

**GLEANINGS II - 813**  
**Thursday June 20<sup>th</sup>, 2019**

**Quote of the week** - "We have two ears and one tongue so that we would listen more and talk less." - Diogenes, a Greek philosopher who lived from 404 to 323 BC, criticized Socrates & & mocked Alexander the Great when in 333BC he visited Diogenes' then home city of Corinth, 60 kms West of Athens (that must be one of the few cities, if not the only city, in the world whose population today is one-third smaller than it was 2,500 years ago).

**Canadian polling** - According to MacLean's magazine, for three months, from mid-December to mid-March (when the SNC-Lavalin cum Attorney-General Jody Wilson Raybould affair blew up in the Prime Minister's face) the Trudeau Liberals consistently led the Conservatives in the polls by margins of one to five points. But ever since it has been all downhill for them; for, despite the fact the Conservatives' leader, Andrew Scheer, has as much of a public personality as an old wooden cigar store Indian, the Conservatives have led them ever since, by as much as 13 points on several occasions, & at last report by 38-29. And YTD the NDP tally has never been over 21% & at last report was 13% (a function of the fact that nationwide support for the Greens has doubled this year to 12%? [which under our first-past-the post system (*which I believe is, for a country spread over five time zones, 'the only way to go'*) still may not increase their seat count in the House of Common, much, if anything, beyond their current two (out of 338).

**China's liquidity situation** - On June 18<sup>th</sup> the PBOC & China's securities regulators had a meeting with the large (*state-owned*) banks to try & improve the overall liquidity in the country's financial system by encouraging them to increase their lending to the smaller NBFIs (Non-Bank Financial Institutions). For while the overall liquidity situation is said to be "ample", too large a share thereof is in the big banks and the Baoshang Bank government takeover has made them 'head shy' & loath to lend to the SME sector, which in turn makes the PBOC nervous that isolated liquidity problems in that sector (that is highly leveraged) could trigger a systemic credit risk crisis.

**"Insulin caravans"** - With the price in the US of some types of this now nearly 100 year-old drug as much as 10x that in Canada, some sufferers have been 'rationing' themselves (in a number of cases with fatal results). But others, in border states, have started traveling North in convoys to buy the insulin they desperately need in Canada (thereby giving rise to concern among some of their Canadian counterparts that this could lead to shortages North of the border).

**Letter from Amos Schocken (The Editor of Haatetz, Israel's most liberal daily newspaper, on its 100<sup>th</sup> anniversary)** - It reads in part as follows : "In its 71 years Israel became a great success, but it is also under a serious threat, not of (from) Iran but also, and maybe more so, because of its inability to develop a strategy to deal with the occupancy in the West Bank and the resulting apartheid situation vis-à-vis the Palestinian population ... These days are a critical period in Israel. Within three months, Israel will once again hold a general election <sup>1</sup> and the next government will be determined. The real issue is whether Israel will stay a liberal democracy or move further towards a fundamentalist and ethnocentric society (*if Netanyahu is re-elected?*).

**Mexico, an accident looking for a place to happen?** - Trump's ballyhooed June 7<sup>th</sup> agreement with Mexico on immigration was like taking candy from a baby; in fact, a really 'great negotiator'

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<sup>1</sup> Called since, despite having 'won' the April election & 64 of the newly-elected 120 Knesset had formally asked the President to have ask Netanyahu form the next (coalition) government, he was unable to do so in the following more than six weeks - *It remains to be seen if the September election will make any difference.*

could/might have taken at least a bit, if not a whole lot, more. For Mexico was in a weak negotiating position. It's GDP growth rate has slowed down drastically on both a QoQ-, & YoY-, basis; its First Quarter rate was negative & forecasts for this year as a whole are in the 1%, or less, range; so with exports accounting for 35% of its GDP (& 80% thereof going to the US), a US 25% tariff would have been disastrous). Moreover, just two days earlier Fitch had cut Mexico's sovereign credit rating from BBB+ to BBB, its lowest investment grade rating, & Moody's the outlook for its marginally higher rating to "negative". And then there is the national oil company, Pemex, long the government's milk cow Bloomberg last February in a headline to an article called it "the most indebted oil company in the world" (it has US\$105BN of it, incl. US\$82BN in bonds that Fitch earlier had already downgraded to junk status).

**Senate Majority Leader Mitch McConnell's wife, Transportation Secretary Elaine Chao (& by implication Mitch himself) in 'hot water'?** - McConnell (R-KY) is one of 22 GOP Senators up for re-election in 2020 (*vs. half that many Democrats*) & this month she has been in the news on three occasions that could undermine her 77 year-old's hubby's hitherto Teflon position as Senate Majority leader & Trump Political-Facilitator-in-Chief. Once, after the WSJ reported she hadn't, until recently, sold her shares in Ingersoll Rand & Vulcan Materials (that she had undertaken to sell upon being named Transportation Secretary on January 31<sup>st</sup>, 2017 so as to avoid possible conflicts of interest <sup>2</sup>). Again upon it being reported that on an official visit to China she had made arrangements for family members to accompany her & had attempted to have them attend official meetings. And finally when it became public knowledge she had designated her Chief of Staff as a 'special intermediary' to help smooth the way for grant applications, & other 'priorities' for her husband, from his home state (which had resulted in at least US\$78MM of grants for his pet projects in his home state, incl. a highway-improvement project in one of his political strongholds, the grant application for which had previously been twice rejected).

