

Two Senators Make The Case For Vehicles Powered By Natural Gas – But They Fail To Mention Heavy Trucks

By Paolo von Schirach

February 28, 2014

WASHINGTON – In an extremely rare bipartisan effort, Senator Jim Inhofe (Republican from Oklahoma) and Senator Carl Levin (Democrat from Michigan) co-authored an op-ed piece published in The Wall Street Journal, (*Fill'er Up –With Natural Gas*, February 28, 2014), in which they put forward a strong case for legislation that would make it a lot easier to produce vehicles running on (now abundant and cheap) US natural gas. (This would include Compressed Natural Gas, CNG and Liquefied Natural Gas, LNG). The advantages are obvious: natural gas is domestically produced, (so, unlike half the oil products we use for transportation, it does not have to be imported), it is a lot cheaper than gasoline, and it is also much cleaner than gasoline.

What about trucks?

The two highly experienced Senators explain how their proposed legislation would encourage demand for vehicles running on natural gas, this way pushing car makers to produce them.

Great ideas. However, I am really surprised in noticing how these two supposedly well-informed law makers completely ignored the true low hanging fruit, when it comes to natural gas as transportation fuel. ***As T. Boone Pickens has been saying for years, the main target here should be US heavy trucks.***

Trucks are on the road all the time. They consume massive amounts of diesel. They rely on their own refuelling stations. Real incentives that would convince fleet owners (think Wal-Mart, UPS, FedEx) to buy new trucks fueled by CNG or LNG would trigger a major shift in energy demand. There are almost 9 million heavy trucks in the US. They consume about 3 million barrels of oil a day. If we could think of a not so distant future in which these massive energy consumers would use domestic natural gas, as opposed to diesel made with imported oil, this would be a fantastic net gain for the US economy, for the US balance of payments and for US energy security.

US trucks running on US natural gas

Imagine that. Instead of relying on Middle Eastern oil to fuel our heavy trucks, we would use CNG or LNG made with US natural gas, extracted in Texas or Pennsylvania. All this does not mean that we should not encourage the average American to buy vehicles running on natural gas. But when it comes to general purpose vehicles the gains would be a lot slower, not to mention the fact that there are already other choices in this space, including of course electric cars.

Trucks are the easy target

For the time being there are and there will be no heavy trucks powered by batteries. Trucks run on diesel. Not to mention the fact that when it comes to trucks there are relatively few decision-makers. If tomorrow Wal-Mart embraced natural gas for its gigantic heavy trucks fleet, this would be a signal to the entire sector of large fleet operators. Again, this is the low hanging fruit. Too bad that the two Senators failed to mention it in their article.

Chris Christie's Town Meeting: Democracy in America

By Paolo von Schirach

February 26, 2014

WASHINGTON – Thanks to C-SPAN, the US public affairs channels that provide unedited recordings of various political and/or policy related events, I had the chance to watch a long “Town Meeting” featuring New Jersey Governor Chris Christie, a (centrist) Republican, fielding many questions from voters.

The Town Meeting

The whole event was quite interesting. Of course, when a Governor goes around his State interacting with voters, this is a political event. But I would say that Governor Christie did not use this Town Meeting as an opportunity to look good and score political points, knowing that the proceedings would end up on TV and on the internet. Governor Christie gave me the impression of an elected official who knows “his stuff” very well and who is genuinely interested in running an administration that provides a good service to all constituents.

Complicated questions

The Governor fielded a lot of complicated questions, many of them having to do with the horrendously complex process aimed at compensating the New Jersey victims of hurricane Sandy. My impression is that he knows all the issues very well and that he replied in a manner that showed engagement, interest in the problems of the citizens and willingness to do all that is possible to help. (He pointed out that representatives of key state agencies would be there to take down all the details pertaining to specific cases, after the end of the town

meeting).

But the Governor was also clear about stating the limits of his powers and about the complicated relationship between the State and the Federal Government when it comes to deciding who is on which priority list, insurance issues, payments and more.

