

THE SOLARI REPORT

INTRODUCTION

Welcome to The Solari Report.

Today is August 18, 2016.

I am Catherine Austin Fitts and I am delighted that you could join me this evening.

THEME TONIGHT: Summertime / Back to School

Time to rest and go fishing

Been very quiet until the beginning of the school year

Parents are crunched by back to school

Economy is slow

Sell in May and go away did not happen despite poor earnings
– will make the fall interesting

Will economy pick up in fall? If it does not things will get much more interesting.

Meantime, just a few weeks through labor day. Take some time to rest.

Last year – What's up this Fall 2015. Did a new schedule,
What's up this Fall – on website for subscribers.

What's Up This Fall 2016?

Coming up next – Central bankers gather in Jackson Hole and G20 meeting in China in the first week of September.

Look for major discussions on Ukraine, Middle East and May-Putin discussions. Real signals about how the shift to the multipolar world is evolving. US Campaign is inspiring an acceleration, particularly as TPP, TAA and TSA odds diminish.

Money and Markets

Market is concerned US economy is not strong enough for Fed interest rate hikes, dollar sliding significantly this week. All eyes will be on the Fed meeting in September:

August 25-27 – Meeting of global central bankers in Jackson Hole, WY, at the Kansas City Fed-sponsored 2016 Economic Symposium. This year's theme: "Designing Resilient Monetary Policy Frameworks for the Future." Yellen will speak this year.

September 16 – Financial Accounts of the United States report

September 20-21 – Federal Reserve Open Market Committee meets (<https://www.federalreserve.gov/whatsnext.htm>)

Fed minutes for July meeting released this week indicate split in members between bump in September or not.

Currency:

US Dollar Index -4.67%
(98.75–94.14)

Fixed Income:

TLT 17.23%
IEF 7.39%
AGG 5.80%
JNK 12.15%

Now 13.6 trillion trading at negative interest rates. Critical question – where is all of the money in the fixed income markets going to go. Equities? Real Estate? PMS? Other Commodities? Space?

Equities:

SPY 8.47%
XHB 4.91%
VGK 1.58%
EWG 4.58%
EFA 2.94%
FXI 8.07%
HAO 1.12%
EEM 18.38%

Commodities

\$CRB 7.41%
(176.27–
189.34)
GLD 27.25%
SLV 42.30%

–

OIL -2.41%

DOJ:

August 14 – 1 billion contract to CCA for detention from ICE

Today – Not renewing private prison contracts through Bureau of Prisons.

The Justice Department on Thursday announced that it will [end the use of private prisons](#), which currently house more than 22,000 federal prisoners, or about 12 percent of the total federal prison population.

Will ICE and States follow suits? If they do, private prisons are a thing of the past.

In part reflects economic pressures on budget and success of mind control technology – easier and more economic to manage “free range.’

Giving timing, assume decision was made a Bohemian Grove.

Prisons stocks down 48% Closed down XXX

Catherine – long history of opposition – 20 years – Dillon read story – threats – maybe now I can publish in hard copy.

back to the same productivity issues discussing in 2nd quarter wrap up

Note - appened 10 days after published this one

<https://solari.com/blog/meditations-on-the-falling-us-homeownership-rate/>

Meditations on the Falling US Homeownership Rate

510 Weed Street, New Canaan, CT



Big Developments at Lockheed – sign of significant changes in federal budget ahead.

Lockheed Cuts & Runs

“They are burying the corpse in advance.” ~ Franklin Sanders

The latest Department of Defense (DOD) audit now indicates that DOD is missing \$6.5 Trillion for fiscal 2015.

This means that for the 20th year in a row, DOD and the US Treasury will refuse to comply with the law regarding audited financial statements. Money missing on DOD audits and middle eastern wars has skyrocketed well beyond \$10 trillion.

It turns out that the folks running the accounting and payments systems have been busy taking action. Not to find the money and get it back. Rather corporate reorganizations are proceeding to make sure liabilities are contained.

In 2013, SAIC moved its government contracting business into a new company [Leidos](#). Now Lockheed Martin is spinning out its [Information Systems & Global Solutions](#) to Leidos. The deal was closed and implemented immediately prior to the latest DOD Inspector General Audit. Lockheed is the largest provider of information systems, including accounting and payments systems to DOD and US government agencies.

Needless to say the conflicts of interests between managing the payment systems for an agency that is also your largest customer are astonishing.

Is this a signal that the defense contractors who run the US government systems are anticipating that the “s*** is going to hit the fan” after the election? Do they want to make sure their most profitable operations – like weapons manufacturing – or operations that are growing – like satellites and space – are neatly separate from the liabilities involved with trillions going missing through the

information, accounting and payment systems they operate for the US government?

Don't be surprised if some of that \$6.5 trillion missing is neatly tucked away as an endowment to support future operations, irregardless of what happens to the US government.

Whatever the challenges of meeting future retirement obligations, the problem is much deeper than "slowing productivity growth." I call it the "financial coup d'etat."

It looks to me like the time to reconsider citizens escrows under state and local jurisdiction is here. The financial equivalent of citizens arrests may be the only way to ensure that our tax dollars are going to fund lawful purposes.

Related Reading:
[The Missing Money](#)

[New White House Executive Order: Department of Treasury Succession Order](#)

WHY WHITE HOUSE SUCCESSION ORDER FOR TREAURY?

[The Debt Model is Done - FRA w/Catherine Austin Fitts](#)

Signs that Slow Burn and Space Based are getting through to solid financial people

Obama Care – Aetna dropped from 11 of the 15th state exchanges. Had said it would if DOJ did not approve its merger with Humana. DOJ filed suit to block the deal, so on Monday Aetna dropped. They are saying they have had

significant losses so far. Obama care is not succeeding – too much centralized control, too many rules and complexity, too little incentive in the system for people to make things work and complete failure to address real problems: food system and diets, environmental pollution, spraying, vaccines.

