Last Sunday's CNN's Fareed Zakaria's GPS program generated these nuggets of information :

- In recent years Afghanistan's GDP has been driven 60% by foreign aid, 30% by poppy cultivation & 10% by 'sustainable' economic activity - *this bodes ill for its economy when all foreign forces will for all intents & purposes have left next year*[1];
- Ruchir Sharma, Morgan Stanley's Head or Emerging Markets' Equities, expects China's GDP growth to decelerate to a 4%-5% annual rate over the next five years. This, he expects, will have an as yet not fully appreciated impact on the global economy. For, despite the better performance of the US economy (& *Europe's economies?*), in 1999 the US economy accounted for 33% of global GDP growth & China for just 10%, while today this has been reversed to 19% & 36%. And he believes Beijing panicked in 2008, as a result of which China's total debt in the economy/GDP ratio increased by three-quarters to 231% & it now takes 3.4 yuan of new debt to create one unit of GDP growth vs. 1.4 in 2008;
- The Arab Spring got its start in Tunisia & then spread, among others, to Egypt. While in both countries dictators were replaced with Muslim Brotherhood governments, the parallel ends there. For, while in Egypt it sought to impose a strict Islamic constitution & rule imperially, refused to give way to the resultant popular unrest and hence was overhrown, its Tunisian counterpart introduced a constitution that combined basic Islamic values with *such un-Islamic* features as respect for women's-, & minority-, rights, and last month bowed to popular pressure & gave way to a caretaker government until new elections can be held (that may well result in another Brotherhood-dominated government*, in which case its true colours may, or may not, be revealed*[2]) - *this shouldn't have surprised anyone; for to give Tunisia's former dictator, Zine El Abidine Ben Ali, credit where due, shortly after he came to power in 1987 he launched Tunisia on a 'pull ourselves up by our own bootstraps' course that, by the time he was overthrown in 2011, had resulted in a 20-year average GDP growth rate of 5%, a much improved, relatively high per capita GDP*[3]*, more women in high positions in business & government than even in some developed countries, a rate of home ownership on a par with that in many developed countries, the second highest rate of per capita computer ownership in Africa, a very low percentage of its people living below the poverty line, and its mosques nevertheless being full; in other words, he may have laid the groundwork for a 21st Century-compatible form of Islam. Time will tell!*

Peter Schiff, CEO of Westport, Conn.-based Euro-Pacific Capital & economic adviser to Ron Paul in his 2008 Presidential campaign, is a perennial bear. His latest 'gig' is a gloomy forecast that the US economy is heading into recession, that Janet Yellen will respond to it by becoming

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1 Even more staggering is the fact that, according to the World Bank between 2001 & 2010 its GDP went from US$2.5BN to US$18.0BN, its per capita GDP from US$115 to US$620 & its population from 21.4MM to 29.1MM; reflecting compound annual growth rates of 24.5%, 20.6% & 3.5% respectively, all of them possibly world records.

2 One of its leaders told Zakaria at Davos that 'we had a choice between staying in power & losing democracy or losing power & preserving democracy" - time will tell whether the Brotherhood is sincere in this, or just temporizing.

3 According to the World Bank, in 2012 it was US$4,237, vs. Egypt's US$3,256, Syria's US$3,289 & Morocco's US$2,902, oil-rich Nigeria's US$1,555 & Ghana's US$1,605 albeit well short of Algeria's US$5,348, Iran's US$6,816 (in 2011) & South Africa's US$7,508, and of course the US' US$51,749.

an even greater pump-primer than Bernanke, who in that department had made Alan Greenspan look like a piker, that the gold price performance YTD is not a flash in the pan but a harbinger of things to come & that the price of gold will be much higher by yearend because "there will be no place to hide but gold." - *it's not all that difficult to arrive at a conclusion not dissimilar to his as to the yearend price of gold via a more rational, less apocalyptic line of reasoning (meanwhile the price of gold as of Friday morning was up US$50+ on the week, having gone through what people had thought a significant 'resistance level at US$1,270- 1,275 like s$%^ through the proverbial goose.*

