

Last month one of you sent me a copy of Paul Hawken's Commencement Address to the Class of 2009 at the University of Portland, Ore. (Hawken is an environmentalist best-selling author with no undergraduate degree but six honorary doctorates). The part that really caught my eye read as follows : "We have an economy that tells us it is cheaper to destroy earth in real time rather than renew, restore and sustain it ... At present we are stealing the future, selling it in the present, and calling it gross domestic product ... We can either create assets for the future or take assets of the future. One is called restoration and the other exploitation."

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PUTTING THE WORLD TO RIGHTS WILL BE A TOUGH CHALLENGE (EJ, Diane Francis)

- At a recent Montreal meeting of the Economic Forum of the Americas the IMF's Dominique Strauss-Kahn said that, while catastrophe had been averted because "never have so many countries" cooperated by adopting the same economic policies, there remained a systemic risk in Central Europe that "Nobody in Europe wants to talk about" & that undisclosed banking losses remain the biggest downside risk to recovery (another speaker estimated the magnitude of these undisclosed losses to be US\$3TR, **over & above** the US\$1TR already disclosed & written off).

So for the banks it may just be at the end of the beginning rather than the beginning of the end.

PRICE SHOCKS AND OIL STOCKS - WHY WE WILL NEVER RUN OUT
(CBCNews, Don Pittis)

- Predictions that we will run out of oil ignore the concept of "backstop technology", namely that there are always many ideas out there that time & money *and the right circumstances & price structure* can turn into useful technology. In England at one time wood was the main source of energy, but as it became scarcer & more expensive, and the urban population grew, coal moved from backstop technology through expensive innovation to *cost-effective state-of-the-art* technology. In similar fashion the Prius hybrid technology has been moving from backstop status into the main stream. But new technology requires a willingness to accept change & many people will do almost anything to avoid change. So, while smooth & gentle changes are like the proverbial frog resting comfortably as the water it's in is gradually heated to the boiling point, sudden shocks remind us it is time for action & help overcome inertia..

Recognizing the need for change, & being willing to deal with it at a time of one's choosing, is what distinguishes true leaders from mere politicians (and future historians will render judgment as to which of the two categories George W. Bush & Barack Obama fell in.

DEMOGRAPHIC TRENDS NOW FAVOUR DOWNTOWN (The Big Money, Jonathan Weber)

- Empty-nesters don't need big houses & don't want to mow big lawns. High gas prices make long commutes increasingly impractical. Urban renaissance in cities ranging from New York to Portland, Ore. makes suburbia & strip malls look decidedly dull. And the bankruptcy of retail chains & shopping mall operators, & growing "Buy Local" sentiments, will reinforce this trend.

This is not good news for the heavily-mortgaged owners of big houses 'in the boonies'.

EVENTS SEEM TO BE TURNING OBAMA'S WAY (G&M, John Ibbotson)

- Three months ago this brutal recession seemed headed for depression & the hundreds of billions spent rescuing banks & the economy a waste of money. Yet ten banks returned their TARP funds last week, the Pakistani government may finally be making progress dealing with the Taliban and Obama's Cairo speech likely influenced the outcome of the Lebanese election (but less obviously so the one in Iran).
- But the Administration has also been making its own luck. According to Cliff Young of the polling firm Ipsos Public Affairs it has been communicating credibility, with Obama himself emitting a degree of authority that makes people "feel good". But Stephen Hess of the Washington-based Brookings Institution says that he has benefited from the economy obligingly descending into crisis during the election campaign & then *equally conveniently* collapsed right after; he believes Obama has "the opportunity to be a great president (*and*) also ... to be a disaster. But that's not in his DNA."

While the polls remain with him, the former Canadian Prime Minister John Diefenbaker once noted : "We all know what dogs do to poles."; in other words, they can be fickle.

US HOUSEHOLD WEALTH DECREASES (WSJ)

- It declined in the First Quarter by 2½% QoQ to US\$50.4TR, its lowest level since 2004.