Cyber Insecurity – NSA Hack Tools put on line, extensive Snowden Twitter comments

Failure of digital systems to produce meaningful productivity is also serious productivity issue.

Campaign

Kingsman Campaign – distraction, entertainment

Clinton health being used to deflect from areas that target the establishment – e-mail scandal creates liabilities for too many people. Clinton health is only a liability for Clinton

Trump – paying price for inexperience – IMO using law and order agenda to communicate he will be even less supportive of the Constitution than Clinton. Positive is that he has helped people come out of the trance – hopefully that will continue into the fall.

Gary Johnson/William Weld – positive better on constitution than Clinton and Trump – still in Trance.

Jill Stein – like her, but not good on Constitution.

If voted today, I would vote for Johnson. My focus – Constitution and 2nd Amendment. Critical to me that Republicans keep control of House and Senate – representing constitutional issues, including 2nd Amendment, and small business interests.

REMINDER – good chance of draft after election – budget issues.

China Rebalancing Continues

“Despite its delayed start, Chinese foreign investment has surged over the past decade. Beijing's insignificant portfolio — worth about \$2.9 billion in 2003 and accounting for only 0.45 percent of global investment — climbed to a record-high of \$120 billion by 2015 and included many different nations.”

A LOT HAPPENING ON SILK ROAD

US Needs to Start Rebalancing

[Book Review: The New Grand Strategy](#)

LW Recommended - Book by team at Case Western Reserve Innovation Lab

Productivity theme – again

THEME FOR SECOND QUARTER WRAP UP

Apologies for the delay for the written – glad I took the time. This issue is very important to each and everyone of us.

[Introduction to Pistis Sophia](#)

One of my favorite ancient text and sources on the teaching of Jesus.

How to say in a higher mind – remove entanglements with evil.

HERO

Hero: JON RAPPOPORT – snapped off a wonderful subscribers head off when they said “Why is no one.... Or There is zero coverage...what people like Jon have accomplished is extraordinary – impact as more people shift.

ASK CATHERINE

Hi Catherine,

In honor of your upcoming interview with the AMAZING Jon Rappoport, I'm reporting on these creepy entrainment attempts by Shell and Exxon Mobile.

***I was going to watch a YouTube video on telekinesis meditation technique. Before it started, a brief advertisement played. It was for Shell Oil, very new age-y, a Hollywood-style production, about "The Mind of an Innovation," almost implying that Shell was tied to the Universal Mind,

***I just saw on a leading cable news channel an ad for Exxon Mobile, showing a black woman with dreadlocks, and a white male "Hipster" Millennial, implying how awesome and socially responsible Exxon Mobile is, with the young man saying, "and you thought we just made the gas."

Thanks to you and Jon, I look at the world just a little bit differently now, with my eyes more wide open!

I SENT THE CHASE WITH THE PET PIG

Hi Catherine:

I share the following excerpts of a series of confidential EMAIL exchanges within my advisory group, as a means by which to give you some sense of "flavor" of the dialogue.

Also, so as to condition the response you might provide I have previously heard you say on several occasions (paraphrasing) that while you also tend to employ technical analysis with a degree of "healthy skepticism" that you have become convinced over time that RAMBUS' technical analysis is "as good as it gets."

Can give me any "ammo" in this debate ?

Are you "all in " on RAMBUS's conclusions; or, if not, what other data or trends are you awaiting etc., especially on PMs before you concur with RAMBUS without reservation ?

I concur with Rambus WITH RESERVATION – limits of technical analysis. In a centrally, politically controlled market anything can happen. Must be

prepared for a wide variety of possible scenarios.

War or drop in China economy could completely flip PM charts and market on their head.

I agree with your advisor:

My view is based on earnings opportunities, margins and the fundamentals that make businesses earn money or not.

One of my questions on mining stocks is the impact of lower energy costs – new technology as well as the shift of funds out of bonds into real estate and equities.

Again, be prepared for wide variability in possible scenarios. We are not in a market economy.

Dear Catherine:

Do you think it's possible that Donald Trump stepped in and willingly agreed to play a role that would help to get Hillary Clinton elected?

.

Don't know – too early to tell. Probably not.

Dear Catherine:

Have you seen the 2016 Noam Chomsky movie, "Requiem for the American Dream"? If so, what is your opinion of it?

Have not seen.

<http://www.nyssa.org/events/upcomingevents/conferenceseminars/ctl/viewdetail/mid/3763/itemid/2777/d/20160915.aspx>

Hi Catherine I came across this event and thought to share with you.

NEW YORK SOCIETY OF SECURITY ANALYSTS

A New Space Age Race: Interplanetary Investments

Thursday September 15, 2016 5:30 PM through 8:00 PM

[NYSSA Conference Center](#)

Available as: Live Session

Categories: Membership, Other Industry Events, Seminar

Hi Catherine:

I am moving to a small community and will be choosing a bank. Can you please tell me how to determine if a bank is solvent and where I can find this information? What indicators would you look for?

http://solari.com/articles/bank_locally/find_local_banks/

Bank ratings

Profits

Balance Sheet – liquidity

Review by trustworthy financial person – CPA, IA, friend

QUESTION ON DEFLATION

we are experiencing significant Deflation in certain areas of the economy and geographically, what specifically is "**Deflation Investing** "

Example – investing in stocks of companies that are experiencing lower costs as a result of dropping commodities prices.

Example – investing in stocks of companies that are experiencing lower labor costs as a result of lower labor costs as a result of labor deflation occurring through globalization.