**"Trump Heights"** - The Golan Heights, seized by Israel from Syria during the 1967 Six Day War, have been regarded from the get-go by the global community (incl. the UN General Assembly & Security Council, and the The Hague-based International Court of Justice) as 'illegally occupied territory' under the Geneva Conventions. Despite-, & possibly because of-, that, last March, two weeks before the Israeli election, President Trump recognized Israeli sovereignty there. "Out of gratitude" (*and/or to stroke Trump's ego?*), on Sunday June 16<sup>th</sup>, Netanyahu announced, at a celebratory Cabinet meeting at the site thereof, that a new settlement there will be named Trump Heights, telling those present "We are proud that we have the opportunity to establish a new settlement and give thanks to a great friend ... We will continue to grow and develop the Golan Heights for all our citizens - Jews and non-Jews alike." - *The reaction of non-Jew Israelis to the last part of this statement, cannot help to be, & justifiably so, "Go and tell that to the Marines!", given the passage last July 19<sup>th</sup> of the Jewish Nationality Bill <sup>3</sup>.*

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<sup>2</sup> The latter of which proved to have been a dubious decision in the case of Birmingham AL-based Vulcan whose share price had appreciated just 2% since [while that of Ingersoll Rand, an "American company" headquartered in Swords, Ireland) had done so by 55% (up from the Dow Jones' 33.0% & the Nasdaq Composite's 41%).

<sup>3</sup> Since, passed with the near-barest of majorities (62-55-2), it among others downgraded the Arab language from an "official" one to one with "special status" and its passage prompted Prime Minister Netanyahu, in what has been called "an unusual move", to tell the Knesset that "This is our country. The State of the Jews ... But in recent years there have been some people trying to undermine that ..."

## **FED SEES CASE FOR INTEREST RATE CUTS (Reuters, Howard Schneider)**

- At the news conference following the regular June 18th-19th FOMC meeting, the Fed dropped the promise it would be “patient” in adjusting rates, said it “will act as appropriate to sustain the nearly 10-year economic expansion” & signaled it could cut interest rates by as much as half a percentage point this year, although it hadn’t changed them at this meeting (& traders have already started ‘pricing in’ the possibility of as much as three quarters of a point), in response to increased economic uncertainty, a drop in expected inflation & the drag that rising trade tensions may have on US business investment, as well as signs that economic growth is slowing overseas.

*The preliminary First Quarter 3.2% annualized rate was recently cut, albeit marginally, to 3.1%, and the Atlanta Fed’s GDPNow rate to 2.0% from the 2.1% rate to which it had just been ratched up from the 1.0% to 1½% range in which it had been lingering for almost two months [while its ‘Blue Chip’ (private economists’) forecast had slipped from 2.6% to 1.6% during the same period].*

## **TRUMP’S ABUSE OF EXECUTIVE POWER IS MORE THAN A PRESENT DANGER (NYT, Neal K. Katyal)**

- In the past month President Trump has been on an executive privilege *use extravaganza*, resorting to it 3x, once to block Congress from obtaining census citizenship question material, once to try & bar giving the full Mueller report to Congress & once to stop former White House Counsel Don McGahn from providing documents to Congress.
- Our constitutional system is defined by a balance between the public’s need for transparency & our government’s need for a zone of secrecy around decision making, important, but mutually exclusive, concepts. And, while the Constitution erred on the side of transparency, for there’s no mention of executive privilege in its original text, under the guise of it being a “living Constitution” both Democratic & Republican Presidents have used executive privilege to let their people give them advice without fear of embarrassment [as a result of which it has been (*ab?*)used for all sorts of routine matters].
- But when Richard Nixon tried to use it to block turning over tapes implicating him & his staff in criminal activity. the Supreme Court (three of whose judges were Nixon appointees), unanimously ruled against him on the grounds the president is not above the law & it could not be used to shield his-, & his staff’s-, misconduct from sunlight. So ever since *most* Presidents, not wanting to be tainted by Watergate-like allegations, have been circumspect in their use thereof <sup>4</sup> (except for Bill Clinton who used it over a dozen times, incl. once to try & block two White House officials from testifying in the Monica Lewinsky affair - which led to Ken Starr in his impeachment referral to Congress calling his abuse of executive privilege a reason for impeachment).
- So Trump’s use of executive privilege to shield personal wrongdoing has prompted echoes of Watergate & attracted a lot of scrutiny, & not just in Congress but in the courts as well. For Nixon lost the battle of shielding his aides from testifying, & ultimately his claim to secrecy, by crying wolf too often (& while Trump seems well on his way to follow the Nixon-Clinton precedents, neither ended particularly well). For, while Americans can tolerate some secrecy, especially when rooted in the protection of the public interest, when, instead of safeguarding high-minded principles, claims thereto start looking personal, like those of an *absolute monarch or dictator*, that patience could quickly wear thin. So, while

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<sup>4</sup> Ford once in 2½-, & Carter once in four-, years, Reagan 3x in eight-, & Bush 41 once in four-, years and Obama once-, & Bush 43 six times-, in eight years.

executive privilege has a legitimate role to play in America's political system, Trump's *seeming* abuse thereof (& for the wrong reason, since refusing to turn over to Congress information about potential wrongdoing is about as weak a claim as conceivable for its use) may undermine its legitimacy, & hence the ability of future presidents to use it.