In other words, he did not over promise. He did not create false hopes.

All in all, from issues dealing with the powers of the state judiciary to Sandy related matters, Governor Christie gave me the impression that he is on top of the issues, that he knows them very well and that he is trying his very best to serve all New Jersey citizens. In other words, this was not an event in which the Governor goes in front of a (pre-selected) friendly crowd, says a few feel good platitudes, and then (pro-forma) replies to a couple of (pre-screened) innocuous questions.

The real deal

This Town Meeting was the real deal. This was about State Government in action. This was not *"Let me tell you what I'll do for you, if you vote for me"*. This was about *"This is what we have done and what we are doing. And if you have a legitimate issue, tell me all about it and we shall see what we can do to help you. And we really mean this"*.

What I saw is an example of how a well run republic should work. First of all, elected officials are competent. And they are there to do a good job, in good faith, in the interest of the community. I should add that, while nobody was obsequious, all questions were asked in a civil and respectful manner. The Governor was equally respectful in replying to the questions. The meeting was fast paced, but orderly. The atmosphere seemed pleasant. No tensions. Unless Governor Christie is an extremely good actor, I am convinced that he means well and

that he has the energy and the intellect to do a good job.

A good President?

Now, having said that, I have no idea as to whether Christie could be a good President. I suspect that being a good President would require all his skills. But it would also require something else: a broad vision articulated into a few key policy priorities that can be embraced by the Nation. This absolutely critical ingredient was not on display during the New Jersey town meeting. In fairness to Christie, this was not required in the context of an event focusing on local, often really personal, issues.

In the end, does Governor Christie have the qualities that would make him a strong national leader? May be he does; may be he does not.

For the moment let me just say that he is an excellent Governor. And this is no small thing.

Who Wants The Ukraine, Really? The Country Is A Mess

By Paolo von Schirach

February 25, 2014

WASHINGTON – The Ukraine may have a special symbolic meaning for Russia. It is a vast country, (roughly the size of Texas), with about 44 million people. It used to be a significant piece of the old Soviet Union. For these reasons, the notion that the Ukraine could become part of a Western camp, for some reason perceived as hostile by Russia, caused

huge anxieties in Moscow.

European influence?

But these Russian perceptions vastly exaggerate the reach of European influence. In what way would a western leaning Ukraine be a threat to Moscow? Does Putin really believe that Manuel Barroso, (the President of the EU Commission), prodded by Berlin and Paris, is plotting against him?

Russia's "zero sum game" approach

The truth is that in the overly simplified Russian "zero sum game" view of the world, if Moscow loses a piece of its sphere of influence, this must be somebody else's net gain. This might be true if the Ukraine contained untold riches in term of natural resources and other precious commodities. But none of this is true. The fact is that the Ukraine is a vast but rather poor and hopelessly disorganized country. *And this was the case way before the beginning of the horrible mess that caused loss of life, destruction, economic losses and much more.*

Give easy loans to Kiev

Anyway, in their wisdom, the Russians thought that it would be really smart to yank Kiev away from Europe by offering easy credit and other blandishments to the Yanukovich government just a few months ago. They of course did not foresee the popular rebellion against this move. In a vague and possibly naive way, the people in the Ukraine see Europe as a beacon of hope. Very simply they instinctively feel that there is more to be gained by linking up with a more modern and more liberal West than by going back into Moscow's orbit.

Well, we know what happened. President Yanukovich tried to stick with his Moscow bargain. When the people noted their strong dissent, he ignored them. And then, (most likely

counting on Russian support), he took the hard-line that created almost a civil war. Now (former) president Yanukovich is a wanted man.

Nobody wins

That said, nobody “wins” here. The Ukraine was and is a horrible mess. Just to prop it up, it will take time, sacrifices and billions of dollars. The idea that Europe, (instigated by evil America?), provoked this crisis in order to score a geo-political victory against Russia is insane. Now Europe, if it really wants to help Kiev, has to pay the bill. After the Irish, Greek, Portuguese and Spanish messes, with Italy tottering and France not doing so great, now Brussels has to deal with the (much worse) Ukrainian mess, something that includes more tense relations with Moscow. And you really want to believe that Brussels plotted all this?

