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## Better-Management Newsletter 22 January

*The EU is dying , long live the EU*

<http://www.telegraph.co.uk/business/2017/01/19/europes-ideological-civil-war-laid-bare-davos/>

Then there is the issue of NATO that the new POTUS has raised (*Editor's note: clearly NATO is a dangerous army under the control of warmongering leaders who are desperate to protect their patch*).

<http://www.mauldineconomics.com/outsidethebox>

There are a few excerpts in this email – but unfortunately the bulk of the one above is behind a pay wall L.

The Chinese judiciary has been raided by the thought police of the CCP and have had their independence removed to ensure there are no breaches of the party line and there is due deference to the Mao era and the cultural objectives of the CCP. In the meantime Xi Jinping has been in Davos eulogising globalisation. Fro Sinocism...

“. [In Era of Trump, China's President Champions Economic Globalization - The New York Times](#) In myriad ways, Mr. Xi is a strikingly ill-fitting steward of openness and connectivity. Under his direction, China's Communist Party has clamped down severely on civil society, tightening restrictions on the internet and jailing scores of lawyers focused on using the country's own laws to defend the rights of aggrieved people. He has projected China's navy into contested waters in the South China and East China Seas. Throughout his speech, Mr. Xi carefully used the phrase “economic globalization,” while avoiding unqualified “globalization,” reflecting China's spurning of an open internet, universal human rights and free elections.

**Related:** [President Xi's speech to Davos in full | World Economic Forum](#) Here is the full transcript of Chinese President Xi Jinping's speech to Davos”

Within days the Middle East will have a new dictator...

<http://www.telegraph.co.uk/news/2017/01/19/recep-tayyip-ergodan-make-virtual-dictator-turkey/>

Will the petrodollar endure Trump's time as president?

<http://www.internationalman.com/articles/trump-and-a-new-gold-backed-dollar>

Israel is determined to survive the current meltdown in the Middle East...from Seeking Alpha...

“**The uppermost layer** of Israel's three-tier missile shield has become operational, with the first advanced rockets delivered to the Israeli Air Force. The Arrow 3 system, developed by Israel Aerospace Industries and Boeing (NYSE:**BA**), is designed to strike targets outside Earth's atmosphere. Such high-altitude shoot-downs are meant to safely destroy incoming nuclear, biological or chemical ballistic missiles. “

As the war of words between USA and China continues over supplying South Korea with a missile defence shield (THAAD) the North Koreans provide a challenge to the Trump administration...from Seeking Alpha...

“**The United States has seen** indications that North Korea may be preparing a long-range missile test in the coming days or weeks, with an upgraded prototype of an ICBM. A launch could gauge what kind of reaction Pyongyang would receive from the new Trump administration and South Korea, as the latter tries to contain its political crisis. “

Then there is the artificial paranoia in the Baltic states against the NATO and Washington ‘swamp’ induced ‘enemy’...

<https://www.bloomberg.com/politics/articles/2017-01-19/finland-prepares-for-manifold-warfare-as-russia-feeds-paranoia>

## **The Economy**

For more than a month, the DOW Jones Index has been threatening to break through 20,000 and yet hasn't, overnight slipping more than 200 below its peak. Does this signal a crash?

[http://www.bbc.co.uk/news/business/market\\_data/overview/](http://www.bbc.co.uk/news/business/market_data/overview/)

The folks who have suffered lower real wages under Mr Obama will likely be in the same boat under Mr Trump...

[http://seekingalpha.com/article/4037679-foreboding-development-u-s-economy?source=email\\_macro\\_view\\_eco\\_0\\_23&ifp=0](http://seekingalpha.com/article/4037679-foreboding-development-u-s-economy?source=email_macro_view_eco_0_23&ifp=0)

Donald Trump will introduce a new level of activity but will it be enough? Harry S Dent (I have followed Harry for about 10 years) believes the crash is coming. I suppose this reflects my 75% probability rating for a crash by end 2017. But he uses my 2020 date. His is something of a rant...but IMHO he isn't far off the mark. Don't take any notice of his views on gold. Gold always crashes at the beginning of a depression and it will doubtless do so again as an investment. But small denomination gold and silver coins are a hedge against bank failures.

<https://pro.dentresearch.com/DOW2016GOLD2/LBNBT188?h=true>

For Mr Trump to do half of the things he wants to, it means a surge in deficit spending...

