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The new cold war heats up / Putin "...smacks of genocide" / "Cover their eyes, kick-the-can and hope.." / Historic alliances subordinate to US Presidential politics / Superannuation in the Antipodes

The clash between the Anglo-American Alliance and the SCO/BRICS – things are heating up.

Last night on Al Jazeera TV, I saw an article about the joint spy satellite programme involving the secret services of South Africa and Russia. That project was probably the price of admission for South Africa into the BRICS, but it underscores the efforts by China and Russia to build an alternative power block to the Anglo- American alliance. The spy system has been designed to cover all of Africa and as far North as Israel.

Of course, there is a third party in all the power games and that is the EU. There has been a lot of massaging of the EU by the USA in order to support the USA's aggressive sanctions regime that will eventually put Russia into an economic depression. Yet Russia supplies much of Europe's oil and gas – much of that gas via Ukraine. Now Russia is saying it has had enough and in the event Ukraine doesn't pay in advance, their supplies will be cut. Within days...

Putin "...smacks of genocide"

<http://bigstory.ap.org/article/95847dfe607d4a3097c59acb48fa88d2/russia-could-cut-gas-ukraine-end-week>

One problem for Ukraine is that Russia and Ukraine are effectively at war (despite Mr Putin's platitudes and denials) and the gas going into areas controlled by Russia is being treated by Russia as part of Ukraine's gas purchases. This complicates matters greatly and poses huge risk for both Ukraine and the EU.

US assurances of support for EU energy supplies are unreliable at best. When I first started analysing the oil supply and demand stats, I found that the US Government was manipulating forecasts of supply, demand and price to suit their own purposes. The agencies they influenced to do this were the IEA and EIA. This is no conspiracy theory because over ten years it is the only explanation why the estimates have been blatantly over-optimistic in every year.

<http://www.postcarbon.org/is-the-us-overplaying-its-energy-hand/>

There is absolutely no question that because USA imports 7.5 million bbls of oil per day, it will never be able to export oil to the EU. The gas situation may be different in the medium term – in part. But in both the short and long term, the USA could not support the EU's current and projected usage because the cost would be both considerably higher (probably at least double Russia's price) for the gas and the transport. Even so, the USA would eventually realise how unrealistic the volumes were and the EU would be left on its own.

Given their vested interest, the Europeans and other buyers of Russian gas should beware the Americans bearing gifts and talking BS. But since Jimmy Carter (who was effectively sacked for speaking the truth), no US president has ever told the truth about oil and gas. All have resorted to either platitudes or blatant lies. The current abundance of light tight oil and gas condensate from the USA is the reason for the present glut of oil in storage and for the reduced global oil prices. But this will be a short-term phenomenon as this shows...

<http://cmo-ripu.blogspot.co.nz/2015/02/getting-real-about-energy-in-cubic.html>

The US dominated IMF, BIS and WTO organisations do tend to run the OECD and the vested interest is the interest of all those US multi-nationals is what dominates US foreign policy (if you don't yet buy this, you may like to read John Perkins' book, "The Confessions of an Economic Hit Man"). The requirement to keep the bank initiated derivatives casino alive, dominates all decision-making....

"Cover their eyes, kick-the-can and hope.."

(Editor's note: this article by David Stockman is particularly worth reading in full)

http://seekingalpha.com/article/2949826-kick-the-can-has-morphed-into-a-blatant-farce?source=email_macro_view_eco_8_30&ifp=0

Sooner or later this "can-kicking" will explode...then vested interest will either be killed off or turn real nasty! Meantime the ECB and EU need to accept a requirement to support Greece in everyone's interests...from Seeking Alpha...

"The ECB is willing to again accept Greek bonds for funding if Athens keeps to reform pledges, announced Mario Draghi, defending the euro zone central bank's treatment of Greece. "We are ready to reinstate the waiver as soon as the Governing Council will decide that the conditions for a successful completion of the program are in place," Draghi said. Greek banks have been relying on emergency liquidity assistance since the ECB lifted the waiver on February 4."

Historic alliances subordinate to US Presidential politics

The spat between the White House and Israel over Iran's nuclear ambitions is now on the front pages of all the papers. Israel is probably right that Iran has no intention of Kow-towing to US demands. The Iranians' actions provide a sense of foreboding...not just because they are playing for time to build their nukes...

