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In a struggle that resonates across the land, Motor City's residents feel beaten up by a fight to find work and save their homes. Even so, many are optimistic about the decade ahead.



Mildrienne Clark, with her children Néysa and Asher, said her family moved in with her mother-in-law after they couldn't pay their utility bills. "We really need a federal emergency declared for Detroit," Clark said. "We are in an economic disaster. There's no help here."

## A hard downshift in Detroit

BY DANA HEDGPETH AND JENNIFER AGIESTA  
IN DETROIT

**T**he decline of the auto industry and the nation's economic slide have left many residents here trapped, without work, in houses they can't sell, in neighborhoods where they fear for their safety, in schools that offer their children a hard road out. ¶ People across the metro area are feeling the stress of an uncertain financial landscape, with majorities worried about the economy, the cost of health care and having enough money to pay their bills. The region's bleak jobs situation is residents' No. 1 concern, by a big margin. That anxiety is compounded by a widely held feeling that the community is divided by race and income. ¶ And yet they haven't given up.

In a new Washington Post-Kaiser Family Foundation-Harvard University poll about Detroit, almost all residents of the main three-county metropolitan area see their economy as in ruins. About half say this is a bad place to raise a family; as many describe a declining standard of living, swelling debt, deteriorating neighborhoods and a brutal job market.

A steadfast optimism, however, shines through the poll. A large majority of residents expect that things will get better, with 63 percent optimistic about

the area's future and the same percentage expecting their finances to improve over the next decade.

"We've had so much bad news for so long," said Charles Ballard, an economist at Michigan State University, "there's a tendency to think that it has to rebound at some point."

The long struggle here has significance beyond Detroit — the state has been battered by lost tax revenue, a weakened economy and the highest statewide jobless rate — resonating throughout the nation. "The

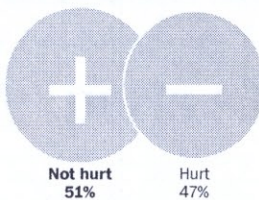
plight of these people is also in a way our plight," said Clyde Prestowitz, president of the Economic Strategy Institute, a Washington-based public policy group that studies globalization and its impact. If one part of the country loses the jobs that support it, he said, the rest of the country pays.

"Michigan is the harbinger," Prestowitz said. "Some think that it is just the auto industry, but the same dynamics that have undercut the auto and manufac-

DETROIT CONTINUED ON A10

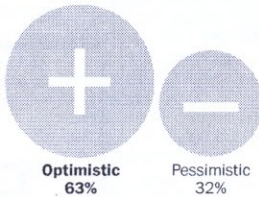
### HURT BY AUTO INDUSTRY?

Q. Thinking about your own financial situation, has your household been hurt by the recent problems facing the U.S. auto industry, or not?



### FUTURE OF DETROIT?

Q. Considering everything, are you optimistic or pessimistic about the future of the Detroit area?



## Obama ties plane plot to al-Qaeda's Yemeni affiliate

### INTELLIGENCE UNDER REVIEW

Weekly address stresses resolve against terrorism

BY ANNE E. KORNBLUT  
AND KAREN DEYOUNG

KAILUA, HAWAII — President Obama said for the first time Saturday that the alleged Christmas Day airline bomber apparently was acting under orders from the al-Qaeda branch in Yemen, which "trained him, equipped him with those explosives and directed him to attack that plane headed for America."

The statement, in Obama's weekly address, reflected initial reviews of U.S. intelligence that he ordered after Umar Farouk Abdulmutallab, a 23-year-old Nigerian man, was charged with trying to ignite an explosive device aboard Northwest Airlines Flight 253, en route from Amsterdam to Detroit.

White House officials traveling with Obama, as well as intelligence officials in Washington, have said privately for days that they suspected an al-Qaeda link to the foiled attack. But Obama's statement — by far the most public and definitive — appeared to

be an attempt to stay ahead of events.

Obama also called for an end to the partisan attacks that quickly followed the Detroit incident. Responding to GOP accusations led by former vice president Richard B. Cheney, who said last week that the president does not consider the fight against terrorism a war, Obama quoted his inaugural address. "On that day," he said, "I made it very clear our nation is at war against a far-reaching network of violence and hatred, and that we will do whatever it takes to defeat them. . . . And make no mistake, that's exactly what we've been doing."

He said he had "made it a priority to strengthen our partnership with the Yemeni government — training and equipping their security forces, sharing intelligence and working with them to strike al-Qaeda terrorists."