How bad is the Ukraine?

Well, but how bad is the Ukraine? Bad enough. As the global recession hit, the Ukraine GDP in 2009 fell by 15%, one of the worst results in the world. GDP growth for 2012 was zero. The economy continues to rely on Russia for most of its basic energy needs. There are few (if any) good economic sectors.

Worse yet, the demographic trends look bleak. The fertility rate of Ukrainian women is 1.29 children per woman. This is horrible, as it indicates rapid population decline. And life expectancy, a good indicator of overall wealth and well-being, is only 68.9 years. This puts the Ukraine below North Korea and just a few notches ahead of India. So here is the Ukraine for you: a relatively poor country, (now semi-destroyed, or at least badly damaged), composed mostly of old people in poor health.

The Grand Prize in a renewed East-West contest?

Given all this, the notion that the Ukraine is the Grand Prize in some kind of renewed East-West contest is ridiculous. Sure enough, it is important for Russia to have a friendly state at its southern border. Fine. But what are the Russians thinking? Do they really believe that a Ukrainian state that does a bit better economically via closer relation with Europe is going to become the launching pad for a NATO-led aggression? Are they that paranoid, (or that stupid)?

The fact is that the Ukraine is yet another state in transition that has not yet managed to understand that to have a functioning democracy one needs cohesion, accountability, justice, tolerance, plus laws and institutions that favor enterprise and innovation. If the Ukraine were in the middle of Africa nobody would care that much. But it sits on a mythical East-West Frontier and therefore it looks a lot more important than it actually is.

Will the people come together?

That said, we should only hope that the brave Ukrainians who fought in the streets against a pro-Russian government now will have enough common sense to build together a functioning society with a viable economy. However, we all know that (as always) building something new is a lot harder than breaking things apart.

Senator Dick Durbin Said On Fox That Putin Used To Be The

Head Of The Soviet Era KGB

By Paolo von Schirach

February 25, 2014

WASHINGTON – During an interview with Chris Wallace on Fox a few days ago, Senator Dick Durbin of Illinois, the Assistant Majority Leader and thus number two in the Senate hierarchy of the Democratic Party, in reference to Russian President Vladimir Putin said that he used to be the head of the KGB:

“...Let’s not forget that Vladimir Putin was not just a member of the KGB, he was the head of the secret police, the Soviet KGB. This is a man that we should take very seriously”.

Putin was a KGB Colonel, not the head of the Soviet secret police

Well, there is no doubt that we should take Putin very seriously. He is the head of government of a (not friendly) large country with lots of oil and gas and plenty of nuclear weapons. The problem is that in the Soviet era Putin was a colonel in the KGB; and not its head. And this is not just a small detail. (Note: It is true that Putin was made head of the FSB, the many times reformed and restructured successor to the KGB, by then Russian President Boris Yeltsin. But this was in 1998, well after the demise of the Soviet Union on December 26, 1991. And Putin served for only one year as head of the FSB. Putin was only a colonel, never the head of the KGB, during the Soviet era).

The fact that Durbin, a very prominent US national political figure, does not know the difference looks bad. The additional fact that nobody (as far as I could see) said anything about this factual error is even worse. And why is that? Well, because this means that lack of information, ignorance and major misunderstanding do not matter in America,

when it comes to foreign affairs.

Sure enough, for the general public there is no huge difference between saying that Putin was a KGB colonel or that he was the head of the KGB. Arguably the essence is the same. The man has a long experience in senior positions in the old Soviet secret police. Fair enough.

US senior national leaders should know the facts

But I believe that we should hold our national elected leaders to a higher standard. We should expect them to be knowledgeable about basic facts regarding foreign leaders.

