

More Americans Trapped in Poverty

WASHINGTON, Feb. 25—The percentage of poor Americans who are living in severe poverty is the highest in thirty years, in which millions of working Americans are falling closer to the poverty line and the gap between this country's "haves" and "have-nots" gets wider.

The McClatchy Company—owners of the Miami Herald—a CBS 4 news partner—went through an analysis of 2005 census figures, the latest available, and found that nearly 16 million Americans are living in deep or severe poverty.

A family of four, with two children and an annual income of less than \$9,903—half the federal poverty line—was considered severely poor in 2005. So were individ-

uals who made less than \$5,080 a year.

At the same time, economists found worker productivity increasing sizeably since the brief recession of 2001, but wages and job growth have lagged behind. The share of national income going to corporate profits has dwarfed the amount going to wages and salaries. Median household income of working-age families, adjusted for inflation, has fallen for five straight years.

In about forty states, including Florida, the incomes of the bottom fifth of families grew slower than the incomes of the top fifth over the past twenty years, according to a study by the Center on Budget and Policy Priorities.

And now records show

that 43 percent of the nation's 37 million poor people are in deep poverty—the highest rate since at least 1975.

Nearly two out of three people (10.3 million) in severe poverty are white, but blacks (4.3 million) and Hispanics of any race (3.7 million) make up disproportionate shares. Blacks are nearly three times as likely as non-Hispanic whites to be in deep poverty, while Hispanics are roughly twice as likely.

And the poorest city in the country is the nation's capital, Washington, D.C., with 10.8 percent being severely poor.

The rise in poverty comes despite solid economic growth in 2004, which helped to create 2.2 million jobs in the US.



Homeless men sleep on a sidewalk in New York City.

"I guess what happened last year was kind of similar to what happened in the early 1990s where you had a recession that was officially over and then you had several years after that of rising poverty," said Charles Nelson, an assistant division chief at the Census Bureau.

Singapore Can Join First World

SINGAPORE, Feb. 25—Singapore can take its place among the most prosperous nations in the world in the next two decades, founding father Lee Kuan Yew said, as it takes on the best features of top global cities, reported AFP.

In remarks published Saturday, Lee said the first phase of Singapore's rapid economic growth allowed the island to rise from being a Third World nation to join the "lower half" of the First World.

"Now we can move into the upper half of the First World. We can do this in the next 10-20 years," he was quoted by the Today newspaper as saying.

Lee, a former prime minister and the architect of Singapore's rise to one of Asia's wealthiest

economies in just over 30 years, said the island-republic is revamping itself to prepare for the next phase of its growth.

This includes the further transformation of its landscape to incorporate elements from London's cosmopolitan mix, Paris' al fresco ambience and New York's pulsating art and business culture.

A new city centre in the downtown Marina Bay area, the site of a massive casino complex being built by Las Vegas Sands, will offer a wide range of outdoor dining fronting the bay area as well as river boat cruises.

"The Marina will be like the St Mark's Piazza in Venice," the Straits Times quoted Lee as saying.

Expect more musical concerts, symphony orchestras and art exhibitions to be held here, he added.

But tropical Singapore will inject its own charm by dotting the island with water features and more greenery, Lee said at a Lunar New Year dinner late Friday with residents of the Tanjong Pagar district which he represents in parliament.

"The next stage after clean and green Singapore is a vibrant city with water and gardens everywhere. This will be done in your lifetime," he said.

"There will be clean running water, greenery and boardwalks for people and children to enjoy these streams and ponds -- fishing, boating or dining al fresco."

His son, Prime Minister Lee Hsien Loong, recently unveiled a plan to transform rivers, canals and reservoirs into water parks that will offer activities like fishing, boating and outdoor dining.

Banking Reforms

TRIPOLI—Thirty years after officially proclaiming itself socialist, Libya is gradually opening up its banking system with a string of privatizations in the works and the establishment of foreign banks.

Anti-Corruption Campaign

DHAKA—At least six prominent political figures were arrested Sunday in Bangladesh as they appeared before an anti-corruption panel to explain how they amassed wealth far in excess of their income, police said.

Smallest Microchip

KUALA LUMPUR—Malaysia over the weekend launched what it said is the world's smallest microchip with radio technology in a quest to position itself as a leading high-tech chip producer for a global market.