[Comments on Motif – 1 month or 1 year can be misleading – short](#)

term. HOW I USE - Useful for trolling for ideas and opportunities.

Motif Investing

Motif offers an interesting picture on what's up and what's down!

Highest Earners



Precious Metals

One Year Return **▲65.7%**

Created by: **motif**



High-Yield Dividends

One Year Return **▲33.8%**

Created by: **motif**



Off

One Year Return

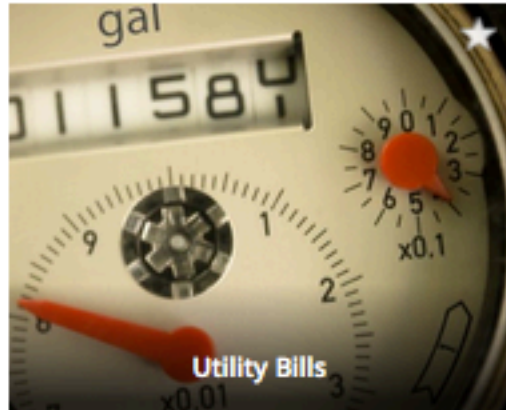
Created by: **motif**



Rising Food Prices

One Year Return **▲26.0%**

Created by: **motif**



Utility Bills

One Year Return **▲23.7%**

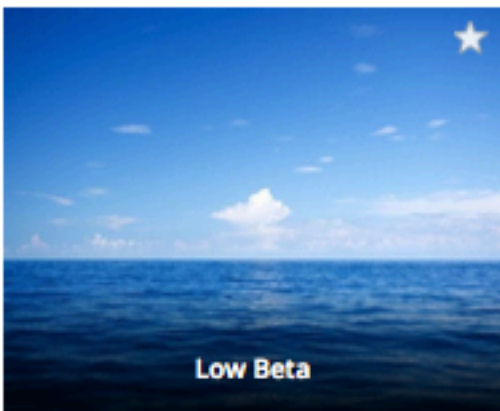
Created by: **motif**



Mode

One Year Return

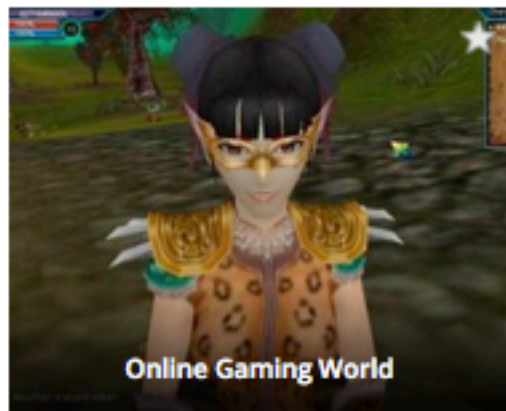
Created by: **motif**



Low Beta

One Year Return **▲23.3%**

Created by: **motif**



Online Gaming World

One Year Return **▲23.3%**

Created by: **motif**



De

One Year Return

Created by: **motif**



<http://www.truth-out.org/opinion/item/31402-pesticides-on-planes-how-airlines-are-softly-killing-us>

In regards to this article on Solari blog, and your comments on a recent program of getting sick after flying domestically

I have noticed this spraying for years, domestically and internationally.

I am quite sure it occurs on Metro North, NJ Transit and Amtrack. trains as well. My first experience being a trip up the Hudson River years ago and suddenly having an unexplained chemical taste in my mouth and my eyes feeling irritated. I often sense the taste on various trains currently. And on NYC subway, although there are so many smells the spray has some strong competition.

May not be just about bugs and veggies

No Kidding – watched VAXXED this week – now available for streaming- so sobering that it is hard to describe. Please watch it.

Let's Go to the Movies

In *Let's Go to the Movies*, I will review “Seymour: An Introduction.” Directed by Ethan Hawke, the film describes the life and philosophy of Seymour Bernstein, who abandoned a rising career as a concert pianist to become a music educator and composer. Bernstein inspires us to appreciate how music is one of the great communicators.

Music is a great communicator. Helps keep us in a higher mind. Physically very healing.

INTERVIEW

Must watch Just a Taste!

Very important conversation – mind control technology will get much more invasive with 5G

I have had to reorganize my personal and professional life around limiting association to people who want to understand reality and want to do it in a positive way.

Complete different way of organizing my life – feel like a lot of people I used to associate with are disappearing into a trance of either smart phone programming and/or fear.

Looks to me like this is a serious problem for the establishment. If you create official reality top down and then can't remember what reality is, the whole population can lose its mind together.

“It is difficult for a man to understand something if he's paid not to understand it.” ~ Upton Sinclair.

By Catherine Austin Fitts

Jon Rappoport joins me this week to explore a phenomenon we are all grappling with – communicating with people who believe in realities that diverge from our own.

Everywhere we turn there is an “official narrative” or “official reality.” That “reality” often diverges painfully from the reality that we deal with day to day.

For those who reject the official narrative, it is easy to wander into a maze of other realities, of which many are equally divergent from our own and more misleading than the official reality.

Spice up the mix with professional disinformation, “divide and conquer” media, and entrainment and subliminal programming and other mind control techniques, and then our human communication can quickly become a puzzle palace that challenges the best of us.

This is a topic that fascinates me – however, I find it difficult to generalize. Communications in passing conversation are quite different from conversations involving health or financial decisions involving legal and financial risk. Managing communications about divergent realities at a cocktail party is very different from managing them with your spouse. Given the complexity of our society, the fact patterns expand quickly.

If there is one thing driving productivity lower in our society, it is the complexity, frustration, and loneliness that can arise with communications in this Orwellian soup. It is critical that we each develop strategies for navigating the challenges of communicating effectively with family, friends, and

colleagues. It is one thing to be “in the know.” It is another thing to communicate effectively with those who are not and don’t want to be “in the know.”