Since 1952 it never ever declined until the Third Quarter of 2008. This will put a damper on the US recovery & helps to explain why the US savings rate has gone from zero, or less, a year ago to 4.5% in March, 5.6% in April & 6.9% in May (meanwhile, half a world away Beijing is doing its utmost to get people to spend more & reduce their inordinately high savings rates - which, if it were to succeed therein, will establish China as one of world's consumption-driven 'economic locomotives' for the 21st century).

CAR-FREE TIMES SQUARE IN NEW YORK (BBCNews)

- Effective May 24th vehicles are banned between 42nd & 47th Street at Times Square and 33rd & 35th Street at Herald Square. City officials say it will reduce pollution & pedestrian accidents and ease traffic flow in the area & City Transport Commissioner Janet Sadit-Khan that "It's good for traffic ... good for business and ... is going to be a lot of fun."

Cars playing second fiddle to pedestrians? In America's largest city? What is happening to America's love affair with the automobile?

THE GREAT ETHANOL SCAM (BW, Ed Wallace)

- For the fourth time in history the industry is on the ropes; so it has hired Gen. Wesley Clark (ret.) to lobby politicians to increase the ethanol content in our fuels to 15%. But in 1995 already, the EPA, in API vs. EPA, conceded that ethanol creates more smog than gasoline. And independent studies have found it to be a net energy loser or, at best, a tiny net energy gainer. And ethanol-laced fuels reduce engine fuel efficiency (in the case of E85 by 30-40%) & cause engine damage. And the increased ethanol output has driven foodstuff prices up worldwide. And even if we were to remove every single car, truck & SUV from our roads, we still would have to import oil because of its use as aviation fuel, for home heating & as petrochemical feedstock.

None of this, except perhaps the engine damage part, for which there apparently is a growing body of empirical evidence, is really news.

ON HOLD : ASIAN, HISPANIC GROWTH IN THE U.S. (AP)

- Due to tougher immigration laws & the lacklustre economy, the growth of the Hispanic & Asian population of the US has slowed (although the US' minority population still grew by another 2.35% in 2008, to 104.6MM, 34% of the total). The Hispanic growth rate slowed from 4.0% per annum in 2001 to 3.2% in 2008 (& would have slowed down even more but for the fact that there are nearly 10 births for every death among them). Asians also saw their population growth rate decline (from 3.7% to 2.5%) while the black population's growth remained steady at 1% per annum & the white population continued to stagnate due to low birth rates & an aging boomer population. Hispanics now account for 15%, blacks for 12.2% & Asians for 4.4% of the US' 300+MM population.

This slowdown is pushing back the 2042 date by which the Census Bureau had previously estimated non-whites would account for more than half the country's population.

TONY FELL - ON THE SUBJECT OF CBOs & CLOs (G&M, Report on Business Monthly)

- The people who developed them had no idea what they were making, those who rated them no idea what they were rating, those who sold them no idea what they were selling, & those who bought them no idea what they were buying.

And what's more, nobody cared! If anyone is to blame for this state of affairs, it's the end buyers; for without their stupidity & cupidity there would have been no role for the other three (until his retirement Fell was the long time & successful CEO of RBCDominion Securities)

US CREATING VALUE FROM CANADA'S RAW RESOURCES (FP, Wilf Gobert)

- Imperial Oil's decision to proceed with the \$8BN 110,000 bbl/d. Kearl Lake oil sands project was good news. But the bad news was that it won't build an 'upgrader' in Alberta. So the bitumen produced will go to the US for processing, another example of *(to use the phrase coined by the late Walter Gordon) Canada being content* being a nation of "hewers of wood & drawers of water". But Alberta construction costs have been allowed to get out of hand to the point where building a coking facility to convert bitumen into light oil now costs 3x what it did a decade ago & more than twice what it costs to build one on the Gulf of Mexico coast. So Imperial Oil & Canada will lose economic value (& *Canadian governments tax revenues*) while ExxonMobil will create value in the US (& *tax revenue for US governments*) by upgrading the bitumen South of the border.
- Alberta's reserves in the oil sands are in the 1.8TR bbl range, 10% of it recoverable with today's technology (& *prices*). The bitumen upgrading question may be the greatest *long-term* challenge facing our policy makers; while it had disappeared from sight in yesteryear's superheated economy, it has now returned as a *fringe* benefit of the economic crash.