Task Force

BEIJING—China has set up a top-level task force to clamp down on illegal activities in the securities market, a government report said on Sunday.

Ecuador Hopes For New Regional Lending Institution

QUITO, Ecuador, Feb. 25—Ecuador's new leftist president said Saturday that he hopes a new regional lending institution will be established within four months, AP reported.

The Banco del Sur, or Bank of the South, will help combat the "international bureaucracy" of high-cost loans offered by financial institutions such as the International Monetary Fund and the World Bank, Rafael Correa said in a nationwide radio address.

"We hope (the bank) is created within 120 days so we can finance ourselves with the region's own funds," he said.

Correa said that even the IMF's low-interest loans are unacceptable because the institution imposes "unacceptable conditions" such as fines that make them more expensive than commercial loans.

The new bank was approved at a summit of the Southern Common Market, or Mercosur, last July.

Correa, who took office Jan. 15, said this new regional institution would "drastically lower" loan costs.

Correa has vowed to cut ties with the IMF, and has promised to renegotiate the country's US\$16.4 billion (12.5 billion euros) foreign debt and direct resources to programs that help the poor.

Earlier this month, the economy minister said Ecuador would not sign an agreement allowing the IMF to monitor the country's economic plan.

Venezuela already has set aside US\$500 million (382 million euros) in financing for Ecuador. On Thursday, Venezuelan Finance Minister Rodrigo Cabelas said it was still not decided how the financing would be extended to Ecuador, although he favors the purchase of Ecuadorian government bonds.

Hungary Prioritizes Economic Balance

BUDAPEST, Hungary, Feb. 25—After years of prioritizing higher wages and social spending, Hungary must balance its economy to ensure faster growth, Prime Minister Ferenc Gyurcsany said Saturday.

"Hungary's efforts to catch up with the front-line European economies have slowed," Gyurcsany told members of his Socialist Party. "Even in regional terms, the country is near last place."

Last April, the Socialist-led government became Hungary's first to win re-election since the 1990 return to democracy, AP said.

"We made things easier for people, but we slowed the country down," Gyurcsany said at a party congress. "The main issue today is whether Hungary is capable of shifting to a higher speed."

After GDP growth of 5.2 percent in 2004 and around 4 percent in the last two years, the government is forecasting growth of 2.2 percent in 2007 and 2.6 percent in 2008.

Gyurcsany, who ran untried, was elected party chairman Saturday with 89 percent of the vote, a party spokesman said. Gyurcsany, who received 526 of the 590 votes cast, had vowed to reject the post if he won with less than 75 percent.

Since 2000, public sector wages, pensions and social benefits have increased greatly. But without enough revenues to compensate for the higher expenditures, the state budget gap rose above 10 percent of gross domestic product by 2006, the highest relative deficit in the European Union.

India Tea Industry Growing

GUWAHATI, India, Feb. 25—India's tea producers are reporting record production and a jump in exports after a nine-year slump caused by weak domestic demand and increased international competition, an industry body said Saturday.

"The Indian tea industry (is) beginning to look up, with overseas demand on the increase, mainly due to very good quality teas produced by us," said Dhiraj Kakaty, a senior India Tea Association official in Assam state.

"The overall mood is vibrant."

The northeastern state of Assam, which is wracked by bloody insurgencies, accounts for over half of the tea production in India, the world's biggest producer, followed by China.

According to AFP, India's 1.5-billion-dollar tea industry has been in a slump since 1998 with prices and exports plummeting.

But last year it produced a record 955 million kilograms (2.1 billion pounds), 27 million kilograms more



An Indian woman works at the Sukana tea garden estate on the outskirts of the northeastern city of Shillong.

than in 2005, Kakaty said. Exports went up by about 8 million kilograms to 200 million kilograms.

Now, weekly auction prices are on the rise as well. Prices for good-quality Assam tea last week hit 73 rupees a kilogram after languishing below 65 rupees last year.

Global demand for tea from India improved after the industry worked hard to reposition itself as a top-quality provider, Kakaty said.

"We are getting more overseas enquiries and that in itself is an encouraging trend," the official said.

"There is no glut in the market now, unlike in previous years."

Countries such as Pakistan, Egypt, Iran and Iraq figure prominently in the export list and the tea body set up a marketing bureau in Tehran in March as part of an aggressive campaign to boost sales of the beverage there.