*A 14<sup>th</sup> century saying talks about the risk of "going to the well too often".*

### **SENATE VOTES TO BLOCK TRUMP-BACKED SAUDI ARMAS SALES (CNN, Ted Barrett)**

- On June 20<sup>th</sup> a bipartisan group of Senators (incl. *as many as 7 Republicans*) voted down three parcels of a total of 22 resolutions (*two by a vote of 53-45 & the third by 51-45*) that represented an attempt by the Trump administration to circumvent Congress & expedite US\$8.1BN in arms sales <sup>5</sup> to Gulf countries. While it will now go to the House (*where a negative vote is all but a foregone conclusion*), Trump will veto it when it gets to his desk and the Senate vote fell far short of the two-thirds majority needed to override it (*at least not in this go-around*).

*There were two motivations to vote against the resolutions. One was the disastrous consequences for-, & collateral damage among-, Yemeni civilians from the ongoing & spectacularly unsuccessful Saudi-led war against the Houthi rebels in Yemen & the other last fall's the Khashoggi killing in the Saudi Consulate in Istanbul (the former of which has-, & the latter of which is broadly believed to have had-, the hand prints of Saudi Crown Prince cum Defense Minister Mohammad bin Salman's hand prints all over it <sup>6</sup>. Of the up to seven Republican Senators who voted with the Democrats the most noteworthy was Sen. Lindsey Graham (R-SC), usually one of Trump's closest allies & apologizers, who prior to the vote noted that he wanted to send a signal to Saudi Arabia that "if you act the way you're acting, there is no space for strategic relations ... There is no amount of oil you can produce that will get me and others to give you a pass on chopping somebody up in a consulate ... While I understand that Saudi Arabia is a strategic ally, the behaviour of Mohammed bin Salman cannot be ignored ... Now is not the time to do business as usual with Saudi Arabia. I am also very concerned about the precedent these arms sales would set by having the administration going around legitimate concerns of Congress." On the other hand, Senate majority Leader Mitch McConnell, the Trump Apologizer-in-Chief, was his usual mealy-mouthed self, opining that the question for the Senate to consider "is whether we'll lash out at an imperfect partner and undercut our own efforts to build cooperation, check Iran, and achieve other important goals, or whether we'll keep our imperfect partners close and use our influence." (while reality is under the Trump Administration, and in part to Jared Kushner's involvement, Washington is dancing to Riyadh's tun, rather than the other way around.*

### **OUR ORLANDO SENTINEL ENDORSEMENT FOR PRESIDENT IN 2020 : NOT DONALD TRUMP (Orlando Sentinel <sup>7</sup>, Editorial)**

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<sup>5</sup> At least some of which are of a nuclear nature.

<sup>6</sup> And in recent days a UN investigator has called for an investigation of Saudi officials in the Khashoggi murder while the UN itself has called on the US & Canada to hold Crown Prince Mohammad accountable for it

<sup>7</sup> A daily newspaper with a daily circulation of 151,000 (except Sundays when it jumps to 258,000)

- Some readers will wonder how we could possibly eliminate a candidate so far before an election ... before we even know the identity of his opponent. But there is no point pretending we would ever recommend that readers vote for Trump ... After 2½ years we've seen enough, enough of the chaos, the division, the school yard insults, the self-aggrandizement, the corruption, and especially the lies. Trump's capacity for lying isn't the surprise here, its frequency is and his successful assault on the truth is the great casualty of this presidency. He has diminished our standing in the world. This nation must never forget that humiliating public moment in Helsinki when the president of the United States chose to accept Vladimir Putin's denials of Russian interference in the 2016 election over the unanimous assessment of the American intelligence community. Such a betrayal by a U.S. president would have been the unforgiveable political sin in normal times. And if that's not enough Trump has declared his love for North Korea's Kim Jong-un , a genuine villain who starves & enslaves his people, and executes his enemies with anti-aircraft guns & flamethrowers, but who wrote Trump a "beautiful letter". Flattery will get you everywhere with this president. Deficit spending under Obama was far too high, in part because of the need to dig us out of the Great Recession ... *but* under Trump, it's still headed in the wrong direction, once again pushing \$1 trillion even though the economy is healthy.
- This non-endorsement isn't defaulting to whomever the Democrats choose ... *but while* the nation must endure another 1½ years of Trump ... it needn't suffer another four beyond that. We can do better. We have to do better.