The fact that it is alright to be misinformed and that nobody really cares one way or the other is an indication of intellectual laziness. If I combine this major factual error with the bland generalities uttered by Durbin during the same Fox interview about the unfolding crisis in the Ukraine, I have reason to be concerned about how prepared our national leaders are when it comes to foreign affairs.

Granted, Senator Durbin is not the Secretary of State. He is not engaged in running US foreign policy. But he is a very senior national leader. He should be better prepared. If the average US Senator or Representative is equally misinformed, then this is cause for worry.

When America Retreats From The World The Bad Guys

Determine Outcomes – Look at Syria

By Paolo von Schirach

February 23, 2014

WASHINGTON – When it comes to international security issues, the prevailing American approach is to picture two and only two distinct scenarios:

- 1) Bomb the bad guys. Invade the country. Chase and imprison all the enemies. Work with the friendly opposition to create a new government. Send in massive amounts of aid.
- 2) Do absolutely nothing.

Simplistic and stupid approach

This approach is simplistic and, in the end, quite stupid. Especially now, in the wake of the semi-disastrous Afghanistan and Iraq wars, option N.1 is politically impossible. In order to exercise it, any administration would have to make the case that the very survival of the United States is at stake. “Going in”, (following the script outlined above), can be justified only by convincing the American public that the very survival of the United States is at stake. And this is clearly impossible. Hence option N. 2.

Timid and confused Obama

And this is exactly the line that the Obama administration has followed regarding recent major crises. In fact, it has done worse than that. In the case of Syria, president Obama made open threats when it became clear that Assad had used chemical weapons against the opposition. But then he retreated when the Russians offered the alternative of a deal supposedly leading to the destruction of the entire WMD stockpile amassed by the

Syrian regime.

Making threats with no follow on is arguably even worse than doing nothing. It creates the impression of an American leadership that "could" but in the end "would not". The last thing that any major power wants is to gain the reputation of being confused and irresolute.

Credible alternative

Well, is there an alternative to the two starkly opposed options? Of course there is. It is not easy; but it is doable. Number one: A major world power has to make up its mind as to what constitutes its national interest in world affairs. Number two: this policy has to be articulated so that all players around the world will understand it. Number three: this major power will have to create the necessary military means that will show its ability to enforce its policy. Number four: this major power will clearly convey, ***well ahead of any crisis***, through appropriate diplomatic channels and other means, what will happen in case of misbehavior to any government that somehow did not get the message.

A warning to Syria

Here is an example. When the troubles started in Syria, another president could have stated the following:

"America wants to see the legitimate democratic aspirations of the Syrian people fulfilled. America warns the allies of president Assad that any attempt, direct or indirect, to shore him up via military or financial means will trigger an immediate and swift American response. We shall start to massively aid the opposition, while we shall take appropriate actions in other fora against those who help the Damascus regime. Our message to president Assad is simple and clear. You have to come to terms with the opposition and be prepared to relinquish power, if this is what the people want. While this is a painful option, please understand that you will not

be able to hold on to power relying on your military force. We are much stronger than you and we shall provide adequate means to the opposition, so that they will defeat you. Our history and past record should convince you that we really mean what we say. This is our only and last warning to you. "

Now, this is no guarantee of success without bloodshed. But chances are that Assad, on the basis of his own understanding of what a resolute America is capable of, would have said: "OK, this is hopeless. I may try. But in the end they will come after me, and I shall be defeated. I know they mean business. As bad as this prospect looks, I have to negotiate my exit".

The message Assad got

But instead Assad was confronted with a totally different scenario. He had overwhelming evidence that America, while sympathetic to the democratic opposition, was unwilling to take any serious steps to help them. Fearful of another Iraq, US public opinion was flat against any action, direct or indirect, in Syria. So, no real trouble coming from Washington.