The BLS reported 113,000 new jobs in January, up from December's 75,000 but far short of the 180,000 expected & the 2013 monthly average of 194,000. Still, the unemployment rate declined further, to 6.6%[4]. Meanwhile, the broader-based household employment survey [that supposedly does a better job of counting employment by small business than the BLS' (large business-biased) payroll survey - and it is an established fact that small-, & not big-, business is the **real** job creator in the economy] reported that during January total employment had grown by 616,000 - *this appears to bring to three the number of seemingly inherently flawed traditional key economic statistics (the other two being the unemployment-, & inflation-, rates)*.

When Janet Yellen made her first Congressional appearances this week as Fed "Chair" (*her expressed wish*), she faced questions as to her views on monetary policy going forward now that the unemployment rate was closing in on the 6.5% threshold her predecessor had long said was the trigger for starting to raise *the 'administered'* interest rates from their near-zero levels. But the Wall Street Journal had 'greased the skids' for her with a headline calling the unemployment rate *as presently constituted* "archaic and misleading" (*the latter certainly with considerable justification since it does not take into account those capable of working who have become discouraged to the point of having quit to look for work as well as those working part-time by necessity rather than choice*). In the event she didn't disappoint : in a marathon (6 hour) appearance before the House Financial Services Committee on February 11th, she confirmed the market's perception she is at least as, if not more, dovish as her predecessor & deep-sixed his 6.5% trigger level.

In December US consumer borrowing in the form of auto-, student-, & credit card loans rose by US$18.8BN, the most since February 2013, with the US$5BN growth in credit card debt (that had been lagging that in auto- & student debt) on this occasion outstripping theirs. And yet consumer spending was down marginally. And in January US retail sales were down a seasonally-adjusted 0.4% MoM, after declining 0.1% in December. While the unseasonally cold weather is being blamed, the reason was not just a loss of sales. For if people had just stayed home because of the cold, this would have merely created pent-up demand. But the cold weather caused many wage earners like waiters, taxi drivers and people in the retail-, & fast food-, business to lose hours of paid employment (or in the taxi drivers' case fewer rides, which hits them particularly hard because of their high fixed overhead, incl. the cost of their 'medallions'). And this loss of income gives rise to a permanent loss of consumer expenditure which is causing economists to start further shading down their First Quarter GDP growth forecasts from the Fourth Quarter's *already* disappointing 3.2% annual rate (*that many of them had expected to come in closer to, if not at, 4%).*

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[4] Down from 7.3% as recently as last October.

In the week ended February 5th there was a US$14.8 BN inflow into bond-, and an outflow of US$28.3BN outflow from equity-, funds (both of them record weekly highs), while outflows YTD from EM equity funds exceeded those for all of the year 2013.

The generally far colder-than-usual weather across North America has resulted in draws on inventories of natural gas for four out of the past eleven weeks, having been among the largest in a decade, and in gas inventories nationwide hitting five-, & in the East fifteen-, year lows. This ought to be a boon to the Alberta treasury; for while the average benchmark producer price for Alberta natural gas for 2013 as a whole had been $3.02 per gigajoule[5], on Tuesday February 4th it spiked to $5.78 & on Wednesday jumped to as high as $38 before ending the day at close to $25. And to make matters worse the cold also affected natural gas production which on February 4th was 9.7BCF, down from 10.2BCF prior to the cold snap. Be that as it may, the 2015 natural gas futures barely budged.

The Republicans are up in arms about Obama saying in his State of the Union Address that he will use Executive Orders if Congress cannot get its act together. Rep. Paul Ryan (R.- Wis.) retorted with "We have an increasingly lawless presidency where he is actually doing the job of Congress, writing policies and new laws without going through Congress. Presidents don't write laws, Congress does." - *He conveniently overlooks two issues. What to do when Congress doesn't uphold its end of that bargain. And to date at least, Obama has used his Executive Order powers marginally less than Bush 43 (35 vs. 36 times a year), far less than any other President in recent history (Clinton - 46, Bush Sr. - 42 & Reagan - 48) & a whole lot less than FDR's 300 or so*.