Gobert has long been the pre-eminent analyst in the Calgary oil patch.

WATER RESOURCES AT RISK FROM OIL SANDS (CH, Kelly Cryderman)

· A 337-page federally-commissioned report by the Council of Canadian Academies, a national science advisory body, on Canada's groundwater situation, made public last month, devoted ten pages to the oil sands. It noted that Northern Alberta's ground water is at risk from leakages from tailing ponds, that "the scale and rate of growth of oilsands operations has created significant changes to the groundwater resources in the area", that the "knowledge is lacking as to whether the aquifers in the Athabasca oilsands region can sustain these groundwater demands and losses" & that the Alberta government tolerates "adverse impacts" from the oilsands on the aquifers if it doesn't expect the underground water ever to be needed for drinking water purposes.

The more pressing issue is the impact on the surface water (which was outside its mandate)

EVERY REGION IN CANADA FEELS ALIENATED (CanWest, Randy Boswell)

· A survey by the Montreal-based Association for Canadian Studies found that a majority in each of Canada's four main regions think their fellow Canadians don't care about 'their' region. In Atlantic Canada 70% of interviewees said other Canadians don't care about them, in the West between 61% & 72% (depending on the province) and in Quebec & Ontario 61% & 58% respectively.

The lousy job Canada's education system does of acquainting students with their country's heritage undoubtedly contributes to this widespread sense of alienation (and is a contributing factor to low voter turnouts at elections).

CAN'T DO MY JOB, BUDGET WATCH DOG WARNS (G&M, Steven Chase)

· In the 2006 election campaign the Tories promised to create an independent budget watchdog. And they did. But last month the incumbent complained to a Parliamentary Committee that after he questioned the government's rosy economic forecasts & lowball cost numbers for the war in Afghanistan his budget had been cut by one-third.

Leadership consists of hiring good people & letting them get on with the job. But a year or so ago Canada's nuclear watchdog, a Liberal era holdover, sought to do her job in so far as the Chalk River medical isotope production facility was concerned and was fired for doing so (although she seems to have been vindicated by events since). But last week the Harper government fired someone it had hired itself to turn around a perennial money-losing West Coast bulk materials export facility, purportedly in response to the commodity producers' complaints about him having the gall to seek to fulfil his mandate by charging them more for their use of the facility (at least this was deducted from the minister who sacked him having met six times in as many months with industry lobbyists), even though the prices for their commodities have skyrocketed in recent years.

HOTEL GIVES BEES LUXURY ACCOMMODATION (CH, Lisa Monforton)

· For the past decade Toronto's venerable Royal York Hotel in the city's downtown core has had a rooftop herb garden to fill its kitchens' need for fresh herbs. Last summer it added three beehives that between them produced 135 kg of honey. This year it has doubled their number & expects to add more until output reaches the 450 kg level that will make the hotel self-sufficient in honey (other rooftop apiaries are in operation at the Fairmont Algonquin in St. Andrews, NB & the Fairmont Waterfront in Vancouver, BC).