[http://seekingalpha.com/article/4037879-trump-deficits-will-huge?source=email\\_macro\\_view\\_eco\\_0\\_22&ifp=0](http://seekingalpha.com/article/4037879-trump-deficits-will-huge?source=email_macro_view_eco_0_22&ifp=0)

Trump's rhetoric against China suggests that China may be "tipped over the edge" due to their continued reliance on debt formation and sales into the EU and USA...Rickards suggests there may be currency issues in play too...

<http://thecrux.com/rickards-is-china-about-to-drop-a-bombshell/>

Self-deception about our finances is something we all practice. We think our assets are getting more valuable and yet they are probably less so, in real terms. Take housing for example. Is our housing stock worth that much more? Or is it the dollar that simply buys less?

<http://www.interest.co.nz/property/85584/value-all-our-houses-has-been-growing-27-billion-week-surpass-1-trillion-september>

## **Energy**

The main reason that wind and solar are not shaping up as planned, is their intermittent supply that causes issues for power grids that will take several years to solve – if then. As a result while the quantity of renewable energy is still increasing the investment in absolute terms is down by 18 percent....

<https://phys.org/news/2017-01-renewable-energy-investment-fell.html>

BP is at last waking up to the reality of peak oil...they have been in denial for some time, but producing something from a finite resource cannot go on forever regardless of how much you want it to do so.

<https://www.energyvoice.com/oilandgas/129260/bp-predicts-peak-oil-will-hit-2025-2040/>

The impacts of peak oil will not march to BP's timetable. Soon it will burst onto the scene via EROEI problems or prices will hit the roof once again, spiking both up and down. But when? Who knows? Meantime, just in case you didn't know the volume of oil in storage above the five year average at end November was only the equivalent of 3.2 days of usage. That ain't much, folks. From Seeking Alpha...

**"The International Energy Agency** believes that global oil markets were tightening even before cuts promised by OPEC and non-OPEC producers kicked in. While it is "far too soon" to gauge OPEC members' levels of compliance with promised cuts, the IEA said oil stocks in the developed world fell for a fourth consecutive month in November, although they remained more than 300M barrels above the five-year average."

Over the next couple of years there will be major winners and major losers in the oil space. There are several super giant oil fields within OPEC that have been supplying the world for the last 50+ years. The most concerning of these is Ghawar in Saudi Arabia. When Ghawar production really starts failing, peak oil production will be in the rear view mirror and

globalisation will be dead and buried. My concern has always been that the Saudis will use an OPEC cut agreement as cover for their reduced output...

[http://seekingalpha.com/article/4037980-opec-oil-production-just-plummeted?source=email\\_macro\\_view\\_com\\_0\\_17&ifp=0](http://seekingalpha.com/article/4037980-opec-oil-production-just-plummeted?source=email_macro_view_com_0_17&ifp=0)

The Saudis are worried about their ability to pump oil at the same levels as presently after 2020 and that is why they are hastening their transition to “other things” (improbable as the success of such a transition will be) and trying to get others to invest in Saudi Aramco....

<http://money.cnn.com/2017/01/18/investing/saudi-aramco-ipo-2018/>

If these turkeys think Aramco is worth USD2 trillion, then I reckon (if their EESU gets 700whrs/kg at a suitable TC) then EESU is worth USD4+ trillion. Having a viable electrical energy storage system is the future for land transport ...same as it is essential for renewable energy to be integrated into the main grids. So far we know of no other alternative electrical energy storage system.

The Saudis will need to provide access to audits of their reserves and resources and that poses a problem. Who wants to buy a “pig in a poke”? A very expensive pig at that.

Another group of losers will be in the Asia/Pacific

<http://peakoil.com/production/oil-production-here-is-declining-faster-than-anywhere-on-earth>

But the USA oil industry should get major support from Mr Trump. Particularly Continental Resources (Harold Hamm’s business) and Exxon Mobil (Rex Tillerson’s business). Both are positioned in sweet spots. In Exxon’s case they have good acreage in the Permian Basin where there are a number of oil bearing layers, one on top of the other. Permian acreage responds well to both fracking and horizontal drilling...

<http://peakoil.com/business/exxon-bets-big-on-american-oil>

The Eagle Ford and Bakken shales are not so prospective.

Lithium mining in the USA is getting a big growth spurt from the new Panasonic/Tesla Giga factory in Nevada state...

[http://seekingalpha.com/article/4037702-teslas-lithium-supply-update?source=email\\_investing\\_ideas\\_top\\_articles\\_0\\_0&ifp=0](http://seekingalpha.com/article/4037702-teslas-lithium-supply-update?source=email_investing_ideas_top_articles_0_0&ifp=0)

Lithium is all the rage nowadays but I cannot see it having the right cost, energy density and length of life to compete with fossil fuels. But we will see.