*This appeared in the paper the morning after the Trump rally in Orlando <sup>8</sup> attended by an estimated 20,000 people (in a city with a population of 1.5MM & a 50% greater one in its Metropolitan area) that had been marketed as 'kicking off his 2020 re-election bid', and a paper that, by its own admission, "Except for Lyndon Johnson in 1964 ... backed Republican presidential nominees from 1952 through 2004, when we recommended John Kerry over another four years of George W. Bush ... (and) As recently as 2012 ... recommended Republican Mitt Romney because of what seemed ... Obama's failure to adequately manage the nation's finances."*

### **CANADA'S CORE INFLATION RATE AT HIGHEST POINT SINCE '12** **(Bloomberg, Chris Fournier)**

- According to the StatsCan in May the CPI was up 2.4% YoY (the highest such rate since last October), vs. 2.0% in April & the 2.1% median economists' forecast. This was due to shelter costs being up 2.7%, with food & transportation the other major drivers. And core inflation, a better gauge of underlying price pressures & one closely watched by policy makers <sup>9</sup>, rose to its highest level since 2012. According to Josh Nye, a senior economist at the Royal Bank of Canada, in a Note to Investors the stronger inflation numbers "are one reason the Bank of Canada faces less pressure to reverse course and begin easing monetary policy." In the aftermath of this news the Canadian dollar appreciated 0.3 cents against its US counterpart & the yield on two-year GoC bonds rose five points to 1.46%.

*Due to its earlier rate cutting the Bank of Canada's current 'policy rate' is 1.75%, well below the Fed's key rate that this week's FOMC meeting left untouched in the 2.25%-2.50% range. So now*

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<sup>8</sup> During which, according to CNN, he 'made 15 false claims in 76 minutes & to others he raised US\$24.8MM.

<sup>9</sup> I have always questioned this. For excluding food & energy from the CPI pricing base may make sense to pointy-headed Ph.Ds in central bank ivory towers with job security but less so in the every day life of Jill & Joe Hoi Polloi.

*the Canadian economy's growth pattern is the inverse of that in the US; for while there the economy seems to be slowing down in the Second Quarter after a strong First, in Canada the economy appears to be picking up some steam in the Second-, after a weak First-, Quarter*

### **PIPELINE APPROVAL TRIGGERS RELIEF IN ALBERTA** **(StarMetroCalgary, Madeline Smith)**

- On Tuesday June 17<sup>th</sup> Ottawa 'greenlit' the Trans Mountain Pipeline expansion for the second time (almost 10 months after the Federal Court of Appeal had quashed its initial approval on the same day Ottawa finalized its purchase of the project from Kinder Morgan for C\$4.5BN). While Prime Minister Trudeau says shovels are planned to be in the ground "this construction season", according to Alberta's *new* Premier, Jason Kenney, while he "appreciates" Ottawa's move, he isn't celebrating the federal approval just yet since it's "just another step in a process that has, frankly speaking, taken too long" and "Success will be measured by one thing alone : completion of this pipeline."

*At least two age-old, & often proven correct, sayings apply : "There's many a slip 'twixt the cup and the lip" and "Don't count your chickens before they're hatched". This move appears motivated by the next federal election being due 'before the end of this construction season' (although it is not clear if this move will help the Liberals keep its current four seat representation in Alberta, or its 17 seat one in BC). For fundamentally nothing has changed : BC's NDP minority government still depends on Green Party support to stay in power & will be more comfortable with being obstructionist now that Alberta's former NDP government has been sent packing, the well-meaning-, but deluded-, & mostly foreign-funded-, 'environmentalists' opposing it are unlikely to be detracted from their 'mission' & the supposed terminal point will never ever, & for good reasons so, be in Burnaby <sup>10</sup>. Still, this to Alberta vitally-important-, & economically-sensible-, pipeline expansion at some point in the not-too-distant future will come to fruition, albeit not to Burnaby.*

### **CHINESE PRESIDENT XI JINPING'S VISIT TO NORTH KOREA (THE WILSON INSTITUTE)**

- On June 20<sup>th</sup> Xi Jinping will make a two-day state visit to North Korea. While Kim Jong-un has traveled to China several times over the last year, this will be Xi's first trip to Pyongyang, with three of our experts seeing these potential implications & outcomes :  
a) **Jean H. Lee, Director of the Hyundai Motors-Korea Center for Korean History and Public Policy** - With President Trump planning, later this month, to have a Summit with South Korean President Moon Jae-in (who *in turn* has hinted he wants another inter-Korea Summit with Kim) & Kim still focused on his bilateral relations with the US, the question is whether Xi (whose visit will be a much-needed boost for Kim with his power base by showing he still has China's support even if things didn't go well with Trump in Hanoi last

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<sup>10</sup> **One**, while the pipeline's right-of-way 67 years ago ran through farm land, today's it cuts through suburbia (in which in 2007 a municipal contractor caused a pipeline break that caused thick, black crud flowing down its streets. **Two**, if the line's throughput is tripled, the site of the tank farm terminus site must also be expanded &, since it is hemmed in by Burrard Inlet to the North, the Simon Fraser University campus to the East and suburbia to the West & South, Kinder Morgan's plans were to expand it into Burrard Inlet waters (which went over 'like a lead balloon'). **Three**, since currently only one-third of the line's throughput is exported, tripling its throughput would require 8x increase in tanker traffic past Vancouver's iconic Stanley Park (which also has gone over like another lead balloon). And **Four**, while there is deep water in Burrard Inlet at the tank farm site, there is a water depth 'threshold' in the Burrard Inlet from the Eastern end of Stanley Park North where the water depth is such as to prohibit the use of use of tankers of any significance size (not much of an issue when 100,000 bbl/d was exported from the Burnaby terminal but a huge one if exports were to grow eight-fold).