'Urban farming' is spreading like a prairie grass fire : Vancouver's Mayor has turned part of the City Hall lawn into a vegetable patch as has Michelle Obama in the White House garden & Queen Elizabeth in the Buckingham Palace grounds. Growing numbers of urban residents are agitating to be allowed to keep chickens in their back yard to get fresh eggs (those on supermarket shelves can be several weeks old). One can only wonder when people will want to start keeping self-propelled, alternate energy-using lawnmowers (i.e. goats) – the City of Fort Saskatchewan, a stone's throw, figuratively speaking, from Edmonton for years already has had an arrangement with an Alberta sheep farm to dispatch a couple of hundred sheep, a shepherd & several Border collies to the city each spring to keep the grass in its parks & public areas trimmed in an environmentally-friendly, cost-effective manner.

ONCE CANADA HAD IT ALL - NOW IT'S DECLINE AND/OR FALL (G&M, Jeffrey Simpson)

- Canadian auto plants were among the most productive on the continent & *now are closing anyway*. Once our forest product companies were world leaders but now they are leaders only in losing money & the Scandinavian companies have surpassed them technologically. Once mining was a Canadian forte but now most big 'Canadian' mining companies are foreign-owned. Once Nortel, JDS Uniphase, Newbridge Networks & Cognos were hi-tech success stories but now they are mere shadows of their former selves, or have ceased to exist altogether Fifteen years ago Atomic Energy of Canada was doing OK, but now it hasn't sold a reactor in years, its new reactor design is unproven & its "Maple" technology for producing isotopes has been a fiasco. While much of this was due to poor management and a lack of foresight & market savvy, a recent report by the Council of Canadian Academies also fingered Canadian companies' weak innovation record as a major cause of Canada's productivity- & competitive problems, saying that management has been, & is, far too timid & insular, too cocooned inside North America & too tied to a United States that is in a long-term decline.

And yet the pickers of the low-hanging fruit keep bleating "we need to get closer to the US".

PROXIMITY, REALITY, STRATEGY, DESTINY (G&M, Allan Gotlieb)

- President Obama is imparting a whole new focus to American foreign policy that in Canada's case has been evidenced by, among others, the unleashing of a flood of 'Buy American' laws & the badmouthing of the oilsands. While once it was all but axiomatic that our greatest asset was that our proximity to the world's largest & richest market provided us with a *unique* comparative advantage, 9/11 spawned a new bureaucratic leviathan, the Department of Homeland Security, that seems determined to turn our traditional 'open border', the basis for our prosperity & our comparative advantage, into what Obama's Homeland Security czar, Janet Napolitano, calls a "real border."
- Maintaining our traditional comparative advantage would require deepening the Canada-US relationship to the point of creating a single economic space & a single security perimeter. But, *given the above*, that looks like a non-starter. So the alternative is for Canada's strategic thinking to move 'outside the box', i.e. beyond the shores of North America. In this context the decision to negotiate a free-trade agreement with the EU is a positive step. But since the global economic centre of gravity is shifting to the Far East, this is not enough : it behooves us to also start building a framework for growing our trade with that region - the more so since its demand for our resources will likely grow far faster than that of Europe -, laying down pipelines to, & improving port facilities at, the West Coast to enhance our chances of becoming a major trading partner for the giant economies of the Far East & to strengthen our negotiating position vis a vis our

neighbour to the South. For if we don't, we may be left with an even tougher task, namely what Lester Thurow refers to as "having to deal with incremental decline."

So Canada faces a choice between scrambling to get aboard a spavined nag that has served us well but has seen better days & trying to get, & stay, on the back of a two year-old chomping at the bit. And while much of the Western business community is pre-occupied with China, India might be a better fit with Canada. For the Harper government appears to have pretty well fouled its nest in Beijing authorities are concerned. And while China's population has pretty well levelled off & is aging as the long-term consequence of its one-child policy, India's population is continuing to grow, is on average much younger and has surpassed the 1BN mark & in the not-too-distant future will surpass China's. In addition, there is more commonality between Canada & India than between Canada & China, incl. language, Commonwealth membership & a legal system adapted from British common law.