For many years, I have turned to Jon Rappoport’s writings, audios, and consultations for help to understand these issues and to remain coherent in the midst of the “psychic storm.” Jon consistently inspires me to create my own reality, rather than falling into the pea soup of the official narrative designed to harvest us all. We close with a review of the great resources he offers at [No More Fake News](#) to help you do the same.

CLOSING

August 25 – Solari Food Series – Pioneering Urban Farms with Will Allen

September 01 – Precious Metals Market Report

September 08 – All the World is a Stage with Sofia Smallstorm

Until August 25

Please remember, don’t worry about whether or not there is a conspiracy. If you are not in a conspiracy, then you need to start one.

Good night and good luck.

+++++

Appendix

Solari Recommendation

[STREAM: Official Vaxxed: from Cover-Up to Catastrophe](#)

Vimeo | 17 August 2016

Examining the evidence behind...

[Vaxxed The Movie](#)

Vaxxed The Movie | 17 August 2016

Pre-order DVD with background materials...9/13/16, theaters...

[How Much Money Do Pediatricians Really Make From Vaccines?](#)

Wellness and Equality | 20 June 2016

Doctor a \$40,000 bonus for fully vaccinating...

[Whole Foods' John Mackey on Why He Became a Vegan, Supporting Gary Johnson, and Obama's Crushing Regulatory Burden](#)

Reason | 16 August 2016

Correct thinking, correct...

[Aetna Warned U.S. Before Exiting Health Exchanges](#)

WSJ | 17 August 2016

If they sued to block its deal...

[World's Largest Vertical Farm Grows Without Soil, Sunlight or Water in Newark](#)

Guardian | 14 August 2016

Nutrient-rich...

[Monsanto Backs Out of Seed Plant in Argentina After Protests](#)

Activist Post | 13 August 2016

Number of lawsuits...

[Plants that Bees Love](#)

Honey Bee Suite | 14 August 2016
Master plant list by...

[List of Crop Plants Pollinated by Bees](#)

Wikipedia | 14 August 2016
Essential staple food crops on the...

[Atrazine: Celebrating 50 Years](#)

Deliberate Agrarian | 07 August 2016
EPA is subject to...

[Personal Productivity: Optimize Your Body to Reach Peak Performance Consistently](#)

WP Curve | 22 July 2016
Concepts that can change your game...

[Chinese Government Announces: Time To Cut Meat Consumption by 50%](#)

Food Revolution | 10 August 2016
Unusual allies...

[Aircraft Disinsection Requirements](#)

Transportation | 05 August 2016
Law in order to protect public...

[Money & Markets – 08.14.16](#)

[Money & Markets, Top Picks](#) on August 14, 2016 at 11:08 am · [No Comments](#)

[Cisco to Lay Off about 14,000 Employees: Tech News Site CRN](#)

Reuters | 17 August 2016
Second big tech industry layoff of...

[Australia Central Banker Says the World Is Ready for the Fed to Raise Rates](#)

WSJ | 16 August 2016
Ready as...

[Lord Rothschild: “This Is The Greatest Experiment In Monetary Policy In The History Of The World”](#)

Zero hedge | 16 August 2016
Impossible to predict the unintended...

[Professional Stupid-People Consultant: A Personal Perspective on Why Corporate Culture is in Decline](#)

Zero Hedge | 16 August 2016
With dysfunctional...

[These 6 Charts Show Why The Average American Is Fed Up](#)

Forbes | 15 August 2016
That’s not average...

[CEOs at Big US Companies Make 276 Times as Much as the Average Worker](#)

BI | 15 August 2016
Light years beyond...

[What Hedge Funds Bought And Sold In Q2: The Full 13-F Summary](#)

Zero Hedge | 15 August 2016

Soros' cut of his...

[How Leading Institutions are Changing the Rules on Portfolio Construction](#)

McKinsey | 01 August 2016

National budgets designed to...

[Shenzhen-Hong Kong Stock Trading Link Gets Green Light](#)

Bloomberg | 16 August 2016

Details on which...

[The Young Entrepreneur With Big Plans But 'Still Has to Do Homework](#)

BBC | 15 August 2016

Products based on the characters...

[Williams Calls for Rethink of Fed Orthodoxy in New Economic Era](#)

Bloomberg | 15 August 2016

Taste of a new economic...

[Wealthy Are Hoarding Cash Out of Fear of What the Election Will Bring](#)

Fortune | 13 August 2016

Record cash balances out of fear...

[How Globalization Saved the American Middle Class](#)

Reason | 09 August 2016

Plausible hypothesis—but ultimately...

[Precious Metals – Week of 08.14.16](#)

[*Precious Metals, Top Picks on August 14, 2016 at 10:08 am · No Comments*](#)

[Infographic: The Chinese Gold Market](#)

Bullion Star | 15 August 2016

Chinese State, is continuously...

[Geopolitical – Week of 08.14.16](#)

[*Geopolitical, Top Picks on August 14, 2016 at 10:08 am · No Comments*](#)

[Donald Trump Appoints a New Campaign CEO and Manager](#)

Fortune | 17 August 2016

Demotion...

[Walmart's Out-of-Control Crime Problem is Driving Police Crazy](#)

Bloomberg | 17 August 2016

Unintended consequences...

[How Global Elites Forsake Their Countrymen – Peggy Noonan – WSJ](#)

Solari | 14 August 2016

Bilderberger 2016...

[Lebanese Man Killed by Neighbor Who was Out on Bail after Trying to Kill Man's Mother—still hadG un](#)

Daily Kos | 16 August 2016

Not even one year after he ran over...

