

GLEANINGS II - 794
Thursday January 24th, 2019

Quote of the week - "The world economy is growing more slowly than expected, and risks are rising" - IMF Managing Director Christine Lagarde at the Davos World Economic Forum¹ - *China recently reported that its Fourth Quarter annualized GDP growth rate had been 6.4%, a post 2009 low (despite the recent years' 60% increase in its money supply). Last December 19th the Fed downsized its 2019 GDP growth forecast from 2.5% to 2.3% (that the government shutdown may well cause to be shaded down further) & is generally deemed to have become more dovish. And the ECB's Mario Draghi was quoted this week as warning that EU growth this year would likely be weaker than previously expected.*

Atlanta Fed's GDPNow reading - On January 25th, it cut it to 2.7% (the December 22nd level at the start of the government shutdown) from the 2.8% where it had been stuck since January 1st. This 25 day stability is in contradiction to the prognostication a couple of weeks ago by Kevin Hassett, the October 2017 Trump-appointed Head of the White House CEA (Council of Economic Advisers), that the First Quarter's annualized GDP growth rate would slip 0.13% for every week of the downturn, which would have justified a number of 2.1% (2.8 minus 0.65).

Another economic straw-in-the-wind? - Johnson & Johnson² expects the current year's sales³ to be up 0% to 1% YoY, down 9.4%YoY, and 6.34% from 2017 & 2.59% from 2016, albeit up from minus 5.73% in 2015. It blames the strong US dollar (half its sales are generated abroad) & pressure from generics. And it also reported it has 10,000+ law suits outstanding against it (9,000 for supposedly asbestos-contaminated talcum powder), with the cost of those settled in 2018 being US\$1.3BN, more than double the previous year's [a number that could skyrocket since last July the company was ordered to pay US\$4.64BN (90% of it "punitive") to 22 women who claimed its talcum powder had been the cause of their ovarian cancer].

Canadian households' lack of financial 'robustness' - A poll commissioned by MNP Ltd., a licensed insolvency trustee firm, found that at yearend 2018 46% of Canadians said they were \$200 or less away from financial insolvency (up from 40% on September 30th), 31% that they didn't make enough to cover their bills & debt payments (up from 24%) & 51% that they were feeling the pinch of the higher interest rates (vs. 45% last September) - *And the Trudeau government may be just about as badly-, if not worse-, off; for whereas before coming to power in October 2015, he had promised three years of \$10BN deficits to revive the economy before balancing the budget⁴ in Year Four, his government's deficits have consistently been nearly twice that (with little to show for it?) & last November's 'Fiscal Update' projected another five years of deficits in that size range that would bring the national debt by FY 2024 to \$765BN (up nearly 40% from when he became Prime Minister); in other words, his government's handling of the country's finances has caused the national debt to grow at twice the rate of inflation plus*

¹ This dovetails with a January 16th Fed report that businesses across the country had become "less optimistic" in recent months.

² The world's largest pharmaceutical/biotech company by market capitalization.

³ Sales are a subset of 'total revenues' (which include things like licensing-, & investment income).

⁴ While Finance Canada's most recent projection s that it may not be balanced for 20 years "provided there are no major economic shocks or additional government spending"

population growth. But all that throwing money at the economy merely produced a short-term economic growth "spike" : while it tripled the GDP growth rate from 1% in 2015 to 3.1% in 2017, last year it slid to 2.1 & the long-range forecast calls for more slippage to 1.6% by 2022.

Extreme case of ‘public servants’ unjustified spending of taxpayers’ money - Two months ago the Clerk of the BC Legislature & its Sergeant-at-Arms were suspended for “flagrant overspending” of taxpayers’ money; Darryl Plecas, the Legislature’s Speaker, has now substantiated their wrongdoings in a 76-page report that including :