On the other side, his traditional friends, Russia and Iran, were quite willing and capable to support him. Sure enough, there was the real nuisance of assorted fighters, some of them affiliated with al Qaeda and/or other radical movements, who were pouring in through Iraq. But none of them represented an overwhelming threat. Therefore, Assad rationally concluded that he had a pretty good chance to prevail. And so he resisted. The outcome so far is an epic disaster. Tens of thousands Syrians killed. Millions displaced by the conflict. Untold damage to many cities, and much more. But Assad is still there. The Russians and the Iranians are still helping him, paying no price for their actions.

The world watches and says: *"America has become irrelevant.*

Whatever we want to do here or there, we do not have to worry about how Washington will react. It is pretty clear that –short of a direct attack on its soil– the US will do nothing”.

Deterrence

In conclusion, let’s reflect on the notion of “*deterrence*” discussed at length during the difficult decades of the Cold War. At that time deterrence meant that it would be foolish for either super power (the US and the USSR) to launch a nuclear strike against the other. They both knew very well that, even in case of a successful surprise attack, the other side would still retain sufficient nuclear forces, (most of them placed on submarines), that would inflict a devastating blow to the attacker. Hence “Mutual Assured Destruction”, (MAD).

That said, we should understand that deterrence applies to every scenario in which a nation wants to make it clear that there will be painful consequences if its critical interests are threatened. In the imaginary case of what America could have done in the context of the Syrian crisis, Assad could have been deterred, had he had the certainty, based on his observation of US past behavior, of swift US actions if he insisted on using force against his domestic opponents.

“If you want peace, get ready for war”

In the end, successful deterrence is about stating credible goals and creating the perception around the world that we have both the means and the will to act swiftly whenever our interests are threatened. The ancient Romans said it well long time ago:

“Si vis pacem, para bellum”. ***“If you want peace, get ready for war”***

What this really means is that, If the bad guys really believe

that you will act in case of bad behavior, chances are that they will refrain, and so you will not need to act.

It is not smart to believe that, as long as we are not engaged in a messy conflict, all is well. Acting on this notion, we leave the field to the unprincipled despots. Assad and his Russian and Iranian friends now act with impunity, because they can see that Washington is in full retreat. Nothing good will come out of this America withdrawal.

We are the good guys, remember?

Chinese Military Expert: Smog Protects Beijing Against A US Laser Attack

By Paolo von Schirach

February 21, 2014

WASHINGTON – Chinese authorities raised the Beijing smog alert to orange this week. This is close to the highest level (red). By US Environmental Protection Agency (EPA) standards, this degree of air pollution is equivalent to 378. In America, any level beyond 300 is considered hazardous. By World Health Organization (WHO) standards the level of air pollution now recorded in Beijing is 9 times higher than what is considered minimal safety. So, we are not at crisis level, (In January the level reached 500 on the US scale); but it is pretty bad.

Smog protects China against an American attack

Well, not to worry, observed a Chinese military expert. The good thing about thick smog is that, should China be attacked by the US laser weapons, (we all know that this is a serious threat), the smog would deflect the beams, this way providing an excellent defense against an aggression by the evil Americans.

How about that? I am sure that now all Chinese city dwellers feel a lot better. "The air is foul. Our children and parents get sick. But, hey, we are protected against an American laser attack, the event we all fear and that keeps us awake every night. Think of that! Thank God for smog. We need more of it."

Can Matteo Renzi Fix Naples' Destroyed Finances? The Population Of This Historic City Does Not Pay Its Taxes, With No Penalty

By Paolo von Schirach

February 21, 2014

WASHINGTON – Matteo Renzi, until yesterday Mayor of Florence, will be Italy's next Prime Minister. He demanded the job on account of his election (via a primary contest) as leader of the Partito Democratico, the senior partner of yet another

ruling coalition. He claims that he wants the job not because he wants power but because he believes that Italy needs a shock therapy: bold reforms, real transformations. In a word, he believes that Italy is on its way to terminal decline and therefore truly drastic measures are needed.

