang's official visit to Ottawa (during which he, with Trudeau standing by his side, lashed out at Canadian critics of an extradition treaty saying they are wrongly disparaging China's justice system for being based on torture, repression &, coercion, and said that China's death penalty is needed to deal with violent crime (which Schellenberg's wasn't). And during his visit a top Communist Party official & Daniel Jean, Prime Minister Trudeau's National Security Adviser, were said to have agreed to start talks on concluding an extradition treaty [(seemingly in return for the release the next day, & his return to Canada, of Canadian missionary Kevin Garret (who had 'cooled' his heels for two years in a Chinese jail, accused of espionage). And six months later China's new ambassador to Canada in his first interview (in the Globe and Mail) warned that China doesn't want human rights to be used as a "bargaining chip" in the free trade talks (which seem to have gone nowhere fast), while accusing Canada of dragging its feet in negotiating an extradition treaty because "we had hoped to strengthen our cooperation in judicature (a hundred dollar word for 'the administration of justice') and law enforcement, jointly cracking down on all crimes, incl. abuse of power and economic crimes and making all crimes intolerable". And while Trudeau , in the wake of his December 2017 visit to China resurrected talk of an extradition issue, he quickly lost his appetite for 'walking the walk as well at talking the talk' in the face of political opposition at home and Australia's cooling on the extradition idea abroad.

CHINA TO LAUNCH NEW SUBSIDY-FREE SOLAR AND WIND PROJECTS AS CONSTRUCTION COSTS FALL (Reuters)

- Last year Beijing suspended all new subsidized solar capacity approvals after a record 53 GW capacity increase in 2017 left it with a backlog of 120BN yuan/US\$18BN in

¹² As it in its own eyes has every right to be, given Trudeau's January 14th statement that "We are extremely concerned, as should be all countries around the world, that China is choosing to act arbitrarily whether it is in application of its own justice system to its own citizens and people around the world or whether it's on its choice as to not to respect long-standing practices and principles of diplomatic immunity."

subsidy payments. But China's National Development and Reform Commission, the country's top planning agency, announced on January 10th that "The economic efficiency of solar projects has steadily increased (& the cost of building them fallen rapidly since 2012), thereby creating favourable conditions for state subsidies to retreat & pressure on subsidy funds to ease. In consequence it announced the launching of a series of subsidy-free wind-, & solar-, projects that will generate renewable power at the same cost as non-subsidized coal-fired power plants (although it did add the projects will get support with land & financing (that are, however, one-time upfront costs that are presumably built into the cost of the end product, rather than an ongoing drain on the public treasury).

As of the end of 2017, China had 'ramped up' its solar power generating capacity from 0.36 GW to 126 GW in the nine years (to about 8% of its total power generating capacity). And it is worthy of note in this context that in 2016-2017 of the 795 GW addition to global electricity generating capacity roughly 49% had been accounted for by renewables, incl. hydro, 36% by coal, 14% by natural gas & just 4% by nuclear while there was actually a slight decline in oil-fired capacity.

.0-0-0-0-0-0-0-0-0-0-0-

OCEANS ARE WARMING FASTER THAN EXPECTED, SETTING HEAT RECORD IN 2018 **(Reuters, Alister Doyle)**

- Since 2000 interested parties have put in place a network of 3,900 floats in the oceans to measure temperature changes therein. As reported by Chinese & American scientists in the journal Science they now show that more warming has taken place down to a depth of 2,000 metres/6,560 feet since 1971 than calculated by the 2013 UN assessment of climate change and that "observational records of ocean heat content show that ocean warming is accelerating" as human-made greenhouse gas emissions are warming the atmosphere, a large part of which heat is absorbed by the oceans, forcing fish to flee to cooler waters. And according to lead author Lijing Cheng of the Institute of Atmospheric Physics at the Chinese Academy of Sciences data due for publication next week will show "2018 was the warmest year on record for the global ocean, surpassing 2017", telling Reuters that records for ocean warming have been broken almost yearly since 2000. And, while a separate study by the EU's Copernicus Climate Change Service made recently made public said that 2018 was the fourth warmest year for global surface temperatures in records dating back to the 19th century, ocean water temperatures are less influenced by variations in the weather.

And it is generally inadequately appreciated that as water gets warmer it expands which has the potential for increasing the rising ocean water level situation (although that may be in part-, in toto-, or more than-, offset by the ice melt in the world's glaciers & both Poles), and that warmer water evaporates more & faster than colder water, & that warmer air can hold more water, both of which are responsible for today's more frequent violent rain storms or snow dumps (that in recent days in Austria led to 'once-a-century snow dumps that gave rise to 180 road closures, twenty foot snow drifts, helicopters being used to blow snow off trees so they won't snap, and the integrity of many building roofs being questioned.