Gen. David H. Petraeus, head of the U.S. Central Command, delivered a letter from Obama to Yemeni President Ali Abdullah Saleh during a meeting Saturday in Sanaa, the capital. According to Saba, the Yemeni news agency, Saleh "confirmed our country's keenness to enhance its relations and cooperation with the U.S. to serve the joint interests of the two countries." Petraeus said Friday that the United States will double the \$70 million in counterterror-

OBAMA CONTINUED ON A2

## From a decade's missteps, a new threat emerges

Errors by U.S., Yemen help al-Qaeda regroup in poor Mideast nation

BY SUDARSAN RAGHAVAN  
IN SANAA, YEMEN

Nearly a decade after the bombing of the USS Cole, a combination of U.S. and Yemeni missteps, deep mistrust and a lack of political will have allowed al-Qaeda militants here to regroup and pose a major threat to the United States, according to Yemeni and U.S. officials, diplomats and analysts.

The U.S. failures have included a lack of focus on al-Qaeda's growing stature, insufficient funding to and cooperation with Yemen, and a misunderstanding of the Middle Eastern country's complex political terrain, Yemeni officials and analysts said. U.S. policies in the region, they said, often alienated top Yemeni officials and did little to address the root causes of militancy.

Frustrated American officials say Yemen never made fighting al-

Qaeda a top priority, which has stalled large-scale U.S. support.

These problems, which ultimately helped enable al-Qaeda militants here to plot an attack on a U.S. airliner on Christmas Day, have forced the United States to open a new front in its anti-terrorism efforts. It is part of a largely invisible war, stretching from the Arabian Peninsula to Africa, waged from the skies and from high-tech intelligence centers, with unmanned aircraft, CIA operatives and vivid satellite images serving as the weapons of choice.

It is a war that challenges the Obama administration in ways that echo the conflicts in Pakistan and Afghanistan. These issues were on display in a U.S.-backed airstrike in southern Yemen on Dec. 17. The government said it struck an al-Qaeda training camp, killing at least 23 militants. But tribal leaders and residents say mostly civilians were killed. The strike has generated an outpouring of anger and anti-American sentiment across the south and in

YEMEN CONTINUED ON A7

● Editorial on Obama and battling terror. A16

## Investors with cash frustrate other area home buyers

As bidding wars return, those who don't need loans hold an advantage

BY DINA ELBOGHADY

Investors have reemerged with brute force in the Washington region's real estate market over the past few months, triggering bidding wars in some neighborhoods teeming with foreclosed properties and hindering traditional home buyers such as Melissa Diggins.

Diggins and her fiancé, George Mills, made a dozen offers on houses in Prince William County but lost more than half of them to investors making all-cash offers.

Frustrated, they gave up their search for a new home, convinced that they could not compete.

"We thought to ourselves: 'Enough is enough,'" said Diggins, a graphic designer. "We'd sometimes offer more than the asking price and we wouldn't even get a call back. It was crazy."

With interest rates low and home prices way down from their peaks, all-cash investors are snapping up the cheapest properties and helping clear out the excess supply of homes on the market. They're betting that the market has hit bottom or will soon.

But that's of little consolation to traditional home buyers such as Diggins, who find themselves at a disadvantage because their offers usually hinge on financing

contingencies, appraisals and home inspections.

"What's happening in this area reflects what's happening in other parts of the country," said Sam Khater, senior economist at First American CoreLogic, which plans to release a report soon on all-cash deals. "In markets where price declines have been steep, we've seen quite a bit of competition between the low-end, first-time home buyers and investors."

All-cash sales are tough to track because of inconsistencies in the way jurisdictions collect data. But Khater said the preliminary data his firm has gathered suggest the deals are becoming more popular. More than a dozen real estate agents and consumers interviewed for this article say they have witnessed the buying frenzy firsthand.

"There are bidding wars out there. It's like the 2005 market but at discount prices," said Stella Barbour, a real estate agent at Jobin Realty in Northern Virginia. "I put in offers for my clients only to find there are already multiple offers. They always choose the one that's all cash."

Some of these cash-only investors use their own money to buy properties, while others borrow it at high interest rates from other private sources.