February) will use his visit to pressure Kim to take concrete steps towards denuclearization or assert his influence with him to diminish the impact of US policy on North Korea;

b) **Abraham M. Denmark, Director of the Institute's Asia Program** - This will be the first visit to North Korea by a Chinese leader in 15 years & comes at a time Kim's status at home & abroad has suffered from his failure to reach a deal with Trump in Hanoi, the denuclearization talks have stalled, & Xi is preparing to visit Japan for the G-20 Summit. I suspect that of the issues on their agenda three will dominate : the denuclearization talks with the US, relations between North & South Korea & a possible economic agreement between Beijing & Pyongyang (*to help alleviate sanctions pressure on the Kim regime?*); for North Korea remains the target of (*further?*) international sanctions by the United Nations Security Council (of which China is a member *but, more importantly, in which it has a veto*). I expect Xi will want to see at least the appearance of progress in the US-North Korea negotiations (even though the prospect of tangible progress remains slim) if only since a lack thereof could cause more crises & tension in the region; and

c) **Katie Stallard-Blanchette, a Wilson Institute Fellow** – With the China-North Korea relationship no longer as close as “lips and teeth”, Xi will still want to demonstrate he remains the key player in dealing with North Korea & that China cannot be sidelined in any future US-North Korea denuclearization negotiations. And while he wants a nuclear-free North Korea, that's not his top priority for the peninsula : it comes after stability and the avoidance of conflict & regime change there. And as he still faces a protracted trade dispute *with the US*, the Communist Party-controlled Chinese media have been reminding the Chinese people that their grandfathers fought alongside the North Koreans against the Americans in the Korean War by showing Mao-era Korean War movies in prime time evening slots (hence it's not surprising that Xi & Kim are scheduled to pay a visit to the Sino-North Korean Friendship Tower in Pyongyang, the lasting memorial to the Chinese “volunteers” who died in that conflict). And for Kim Xi's visit shows his people that he remains a respected global statesman who has the support of his country's most important ally hence is not completely isolated & desperate for a deal *with the US* at any cost.

*Apparently, after Xi announced plans to visit North Korea, a phone call took place between Xi & Trump on Tuesday evening June 18<sup>th</sup> Beijing time (Tuesday morning Washington time) that supposedly was initiated by Washington during which, according to Xinhua, Xi told Trump that ‘I am willing to hold a meeting at the G20 & exchange views on fundamental issues concerning the development of China-US relations and it will be positive us to talk in person but we are still very far from a trade deal & I hope the US side can treat Chinese companies in a fair manner’. This does not bode well for any expectations President Trump may have that at the June 28<sup>th</sup>-29<sup>th</sup> Osaka G20 Summit Xi would genuflect before him, especially since Xi in preparation for the G20 has been a busy traveler & has met with several, not necessarily Trump-friendly, national leaders; thus from June 5<sup>th</sup>-8<sup>th</sup> he was in Moscow where he met with President Putin & Prime Minister Medvedev, and from June 12<sup>th</sup>-15<sup>th</sup> in Kyrgyzstan & Tajikistan <sup>11</sup> where he met with their Presidents as well as with India's Prime Minister Modi, Afghanistan's President Ghani & Turkey's President Erdogan (of whom both Modi & Erdogan will be among the G20 Summit attendees) - The Washington-based Wilson Institute, officially known as the Woodrow Wilson International for Scholars, was created by Congress in 1968 as part of the Smithsonian to be a ‘US Presidential*

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Where apparently along major stretches of its 843mi./1,357 km-long border with Afghanistan border Tajik border guards have been replaced by Chinese ones “to help minimize the flow of extremists from Afghanistan into Talikistan” since Tajikistan also shares a (297 mi/466 km) border with China's restless, largely Uighur Muslim-populated, Xinjiang Uighur Autonomous region?

*Memorial' to honour the 29<sup>th</sup> President, Woodrow Wilson (the only US president ever with a Ph.D.) who served for eight years from 1913-1921 & died at age 67 in 1924.*

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**COMPANY PART-OWNED BY JARED KUSHNER GOT \$90 FROM UNKNOWN OFFSHORE INVESTORS SINCE 2017 (The Guardian, Jon Swayne)**