- Having the Legislature order a \$3,200 wood splitter ‘in case a tree fell on the Legislature grounds and the wood had to be split’ that ended up at the Clerk’s residence;
- Collecting over several years, 100s of thousands of dollars, in some years as much as 20% of their salaries, for allegedly unused vacation days in a clear breach of the rules, in some cases collecting for days that they had not been in their offices;
- Over a 5 months’ period the Clerk bought \$\$2,135 of luggage on the government’s tab;
- Rather than taking taxis or public transit, the Clerk habitually booked rides through executive travel companies, during the December 2017-August 2018 period alone for a total of \$3,037 for eight trips, incl. round trips to & from London’s Heathrow Airport & the Park Plaza Hotel that cost \$300 each way;
- The Clerk claimed his Apple Music-, & iCloud storage-, subscriptions as well as the cost of many other magazines, incl. Bicycling, Electric Bike Action, Palm Spring’s Life, & Popular Mechanics, with the cost thereof in one month alone running to \$720;
- On a trip to London the Clerk spent almost \$1,300 in 10 days on, among others, Royal Wedding memorabilia, books (incl. Quotable Churchill, Gimson’s Prime Ministers, Elizabeth II & Make Great Art on Your Own), cuff links, chocolate bars & card games; an
- While on a business trip to the UK James claimed three-meal per diems for every day of it, the Sergeant-at-Arms claimed \$487.91 for dinner at the Royal Air Force Club, and both bought “uniforms” at Ede & Ravenscroft⁵, with the Clerk spending \$1,327.29 on a charcoal suit (described on the bill of sale as a “Black court suit”) & his cohort claimed \$666,11 for onyx & silver-, & mother of pearl-, stud sets, and a Marcella wing shirt.

Forty years ago, a BC friend of mine used to refer to the first-ever NDP government in British Columbia, that headed from 1972 to 1975 by Dave Barrett, as “the time the Huns were in the Temple”. This description seems to have far more general applicability today when many politicians & soi-disant public servants seem to have none of the sense of the fiduciary duty of their predecessors fifty years ago possessed & were proud of. Small wonder populism is on a tear when tax payers see is their “representatives” & “public servants” with both feet ‘in the trough’. And funny, just yesterday someone mentioned to me she was getting the feeling that we are living in a Marie Antoinette-like era⁶; for I have for some time been wondering if the Western world today may not be in a circumstance not unlike France in the 1780s!

Media headlines reporting on the financial status of Americans :

- 63% of Americans don’t have enough savings to handle a \$500 extra expenditure - Forbes, January 6th, 2016;
- A \$500 surprise expense would put most Americans in debt - CBS, January 12th, 2017;

⁵ Established in 1689 it is London’s oldest tailoring firm that counts the Queen, Prince Philip & Prince Charles among its clients.

⁶ She was the Queen of France in the late 1700’s who supposedly, when someone told her the people had no bread to eat, retorted “Let them eat cake!” but who, less than a decade later, was hauled on a cart to the guillotine [and as noted elsewhere in this edition, not dissimilar ‘social boneheadedness’ was displayed on TV by Ivanka Trump (who supposedly made US\$12MM in 2017 while ‘working for free’ at the White House) & Commerce Secretary Wilbur Ross (Net Worth between US\$700MM & US\$2.5BN, depending on who you ask)]

- A quarter of American adults can't pay all their monthly bills - Zerohedge, May 21st, 2017;
- Millions of Americans are one pay check away from the street - Market Watch, January 20th, 2018;
- 40% of Americans can't even cover a \$400 emergency expense - CNN, May 22nd, 2018;
- Most Americans cannot cover a \$1,000 emergency - CNN, May 22nd, 2018; and
- Fed survey : 40% of adults can't cover a \$400 emergency expense - CNBC, May 22nd, 2018.

The US federal government has 2.2MM civilian employees and according to a 2017 CBO report, the salaries of those among them with just a high school diploma were on average 34% higher than those of their counterparts in the private sector. Nevertheless, the nearly one-third of them directly affected by the government shutdown, the reason for which may be that their greater 'job security' & better social benefits and, over the longer term, their 'gold-plated' retirement benefit packages had removed much-, if not all-, of the incentive to 'save for a rainy day'.

Possible 'unintended consequence' of the shutdown? - The longest-lasting effect thereof may well be to drive the message home to tens of millions of Americans that their own financial situation too isn't strong enough either to avoid, possibly extreme, pain in case of an unforeseen crisis - *if so, that might reduce their spending habits & since consumer spending accounts for two-thirds of US GDP, that would create a (minor?) boat anchor for the 'trend' GDP growth rate.*