Unless the US Congress makes a decision on the debt ceiling issue this week, it could be touch-and-go. For the House wiil recess starting from Friday February 15th until Tuesday February 25th while Secretary Jack Lew warned lawmakers earlier that by month's end he will have run out of financial legerdemain to continue paying the bills. On the other hand, this may increase the likelihood of a "clean" debt limit bill that will be good until after the mid-term election - *the latest rumour is a bill will be ready for the President to sign before the House recesses that will provide enough debt ceiling room for the next year or so (the Republicans must figure that bringing on another debt ceiling crisis won't look good on their record come next November). That's the way it turned out : on Tuesday the House passed a clean bill that suspended the debt limit until March of next year (when the Republicans expect to be in control of both houses of Congress), & the Senate the next day despite some brief grandstanding by Sen. Ted Cruz (R.- Texas). So now, with this critical piece of legislation out of the way, all lawmakers will now be free to do as much grandstanding as they want for the next nine months.*

It's misleading to have the US natural gas lobby telling the hoi polloi over the air waves that natural gas is a "clean" fuel. It is not' : it's only a **cleaner** fuel compared coal in power generation. For it still generates GHG emissions; and, while only about half as many as coal, at a rate many, many times that of various renewable fuel sources.

The US gun culture is getting out of hand. As the time of writing, 1355 hrs on February 8th,CNN was breathlessly covering the trial in Florida of a man who in 2012 shot a teenager in his car at a service station in a dispute over loud music & the bail hearing in the same state for a retired Tampa police captain, & former SWAT Team member, who on January 13 shot & killed a man in a movie theatre in a dispute that started over the latter texting during the preview to the

[5] One gigajoule = 948 cubic feet

feature movie - *both claim self defense under that state's "Stand Your Ground Law". What might come next, shooting a Mom or Dad over a crying baby (which can be **really** annoying)?*

It is a sign of the times that, after Barclay's reported somewhat disappointing pre-tax earnings, one analyst pointed out that in the last six years it had reported £9BN in "one-of" charges (vs. the £5.4BN in pre-tax earnings for 2013) & observed that "rather than being an exceptional item, litigation costs are becoming a standard business charge for banks" - *a generalization rather unfair to the thousands of banks that have stuck to their knitting in the boring business of funding real economic activity.* Meanwhile, on February 7th Barclays launched an internal probe after being alerted by a newspaper about its receipt of a memory stick from a whistle blower containing 2,000 of its client files that its source had told it was part of a cache of as many as 27,000 such files that had been 'shopped around' for about £50 each for use by crooks to snare people in nefarious investment scams. Some of these files were said to be up to 20 pages long & to contain a wealth of personal information, incl. their national insurance numbers & health information, with the vast majority of them being those of elderly people particularly vulnerable to such misdeeds.

In some places in Britain more rain has fallen recently than ever since weather records started being kept two-and-a-half centuries ago. Three factors are at work. The draining of swampy areas that historically had acted as sponges that absorbed rainwater & released it slowly over time. The growing share of the land surface now covered with buildings, pavement or other impervious surface materials that leave rainwater, that historically had soaked in, little choice but to run off rapidly into low spots. And, most importantly, global warming both the ocean's water, causing more evaporation, as well as the air above, allowing it to absorb more water than when it had been cooler. But then, when this supersaturated warm air mass collides with a cold front, it is simply a matter of "what goes in, must come out" & when since more went in, there's by definition be more to come out. Hence the all but unprecedented downpours & resultant floods[6] - *but there may be a silver lining, namely that the growing incidence of natural disasters may cause all but the wilfully blind to conclude global warming may be real & Mankind had better start mending its fences*.