- A company once called Cadre, & now *RealCadre LLC*)<sup>12</sup>, was founded in 2014 by Jared-, & his brother Joshua-, Kushner & their friend Ryan Williams, a Goldman Sachs alum, *and funded by the major Democrat donor George Soros' \$250MM line of credit.* It operates from a building in Manhattan owned by the Kushner family's real estate corporation & styles itself as an online market place where investors can come together to buy property. But it also operates a real estate investment fund investing in properties across the US, that now, after initial slow growth, has grown, according to a SEC filing last March, to US\$522MM, i.e. 5x its size prior to *January 9<sup>th</sup>, 2017* when Jared was appointed a Senior White House adviser (*where he now runs a sort-of mini-State Department*) after which he kept a stake in Cadre while selling other assets. Said by the Company not to be not 'actively involved in its operations', due to an 'inadvertent omission' he failed to list his 25% interest in Cadre (valued at \$50MM) among his assets in his first ethics disclosure following his appointment.
- According to a Goldman Sachs' securities filing it began soliciting investors for Cadre in August 2017 through a Cayman Islands-based vehicle (which means that the names of those investors cannot be made public) & *five months later*, in January 2018 announced it had struck a deal for clients to invest up to \$250MM with the Company (*that gets an annual fee & a share of the profits, a not uncommon arrangement for such funds*). According to two sources familiar with the firm much of this money came to the Cayman vehicle from another offshore tax haven (*the British Virgin Islands*) & some from Saudi Arabia.
- The view of Jessica Tillipman, a lecturer in government ethics & anti-corruption laws at the George Washington Law School, is that "It will cause people to wonder whether he is being improperly influenced", & that of Richard Painter, a former ethics lawyer in the Bush 43 Administration (& a *Trump critic who unsuccessfully ran for the Democratic Senate nomination in Minnesota last year*) "The problem with Kushner - and with Trump - is that we have all these corporate entities, and nobody knows whom is invested in them and where those investors borrowed their money. We simply have no idea,"

*But we do know that when Goldman is on the scene, chances are better than even that some financial jiggery-pokery/sleight of hand will also be. As to the Caymans, I remember a friend of mine & I having dinner with two ladies in Washington three decades ago, one of whom then was the IRS' Deputy Legal Counsel; her view on financial structures involving the Caymans was along the lines of 'it's a pity that so many lawyers all over the country spend so much time-, & charge their clients so much money for-, creating tax structures involving the Caymans; for they just draw our attention to them, in my office every single one of them, without exception, is automatically*

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In which Silicon Valley venture capitalists, as well as Chinese technology tycoon Jack Ma & the Israeli entrepreneur Yuri Kushner have ownership stakes [the former (age 54) is the co-founder & Executive Chair of the Alibaba Group & has a reported Net Worth of US\$35.6BN while the latter (age 57) has a Net Worth of US\$3.7BN, a doctorate in particle physics from the Moscow State University & an MBA from Wharton and ownership stakes in, among others, Facebook, Zynga, Twitter, Alibaba & Airbnb and in recent years has been included on various elite businessmen's lists by Bloomberg, Foreign Policy, Time, Fortune & Forbes].



*scheduled for further investigation.’ And according to the NYT in a March 21<sup>st</sup>, 2019 article entitled The Kingdom and the Kushners: Jared went to Ryadh. So did his brother, “in late October 2017 Jared Kushner, President Trump’s son-in-law and Middle East adviser, dropped into Saudi Arabia for an unannounced visit to the desert retreat ... of Crown Prince Mohammad (aka MbS). The two men talked privately late into the night. Just a day earlier Mr. Kushner’s younger brother Joshua, then 32, was flying out of the kingdom. Jared came to talk policy, but Joshua was there on business ... (and) had spent the three days before his brother’s arrival at an investor conference ... (where) as others sat through speeches, several participants said the younger Kushner had frequently ducked out for more exclusive conversations with Saudi officials.”<sup>13</sup>.*

## **HIGH COURT WON’T TAKE NAZI ART DISPUTE CASE (AP)**

- On May 20<sup>th</sup> the US Supreme Court left in place lower *California* court rulings against Marei von Saher over the ownership of two *life size* German Renaissance paintings, “Adam” & “Eve”,<sup>14</sup> by Lucas Cranach the Elder<sup>15</sup> (valued in 2006 at US\$24MM) that have been owned since 1971 by the Pasadena-based Norton Simon Museum of Art. These paintings had been looted by the Nazis, *along with hundreds of others*, from her Jewish father-in-law, *Jacob/Jacques Goudstikker (English : Goldchoker*<sup>16</sup>) and seized by the Dutch government after the war & sold, and in the 1990’s a Dutch court had ruled against von Saher when she had sued *for recovery*.

*My initial reaction was one of surprise; for I thought she should have gone hammer & tongs after the Dutch government.. But as is often the case, there is a great deal more to this story than first met the eye. Her father-in-law was born in 1898 & on May 16<sup>th</sup>, 1940, aboard a ship on the North Sea, fleeing to England with his wife & infant son Edo with plans to go to America, he fell down a hold, broke his neck & died. He was an Amsterdam art dealer with an inventory of 1,400+ works by 15<sup>th</sup>-19<sup>th</sup> century Dutch, French, German & Italian painters (his family still has his black, multi-ring binder of neatly-typed pages inventorying them) who was so well known that, after the*

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<sup>13</sup> The younger Kushner (now age 34) is no slouch in his own right. He doubled his money in 72 hours when he invested in shares of the photo-sharing app Instagram, started by his friend Kevin Systrom, days before it was taken over by Facebook. He is also the founder of the health insurance ‘unicorn’ Oscar that in March of last year raised US\$165MM in new funding (that increased its total funding up to that point to US\$1.2BN) at price that raised its valuation to US\$3.2BN. And before that, in 2009 when he was just 24, he had founded a venture capital firm called Thrive Capital that over the years had raised US\$10MM in 2009, US\$40MM in 2011, US\$150MM in 2012, US\$400MM in 2014, 700MM in 2016 & US\$1BN in 2018 for the six funds it has under management, bringing its total AUM as of February of this year, to US\$2.5BN.