Chris "CC" Cormack, an investor, said she used her own money to beat out four other offers and buy a townhouse in Ashburn this year. The home, a foreclosure, was listed for \$214,500, and she got it for \$220,000. Cor-

INVESTORS CONTINUED ON A5

## A bumpy road ahead, or smooth sailing?

We look at transportation construction projects for the year ahead, what the completion timetables are and what travel delays you should expect. C1

## In Brazil, millions leave poverty behind

The ranks of the middle class are swelling, thanks to economic growth and creative government intervention. A6



TRACY A WOODWARD / THE WASHINGTON POST



## THE WORLD

## In Brazil, the 'middle path' helps expand the middle class

BY JUAN FORERO  
IN RIO DE JANEIRO

**T**eresiã Lopes Vieira da Silva peddles spices and peppers from a street stall, but hers is no fly-by-night business.

She sells to restaurants in Rio's swankiest districts and sees her success reflected in the two houses she has bought. Instead of scraping by, she has joined the middle class in an increasingly affluent Brazil, her accomplishment made possible by government loans and a booming economy.

"Now I live in a house with six rooms," said Vieira da Silva, 62, speaking of her home in Rocinha, a poor but bustling district with growing ranks of entrepreneurs. "It does not have a pool yet, but I am planning to build one."

Once hobbled by high inflation and perennially susceptible to worldwide crises, Brazil now has a vibrant consumer market, investment-grade status for its sovereign debt, vast foreign reserves and an agricultural sector that is vying to supplant that of the United States as the world's most productive.



President Luiz Inácio Lula da Silva prioritized ending poverty.

Brazil's \$1.3 trillion economy is bigger than those of India and Russia, and its per-capita income is nearly twice that of China. Recent discoveries by

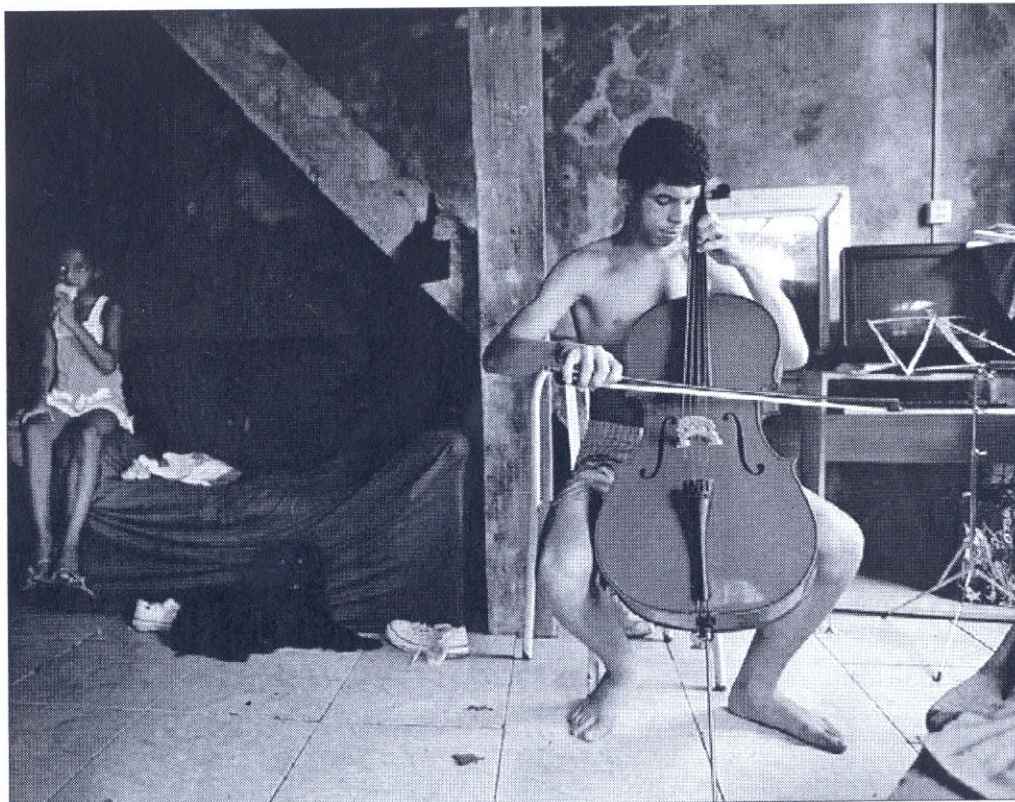
Brazil's state oil company are expected to make the country one of the world's biggest crude producers. An unwieldy bureaucracy and red tape have not slowed foreign investment, which at \$45 billion in 2008 is three times as much as it was a decade ago.