[The States That Spend the Most \(and the Least\) on Education](#)

Governing | 16 August 2016

Factors are...

[Share China's Investments Reveal Its Broader Ambitions](#)

Stratfor | 16 August 2016

(Free registration access) Creating a...

[Soros Hack Reveals Plot Behind Europe's Refugee Crisis; Media Manipulation; Cash For "Social Justice"](#)

Zero Hedge | 16 August 2016

Crisis is opening doors for...

[Pennsylvania Attorney General Kathleen Kane resigns after criminal conviction](#)

Washington Post | 16 August 2016

Leak and a subsequent...

[Assange Announces Revelations on US Interference in European Politics](#)

New Europe | 15 August 2016

Neither confirms nor...

[Bond King Predicts Wikileaks Will Take Down Hillary Clinton](#)

Fortune | 11 August 2016

All Trump has to do is...

[US Skipped Standard Bid Procedure in \\$1 Billion Deal With Prison Company](#)

RSN | 15 August 2016

Paid for 100 percent capacity even if...

[Orwellian CA Bill: Reporters Can't Post Undercover Videos](#)

Jon Rappoport | 15 August 2016

Record "healthcare..."

[Boulder County, Colo.: Blueprint for Merging Health and Housing Under One Roof](#)

Governing | 15 August 2016

"Whole person" approach...Blueprint...

[Wikileaks' Julian Assange Says He's 'Already been Cleared' of Sex Charges](#)

SMH | 14 August 2016

Cleared by...

[Why is Global Community Ignoring Slaughter of Yemeni Children?](#)

RT | 14 August 2016

Fear of financial...

[Violence Erupts in Milwaukee After Police Fatally Shoot Man](#)

ABC | 14 August 2016

Protesters...

[Trump Exposes Trump](#)

YouTube | 23 July 2016
Contradictions about...

[Ryan Challenger Nehlen Starts Pro-Trump Super PAC](#)

Fox News | 14 August 2016
Citizens Revolt PAC...

[How to Make a Citizen's Arrest \(On Your Local Corrupt Politician\)](#)

Solutions Institute | 26 November 2014
(2014) Grounds for that arrest vary widely...

[Trump Troupes 6th Amendment, Says Americans Should be Hauled Before Military Tribunals at Guantánamo](#)

Activist Post | 13 August 2016
Communist-style gulag at...

[Texas, 12 States to Ask Judge to Stall Obama Transgender Bathroom Order](#)

Fox News | 12 August 2016
Other states...

[NSG Door Not Shut for India: Chinese Media](#)

India Express | 12 August 2016
Keep their disagreements...

[Julian Assange to be Questioned Inside Embassy as Ecuador Agrees to Set Date](#)

Guardian | 11 August 2016
Legal framework...

['Euro was Flawed at Birth and Destined to Collapse' – Nobel Economist](#)

RT | 10 August 2016
Single currency...Opposite...

[Ecuador warned to end Assange asylum by ex-foreign minister after DNC leak](#)

RT | 10 August 2016
"Serious pressure" to...

[High Risk of Modern Slavery in Nearly 60 Percent of Countries, Global Index Finds](#)

Yahoo | 10 August 2016
Businesses identify countries...

[Meet the Private Company That Has Changed the Face of the World](#)

Fortune | 01 June 2016
Lucrative business of...

[8 Amazing New Military Technologies](#)

Kiplinger | 01 February 2016
Partnering with...

Science & Technology – Week of 08.14.16

Science & Technology, Top Picks on August 14, 2016 at 10:08 am · [No Comments](#)

California's Blue Cut Fire Explodes to 30,000 Acres; Over 82,000 Evacuated

Weather | 17 August 2016

San Bernadino County...

Inside Goldman Sachs' Program to Develop a New Generation of Coders

BI | 17 August 2016

Third of...

Swiss Re: H1 Cat Losses Up 51% to \$31bn

Ins Insider | 18 August 2016

First half...

Powerful NSA Hacking Tools have been Revealed Online

Washington Post | 16 August 2016

Government and corporate...

Icahn Sees 'Eye-to-Eye' With AIG's Chief After \$3.4 Billion Deal

Bloomberg | 16 August 2016

Icahn applauded AIG's...

Edward Snowden: Russia Probably Behind NSA Leak

BBC | 17 August 2016

Counter-response to...

Snowden: Alleged NSA attack is Russian Warning

CNET | 16 August 2016

Diplomatic signaling...

Taylor Swift Donating \$1 Million to Louisiana Amid Flooding

Bloomberg | 16 August 2016

Help out and send your...

America to Hand Off Internet in Under Two Months

Washington Examiner | 16 August 2016

Agency could be used by...

Blockchain: What You Need to Know

Banking Exchange | 16 August 2016

Underpinnings that must...

A New Space Age Race: Interplanetary Investments

NY SSA | 16 August 2016

Thursday September 15, 2016 5:30 PM...

Pesticides on Planes: How Airlines Are Softly Killing Us

Truth Out | 16 June 2015

(2015) Willingly agree to be exposed to...

[**China Launches Quantum-enabled Satellite Micius**](#)

BBC | 16 August 2016

“Hack-proof”...

[**New Study: Neonicotinoid Insecticides Linked to Wild Bee Decline Across England**](#)

Center for Ecology and Hydrology | 16 August 2016

Three times stronger...

[**Scientists Finally Found Zenkerella, the World’s Most Mysterious Mammal**](#)

Washington Post | 16 August 2016

Discoveries that can still...

[**21 Gravity-defying Photos of Olympians Soaring Through the Water and Air**](#)

BI | 15 August 2016

Need to know...

[**These Photos of Louisiana’s Deadly Floods Are Terrifying**](#)

Mother Jones | 15 August 2016

Rainfall radar image...20,000 people...