On February 10th, Toyota announced that, after 50 years there, it plans to quit making autos in Australia by the end of 2017. This comes in the wake of like announcements by Ford in May-, & by GM in December-, of last year. This is the end of car manufacturing in Australia. The reasons given by Toyota include the strong Aussie dollar & an"extremely competitive market". But the **real**, but politically incorrect, reason is the low productivity of its Australian workers - *this raises questions for Canada, & more specifically for Ontario, of whither Australia, hither Canada? And this leads to a far more important question as to how much Canadian governments should be willing to fork over to preserve the ever diminishing relevance of the auto industry to the Canadian economy. And there can be little doubt the companies will use this event to try & wring more concessions out of governments to help underwrite any plans they may have to continue operating in Canada[7]. But this is a mug's game in which the automakers play local &*

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6 Somewhere along the US media's coverage of the latest round of ice/snow/rain storms battering the US East Coast, one commentator a day or so a ago expressed the hope that "Nature would behave itself." which suggests that he had the cart before the horse.

7 In fact, this has been an ongoing drama. Just last fall, the federal & Ontario government put almost $150MM in the retooling of a Ford factory and right now Chrysler is trying to put the touch on them for $700MM to defray part of the cost of a $3.6BN updating of some of its plants

national governments off against each other in an auction-like environment and pit Canadian governments against other governments for whom the value-added potential of the jobs involved may be a much bigger deal. And, while on the subject of Toyota, it has just started playing hardball with the Venezuelan government. For this week it halted its vehicle assembly operations in that country, while saying the workers' salaries will be "guaranteed" for two weeks, in so doing so infuriating the country's President to order his minister of industry to go over the head of the local managers to their regional bosses or, if necessary, Toyota's head office in Japan because "The only thing these little managers want is dollars, dollars, and more dollars". While Toyota, like many Venezuelan businesses, claims it needs more dollars to pay for imports of parts & raw materials, the President accuses it of asking for more dollars than it really needs so as to flip them in the black market for a quick profit (thereby displaying his ignorance as to how the real world works; for no local Japanese manager would make a decision to halt operations on his own hook & no one in his right mind would want more increasingly worthless bolivars than absolutely needed).

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US ECONOMY MAY BE STUCK IN SLOW LANE FOR LONG RUN (AP)

- The Great Recession *officially* ended in 4Q/09. But it looks as if those who wonder if it will ever get any better may have a point. Two successive weak employment growth reports (75,000 in December & 113,000 in January) throw doubts on predictions of breakout growth in 2014. The global economy shows signs of slowing. Fewer people are signing contracts for new homes. Anxiety grips the emerging markets. And longer term the CBO thinks the economy will weaken after 2016, hitting a demographic wall as the Boomers retire, shrinking the work force & limiting the scope for growth, and government must borrow, tax more, or cut *program* spending to keep them *in the style they think they're entitled to*.
- Goldman Sachs' Jan Hatzius (who had expected 200,000 new jobs in January, even more than the 180,000 consensus) says we have "hit a pothole". PNC Financial Services Chief Economist Stuart that "Three months in a row *of sub-par employment growth numbers* would mean the job market is taking a turn for the worse". Former Obama Economic Adviser & Clinton Treasury Secretary warns the US economy is trapped in "secular stagnation"[8] & Nobel laureate Joseph Stiglitz that the US is now paying the price for having papered over the festering problems in its economy, incl. the growing income inequality, the need for structural reform, persistent imbalances & a financial system preoccupied with speculation rather than investment *that makes the economy grow.*

The real problem is a reluctance/unwillingness by the older generations across the developed world to accept the brutal reality that the days of 3% trend growth have gone the way of the dodo bird, & that they will likely be proven to have been the last generation to enjoy a better lifestyle, however defined, than the previous one (while the younger ones are living that reality).

FALLING PROPERTY VALUES HINT AT TROUBLE ON THE FARM (WSJ, Jesse Newman)

[8] Which to some economists means significantly less than potential economic growth" and to others merely a period of little or no growth (with Summers likely among the former).