Potential political impact of the US partial shutdown - 800,000 government employees are directly affected, most of them in the lower pay echelons. Many will have the not uncommon post-Christmas 'financial hangover' & in another six days will face month-end bill payments without the financial wherewithal to pay them (which longer term will affect their credit rating?). Meanwhile, most, if not all, have parents & family members from whom they may be able to borrow money (& friends whom they may also be try to put the touch on), all of whom therefore will feel/share their 'pain', if only because it reminds them they themselves may not be all that financially 'robust'. And then there are the non-employee contractors (many-, if not all-, of whom, will **not** get back pay)⁷. While they may include some higher-paid individuals, the vast majority has low-paid janitorial-, food service-, or security-type jobs. They are said to number a million individuals (which does not seem unrealistic, since the US government owns 300,000+ buildings & leases another 50,000+ more (half of them used by the Armed Services) -. *So the number of those directly affected likely is in the 1.5-2.0MM range and, assuming a 3x relatives' & friends' ratio, there could be 6MM people whose voting behaviour next year could be affected by the government shutdown experience. And since there are 435 members of the House & 100 Senators, on average each member of the former could have 15,000 such people in his/her district & each Senator 60,000 in their state (and in the 2018 mid-terms, of the 34 Senate seats up for grabs, 4 were decided by a majority of significantly less than 60,000), numbers would get both incumbent Democratic & Republican lawmakers' attention; so those in the White House who think the shutdown could last until Apri, should be fitted for a straight jacket.*

President Trump cave-in? - At about 1430 hrs ET on Friday January 25th he went on the air-waves with a well-written-, & presented-, albeit boastful-, speech from the Rose Garden to declare a three week 'truce' for 'negotiations' on his Southern border wall⁸. It was noteworthy for

⁷ As I know from experience, for I long worked for governments on a personal service contract basis.

⁸ This came one day after, at a private luncheon, the Republican Senators had clashed with each other-, & confronted Vice President Pence-, over the shutdown issue during which at one point Sen. Ron Johnson (R-WI) accused Senate Majority Leader Mitch McConnell (R-KY) of it "being your fault"

two things, one, he at one point seemed concessionary when he referred to “a barrier, fences, a wall or whatever you call it” & two, even at a time like this he couldn’t resist several times going ‘off script’ (i.e. depart from the text on the Teleprompter) to adlib, among others, when he waxed eloquent about the poor women who couldn’t breathe because the coyotes had duct taped their mouths & noses shut) - . *While the CNN ‘talking heads’ called this a “cave”(in) & his ‘base was “dismayed”, according to White House insiders he is just as ‘hung up’ as ever on his wall (that he recently said he hoped would one day become known as “The Trump Wall”). But, since he can no more change his septuagenarian egotistic ways than ‘a leopard cannot change its spots’, the odds are that behind the scenes work will proceed apace on the White House preparations for his going the ‘Declaration of a National Emergency’ route in three weeks, for which at last report US\$7+BN in funding had been identified : US\$681MM from ‘Treasury forfeited funds’, US\$3.6BN from ‘military construction projects’, US\$3BN from Pentagon ‘civil works’ funds and US\$200MM from Homeland Security. But even that may not work as well-, or as quickly-, as he expects; for it could-, & likely will-, be tied up in the courts for months, if not years , especially since it envisages having the Corps of Engineers be responsible for construction, using the ‘eminent domain’ legal provision to seize needed right-of-way properties in Texas (which won’t go over well with the locals), skipping the environmental review process, & using some funds hitherto earmarked for Hurricane Harvey relief (in Texas of all places!).*

Rather astute observation on the Trump-Pelosi ‘locking of horns - There was a seemingly quite apropos observation in the social media that “Nancy Pelosi raised five children; she knows how to deal with a toddler”.

Talking about being ‘out of touch’! - Ivanka Trump has been shown several times on CNN in recent days referring to the government shutdown as involving ‘a little pain for the common good’, while Commerce Secretary Wilbur Ross on January 24th opined on CNN that the 800,000 public servants not getting paid account for only 0.3 of GDP, “which is not very much”, & while he said his Department’s furloughed employees could get loans from its credit union (that proclaims on its website “we’re here to help”), its loan officers cheerfully told furloughed workers who inquired about a loan that its interest rates were “as low as 8.99%”.

Use of homing pigeons to move drugs - Homing pigeons can fly over 700 miles/1,125 kms at speeds of 80 mph/130 kms or more in a single day. And while historically they had to be transported to their cote to then make a one-way trip home, they can be trained to fly from their home cote to somewhere else within a 150 mile radius (if they know food will be waiting there for them) & then fly home again. They can carry ‘cargo’ on their backs of up to 2½ ounces in weight (i.e. cocaine with a US street value of US\$7,500-10,500). And there have been at least three reported cases of the ingenious use of homing pigeons for illicit purposes. Thus in 2006, in

upon which McConnell’s responded “Are you suggesting I’m enjoying this?”, with Sen. John Cornyn (R-TX), the Majority Whip in the last two Congressional Sessions who is up for re-election next year, telling a third party afterwards “Nobody was blaming the President (???) ... But there was a lot of frustration expressed about the situation we find ourselves in”. And it was interesting that later that day in the votes on the two resolutions to terminate the shutdown, half a dozen or so Republican Senators voted with the Democrats & that one more Republican Senator voted with the Democrats on their resolution than for the one of his own party. While later that day Sens. McConnell & Schumer had an extended tête à tête to discuss their options, President Trump’s hand was really forced when, after as many half of the air traffic controllers scheduled to work failed to show up work and, resulting in some 2000+ commercial flights being delayed East of the Mississippi alone.