Italy's deep crisis

I fully agree. Hard to underestimate the gravity of the Italian situation. There are just too many huge systemic problems: zero economic growth, high unemployment, (12%), no innovation, enormous public debt, inefficient public services, bad to poor education system, feisty labor unions, extraordinary levels of corruption and the cancer of organized crime.

If Matteo Renzi has a cure for all this, then he is a real genius. If he succeeds, he will go down in history as one of the leading statesmen of the entire Western World. But this will never happen. Without cynicism, I just do not see how he can accomplish much, given the depth and the gravity of Italy's historic shortcomings.

Naples is bankrupt

Here is just one example. The city of Naples is one of the largest in Italy, and the 9th most populous urban area within the European Union. It has a population of one million, while its metropolitan area reaches four million. Now, here is what's happening. The municipality of Naples is asking the Rome central government for extraordinary financial help measures. The city is bankrupt.

Half the citizens do not pay their taxes

Well, this is hardly a unique development. Let's think for a moment about Detroit's dramatic implosion. Once the shining jewel of US superior manufacturing prowess, totally bankrupt Detroit is now a virtual ghost town.

But what is special about Naples, as a report from an Italian national accounting office explains, is that its bankruptcy is in large part due to the fact that half the population does not pay any of its local taxes. Likewise, more than half of the fines and other payments due to the municipality go uncollected. What is worse, confronted with this openly illegal behavior practiced by hundreds of thousands of its citizens, the city of Naples does...well, nothing.

In all this, it is truly farcical that the city keeps booking as "receivables" huge amounts due to its treasury that go back 10 years or more. In other words, year after year, the city keeps creating fictitious budgets with fictitious assets, as it is clear that these sums will never be collected.

Not funny

Now, all this may look really funny. A real *Commedia Italiana*, an Italian Comedy. Look at that: the crafty Neapolitans manage to create schemes so that they manage to evade most of their taxes –and they get away with it! This is really clever! And so we can imagine these amiable, jolly characters who break the law, do not fulfill their obligations, while they go out to dinner, order pasta and pizza, drink good wine and sing beautiful songs.

Well, this is not funny at all. This is evidence of profound, possible irremediable, rot. If a municipal government allows half of its citizens to openly break the law, apparently with no penalty, then we are in the darkest corners of the Third World. And do not forget that this flagrant illegality is laced with the local dominance of organized crime, (the powerful Neapolitan Camorra), that –with threats and real violence–exacts its own taxes from countless local businesses in exchange for "protection".

Can Renzi fix Naples?

Well, mercifully Naples is not all of Italy; but it is a big chunk of it. If Matteo Renzi can fix the national disasters outlined above, and at the same time make the Neapolitans pay their local taxes, while defeating the Camorra, I shall conclude that he is blessed with unknown super natural powers.

What Will Europe Do About The Crisis In The Ukraine? Very Little, Probably Nothing

By Paolo von Schirach

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February 19, 2014

WASHINGTON – I mentioned in an earlier piece, (see link above), how Victoria Nuland, the US Assistant Secretary for European Affairs used vulgar language (“*f...k the EU*”) in a private conversation. The context was how the US and Europe were trying to deal with the exploding crisis in the Ukraine. Nuland clearly indicated that Europe is irrelevant and not to be counted on. We can infer that deep down she believes that the EU –a Union that includes most of our key, historic Allies– is weak, irresolute, fearful and essentially impotent.

The Ukraine and Europe

Well, even though Nuland did not use elegant language, she is basically right. The way Europe is handling the crisis in Kiev demonstrates all of the above.

Let's step back a second. What is this crisis, potentially leading to a civil war, all about? It is about a deep division within the Ukraine between a faction led by the current government headed by President Viktor Yanukovich that would like a much closer association with Russia and those who would like to link up with Europe, aiming at an eventual EU full membership.