- According to USDA between 2009 & mid-2013 US farmland prices rose by 50% while in some Midwest States, like Iowa & Nebraska they more than doubled. But that bubble may have burst. Iowa farmland prices declined by 3% in the Second Half of 2013 & Nebraska's by 1%, in 2013 one out of every fifteen farmland auctions failed (*to bring prices acceptable to the seller*) *, twice the number in 2012*, and their number down 30% YoY.
- Good crops have resulted in lower prices for corn & soybeans, and USDA expects 2014 farm income to crater by 27%, to US$95.8BN, from 2013 (which had been a 40-year high) which, while a four-year low, would nevertheless still be well above its 10-year average. While this won't necessarily be a disaster on the farm because, generally speaking, farm' debt-to-asset levels are in the 10% range, half of what they were thirty years ago, it will reduce farmers' appetite for buying new equipment, and for investing in bigger & better facilities, thereby creating another potential "drag" on the economy.

That is just about the last thing the US economy needs!

<u>NOT A DROP TO DRINK</u> (G&M, Omar Al Akkad)

- California, *which if it were a country would be the country with* the eighth largest economy, is going through its most severe drought in recorded history; according to the <u>U.S. Drought Monitor</u> over two-third of the state is experiencing "exceptional" or "extreme" drought conditions (*those being the top two of its five categories of drought conditions, the others being "severe", "moderate" & "abnormally dry").* This is the result of three years of below average precipitation. In the Sierra Mountains the *water content of the critically important* snow pack is only just 28% of its historic average (& that only because of a recent storm). Hydro power is running low. There were 406 wild fires in the first 25 days of January, vs. 69 in the year earlier period. As much as 500,000 acres of the state's 8MM acres of farmland is expected to be left fallow this year. Ranchers are faced with a choice between feeding their cattle expensive hay or selling them at firesale prices. Interest groups are starting to fight over the *increasingly* scarce water supplies. Republicans are calling for an end to "the madness of putting fish before people." And Gov. Jerry Brown last month declared a state of emergency & urged Californians to start using 20% less water.

In California 80% of all water used is used for irrigation, 14% by consumers & 6% by industry, commercial enterprises & government. Consumers' water usage varies widely by social status; a 15-year study by the Department ended in 2010 found that daily usage ranged from 106 gallons per capita in working class Compton through 152 gallons in LA to 284 gallons in Beverly Hills (consumption is also boosted by the fact that in the Central Valley, for instance, there are no water meters[9]). Owners of water rights of long standing in the Sacramento Valley have been warned their allotments may be cut by 50% this summer. On January 31 the California Department of Water Resources that operates the <u>State Water Project</u>, which collects water from rivers in Northern California & transports it South, 70% for use by 25MM people living in urban areas & the remainder for irrigation in the Central Valley, warned its clients that, unless conditions improve drastically by spring, they may not get any water at all next summer (for it is, justifiably so, concerned, not so much about fish, but about the risk that insufficient river flow would lead to salt water invasion of their delta regions). Since California produces much of the

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[9] Many years ago, when Edmonton had water meters & Calgary didn't, per capita water consumption in the latter city was more than twice that in the former.

country's fruit & vegetables, this could cause serious upward pressure on their prices. One ray of hope for the longer term is that, if Australia's experience with it 'Millennium', decade-long drought (that ended in 2009) is anything to go by, it may result in the development, implementation & popular acceptance of better water usage-, conservation-, and management practices[10]*.*

<u>CHINESE OFFICIAL MADE JOB PLEA TO JPMORGAN CHIEF</u> (NYT, J. Silver-Greenberg)

- A confidential, & previously unreported, email, one of many documents the bank recently turned over to federal authorities as part of the latters' investigation into its hiring practices, shows that Xiang Junbo (*Chairman of the China Insurance Regulatory Commission*), at a meeting in New York in 2012 asked CEO Jamie Dimon to hire "as a favour" a young family friend who was acting as his interpreter at that meeting (*& as such had to translate his selling pitch of her qualities to Dimon*). At the time JPMorgan was seeking lucrative contracts with Chinese insurance companies (*& later secured some*) and, upon approval of the bank's compliance department & after several interviews, created a special internship for her (*& later gave her a real job*). According to a bank spokesman "Our CEO played no role in the hiring decision, did not weigh in and did not follow up ... It is his normal practice to pass on referrals without advice to those involved in the hiring process."