CITY TRASH-TO-ETHANOL PLANT GETS FINAL OK (EJ, Dave Cooper)

- Edmonton's proposed \$70MM waste-to-fuel facility received its final environmental approval on May 20th & construction is expected to start later this year. It will convert 100,000 tonnes of sorted waste a year into 36MM litres of ethanol, using a process developed by the plant operator, Montreal-based Enkema, that heats waste to 700° C in an oxygen-free environment to produce a mixture of hydrogen & CO₂ which then is converted into ethanol, ash & water.

Edmonton is leading edge in waste treatment : soon so much of its garbage will be composted, recycled or otherwise put to good use that only 10% of it will end up in its landfill.

RETROFITTING SAVES MILLIONS IN TRANSALTA'S CARBON PLAN (EJ, Dave Cooper)

- Transalta, one of Alberta's major electric power utilities, is planning to 'retrofit' one of its generating plants to remove 1MM tonnes of CO₂ annually from its emissions by 'bolting' the world's first *commercial-scale* chilled ammonia carbon dioxide-capture system developed by France's Alstom onto an existing coal-fired electrical turbine. The CO₂ recovered from the flue gases will be injected deep underground for storage or to enhance oil recovery.

But this will account for only 25% of the emissions of one of two turbines at one of its plants.

BP RETREATS TO A PALER SHADE OF GREEN (G&M, Eric Reguly)

- A decade ago BP 'rebranded' itself as a poster child of the green revolution. But now its alternate energy business has been folded into its "Other business and corporate" business segment, its CEO of Alternate Energy is retiring at age 49 & capital spending in this area has been reduced from US\$1.4BN in 2008 to less than US\$1BN this year (i.e. to about 3% of its total capital spending). And it is not alone. Shell sold its solar business two years ago & is freezing its research & investment in wind- & solar power (but not in biofuels), last November Chevron's CEO said that, while renewable energy is "very real", it's not the answer for the near future, & several oil companies have, for cost reasons, shelved projects to strip CO₂ from flue gases to inject it underground. For the lower oil prices have made alternate energy less competitive and oil companies are in a low-grade panic since depletion rates are climbing & they are producing less oil each year

(so finding more of the stuff has become a more immediate priority than keeping Greenpeace happy) and there is as yet no market for carbon credits in North America.

This could be, & likely is, a matter of short term-gain for long-term pain.

FRENCH FIND SAFETY NETS MULTIPLYING IN PASTURES (NYT, Steven Erlanger)

- Many French have long mistrusted banks to the point that they prefer to stuff their money in a mattress. But 60 year-old Pierre Marguerit has put his money to work in a safe, renewable resource with long-term growth prospects : cows (in France cow contracts go back to the era of the Richard the Lionhearted), expecting an annual rate of return from the sale of their offspring in the 4-5% range (i.e. a multiple of the 0.75% on a bank account). At last report there were 37,000 cows on 880 farms under contract, with one firm that arranges such contracts reporting 40% growth last year & a “practical doubling” YTD. The typical contract involves 10-20 milk cows at \$1,700 each with investors either selling the offspring or keeping it as ‘retained earnings’.

One potential downside is that cows have legs & that when they walk, or are made to walk, away without the investors’ knowledge, the result is a total loss of capital.

THE PHILISTINES WHO WANT TO RUIN ROSÉ (Libération, Michel Henry)

- The EU’s Agriculture Commission decreed wine producers could mix red & white wine, and call the resulting product ‘rosé’, while real McCoy is the result of a 1,000 year-old process : “the mix of red & white may look pink ... but is a cheap & disgusting imitation.”

Rosé is the only wine the consumption of which has been growing while the world is, & European producers in particular are awash in a sea of surplus red & white wine (immense pressure from traditional producers has since forced the Commission to recant).

ARABLE LAND FEARS HALT REFORESTATION DRIVE (China Daily)

- Lu Xinshe, Deputy Head of the Ministry of Land and Resources said on June 22nd “To protect the ‘red line’ of 1.8BN mu of arable land ... we will not plan any new large scale projects to return farm land to its natural state, beyond those that have already been planned.” (“*natural state*” is a misnomer, there’s nothing natural about tree plantations).