a prison camp in Astrakhan⁹, prisoners got their drugs from their suppliers by having them pitch plastic containers with a bird & the drugs inside over the prison wall & then removing the drugs from the 'baggie' on the pigeon's back, replacing it with the necessary payment & releasing the bird to fly back to its home 'cote', in 2011, a pigeon was intercepted outside a Columbia prison with a baggie on its back with 40 gram of pot & 6 of coke in it. And in 2015 in Brazil's Sao Paolo State prison, after prisoners started keeping pigeons as pets, the authorities found they were of the homing variety & used to smuggle in cell phone parts that after re-assembly, gave the prisoners better phone access to the outside world.

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GEORGE SOROS JUST WENT SCORCHED EARTH ON CHINA DURING HIS ANNUAL DAVOS SPEECH (Business Insider, Joe Clolli)

- His speech at Davos has become an annual tradition. But this year & last he made no friends there, particularly not in Beijing. This year he started by saying "I want to call attention to the mortal danger facing open societies from the instruments of control that machine learning and artificial intelligence can put in the hands of repressive regimes" then carried on with "I'll focus on China, where Xi wants a one party state to reign supreme", with the center of his anti-China rant being Xi's concept of a "social credit system" based on a centralized database of personal information, that, while it does not yet exist (???), the capabilities of the world's *US* technology heavyweights will hasten its arrival elsewhere & lead to a dismantling what remains of an open society (*a revival of the 'Leit Motiv' of his 2018 speech*), concluding "China isn't the only authoritarian regime in the world, but it's undoubtedly the wealthiest, strongest and most developed in machine learning and artificial intelligence. This makes Xi Jinping the most dangerous opponent of those who believe in the concept of open society."
- He then pointed out that while, when President Trump embarked on his China trade crusade, he had been pleased because China needed to be challenged before it was too late, Trump's follow-through had been disappointing. And with respect to the need for the US to play hardball to keep Xi from executing his nefarious closed-society plan, he outlined a couple of ideas. One, Trump should focus his trade war solely on China (& *forget about antagonizing his allies*) and two, the US handling of ZTE & Huawei, the two *Chinese* 'state-controlled' companies that recently came under fire for, *among others*, *large-scale* intellectual property theft, should be "fierce", & they should be cracked down upon. Then he concluded with a vision of some sort of global agreement that would put tensions to rest : "It is possible to dream of something similar to the United Nations Treaty that arose out of the Second World War ... This would be the appropriate ending to the current cycle of conflict. It would reestablish international cooperation and allow open societies to flourish."

His concern that if nothing is done, & done promptly, our grandchildren may find themselves living in a George Orwell Animal Farm-/Aldous Huxley' Brave New World-like society seems 'spot-on'; on the other hand, in his last sentence's global vision he may, unfortunately, well be dreaming in Technicolor, quite uncharacteristic for someone of his stature.

LEGENDARY BILLIONAIRE RAY DALIO TOLD A CROWD AT DAVOS THAT THE NEXT ECONOMIC MELTDOWN SCARED HIM MORE THAN ANYTHING

⁹ A city about 400 kms Southeast of Volgograd (once known as Stalingrad) on the Volga River near where it flows into the Caspian Sea.

(Business Insider, Joe Clolli)

- Dalio is among those who have all but conceded a recession will strike at some point before the end of 2020 &, in a January 22nd panel discussion in Davos hosted by Fox News' Mari Bartiromo, said "In the U.S., there will be a significant slowing of *economic growth* in that particular period ... The bigger issues really are connected to politics and the economic policies associated with that." At the root of his pessimism is the huge debt load US companies have accumulated over the past decade that he calls "a reckoning that will come due sooner rather than later as borrowing costs rise ... & that will not be pretty." And he thinks that when things start going South, it could coincide with divisive political developments, such as the 70% marginal income tax on the super wealthy *idea* recently trotted out by the 30-year-old, far-left Democrat Rep. Alicia Ocasio-Cortez for New York's 14th district (*who last November beat the economics professor GOP candidate 78-14, after having beaten the 10 term Democratic incumbent 57-43 in the primary, despite her campaign funds having been only US\$194,000 vs. his US\$3.4MM*).
- The current situation reminds him of that leading up to the Great Depression. And he elucidates "We have limitations to monetary policy ... our most valuable policy tool ... At the same time we have greater political and social antagonism. That's why the next downturn in the economy worries me the most ... There are a lot of parallels between now and the late (???) 1930s. From 1929 to 1932 we had a debt crisis - interest rates hit zero. Then there was a lot of printing of money, and purchases of financial assets brought their prices higher. That also created a polarity, a populism, and an antagonism." Going beyond what conditions surrounding the next major US economic downturn, he is focused acutely on China & how it will deal with the end of its own cycle.