A nicely balanced view on this issue came from a faithful reader of Gleanings who provides a lot of feedback & source material (although in this case I was ahead of him) & who observed "Getting an interview for your child by contacting a family friend in the business is quite OK. Hiring that child based on merit one would have no objection to. (But) in this case the optics are suspect." While this individual apparently did have a graduate degree from New York University, JPM's case is weakened by the fact that since 2006, early in Dimon's term as CEO, it has had a special "Sons and Daughters" program that requires the offspring of Chinese prominenti to undergo fewer interviews & jump through fewer hoops, and meet less stringent academic standards than run-of-the-mill hiring prospects. And neither was it helped by the fact that in 2011, in the case of a top executive of a Chinese private sector company the bank had been courting complaining his daughter's contract didn't stack up to that of her colleagues, one Hongkong-based JPM executive had emailed his Head Office in another previously unreported email that "It sounds to me like the deal is large enough, we are pregnant enough with this person, that we'd be crazy not to accommodate her father's wants." Nor would the official denial that "Our CEO played no role in the hiring decision ..." pass the smell test for anyone who's ever had any first-hand exposure to the operations of large bureaucracies. This investigation has since spread to other banks, incl. the usual suspects (Citigroup, Deutsche Bank, Goldman, Morgan Stanley & UBS[11]*) & others who have received 'requests for information'. And even if JPM were to be cleared by the US authorities, whose task is daunting*

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[10] One hilarious, but telling, aspect of which was that, when the government outlawed mechanical means of lawn watering, i.e. that lawn watering could only be done if the home owner was prepared to stand there, hose in hand, for as long as it took, many people took the attitude of "There's no way Jose ...", thereby demonstrating where their priorities lay & making it a very effective means of water conservation.

[11] It was reported earlier this week that UBS had suspended two of its executives, incl. Its top IPO deal maker in Asia as it conducts an internal probe into the hiring of an employee related to the head of a Chinese IPO prospect.

since, for such hiring practices become a violation of the *<u>Foreign Corrupt Corrupt Practices Act</u>*, *it must not only be proven that the job offers were explicitly swapped for favorable business treatment* ***and*** *that those making such offers had done so "with corrupt intent" to influence a foreign official (so the best this investigation may well hope to achieve is to make the banks more circumspect in their dealings with the Chinese). Be that as it may, it may still not go scot-free since British & Hongkong anti-bribery laws are stricter than those of the US.*

<u>OTTAWA MUST REIN IN ITS SOARING PENSION COSTS</u> (G&M, William Robson)

- In the decade to March 31, 2013 Ottawa's average cost of employing a full-time worker almost doubled from $66,500 to $127,400 while in the private sector it rose by only one-third to $52,100. Most of that was accounted for by vastly increased pension-, & other post-retirement-, costs : whereas the government in 2003 had reported post-retirement costs of only $3,200 per worker, in 2013 that had ballooned twelve-fold to $38,500. And, while it has taken significant steps to curb these costs, it must do a great deal more (*to control the unreasonable cost to the tax payers of public servants' pension & post-retirement benefit packages*). Thus we at the C.D. Howe Institute propose it should cap taxpayers' contributions to federal employee pensions to, say, 9% of pensionable pay, put an end to the banking of unused sick time, & move to a 50-50 sharing of federal postretirement health benefits, all of which could reduce federal employee costs by $5.2BN/year.

In this week's budget the government did in fact propose raising the share of their healthcare costs some of its retired employees would bear, prompting, of course, the usual claptrap as to how unfair this was, although the vast majority of taxpayers would think this only be fair & could see no good reason why public servants should be such a privileged class (& while politicians prattle a lot about income inequality, this is one area in which they could actually do something about it).