[**Can Singapore’s Labor Crunch Spark a Robot Revolution?**](#)

Yahoo | 15 August 2016

Look to non-human...

[**How Silicon Valley’s Palantir wired Washington**](#)

Politico | 14 August 2016

Couldn’t win a contract...

[**Google Fiber Rethinking its Costly Cable Plans, Looking to Wireless**](#)

Market Watch | 14 August 2016

Initial rollouts proved more...

[**You Could Soon be Traveling from Chennai to Bangalore in Just 30 mins with Hyperloop Technology**](#)

Economic Times India | 13 August 2016

500 km, it is aiming for ticket price under...

[**George Soros’s Open Society Hacked and Information Leaked Online**](#)

Gateway Pundit | 13 August 2016

Network, sensitive docs, and...

[**Re-thinking the Water Crisis: With a Little Creativity, We Can Meet Our Water Needs**](#)

Regeneration International | 10 August 2016

Once we understand...

[**‘Artificially Sick’: Genetic Experiments on Animals Triple in Germany**](#)

RT | 10 August 2016

Death rate...

[**Life – Week of 08.14.16**](#)

[*Life, Top Picks on August 14, 2016 at 9:08 am · No Comments*](#)

[Father 'Utterly Terrified' after Trooper Points Gun at his 7-year-old during Traffic Stop](#)

Washington Post | 16 August 2016

Viral, serving...

[Rio 2016: Live, Daily, Briefing and Commentary](#)

Guardian | 14 August 2016

(International Edition) Latest medals...

[Free Books on Internet: Forgotten Books](#)

Forgotten Books | 14 August 2016

313,633 books available to...

China's Investments Reveal Its Broader Ambitions

[Geopolitical Weekly](#)

August 16, 2016 | 07:18 GMT

[Print](#)

Text Size

Pakistani and Chinese workers leave a newly built tunnel in Pakistan's Gojal Valley. China's new interests have set its sights on new destinations for investment. (AAMIR QURESHI/AFP/Getty Images)

By [Zhixing Zhang](#) and [Matthew Bey](#)

In November 1979, the Jinghe Share Holding Co. opened its doors in Tokyo, marking China's first overseas investment and the start of the country's transformative economic opening. Today, China has become the world's second-largest investor and biggest supplier of capital. While other markets are in recession, China's economy continues to grow, however slowly. Without question, the gravity of China's economy, coupled with its ever-expanding reach into global affairs, will secure its place of influence in the international system for decades to come.

But the sort of presence Beijing seeks abroad is evolving. For China, as for most countries, investment and acquisition are key components of its strategy for development and, to some extent, national security. Yet as China embarks on the long path leading away from an export-based model of economic growth and toward [one dependent on domestic consumption](#), its investment priorities are shifting. Beijing is gradually replacing its focus on snatching up the developing world's energy and natural resources with an emphasis on acquiring the developed world's value-added industry assets. At the same time, the government's traditional dominance in outward investment is weakening, making room for private enterprises to invest alongside their state-owned peers.

Furthermore, China is becoming more careful about its investment decisions, trading a frenzy of hasty purchases for a careful search for quality buys.

By all appearances, China's actions have consistently conformed with these trends for the past two years, even as the scale and size of its investments overseas have steadily risen. But perhaps more important, the new phase of its investment strategy reflects a deeper transformation underway — a change in China's vision of its place in the world.

China 'Goes Out' Into the World

For many years, China's renown as a "global factory" attracted investors from far and wide. Foreign funds were its bread and butter and, in Beijing's eyes, the key to gaining the technology, capital and assistance it needed to build up its fledgling economy. Though China longed to make its mark abroad, Beijing did not begin to systematically invest in or acquire its own projects in other countries until the late 1990s, when it launched its "go out" initiative to expand its economic footprint overseas.

Despite its delayed start, Chinese foreign investment has surged over the past decade. Beijing's insignificant portfolio — worth about \$2.9 billion in 2003 and accounting for only 0.45 percent of global investment — climbed to a record-high of \$120 billion by 2015 and included many different nations.

For the most part, China's diplomatic relationships and economic needs have determined where and how those funds have been spent. As a country whose development was long driven by low-end manufacturing and exports, China was, for decades, motivated to build up its stock of international commodities and increase its control over their supply chains. At the same time, Beijing sought to cultivate its image as a benign emerging power, which meant not exacting many political concessions from the recipients of its funding. But now that China is [transitioning to an economic model](#) that rests on domestic consumption, its investment goals — and targets — are changing.

Different Economies With Different Needs

Gone are the days when Beijing aggressively sought the world's [mining, oil and natural gas](#) assets. From 2008 to 2013, China spent some \$111 billion on the latter two; since then, that figure has dropped to just \$7.8 billion. In fact, the country's three biggest energy firms have not made any significant acquisitions abroad since early 2014. China's mining acquisitions have similarly declined after peaking in 2008.

Instead, [software, hardware and biotechnology](#) have risen in their place as China begins to follow its developed peers up the value chain. These industries now

receive the bulk of China's attention and funding. Over the past two years, Beijing has completed nearly \$15 billion worth of mergers and acquisitions in the semiconductor sector alone, and in 2015 its computer chip imports — nearly 14 percent of its total imports — valued some \$231 billion. China hopes that the hardware companies it is purchasing now, like the energy assets before, will eventually enable it to produce such items itself.

China's new interests, unsurprisingly, have set its sights on new destinations as well. Though Beijing continues to invest in infrastructure projects in the developing world, their share of total Chinese foreign investment is diminishing. Meanwhile, the flow of Chinese funds into the developed states of Western Europe, Asia and North America continues to expand; it is expected to reach roughly \$150 billion this year. (By comparison, China's deals in the developing world total about \$25 billion.) In all likelihood, this trend will hold as China continues to bid aggressively on Western companies in technology-related sectors.