*1.8BN mu equals 120MM hectares/300MM acres & is the minimum Beijing deems necessary to ensure food-, but not feed-, grain self-sufficiency. With total arable land being just 1.826BN mu (a mere 12% of the country’s surface area) & it being blacktopped over at a 4+MM mu annual rate, it’s easy to understand its concern. And while much of the land reforested to date was marginal for farming purposes in the first place, much of the farm land lost to industrialization & urbanization is among the most productive in the country. Reforestation first became an issue decades ago when it became apparent that deforestation was causing floods & soil erosion, and ‘desert creep’ but gained real momentum after wood products imports more than doubled, to US\$6+BN, between 1992 & 1998. For this prompted Beijing to announce in 2002 a ten-year program to plant 170,000 square miles (42MM hectares) of fast-growing tree species in order to make the country self-sufficient in wood products by 2015. The impact of this on the Asia-Pacific region can be seen from the fact that, while in the 90’s it experienced an average annual 13,500 sq.km. net **loss** of forest cover, in 2008 there was a 6,000 sq. km. net **gain** although the quality difference between the species-diverse tropical forests that are being lost & the single species*

plantations taking their place is akin to that between a Rolls Royce & one of Mr. Tata's new \$3000 peplemobiles.

GIANT U.S. EMBASSY FOR ISLAMABAD LIKELY TO RAISE IRE (G&M, Saeed Shah)

- The US is planning to build a massive new embassy complex in Islamabad that will expand its current site by 18½ hectares (46 acres) & include up to 500 apartments. It, & the upgrade & expansion of its mission in Kabul, carry a combined US\$2+BN price tag, 3x the cost of its giant, *largely self-contained* embassy complex in Baghdad. This prompted one member of Pakistan's Upper House to comment that "This is more space than they should need. It's for the micro and macro management of Pakistan, and using Pakistan for pushing the American agenda in Central Asia."

Hiding diplomats abroad behind high walls in secluded microcosms all their own defeats the purpose of having them there in the first place & can needlessly irritate the locals (especially in poorer countries). Obama could save a lot of money by axing this caper

DINGOES 'COULD HELP RARE SPECIES' (BBCNews)

- The appetite of Australia's wild dogs for sheep & calves caused them to be banished from, or exterminated in, large swaths of the continent. But Michael Letnic of the University of Sydney believes that, while "The prevailing view (*is*) that they ... must be removed, ... when you don't have dingoes in the system, kangaroos eat all the herbage and foxes take all of the (*small*) prey." He surveyed sites on either side of the 5,000 km. "dingo fence" that keeps them out of New South Wales & Victoria & found that on the side where there were no dingoes 'roos' & foxes flourished and native rodents, marsupials & grasses were diminished. So he believes that the re-introduction of dingoes could actually increase the profitability of livestock farming.

It will be a hard sell. But the re-introduction of wolves in Yellowstone may be a case in point; for they have suppressed the coyote population & improved grazing conditions for the bison & elk herds by removing the weak & useless(while hunters always target trophy animals critical to the continuance of a strong genetic base, predators weed out the ones that aren't).

THE WORLD'S WORST JOB? (BBC News)

- Farah Ahmed Omar heads Somalia's navy. But he has no ships & hasn't been to sea for 23 years. Once Somalia did have a navy, which the Soviet Union helped to establish in the 1960's, but it withered away when the country descended into violence in 1991. Nevertheless, Somalia's Prime Minister, Omar Abdirashid Ali Sharmarke, said on a recent visit to Nairobi that for "5% of the money" his government could do a better job dealing with piracy than the foreign warships (*despite the fact his government's troops are anything but welcome in the part of the country where the pirates make their home*).