India's domestic tea consumption—stagnant for over a decade—also shot up from 620 million kilograms three years ago to 805 million kilograms last year, after aggressive marketing by the industry.

The slump in prices and exports was largely attributed to cheap but inferior teas produced by new tea-growing countries, and stiff competition in the global market.

As many as 70 of Assam's 800-plus tea gardens have closed down, unable to sell their produce with exports dropping and domestic consumption stagnant.

Faced with crashing prices, a glut in the market and falling exports, the Indian government last year announced a whopping 50-billion-rupee (\$1.1 billion) package to help the industry replant and boost quality.

Corn Hotter Than Oil

Corn has overtaken oil as one of the hottest commodities after soaring 61% over the past 12 months compared with a drop of 1% in crude oil, The Times reported.

The agricultural commodity owes its spectacular rise to strong demand—it is used to produce ethanol, a "green" alternative to petrol—and restricted supply.

Prices leapt to a 10-year high last week following reports that America, the world's biggest producer of corn (maize) could have another hot and dry summer, which may damage crops at a time when stockpiles are already at their lowest for 12 years.

The US government is committed to cutting dependency on oil by 20% by 2017—mainly through a fivefold increase in the use of clean renewable fuels. About 20% of America's maize crop is now set aside for ethanol production, compared with 3% just four years ago—and that figure is set to rise: another 77 ethanol plants are set to come on stream in the next decade John Urbanchuk of global corn-sultancy LECG said, "From a cottage industry that produced 175m gallons in 1980, the American ethanol industry has grown to include 113 manufacturing facilities with an annual capacity of nearly 5.6 billion gallons."

The British government, too, wants 5% of all fuel sales to be biofuels such as ethanol by 2010—a twenty fold increase on today's levels.

However, corn and ethanol are far from a one-way bet. Companies that produce ethanol soared to record levels last year. Shares in Vera Sun, the second-biggest producer of corn-based ethanol in the US, were trading at 200 times the company's earnings per share when they listed in America, while shares in Google, the internet search engine, were trading at 50 times earnings.

However, the sector has taken a pounding recently because, as the price of corn has soared, so too has the cost of producing ethanol.

At the same time, the price of ethanol itself has fallen in line with the oil price. Investors in Pacific Ethanol, for example, saw the share price fall 62% to \$16.50 from a \$44.50 high last year.

Some dissenters question whether ethanol is really as "green" as it seems. David Pimentel of Cornell University and Tad Patzek of the University of Berkeley said corn-based ethanol actually needs 29% more fossil fuel to make than it produces.

Savvy investors could therefore look to Brazil, which produces ethanol from high-yielding sugar cane, which needs far less fossil fuel input than corn.

In Brazil the government is investing millions in sugar cane for domestic and export use. It is already the world's largest exporter, and by 2010 it plans to more than double ethanol exports from £308m to £667m.

On the domestic front, Brazil has swapped 40% of its petrol consumption for ethanol over the past 30 years.

In 2006 almost 70% of new Brazilian car sales were flex-fuel models—running on a combination of ethanol and petrol, and this is expected to hit 100% by 2011.

Two of Brazil's largest sugar and ethanol producers, Cosan and Sao Martinho, are listed on the country's Ibovespa index. Shares in Sao Martinho shot up 8% in one day last week because of strong demand, but you should remember that investing in individual emerging-market stocks is highly risky.

Soft commodities such as sugar and corn have historically been difficult for investors to access, but recently the market has opened up. In late 2006, ETF Securities launched 29 exchange-traded commodity funds (ETCs) to the market.

ETCs mirror the performance of an underlying market or index but investors can buy and sell them during the day as with ordinary shares. The ETCs track a wide range of commodities including corn, sugar, coffee, soy-beans and cotton.

Nik Bienkowski of ETF Securities said: "We have had the most demand for sugar and corn. When the funds were launched, there were a couple of thousand trades a day; now it is up to 100,000 and in the past six weeks the sugar ETC has taken in around £8m while the corn fund has taken over £4m."

Charges on ETC funds are significantly lower than on normal funds; the ETF Securities suite charges investors just 0.49% a year.

Aside from soft ETCs, the easiest way to gamble on soft commodities is spread betting.

Firms such as Capital Spreads and City Index enable you to bet on the future prices of equities, indexes, currencies and commodities but it is a high-risk strategy because you can lose more than your original stake.

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