Perhaps the most noteworthy aspect of this shift, though, is the type of company moving overseas. Historically, most of the investment flowing from China has come from its state-owned enterprises. Now, private Chinese companies such as Alibaba, Tencent and Baidu are among the firms most assertively buying up foreign assets. In many ways this is a testament to the broader changes underway in China, where an expanding economy has given rise to a flourishing private sector. The active participation of private Chinese companies in the country's investment abroad has imposed some limits on the politicization of Chinese business decisions. Even so, Beijing's investment strategy remains tightly entwined with its broader geopolitical ambitions, particularly in the developing world.

Creating a Global Vision

Contrary to popular belief, [a coherent global strategy](#) emerged from China only a few years ago, and it will take many years more to fully solidify. For decades, Beijing's outward-facing policies — those in foreign affairs, trade and investment — were largely guided by domestic priorities, not by a grand strategy. As a result, they were often described as reactive, inconsistent and, at times, contradictory. Nevertheless, this freewheeling approach also granted China the flexibility to navigate its options without the constraints imposed by specific plans or obligations — an especially useful ability as China tried to figure out how to move from the sidelines to the spotlight.

As China stepped onto the world stage, its leaders realized that they needed a cohesive vision to align their country's growth, interests and outreach. The recognition gave rise to a host of grand initiatives, starting in late 2013, that culminated in [the One Belt, One Road program](#) and the policies it entailed. The

project aims to integrate the Eurasian continent by deepening diplomatic, commercial and financial cooperation and building up infrastructural connectivity within the region.

Of course, Chinese foreign investment will not be bound to these goals alone. The One Belt, One Road initiative is more an evolving concept than a formal strategy. Nevertheless, it is representative of how China perceives its strategic position and priorities abroad within the context of its dramatic transformation at home — and how that perception will shape its decisions moving forward. For one, Beijing clearly has already placed some emphasis on linking China to its neighbors through infrastructure and transport projects. According to the PricewaterhouseCoopers, some \$250 billion in such projects are already under construction or have been agreed on, including the ambitious [China-Pakistan Economic Corridor](#) and the Bangladesh-China-India-Myanmar Corridor. China will likely continue to channel its massive and readily available pool of capital into regional connectivity projects in the short term.

Moreover, Beijing has worked hard to promote advanced manufacturing as a way of boosting China's position in the global value chain and expanding its international presence. [High-speed rail](#) and nuclear projects, in particular, have caught Beijing's attention, and it has pursued several related state-led contracts with countries in Central and Southeast Asia as well as Europe. Developing high-value industries is no easy task, however, and it continues to pose a daunting challenge to Chinese leaders.

Solving the Perception Problem

As China remolds its foreign investment to better fit with its developing global strategy, many of its projects could fall victim to the reputation that precedes it. China often pursues, as it has in the past, investments and acquisitions with an eye toward gaining access to the host country. This attitude, however, frequently endangers commercial interests there as well, which could engender local suspicion or resentment of Chinese investment.

Likewise, China has a habit of linking its projects to its relationships with partnering countries. Though this can be beneficial to all parties when projects run smoothly, it can also undermine or even disrupt China's bilateral ties when obstacles arise. For instance, President Xi Jinping hailed the Hinkley Point nuclear plant — of which China owns a one-third stake — as the start of a "golden age" of Sino-British relations during his visit to the United Kingdom in 2015. But when British Prime Minister Theresa May delayed approval of the plant last month, citing national security concerns, Beijing announced that it would not tolerate "unwanted accusations" about its investments. Such pronouncements are often received negatively by other states, hampering China's efforts to expand its international reach.

In more tangible terms, China's perceptual problem has also caused a number of potentially lucrative deals to go awry. [China's acquisition of Germany's Kuka Robotics](#), for example, created an instant political dispute between Beijing and Berlin, centered on questions of China's intentions for the company. The deal eventually went through, but as China's economy continues to develop, it will be forced to compete more directly with the West in areas such as manufacturing. And as foreign concerns over corporate espionage and the theft of technology continue to hang over China and the companies it buys, Beijing will find its negative image increasingly difficult to shake.

August 12, 2016 10:54 pm

Value of negative-yielding bonds hits \$13.4tn

Robin Wigglesworth and Eric Platt in New York

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The value of negative-yielding bonds swelled to \$13.4tn this week, as negative interest rates and central bank bond buying ripple through the debt market.

The universe of sub-zero yielding debt — primarily government bonds in Europe and Japan but also a mounting number of highly-rated corporate bonds — has grown from \$13.1tn last week, according to figures compiled by Tradeweb for the

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“It’s surreal,” said Gregory Peters, senior investment officer at Prudential Fixed Income. “It’s clear that central banks are dominating markets. There’s a race to the bottom. Central banks are the main drivers of this, it’s not fundamental.”

The New Zealand central bank became the latest to cut interest rates again, while the Bank of England recently restarted its [quantitative easing programme](#) to combat the economic slowdown that is expected to follow the UK’s vote to leave

the EU. About a quarter of the global economy now has negative interest rates.

That has further [squashed bond yields](#), and forced investors to scurry into emerging markets, junk bonds and ultra-long dated government debt to snap up what little remains of potential returns. Money is also [spilling](#) into the global stock market, helping the FTSE All-World index to a 5.3 per cent gain this year and pushing all three main US equity indices to a [“trifecta”](#) of fresh records this week.

Some investors and analysts are starting to fret that the swelling universe of negative-yielding bonds is distorting global markets and causing more economic damage than gains.