Rashid Abdi, a Somali analyst at the International Crisis Group, notes that "Previous efforts at security reform have seen money disappear into a black hole as there is no accountability." But African leaders love foreign aid, especially the emergency kind, because it creates opportunities for them & their cronies to 'dip their beaks' in the money flows (thus World Food Program food aid products are currently being sold freely in Somali markets).

AMAZON LAND GIVEAWAY OUTRAGES CONSERVATIONISTS (CH, Raymond Colitt)

· A bill before the Brazilian Congress will grant 1.2MM people & numerous companies title to 100MM hectares (250MM acres) of the Amazonian rain forest in chunks as large as 2,500 hectares (6,200 acres, almost ten square miles) that in some cases they have been illegally occupying for as long as four decades. The government claims this “will bring social justice to millions in the region”, improve the implementation of public policies by making it possible to fine those who engage in illegal deforestation & enable it to provide tax incentives to promote sustainable development. But environmentalists say the bill will promote deforestation, facilitate land clearing for agricultural purposes & allow large companies to lay claim to lands currently occupied by native Indians & traditional forest inhabitants.

Assets like the Brazilian rain forest are of global significance. But that won't cut much ice with the locals as long as the rest of the world expects them to preserve such assets free of charge.

AFRICA HOLDS HIGH EXPECTATIONS FOR OBAMA (EJ, Hany Besada)

· His African lineage has triggered a wave of optimism among Africans. If true to his election campaign agenda, three Africa-related items should become an integral part of his foreign policy : its greater integration into the global economy, more emphasis on peace & security on the continent & stronger relationships with African governments to boost democracy & accountability. While he is off to a good start with his choice of Africa advisers & his dialogue on Zimbabwe with South Africa's former interim President, Kgalema Motlanthe, at least three factors work against him. Domestic issues will pre-empt much of his time & attention. Iraq, Afghanistan & the Middle East will rate much higher among his foreign policy priorities. And Bush, despite his domestic failures & foreign policy blunders, can rightly boast that during his years in office US aid to Africa increased more than four-fold to US\$5.6BN by 2008. Only time will tell how Africa will judge Obama. Be that as it may, Africa is too important to be ignored & relegated to the realm of Washington's lowest priorities.

Expectations being as high as they are, Obama is all but certain to disappoint them. But, as the Chinese seem to appreciate only too well, the continent is of major strategic importance because it is a cornucopia of resources. And US\$5.6BN is only about US\$6 per capita per year, & only about two-thirds of that net of US aid to Egypt (the writer used to be a researcher at the South African Institute of International Affairs in Johannesburg & is now a program leader at the Waterloo, Ont.-based Centre for International Governance Innovation).

FOOD INDUSTRY CHANGED ... BY NUTRITION ACTIVIST (NYT, Douglas Martin)

· Robert B. Choate Jr. died on May 3rd in Lemon Grove, Cal., at the age of 84 after decades of fighting poverty & malnutrition. He made history in 1970 when he told the Senate Subcommittee on Consumers that most breakfast cereals barely qualified as foods & that 40 of the 60 leading breakfast cereals were, in fact, no healthier than candy.

The best the industry could come up with in rebuttal was that he had failed to take into account the nutritional value of the milk consumed with their cereals. Nevertheless, within two years it started to enhance the nutritional value of its products, the latest phase of which now is its development & promotion of “functional foods”, such as ‘nutritionally-enhanced’ potato chips, that seek to compete with ‘healthy foods’ increasingly promoted by dieticians..

WILD FRUIT TREES FACE EXTINCTION (BBC News)

- Scientists have published a “red list” of 300+ threatened disease-resistant & climate-tolerant fruit trees found in the forests of the four Central Asian ‘Stans’ that could be important to the world’s food security due to their potential for broadening the increasingly narrow genetic base of the current commercial varieties.