<http://www.zerohedge.com/news/2015-02-25/iran-televises-major-naval-drill-against-fake-us-aircraft-carrier-persian-gulf>

President Obama is playing a risky game in the hope of delivering a legacy of peace with Iran. It is partisan politics at work. However this not only alienates the Israelis but it also alienates the Saudis. The big questions for the Israelis are simple. Will the USA permit Iran to become a nuclear power or not? Secondly, if USA shows no resolve to remedy the issue, will the Israelis go to war with Iran to end the enrichment programme.

Obama's legacy

Perhaps Mr Obama's legacy may be that he is only left with the Egyptian military as the sole ally in the Middle East. The USA has had a habit of turning friends into enemies and alienating other friends when it suits their interests...we remember that 17 of the 25 supposed al Qaeda 911 bombers were Saudis...and the bombs used in the 1993 WTC bombing had come from CIA technology...

https://www.stratfor.com/weekly/look-back-1993-world-trade-center-bombing?mc_cid=08bc7928ce&mc_eid=f6520e17b6

It will be interesting to see what happens when either the Iran deadline expires, or Mr Netanyahu speaks to the US Congress.

Meanwhile the Obama political legacy requires some wins – any wins in fact...from Seeking Alpha...

“**Cuba and the U.S. will meet** for a second round of diplomatic talks on Friday, indicating that the process of normalizing relations is moving ahead. The new round in Washington will focus on issues related to establishing full-fledged embassies, the movement of diplomats, visas and access to equipment and banking. Closed-end Caribbean Basin Fund **CUBA** has **soared over 27%** since the two announced plans of restoring diplomatic ties on December 17, 2014.”

Superannuation in the Antipodes

In 2006-7, I wrote a book, about the forthcoming KiwiSaver project to get people saving for their retirement. The nationalised and institutionalised approach had much to recommend it. But it also posed the sort of risks that the late Sir Robert Muldoon warned us about.

Of course, while we were Pfaffing around after the Muldoon years, Australia launched their own super scheme and it was a beauty.

I remember why I voted for Muldoon when he canned the then Labour proposed scheme due to the vested interest of the unions. But many folk these days forget about that and regard Muldoon as having been counter to logical progress. Frankly I disagree with that because I not only remember, but I know what was happening at the time in both the union movement and Employers Council.

There are lessons to be learned from Australia now their funds have become both huge and influential. The first is that the funds provide union officials and their cronies with sinecures and slush funds. The second is the old issue of the man with the gold makes the rules, so the Australian Labour Party has done well from the union members savings, as have union members thus far. But in Australia, the new austerity means the government is also eyeing the pot which is meant to be the personal property of private citizens. The Australian fund managers are advocating a mandatory increase in retirement age to 65 years before people can access their own savings and a change in taxation policy is also being eyed by Treasury. As to the intent of the ALP (and by extension to the NZ Labour Party) this pretty much sums up their thinking...

Help trade unions control the private sector

From DR today...

“And of course, there’s the real reason that Paul Keating set up super. It was to help trade unions control the private sector.

As a 28 September 1989 report in the *Sydney Morning Herald* noted:

‘The Treasurer, Mr Keating, has urged the trade union movement to use the billions of dollars generated by superannuation over the next 20 years to increase its own industrial clout.

‘Mr Keating told [trade union] Congress delegates that the development of union-run superannuation funds would give the union movement “institutional muscle” to supplement its already substantial industrial strength.

‘He suggested that the additional clout could prove a potent weapon against conservative administrations intent on eroding the power of the union movement.

‘In a “hostile political environment”, unions could flex their institutional muscle in the financial sector instead of simply “passing motions in the trades hall”, he said.’

You can read the press clipping [here](#). Isn’t the internet great?”

The Daily Reckoning is running articles suggesting the Government of Australia should keep its hands off people’s savings and warns people to diversify their savings. This still remains sound advice for Kiwis too. Meantime, just remember that fund managers are not only thinking about their fee income but how they can increase it from savers’ pockets. That is just human nature I suppose.

As rolled out and amended, the KiwiSaver programme has a lot of good features. The time when it will be most at risk is when the accumulated billions under investment attract the attention of both fund managers and Government, seeking extra revenue.

Worst fear is nationalisation of super funds

The worst fear is nationalisation of super funds, where Government takes the funds and in return promises a pension. So those saving the most will suffer the greatest. Current pensions range in NZ from \$575 per fortnight per person to around \$900 per person per fortnight depending on allowances and subsidies – but means tested. So Kiwi Savers...watch out!

In total, vested interests provide society with externalities that for folk like John Michael Greer are at the nub of the argument against exponential economic growth on a finite planet...

<http://thearchdruidreport.blogspot.co.nz/2015/02/the-externality-trap-or-how-progress.html>

I will leave you to make your own mind up on that too...