<sup>14</sup> Both nudes, with fig leaves in the appropriate places.

<sup>15</sup> Much of his life (1472-1553) he was the court painter for Frederick III (aka Frederick the Wise) & his successor as the Elector (i.e. hereditary ruler) of Saxony (located in the very Southeast of today’s Germany, bordering on the Czech Republic to the South & Poland to the East). He was a friend (& the Elector a patron) of Martin Luther & is an ancestor of Johann Wolfgang von Goethe (1749-1832), with the ‘von’ surname indicative of ‘noble birth’, one of-, if not-, the greatest ever German ‘Renaissance Men’ (*the longevity in past centuries of some, admittedly better-off, people in Western Europe never ceases to amaze me*).

<sup>16</sup> When I was a kid, there were some colourful Jewish family names; the most remarkable that of a Jewish junk dealer in Brussels who had a large business sign with his name Moses Scheitemmer (Shitpail).

Germans had overrun the Netherlands in 1940, Hermann Göring himself (then at the height of his power<sup>17</sup>) had come to Amsterdam to select hundreds of the paintings to add to his collection. Marei von Saher is now 74 years of age. Born & raised in Germany & a figure skater in her youth, she met & married Edo when the latter was with the US Army in Germany. She has lived in Connecticut for over three decades & still teaches figure skating in Greenwich CN. Her (only) daughter, Charlene, who was a world class figure skater in her own right<sup>18</sup>, has been her right hand in the quest for her father-in-law's-, & Charlene's grandfather's-, paintings (the majority of which still is out there somewhere in private collections and/or, in some cases, museums. But the Dutch government may well on the right side of history. For in 1946 the Allies restituted all formerly Dutch Jewish-owned looted art to it to sort out ownership since most original owners & their families, had disappeared in the maws of the Holocaust. And fifty years later the Dutch Parliament had passed a law that made it easier (but not 'knock down easy') for the original owners' descendants to have their family's paintings (that in many cases had been on display for decades in various museums) returned to them (incl. Marei herself whose efforts in this regard enabled her, in 2006, to get 202 of her father-in-law's paintings back (most of which promptly found their way to the Sotheby New York's auction block - in all fairness to recover some of the huge expenses incurred in her decades-long quest for their recovery). But the two Lucas Cranach the Elder paintings fell in a category of their own; for Goudstikker had acquired them in 1931 at a Soviet government-sponsored auction in Berlin that was advertised as "including works from the Stroganoff Collection". So after, in 1961, the exiled Russian aristocrat George Stroganoff-Sherbatov<sup>19</sup> claimed they had been part of his family's collection that was seized by the Soviets after the 1917 Russian Revolution, in 1966 the Dutch government had returned them to him (albeit, being Dutch, for a 'consideration' of f60,000) only to have him sell them five years later for US\$800,000 to billionaire Norton Simon, who then was one of the richest men in America [and who in the same year, six years after the death of her second husband, David Selznick<sup>20</sup> (1902-1965), had married the actress Jennifer Jones<sup>21</sup>]. That's how these two Lucas Cranach the Elder works ended up in San Diego (thereby making the von Saher claim more than a little tenuous).

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- <sup>17</sup> A fighter pilot during WW I & the successor in command of the fighter wing of the Red Baron, Manfred von Richthofen, after the latter was shot down & killed in April 1918, he was an early follower of Hitler and became the head of the German Air Force & officially the No.2 in the Nazi hierarchy until his fighters were unable to stop the increasingly frequent & effective Allied bombing raids after which he concentrated on getting rich & grossly overweight and admiring his art collection (to the point that in April 1945 Hitler accused him of treason & ordered him arrested, which never happened). At the 1945/46 Nurnberg Trials he was condemned to death but cheated the hangman by taking, the night before his execution, cyanide he had somehow gotten hold of.
- <sup>18</sup> Now in her mid thirties & 'in real estate, she competed internationally during the Nancy Kerrigan era of the early 1990s when she was won the British figure skating championship in 1993 & placed 15<sup>th</sup> in the 1994 Winter Olympics in Lillehammer, Norway.
- <sup>19</sup> A retired US Navy Commander, he had born a Prince in 1898 (a title he dropped when he became a US citizen in 1927). After having been a radioman in the Russian Army prior to 1917, he then made a career in US Navy Intelligence where, among others, he acted as an interpreter/translator at the Yalta-, Potsdam-, & Paris Peace-Conferences, and after his retirement lived in Connecticut where he was killed in a car accident in 1976.
- <sup>20</sup> A long-time Hollywood heavyweight producer, screen writer & executive who over his 34 year career ended in 1957 was involved in the making of 67 feature movies, two of which, Gone with the Wind & Rebecca (that launched Alfred Hitchcock's US movie career) got him the Best Picture Academy Award in 1939 & 1940 respectively. His first wife was Irene Mayer, the daughter of legendary MGM movie mogul Louis B. Mayer whom he married in 1930, two years after leaving MGM to go to Paramount Pictures (whom he divorced in 1949 to marry Jennifer Jones).
- <sup>21</sup> Nominated 5x for an Academy Award, in 1944 she won the Best Actress in a Leading Role Award for The Song of Bernadette (doing so at age 25, making her the youngest ever such winner) & last performed in the 1974 movie