The US patent system doesn’t accept that the indigenous flora (& fauna) of other countries are as much part of their ‘intellectual property’ as Microsoft software is Microsoft’s. In some cases Americans have obtained bits of plant material in other countries & patented, or trademarked, it in the US, thus depriving the countries of origin of the potential benefits of their patrimony. Thus, in a headline-making case the US Patents & Trademarks Office in 2006 rejected an application by Ethiopia’s coffee growers to trademark the names of two of their most famous coffee varieties of long standing on the grounds that Starbucks had, the year before, filed a trademark application for those names.

STRAWS IN THE WIND

- California’s income from capital gains taxes dropped from US\$130BN in 2007 to US\$52BN in 2008 & is expected to decline further to US\$36BN this year.

Small wonder it appears on track to become the US’ first, very own, home-grown “failed state” (until recently, if it had been a country, it would have ranked 8th in the global GDP rankings.

- Whereas in March, 2005 over 18,000 people wrote the real estate licensing exam in California, in March of this year only 2,030 people did so.

Not altogether surprising since the state is deemed ‘Ground Zero’ of the housing bust.

- The US has approx. 1MM megawatts of installed electric power generating capacity, about 40% of which is natural gas-, & another 25% coal-, fuelled.

But while the former typically run at 25% of its rated capacity, the latter does so at 75% (largely due to the fact that coal-fired plants provide base load power & gas-fired plants often ‘standby power, being switched on & off like a kitchen stove in response to demand fluctuations.

- Britain this year must raise £200BN in the market, 4x the average of the past decade.

It may just benefit from some central banks’ aversion to buying more US Treasuries.

- With a total strength of just over 5,000, the infantry component of the regular force Canadian army has fewer bodies than the Toronto Police Service.

Not much in a force of 60,000, and not much of a payback for a close to \$20BN expenditure.

- According to the Canada’s Defence Minister Peter MacKay, Canada’s major non-military effort in Afghanistan, the rehabilitation of the Dahla Dam, has resulted in local farmers, for the first time in 30 years, producing more wheat than poppies.

His claim seems at odds with data from other sources that show that opium output, much of it from poppies produced in the Kandahar region (one of the reasons for it being of strategic

importance to the Taliban) is at, or near, an all-time high & counter-intuitive since poppies can generate up to 8x more income per acre than wheat. But Canada's effort to help rehabilitate the 50 year-old Dahla Dam hasn't received enough kudos. The second largest dam in the country, it is located 34 km North of Kandahar & 80% of the local population lives along the irrigation canal system that are its signature feature. Unfortunately, since any improvement in local living standards is anathemous to the Taliban, the dam's future integrity is by no means a sure thing.

- The recent snuffing out of a gas flare at the Dingman No. 2 well in Southern Alberta's Turner Valley marked the end of an era : the well went into production 96 years ago.

Likely some sort of world record.

- To cut costs the US Bureau of Prisons is letting prisoners transfer themselves unescorted from one prison to another by giving them a bus ticket & sending them on their way.

Even though limited to minimum security inmates, not all have show up at their destination.

- The US & Russia are the world's No. 1 & No.2 arms' exporters. The latter accuses the former of so zealously guarding its position that it keeps trying to stop Russia from selling arms to countries whose regimes the US deems 'insufficiently democratic', while itself never hesitating "to sell merchandise to anyone, including African cannibals."

A politically incorrect, but likely not an entirely unfair, criticism.

- According to Mohamed El-Erian, Co-CEO of Pacific Investment Management Co. (PIMCO), "The rebalancing of relative economic power is not only alive but gaining momentum ... Average investors need to make sure that they are not hostage to an outdated conventional wisdom that underexposes him to this phenomenon."

Canadians enough on their qui vive to do their own investment, rather fattening the wallets if fund managers, can gain exposure to China through a number of TSE-listed companies all of whose operations are in China catering to a domestic market, or to all four of the BRIC economies through NYSE-listed ADRs (American Deposit Receipts).