Two models: Russia or Europe

Both substantively and symbolically Europe and Russia represent two, mutually exclusive, models. Putin's Russian Federation is a poor imitation of Czarist Russia. The old KGB officer wants us to believe that he is in fact the defender of an old, revered –and in fact morally superior– Slavic culture. All of a sudden, Putin discovered that he is an “Old Believer”. It is all about Great Mother Russia, the Orthodox Faith and traditional, conservative values. Hence anti-gay legislation and persecution against liberals. And the official propaganda is that a morally strong Russia, fortified by its Faith and superior values, will prevail against a decadent West that is clearly in decline.

Europe is supposed to be the opposite. Europe is about liberal democracy, freedom, equal rights, equal justice, respect for all minorities, gay rights. Last but not least, Europe is about the higher standard of living that usually prevails in free countries.

The Ukraine opposition wants Europe

The vocal Ukrainian opposition has spoken. Loudly. They want Europe. They do not want to be once more an appendix, (or, worse, a vassal), of the reborn Russian Empire.

They want Europe and what they believe it represents: modernity, innovation, political freedoms, freedom of movement, and what not. Hence their feisty resistance against the government led by pro-Russian Yanukovich that would like to take Moscow's money in exchange for closer ties with Russia.

Europe looks on and does nothing

Looking at all this, what does Europe do? It sees how its "friends" in Kiev are being persecuted, and now killed. Any reactions? Well, there is talk about counter measures, possibly some types of sanctions targeting the architects of the repression in the Ukraine. But we are still at the level of veiled threats. Not much action, so far.

And why so little? Well, because, among other European virtues, there is "soft power", a euphemism for "passivity". If Europe acted forcefully against Yanukovich in this crisis, this might place Brussels on a collision course with Moscow.

And Europe does not want that. Certainly there is no admiration in Europe for Putin's semi-autocracy. But Putin is forceful. If Brussels takes a strong stand regarding the Ukraine, he might retaliate. And the Europeans want easy-going relations with Russia. Hence EU hesitation in this crisis.

Europe does not fight

What the brave people in Kiev should begin to understand is that they would like to join a club –the European Union–that is not going to do much for its would-be members. No doubt, Europe, with all its problems, is a far better deal than semi-despotic Russia. But the Europeans, whatever their virtues, (with few carefully selected exceptions, usually far from home), do not fight.

Hollande's Poor Efforts At Attracting Foreign Investors To France

By Paolo von Schirach

February 18, 2014

WASHINGTON – *“France is not afraid to open itself up to the world. We realize that the mobility of investment is part of making a country successful”*. This is what French president Francois Hollande recently said to an audience of high-caliber international corporations assembled in Paris to listen to his sales pitch. Well, if this quote indeed captures the substance of Hollande's message, the picture is depressing, if not outright scary. You do not lure foreign investors by saying: “We are not afraid of you, really”.

Low taxes

Sure there is more. Hollande talked about tax advantages for investors and new measures aimed at making it is easier to set up shop in France. Well, thank God for that. But, guess what: any government worth anything, from Georgia to Vietnam, is already doing all this. Foreign investors expect a “one stop shop” investment promotion agency that will make it easy for them to get established. They expect quick registration of their business. They expect a competitive taxation regime. They expect labor legislation and norms that will make it easy to hire workers and dismiss them, if necessary.

This is a great country

What would make investors pay attention is a pitch that would focus on what a great place to do business France really is. "We have a highly educated, English-speaking, sophisticated work force. We have some of the best research universities in the world. They nurture the best scientists, engineers and business managers. We have excellent vocational training facilities that will provide the best workers. We have state of the art telecommunications and infrastructure. Make France your hub, the center of your value chain and supply chain, and you will prosper because we offer you proximity to your markets and to your key suppliers. And, best of all, we can guarantee the best quality of life. Here you have safety, affordable housing and first class education for your children, and of course, superior culture, beautiful nature and entertainment."

You are better than anybody else

Now, assuming all this were true, this would be a real sales pitch. You get investors to pay attention only by stressing how great you are, and not by telling them that, in truth, you are not afraid of them and that "France is going to become simple". No, Mr. President. First you make France simple and extremely attractive; and then you advertise it as a great place to do business.