Dalio is the son of a New York jazz musician. Now 69 years of age & having started his career as a commodity futures trader on the NYSE floor, he now has a Net Worth of US\$18.1BN. He founded Bridgewater Associates in 1975 his Manhattan apartment in 1975 &, after engaging in consulting & research services for over a decade, it got its first money management client in 1987, today it operates from a beautiful, treed 'campus' in Westport, CN & with AUM of US\$125BN is the world's largest hedge fund, whose 350 client list includes the IMF, the Singapore sovereign wealth fund, the Texas Teachers' Retirement Fund & OMERS (Ontario Municipal Employees Retirement System). In 2007 he correctly foresaw the advent of the 2007 global financial crisis, in 2017 did a TED talk entitled "Rather than thinking 'I'm right', I started asking myself 'How do I know I'm right'". Somewhere along the way he published a book entitled Principles of Navigating Big Debt Crises (that is also available in a condensed form as a 30 minute, 8 episode ultra-miniseries. Nevertheless, he may be wrong on the debt situation; for the real US debt market problem may well lie in the UST-, not the corporate-, bond market. One, because the former is several times the size of the latter, two, because of their average maturities (15 years for corporate-, vs 6 for UST one (which makes the Treasury far more vulnerable than the corporate sector to the effect of higher interest rates)¹⁰ & three, because it has been growing much faster (the amount of UST paper outstanding doubled in the past decade & that of corporate debt by only 63%. Having said that, however, there may be secondary problems lurking in the corporate bond market; for in the past decade the share of it accounted by riskier HY (High Yield)/BBB-Rated/ Non-investment grade bonds) has gone from

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As a result of their different debt management strategies : to keep their immediate debt service costs down the Treasury overweighted its borrowing activities in the short end of the market, while corporations did the very opposite & more sensible thing, overweighting the long end to 'lock in' the historically low interest rates for as long as possible to the point where companies like Disney & Coke even issued 100-year bonds (as did Argentina, Austria & Mexico).

26% of the total outstanding to 42%, i.e. from US\$900BN to US\$2.6TR, up 194%), the issuers whereof are by definition the weaker brothers & sisters in the US corporate community.

AS TRUMP PUSHES FOR A WALL, AUTHORITIES KEEP FINDING DRUG TUNNELS UNDER THE US-MEXICO BORDER (WP, Kristine Phillips)

- As President Trump keeps insisting “Only a Wall will work”, in the past month alone the authorities in the New Mexico city of Nogales discovered three, albeit still unfinished, tunnels there to smuggle drugs and/or people into the country. According to the Border Patrol these were the latest of the over 200 discovered *in the past two decades, (while according to La Jornada, one of Mexico’s City’s leading daily newspapers, since 1990 over 210 had been discovered in the Nogales region alone)*. According to David Shirk, an international relations professor at the University of San Diego, “Whether we’re talking about drugs or people, where there’s a will, there’s a way” & to Christopher Wilson, Deputy Director of the Mexico Institute at the Woodrow Wilson International Center for Scholars “The discovery of new tunnels reemphasizes [the need] for a multi-prong strategy ... In terms of return on investment, \$5 billion or \$20 billion or \$60 billion for a wall, it’s not going to give a good return on investment.”