“There’s too much acceptance of this,” Mr Peters said. “We’re talking about it in a cavalier way, but that’s not appropriate. It’s extremely distortive, and if we see a pick-up on the fiscal side, or inflation, it will look less comfortable sitting in this negative yielding universe.”

Exceptionally [subdued borrowing costs](#) and the underwhelming health of the global economy has sparked mounting speculation that countries will begin to ease fiscal policy, spending more money on infrastructure and cutting taxes to reinvigorate growth.

Japan has already unveiled another dose of government spending, which underwhelmed investors, but some economists expect the US to loosen the reins after the presidential election in November, and a further easing back of austerity in the eurozone.

“There’s too much acceptance of [negative-yielding bonds]. We’re talking about it in a cavalier way, but that’s not appropriate. It’s extremely distortive”

- Gregory Peters, Prudential Fixed Income

Michael Hartnett, Bank of America Merrill Lynch’s chief investment strategist, predicted that there would be a “fiscal flip” in the coming year. “The bigger picture narrative is the policy baton is passing from monetary to fiscal stimulus in 2016-17,” he wrote in a note to clients this week. “We are convinced that the flip from monetary to fiscal policy will drive asset allocation and asset prices in coming quarters.”

Mr Peters also expected an inflection point on government spending in the coming year, driven by the need to reinvigorate economies and encouraged by exceptionally subdued government borrowing costs, which could reverse the slow ballooning of the sub-zero bond yield universe.

“If you’re not going to unleash the fiscal hounds with negative rates, why bother? There needs to be more of a relenting of the fiscal reins,” he said. “If 2017 is more of a fiscal year then it makes negative yields more challenging.”

But that could prove painful for investors that have dabbled with negative-yielding bonds, expecting that central bank bond-buying will continue to provide a

backstop. Fitch Ratings estimated earlier this month that a rapid reversal of yields back to 2011 levels would cause theoretical market losses of up to \$3.8tn.

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Arrival: first train to Tehran brought goods from Zhejiang province

Alireza Saadat started to trace and document Iran's segment of the ancient Silk Road four years ago.

The 47-year-old, who works on conservation and restoration of archeological sites, has, together with three female companions, been cycling along the route, which connected the east to the west through Persia — stopping frequently to gather information on trade and culture.

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They started at Iran's north-east border with Turkmenistan and they have got as far as Soltaniyeh, about 250km north-west of Tehran.

“Revival of the Silk Road can help prevent more villages on the route from being demolished by helping them generate income by revival of overland trade,” says Mr Saadat. “This way we can also help keep their culture, religions and dialects.”

The centrist government of Hassan Rouhani has welcomed China's One Belt, One Road (OBOR) plan to revive the Silk Road. Tehran hopes the project will facilitate Sino-Iran trade and turn the country into a significant Eurasian trade hub.

The first freight train to travel the old Silk Road arrived in Tehran in mid-February, bearing goods from China's eastern Zhejiang province and making the journey through Kazakhstan and Turkmenistan in 14 days — compared with around 45 days by sea.

However, if Iran is to play a significant part in Chinese plans, it must expand and modernise its 85-year-old national railway network, which currently stretches [over 11,000km](#), and carries 36m tons of cargo and 26m passengers a year.

Travel by road is more popular, thanks to cheap fuel in the oil-rich country. Iran's railways account for only 12 per cent of domestic transport, with plans to raise this to 30 per cent over the next decade.

“Our goal in the Silk Road plan is first to connect Iran's market to China's via railway for our domestic consumption and second to send Iranian and Chinese products to European markets,” says Hossein Ashoori, deputy head for international transportation of the Railways of the Islamic Republic of Iran. “Iran's goal is not really Central Asia.”

Chinese products transported via Iran could include minerals and petrochemicals, he adds, while Iranians could export pistachios and carpets.



Iran-China trade was [worth \\$51.8bn in 2014](#), according to official Chinese statistics — up 31 per cent on the previous year's \$39.54bn and a big increase from around \$4bn in 2003. This was partly caused by international sanctions over the nuclear programme which further isolated the Islamic Republic. During Chinese President Xi Jinping 's visit to Iran this year, the two sides agreed to increase trade to [\\$600bn over the next decade](#).

Since July 2015, when Iran reached its [landmark nuclear agreement](#) with the US, UK, France, Russia, China and Germany, European and Asian business delegations have been [visiting Iran](#) to explore the potential of one of the world's most untapped markets.

Suppliers look for ways around Russian trade restrictions



Kazakhstan is an increasingly important gateway to China

Development of the national railway is one of Iran's infrastructure-building priorities. Iran has signed contracts with France and Germany to renovate stations and restructure the railway system while it has signed an agreement with Italy for a high-speed train between Tehran and the historical city of Isfahan.

Mr Ashoori says transit of goods through Iran had already increased by 90 per cent in 2015 compared with the year before. Iran's railway extends to Turkmenistan and Turkey and plans are under way to connect it to Iraq and Afghanistan and later on to Azerbaijan and Pakistan. "Considering the crisis in the region and Iran's unique security, this is the best time to expand Iran's railway transportation," he says.

Map: Connecting central Asia



A ribbon of road, rail and energy projects to help increase trade

The developments have not been met with universal enthusiasm. A senior agricultural history researcher, Mohammad Hassan Abrishami, has just finished writing a book that suggests silk was produced in northeastern parts of Persia and the southern shores of Caspian Sea in 1000BC — long before the product was known to China. Mr Abrishami warns officials to be "careful and not forget that the old trade also paved the ground for foreign forces' interference".

But for Mr Saadat the Silk Road has been "the road of peace" along which ethnicities have long coexisted. "The Silk Road is not only for trade of goods," he says. "Roads transfer culture, religions and technology as well."