Only those who have needed high-value commodities do not need to promote themselves

The only countries that do not need to make a special effort to lure foreign investors are those that can produce scarce and valuable commodities desperately needed by international markets. They can rest assured that investors will come to them, no matter what. But if what you offer is a mostly a good location, it has to be really great. Or, at the very least, it has to be a lot better than what your neighbors or other

potential competitors around the world can provide.

First you create a true investor-friendly environment, and then you advertise it

Getting rid of legal, immigration and administrative obstacles that discourage investors is a good start. But it is only a very modest start. The truth is that France is a sick country that grows only a little, while it contemplates the erosion of its past competitiveness. If president Hollande really believes that by saying “We are not afraid of you” investors will come in droves, he needs better advisers.

Chinese Experts Say That China Needs A Lot More Natural Gas – Not Renewables

By Paolo von Schirach

February 17, 2014

WASHINGTON – In the often schizoid US national debate on energy issues the “good and enlightened people”, (those who would like us to stop using carbon based fuels immediately), frequently point out that China is way ahead of America. China, we are told, is investing massively in renewable energy, most notably solar. You see, the real point is that the wise Chinese technocratic leaders, capable as they are to serenely contemplate “the big picture”, figured out long ago that their vast nation needs to get out of carbon. The conclusion is that the Chinese are wise and smart.

We are not.

Bad carbon based energy

Largely because of the evil works of the oil and gas lobby, we keep focusing on the outmoded, wrong formulas –fracking being the latest. Indeed, by developing this (sinister?) source of natural gas contained in shale formations we continue our perverse dependence on carbon, while we pollute our precious water supplies and create untold dislocations across rural America.

What is really happening in China

Well, the real picture is quite different. China's state TV, CCTV, reports that in order to curb stratospheric levels of pollution, officials in the Hebei Province, (a large area surrounding Beijing and now officially the most polluted province in China), had to resort to the actual closing down or destruction of 8,347 industrial plants producing cement and glass, among other heavy polluters.

An expert from an official research agency, interviewed by CCTV, indicated that reducing horrible levels of smog will be very, very tough.

For one thing, he stated, if the province wants to move to renewable energy, making anything there is going to be much more expensive. This will be very tough for business, he pointed out. Furthermore, the general public will be hit by higher utility bills. So, there you have it. Renewable energy costs a lot more and makes it harder for industry to stay competitive.

China needs natural gas

And so, what is the way out? Well, the expert said that China needs to increase its supplies of "natural gas" and "nuclear power".

Got that? "Natural gas" and "nuclear power". Not a word uttered by this presumably enlightened Chinese expert about solar and wind. And why not? Not because they are bad. It is because, to date, they are still too expensive.

So, here in America our incredible natural gas bonanza is demonized by the "good experts" as more of the same bad stuff, while they invoke the healing power of renewables supposedly pushed forward by the smart Chinese technocrats. But it turns out that in China the experts say that they would love to have access to a lot more natural gas, so that they could reduce their reliance of dirty coal.

Renewable energy has a future

The day of renewable energy no doubt will come. But we are not there yet. The American do gooders should look at China's environmental disasters and the lack –today– of cost-effective renewable energy solutions. After that, they should look back at America and consider how lucky we are. Thanks to fracking and horizontal drilling –American home-grown technologies– we are now the largest producer of natural gas in the world.

Because of this abundance of domestic, cheap and relatively clean energy we can retire old, high polluting, coal-fired plants without any adverse economic effects.

What do you know: our natural gas is very cheap and it is much cleaner than coal.

And, yes, as a result of this shift from coal to gas for power generation we have cut our greenhouse gases emissions. China is indeed investing heavily in solar energy. But, thanks to a huge number of high polluting coal-fired plants that cannot be shut down, as there is no economically viable alternative, millions of wise Chinese live in cities that are virtual gas chambers.

Certainly, we in America have a long way to go in our quest

for affordable, clean energy; but –thanks to our natural gas revolution– we are much farther along.