Among the longest & most sophisticated tunnels found so far were the half mile-long one found in 2016 in the San Diego/Tijuana region that was complete with ventilation, a rail track & electricity, the 600 foot-long one that went from under an abandoned KFC restaurant in San Luis, AZ & the one that the Mexican police found last October when it raided a house 221 feet from the border in the town of Jacume in Mexico’s Baja California state, that also had a rail track & used solar power to provide light, and run its ventilation system & the two pumps used to remove water, and that was already 336 feet into the US, with its builders having started to dig vertically, although they had not yet reached the surface. And it’s not just tunnels against which a wall is not effective, but also planes, balloons, catapults, as noted above homing pigeons &, these days, drones. The problem with a wall is that it is a ‘static’ obstacle & the product of ‘straight-line’, “inside the box” thinkers who are no match for more ‘dynamic’, ‘outside the box’ thinkers (a classic example of a static obstacle conceived by straight-line thinkers that failed to deliver was France’s “Maginot Line” built by France at great expense during the inter-war period to defend against another German frontal attack; it ran from the Swiss border North to the Belgian one & then West along most of the Belgian border. But Hitler’s ‘Blitzkrieg’ forces simply outflanked it by going through the gap between the Line’s Western end & the sea.

CHINA WARNS ON HUAWEI (G&M, Robert Fife, Steven Chase & Bill Curry)

- At a January 17th news conference at its Embassy in Ottawa, China’s Ambassador to Canada, Lu Shaye, said China will retaliate if Ottawa over espionage concerns were to ban Huawei from supplying gear for Canada’s next generation 5G mobile network, saying “I hope Canadian officials and relevant authorities and bodies will make a wise decision on this issue. But if the Canadian government does ban Huawei from participating in the 5G networks ... I believe there will be repercussions”. And he called the *December 1st arrest in Vancouver pursuant the US-Canada extradition treaty of the Huawei CFO & Vice Chairman, and founder’s daughter*, a “backstabbing” betrayal¹¹ of Canada’s relationship with China, warned Foreign Affairs Minister Chrystia Freeland against trying to rally international support for the three Canadian citizens detained in

¹¹ And more specifically “We have a saying that a good friend would die for his friend, would shield the knife attack of a friend but in this case we feel it is completely the opposite. It is backstabbing .

- China at this month's Davos World Economic Forum & Canadians generally they will suffer consequences if their country shuts the door to Chian's largest "private" company.
- *To date, three of the five members of the post-WW II FVEY (Five Eyes Intelligence) network, the US, Australia & New Zealand have banned Huawei while the UK & Canada are 'reviewing the issue', and the US is pressing its allies to ban Huawei. Germany has also banned Huawei in a policy U-turn; for it had been skeptical of the US cybersecurity concerns, while Oxford University announced on January 17th it had stopped accepting money from Huawei (a company that has been sprinkling vast amounts of money over research-heavy universities everywhere, incl. Canada, to create intellectual property for it & buttress its market position in 5G technology, with CSIS (Canada's Security Intelligence Service) having warned Canada's universities last October 4th to be careful about their extensive (research money-driven) relationships with Huawei.*

While the Trudeau government continues to contemplate its navel as to whether or not to keep Huawei out of the development of Canada's next generation 5G telecom system, on Monday January 21st both Ralph Goodale & Navdeep Bains, Canada's Public Safety-, & Innovation-, Ministers respectively, in response to a Chinese official's observation that "losses are inevitable if Huawei is not chosen as a cooperation partner", went on record as saying "We know that Huawei is a leading supplier in the 5G technology ...but it is not the only company that can build Canada's next-generation wireless network"¹²). And after last year having provided \$66.7MM in funding for 5G research to a group led by Sweden's Erikson AB, Minister Bains announced in Davos on January 24th that he would meet the next day with Rajeev Suri, the CEO, & a long-time employee of Finland's Nokia OYJ¹³, to sign a similar \$40MM/US\$30MM deal for Nokia to fund 5G research in Canada (akin to telling Huawei 'where to go?'). Meanwhile the US has indicated it intends to proceed with having Huawei's CFO extradited from Canada & Minister Freeland was quoted on Bloomberg as saying Canada had not asked the US to drop the case. So on January 23rd Beijing upped the ante by having its Foreign Ministry spokeswoman Hua Chunying telling the US to abandon its quest to have the Huawei CFO extradited, accusing both the US & Canada for their "arbitrary and unjust abuse of their extradition agreement ... (that) infringes upon the security and legitimate rights of Chinese citizens ... (and) anyone with normal judgement can see that the Canadian side has made a serious mistake in this issue from the very beginning." And with Beijing having little, if anything on the US Trump would care about (& not wanting to aggravate him even more than it already has?), it seems to count on Prime Minister Trudeau folding his tent under pressure, not realizing that, one month before two significant byelections in BC & another six or so before a general election, Prime Minister Trudeau may be able to muster more spine than anyone, incl. most Canadians, would have expected (with the life of the Canadian drug trafficker, whose sentence was recently upped by a Chinese court from 15 years to death, not having the 'ace in the hole' value Beijing had expected?). Something else that Beijing may not appreciate in their "Middle Kingdom" egocentricity is that the more aggressively it seeks to promote Huawei's cause, the more suspicions will grow that Huawei, if not every Chinese company, is a potential security risk and that not banning Huawei would be akin to 'letting the camel's nose in the tent'. And there is a sort of precedent to the Huawei situation : in the 1930's William C. Bullett, the first US ambassador to the Soviet Union, asked Stalin for a new Embassy building although it took until

¹² In fact, replacing & augmenting the Huawei cash that has been flowing to Canadian universities may well be a better use of taxpayers' money than some things Ottawa has been wasting it on.