Economists and social scientists here say the booming trade-oriented economy and innovative government programs are lifting millions from poverty and shaking what was once a certainty: that a person born poor in Brazil would surely die poor.

## Solid, tangible progress

Since 2003, more than 32 million people in this country of 198 million have entered the middle class, and about 20 million have risen above poverty, according to the Center for Social Policies at the Getúlio Vargas Foundation, a Rio policy group that studies socioeconomic trends.

"We can generate inclusive growth as



JUAN FORERO/THE WASHINGTON POST

Economic growth and government programs are helping lift many Brazilians out of poverty and fueling a sense of optimism. Felipe de Souza Ramos, above, lives in an old Rio de Janeiro slum but dreams of pursuing his passion for music at a university.

**"We are respecting the rules of the market and . . . we are doing very active social policy."**

— **Marcelo Neri**, chief economist at the Center for Social Policies at the Getúlio Vargas Foundation

probably no other country can, given the scale of the country and the level of inequality," said Marcelo Neri, chief economist at the center. "Brazil is following what you may call a middle path. We are respecting the rules of the market and, at the same time, we are doing very active social policy."

Since 2002, a commodities boom has fueled strong growth and lowered poverty across Latin America. But Brazil's progress is perhaps the most notable because it has far more poor people than any other South American country and has long been one of the world's most unequal societies.

Neri said Brazil has made solid progress

by creating 8.5 million jobs since 2003, and by instituting programs such as food assistance for poor families and low-interest credit for first-time home buyers and small-business owners.

The change has been tangible to people such as Thiago Firmino, 28, a teacher. He has lived in a poor locality all his life, but he owns a car and a computer and says his son's life will be easier than his.

"A lot of people improved their lives," said. "It is not like they built themselves a castle, but, you know, they have taken little steps and made things better."

The foundation of today's success was laid during the administration of Fernando Henrique Cardoso, an academic-

turned-politician best known for taming inflation in the mid-1990s. The man who has gotten much of the credit is his successor, President Luiz Inácio Lula da Silva, who as a union activist once railed against globalization.

Lula's election to the presidency in 2002 sent shudders through Brazil's economic elite, which worried that the former rabble-rouser would lead the country down a populist, anti-capitalist path, as Hugo Chávez did in Venezuela.

Lula did make ending poverty a priority, but he also proved to be a market-friendly steward of the economy and is popular today among Brazil's business community.

With Asia hungry for soybeans, beef and iron ore, economic growth in Brazil averaged 4.2 percent annually from 2003 through 2008, a year in which foreign investment in the country posted a 30 percent increase over 2007, according to the U.N. Economic Commission for Latin America and the Caribbean. The worldwide economic crisis caused a brief downturn here, but economists say Brazil will post 5 percent growth in 2010.

At SulAmérica Investments in Sao Paulo, Marcelo Mello, vice president of asset management, said that in the past, investors worried about inflation and high interest rates.

Now, driven by increasingly affluent Brazilian investors, Mello said, SulAmérica is managing \$9 billion, three times the amount from five years ago. "Through the increase in real income over the last 10 years, we've seen a huge movement in our Brazilian fund industry and the Brazilian markets," he said.

The country's stock market is minting record numbers of billionaires, and the wealth in Brazil is palpable. Luxury apartment houses are rising in fashionable districts, and the world's most exclusive stores, from Tiffany's to Gucci, consider Rio and Sao Paulo fertile markets.

## Bullish about the future

Of course, most of Brazil's people are far from rich. In the country's vast urban slums, many youths turn to drugs, the quality of public schooling is poor and basic services such as health care are chronically underfunded, residents say.

"Can you believe this serves 150,000 people?" said Flavio Wittlin, who runs a group that helps get young people off the streets, as he walked through a tiny health center in Rocinha. He said many services in the district, from garbage pickup to policing, are substandard.

Still, Rocinha is chock-full of machine shops and small stores, many of them spurred by government loans.

Although Brazil's industrial giants — such as the airplane maker Embraer and the mining company Vale — attract investors and headlines, the future is also rooted in businesses like Alan Roberto Lima's sewing shop.

The shop, on the second floor of his house in a hard-scrabble neighborhood on Rio's outskirts, has only a half-dozen sewing machines. But Lima, 34, has in a few years found that Rio's upscale boutiques are a ready market for his skirts and blouses.

Now he talks of his own clothing line and, if that is a success, opening his own store.

"Preferably," he added, "near the beach."

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