<u>IT'S KEYSTONE OR RAIL FOR OIL, DOER SAYS</u> (EJ, Mariam Ibrahim)

- In Edmonton, in a lunchtime speech to the Canadian Club of Edmonton, Gary Doer, Canada's Ambassador in Washington, & former Premier of Manitoba, declared *for President Obama's benefit* "If you choose not to build the *trans-border section of the Keystone XL* pipeline and have oil, by definition, coming down on rail, you are going to have higher GHGs and the report (*last week's long awaited State Department environmental impact study*) documents the higher risk."

While playing well with his audience, such 'megaphone diplomacy' is like a 'Hail Mary' pass in football or, 'pulling the goalie' in (ice) hockey, seldom successful in its objective of 'pulling the chestnut out of the fire'. According to the Stockholm Environmental Institute "Approval of the Keystone XL pipeline could lead (depending on assumptions how much of the oil would otherwise make it to market) to an increase in global GHG emissions four times as big as previous analyses have concluded and potentially counteract some of the flagship emission reduction policies of the US government." In the overall scheme of things moving oil by rail will for a number of reasons, incl. cost, likely never become the main-, or even a major-, mode of moving oil to market, but remain an, albeit very useful, 'niche' means for doing so that would enable producers to cash in on some of the economic rent potential from (temporary) regional crude oil demand fluctuations on the continent. And if evidence were needed to support this view, one only needs to go to the State Department's report that identifies just 1.33MM bbld capacity of "new transportation capacity proposed or under construction" for rail vs. 11.0MM *bbld for pipelines (of which 6.3MM bbld within the US, pipelines crossing the US-Canada border (ex-Keystone) - 1.6MM bbld & Canadian (non-US) export pipelines 3.3MM bbld. And today another train carrying Canadian crude derailed, this one a 120 car Norfolk Southern one, near the Pennsylvania town of Vandergrift, with 21 of its cars going off the rails but only leaking an estimated 10,000-15,000 gallons (200-300bbls) of oil. While some Keystone XL proponents saw this as strengthening the case for their pipeline, they conveniently overlooked the fact this derailment was a thousand of more miles from the route the Keystone would take & that the oil was heading East, not South.*

<u>NATIVES HAVE THE UPPER HAND</u> (EJ, Marty Klinkenberg)

- Bill Gallagher is a Waterloo, Ont.-based strategist & consultant who at various times in his life practiced law in Calgary, conducted regulatory hearings for Petro-Canada, and acted as a treaty land negotiator for Ottawa & as its Director-General of Northern and Offshore Development. At a recent oilsands conference organized by the Fort McKay First Nation he said industry & government has been slow to catch on that "There is an elephant in the room ... the rise of native empowerment" (*in resource development projects*) ... My theory is whoever aligns with aboriginals before a regulatory hearing has the best chance". He backs this view by pointing out native bands have won 40 decisions against energy projects in the past two years, & 190 since 1985, i.e. 90% of the important decisions at the appellate level. Furthermore, "The native winning streak has to be fundamentally and constructively addressed. It is not just Jurassic rockers (*i.e. Neil Young*) that are showing up (*to impede the further development of the oilsands*), the Canadian justice system is wading in as well ... Corporate litigators who adopt the mantra of 'We'll see you in court' are picking the wrong time to take on the First Nations." And he believes that, *due to growing native opposition*, *even* some already approved projects aren't going to happen.

Agreeing or not agreeing with the more pro-active stance of Canada's judiciary system is beside the point; for, like it or not, it's a fact of life that ain't going to change overnight, if ever. And if, as he suggests, the government & the industry have been slow to twig onto the changed environment, that's nothing new, the powers-that-be usually are. And, if any proof were needed of the industry 'not getting it', one only needs to look at Enbridge's Northern Gateway proposal that was mishandled from the get-go to the point where the well now looks wholly poisoned (at least as an Enbridge-sponsored project). And there appears to be a real risk that TransCanada may be on the same counterproductive path in its Energy East pipeline project.