¹³ A decade ago this company had a dominant global cell phone market share but then fell on evil days to the point where in 2012 Moody's downgraded its bonds to junk status; but after many twists & turns, it seems to have remained a player in the telecommunications field.

1969 that, after “long & torturous negotiations” , agreement was reached on new embassy buildings in both Moscow & Washington. But two decades later, the hugely expensive eight-storey US Chancery building in Moscow stood empty; for its walls had been found to be choc-a-bloc with sophisticated spying gear installed by Russian construction workers, & it took another five years until, after the four top storeys had been demolished & rebuilt by American workers, it could be used, albeit with the conduct of ‘sensitive’ business limited to the reconstructed upper floors) - Huawei is based in Shenzhen, Guangdong Province, 30 kms North of Hongkong, has 180,000 employees, brags about being in “170 countries and regions with one-third of the world’s population” and is the world’s second largest manufacturer of telecom equipment & second only to South Korea’s Samsung.

11 DEAD IN ISRAELI AIR STRIKES ON IRANIAN TARGETS IN SYRIA (Daily Telegraph)

- This took place overnight Monday January 21st. While according to Israeli sources all were pro-Assad Iranian fighters on bases of Iran’s elite Quds force (*although Russian sources said five Syrian soldiers had also been killed*). This was retaliation for an Iranian missile having been fired the day before from Syria into the Israeli-controlled Golan Heights¹⁴ (but had been destroyed by Israel’s Iron Dome anti-missile defense system). About the same time an ISIL car bomb killed 5 Kurds who were on patrol in Syria with US troops (among whom there were no casualties), the third such attack this month.

Meanwhile, the IDF had also been bombing targets in Gaza, killing 23 Palestinians, in retaliation for the firing of missiles into Southern Israel (that had killed no one) .

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TALL TIMBER TOWERS TAKE ROOT IN CANADA AS BUILDERS LOOK TO GO GREEN (Canadian Architect, Ian Bickis)

- Six years ago architect Michael Green, the principal of Vancouver-based Michael Green Architecture, took the stage at a TED gathering & called for a global era of wood-framed sky scrapers, and recently told an interviewer “People really thought I was an idiot”. But non-existent a decade ago, tall wooden buildings have since started springing up across Canada, *like flowers in a desert after a rain*, as the wood industry sees an opportunity, developers embrace new wood-based designs & momentum builds to reduce the heavy carbon foot print of concrete & steel, as the urgency of the battle against climate change grows.
- Today the *occupied* 18-storey Brock Commons Tall Wood House on UBC’s campus (built around two concrete core pillars) is the world’s tallest “mass-timber building” and developers have broken ground for the 19-storey Terrace House, while in Toronto the UofT has launched a 14-storey tower project, George Brown College is planning a 12-storey one on the waterfront, & plans are in the works for a 3.3MM square foot complex of 12 mass timber building ranging in height from 3 to 30 storeys.

In Edmonton I noticed last spring that, next to a traditional 18 storey luxury condo tower under construction (on the Northeast corner of 142nd Street & Stony Plain Road) , a three storey timber frame commercial building was being erected that is now nearing completion; the only

¹⁴ A region East of the Jordan river that was part of Syria until in the 1967 Six Day War its Western, Jordan river-riparian part was seized by Israel.

thing puzzling me is that in a supposedly more environmentally-friendly building they are using those flimsy looking aluminum studs in the exterior walls & interior partitions rather than good old -fashioned, wooden 2x4s (for although the aluminum industry is said to have done a great job cutting its use of electricity in their manufacture of aluminum, it remains a relative power "hog"). Not surprisingly, Canada's fire chiefs don't like the idea, even though the laminated beams used are said to be fire-retardant, if not outright fire-proof.