*And this story has a personal perspective. For a little over a year ago, another looted Lucas Cranach the Elder painting, Portrait of John Frederick I, Elector of Saxony<sup>22</sup>, surfaced in a private US collection after its owners recognized it in a book written by Simon Goodman, the one-time owner's grandson, about his quest for his grandfather's paintings, & had contacted him. For it had been looted by the Germans from Fritz Gutmann, a Dutch banker of German descent<sup>23</sup> (whose father had helped create Germany's Dresdner Bank in 1872 from the merger of a number of smaller banks<sup>24</sup>) who lived in my home town in a palatial home that, if my memory serves me right, was acquired after the war by a friend of my father (& likely quite legally so; for after the war all real estate property once owned by the 100,000 of the 110,000 Jews who had lived in Holland in 1940 & had perished in the Holocaust, had reverted to a Jewish Foundation tasked with managing it until the rightful ownership could be established. And the reason that this touched a nerve with me was because my parents went through a similar transaction. For after the five-day May 10th-15th, 1940 war in Holland<sup>25</sup> our family had to vacate the home we had been living in for over two years, the official residence of my father as Commanding Officer of the Amsterdam Royal Dutch Navy yard. So my mother had on short notice to find alternate accommodation for us [while my father was in hospital, recovering from being shot through the head in those five days (by one of his own officers who had become mentally unhinged by the war)] and had found it in Aerdenhout in what we now would call a suburb of the old city of Haarlem, about 15 miles West of Amsterdam, in a brand new Jewish-owned house, the owner of which had, of course, later also disappeared in the Holocaust. So after the war ownership of the house had reverted to that same foundation. And having spent all 22 years of her marriage in houses owned by others, incl. the Navy, my mother after the war had a yen to buy the house for her & my father to retire in. But there was only one problem, the foundation's manager wouldn't sell ... at least not until late one evening in 1963 when he phoned my mother (who was then 70 & my father 74), to inform*

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The Towering Inferno. In 1980, two years after her daughter, Mary Jennifer, committed suicide, she founded the Jennifer Jones Simon Foundation for Mental Health and Education & after Norton Simon died in 1993 at age 86, at age 74 became Chairman of the Norton Simon Foundation Board

22 The son & successor of Frederick the Wise.

23 Gutmann's father had converted from Judaism to Christianity & Fritz had been baptized a Christian, as had been his wife Louise. But that mattered little to the Nazi's, what mattered was not your religion but your ethnicity; in some cases even only two Jewish grandparents was enough to get you 'transported'; so both Fritz & Louise (who were in their mid-to-late fifties) were detained for "transport to Berlin" in mid 1943 but ended up being murdered, he in the Theresienstadt camp in what's now the Northern Czech Republic in April 1944 & she in Poland's notorious Auschwitz camp six months later.

24 That when I was active in capital markets in the 1980's was the second of Germany's Big Three banks behind the Deutsche-, but ahead of Commerz-, Banks but is no more, first having been taken over in 2002 by the Munich-based Allianz insurance cum financial services conglomerate and then in 2009 sold by Allianz to, & merged with, the Commerzbank.

25 That had ended so abruptly because while the First World War had been fought on the fields of Belgium, & to a lesser extent those of Alsace-Lorraine, after which the French during the inter-war period built the Maginot line of concrete fortifications all the way from the Swiss border North to the Belgian one & from there West halfway along the Belgian one to avoid another such frontal attack, Hitler decided his panzers would outflank it by going the Low Countries South through the gap between the end of the Maginot line & the North Sea coastline into Northern France and, when the Dutch proved more of a match than he had expected, ordered the Luftwaffe to bomb the bejesus out of the city of Rotterdam & then informed the Dutch government if it didn't surrender post haste Amsterdam would be next (upon which it folded its tents).

*her the house would go on the market at 10:00 a.m. the next morning but that they could have first dibs on it. This apparently led to a long night of debate between my parents on how to pay for its purchase, with my mother (who could be outrageously bold & never let 'grass grow under her feet'), at close to midnight calling a real estate agent she hardly knew but had heard good things about to ask him what he thought of the deal. Well, in those days, as an aftermath of the post-war housing shortage, it was still extremely difficult, & a years'-long undertaking, to get rid of a tenant especially an elderly one; as a result there was a two-tier housing market, with one price bracket for vacant houses & another, lower, one for those occupied by a tenant. So after a few minutes of her bending his ear, the agent told her "Listen, you and your husband can now buy it in the lower-priced market and in ten years, when you both will be dead, your estate will be able to sell it in the higher-priced one. Now I am going back to bed and if you have any more questions, call me in the morning." Well, that made sense to my mother & my parents' debate resumed until in the early morning hours my father threw all their stock-, and bond-, certificates and other financial documentation down & told her "You do what you want, I'm going to bed" (which made sense since she had, or rather was sure she had, better business sense than my father (and likely did since she had taught accountancy before their marriage & my father, even when he was home, had always been happy to defer the final say in family business decisions to her). So at their age they bought the house (with help from a 50-year mortgage with a pre-payment penalty) & lived there for the next 25 years or so - This gives me comfort that the Bosbeek transaction had been on the up & up.*