<u>THE ONE THING SUBWAY IS STILL HIDING FROM ALL OF US</u> (Foodbabe.com, Vani Hari)

- On February 4th I launched a petition for the removal from its sandwich bread of a dangerous plastic chemical called <u>azocarbonamide</u>, stuff is used in the manufacture of yoga mats, shoe rubber & synthetic leather leather. And within 24 hours she had already received over 50,000 signatures (*& Subway's Head Office had been flooded with phone calls from customers protesting, among others, that the use of such crap in its bread belied its "Eat Fresh" promotional slogan).*

The next day Subway folded its tents, saying it had been "in the process of removing it" before the launch of the petition. It has never used it in Europe & Australia where its use in food is illegal (in Europe it has even been illegal since August 2005 for use in any plastic that will come in direct contact with food). In the UK azocarbonamide has been identified as a possible cause of asthma & WHO has linked it to respiratory issues, allergies & asthma among those working *where it is made, or handled in raw form. Last year in response to a petition PepsiCola removed an ingredient from its Gatorade drinks linked to a flame retardant, claiming it had been planning to do so in any case. And last April Vani co-sponsored another online petition, that quickly attracted 150,000 signatures, for Kraft to remove its yellow dyes 5 & 6 from its Mac & Cheese products (prompting an email response from a Kraft spokeswoman to ABCNews "in the U.S. we only use colors that are ... deemed safe for human use by the Food and Drug Administration - Note the use of the word "deemed", not "are"). Nevertheless Kraft announced last November it would remove these dyes from its products in 2014, claiming, of course, that it had been planning to do so all along.*

<u>ABE PICK WINS POLL FOR TOKYO GOVERNOR</u> (WSJ, Yuka Hayashi)

- From a slate of 16 candidates former Health Minister Yoichi Masuzoe, age 65, won handily (*with more votes than the next two combined*). He stuck to bread & butter issues like elder care & hosting the 2020 Olympics *whereas the next two ran on closing down all nuclear plants in the country (while he wants them turned back on again, although claiming he wants to reduce their role in the country's energy mix*). His victory, after being backed by Prime Minister Abe, reversed a string of local losses in local elections for the ruling *Abe-led conservative* Liberal-Democratic Party. But the turnout was low (at least report 34% vs. 48% last time), in part due to a 10-inch snowfall & icy road conditions.

But this is not necessarily a "Get out of Jail Free" card on the nuclear power issue for Abe. For, while in a recent poll 14% of Tokyo denizens said nuclear power wasn't the deciding factor in the election for them, 74% in the same poll said they wanted all nuclear power reactors shut down in the near future, if not immediately. In addition, former Prime Minister Morihiro Hosokawa (age 76) who ran third, & had come out of a retirement he was spending as a potter to run, on a pro-active anti-nuclear platform, was backed by the still popular Junichiro Koizumi, he of the wild hair who was Prime Minister from 2001-2006 (making him the longest-serving Prime Minister in recent history & the fifth longest-serving in Japanese history), who remains an influential & respected elder within Abe's Liberal-Democratic party.

<u>WEAKENING CURRENCY COMPELS GHANA TO RAISE MAIN RATE</u>
(Reuters, Kwasi Kpodo)

- On February 5th Ghana's central bank announced a series of measures to tighten its foreign exchange controls & said the government should broaden its tax base. The very next day it raised its main policy rate from 16% to 18% (its first move in nine months). While according to its Governor this was to curb a fall in the cedi & combat external pressures, Fitch said it was due to the macro-economic problems facing this country with a reputation for strong growth & a stable democracy, while some analysts saw it as an insufficient step, albeit in the right direction, to solve them. Import-led demand for US dollars has helped push the cedi down 20% in 2013 & 4.7% more YTD. Inflation in December hit a three year high of 13½% & there has been a booming black market in US dollars for use in settling local transactions as people seek protection from the falling cedi.

So, while in raising its rate it followed in the footsteps of larger emerging markets like India, Turkey & South Africa, all of whom raised their rates last month after the Fed's decision to start tapering had roiled the emerging markets, local conditions likely played a bigger role in this decision.