FOREVER A DANGER. BUT NOW HE'S FREE¹⁵ (National Post, Tristin Hopper)

- Born & raised in Niagara Falls NY, William Shrubner missed his 1988 high school graduation since he was in jail for having killed his mother with a baseball bat the night before [but he subsequently off relatively easy since his mother had (let?) him be physically-, & sexually-, abused. Eight years later, in 1996, he faked his death & fled to Canada, to escape two sexually assault charges. Once in Canada, in 1998, he beat a 24 year-old clerk in a knitting shop into a coma with a baseball bat with the result that she needed to have reconstructive skull surgery involving 12 metal plates & 50 screws. Then, three months later he attacked a 19 year-old woman as she was walking home, repeatedly smashing her face into the pavement before tearing off her pants & masturbating. And, still another month later, he brought a woman up to his room only to choke her into unconsciousness after she rebuffed his advances (although his neighbours saved her life). So in 2001 he was sentenced in a Nova Scotia court to an indeterminate prison sentence as a "dangerous offender" with the judge ruling that if he ever regained his freedom, the likely result would be more dead-, injured-, & psychologically-scarred women & that there was no "realistic prospect of controlling the threat of dangerousness from his re-entry into society". But even dangerous offenders have the right to seek parole, in their case after seven years of incarceration. So the now 47 year-old Ethan Simon Templar MacLeod (the named he had legally changed to in jail) applied for-, & was denied-, parole in 2012, 2014 & 2016, as well as an appeal of his sentence in 2017. Then, last November, against the advice of Correctional Services Canada, the Parole Board of Canada granted the now 47 year old MacLeod parole on the grounds that he had in jail completed programs to reduce his violence, attended regular counseling classes & would face years (*between 2 1/3- 7?*) of incarceration in the US (to which it ordered him deported), so as to "give you the benefit to continue to better yourself in a secured environment".

While it is hard to disagree with his one-time prosecutor's sentiment "There is no explanation for that logic", nor with the current DA complaint that Canada had "downloaded him onto us", at a practical level it makes every bit of sense to have US-, rather than Canadian-, taxpayers bear the \$100,000+ annual cost of keeping him behind bars, and/or taking the risk of having him hurt women if ever he were to run loose on their soil.

THE PROBLEM WITH 'ADDICTION' IS THAT IT IS A DISEASE (National Post, Colby Cosh)

- A labour arbitration tribunal recently ruled that the municipality of Waterloo, Ont. must re-hire a drug-addicted nurse who had stolen drugs & falsified medical records, because as an employer it 'had the duty' to accommodate her "disease" of drug addiction and that

¹⁵ Presumably he won't be "free" for long if arrangements have been made for the appropriate US authorities to meet him at the border.

therefore it had been “discrimination” to fire her since her theft & fake paperwork had been symptoms thereof.

*Dealing with ‘wrong-doers’ has been a subject of debate since the days of Plato, twenty-five hundred years ago. Some people, incl. yours truly, believe that today’s ‘politically correct’ way of pushing the idea that things like alcoholism, drug addiction or body weight are diseases is fundamentally flawed, if not outright **incorrect**. For while a disease, like the multi melanoma I was diagnosed with seventeen years ago, tends to come ‘out of the blue’ & others, like lung cancer & some work place-related illnesses **can/may** be a function of poor human decision-making, the above three human failures are **in toto** a function of irrational **recurrent** human decision making in not knowing enough not to stick a needle in one’s arm, not to bring a glass to one’s lips or not overindulge in eating, when the consequences of doing so are well-known & fully-documented. And with the demand for health care rising & the supply of healthcare dollars becoming scarcer as our economy’s “trend growth rate” continues to slow, the day will come, & not too far in the future, that access to healthcare must be rationed on the basis of personal behaviour (under a hopefully mild form of President Xi’s “social credit system”? (such as has long been the case in automobile insurance - thus a decade or more ago, an 18 year-old Edmonton resident, who had been paying (a rather steep) \$4,630 a year in car insurance, got a shock when he got his renewal notice & his premium had gone up to \$104,630 with the insurance company in essence telling him ‘we don’t want your business no matter what for you have written off 3 cars & had 10 speeding tickets in the past two years). And for years already Canadian hospitals have had a special code for patients’ charts indicative of “Do not resuscitate, there have been no news recently of cases, such as were in the news two decades ago, of 74-, or 89 year-old ‘prominent’ getting a heart transplant that much younger people could have made much better use of, and there have been a few court cases recently of the families trying to prevent doctors from ‘pulling the plug’ on loved ones whose brain had, but whose heart hadn’t, quit working (all of which, if my memory serves me right, the families lost in each case.*