

Business Briefs

Agriculture

Boost food output to combat world hunger

Prof. Friedrich Huelsemeyer, from Kiel, Germany, demanded that food production be intensified to cope with a growing world population and threat of world hunger, at the annual meeting of the German Agricultural Association on Jan. 14 in Munich.

The production potential of the European Union (EU), which accounts for more than 40% of the world milk trade and 25% of meat, is indispensable to reach this aim, Huelsemeyer said. In light of a growing world population and the tremendous task to feed it, he described the widespread skepticism against a "green revolution" in the industrialized countries as "outright despicable of human beings" and stressed the "tremendous importance of technical and scientific progress in farming."

Turning to his field of expertise, milk production and developments on the world milk market, Huelsemeyer said that the current agricultural policy of lowering milk production in North America and the EU will lead to undersupply. Despite efforts to expand production in Oceania, the production deficit will reach 30 million tons of milk equivalent in 2005. Total worldwide production of milk was 539 million tons in 1997.

Russia

New, aggressive tactics in sporadic labor unrest

Wages are still not being paid, in state sector as well as private firms throughout Russia. Following warning strikes, workers in some locations have started to attack management with the "lock-in" tactic, initiated on Jan. 27 at Kuznetskaya mine in the Siberian Kuzbass coal region. There, *Nezavisimaya Gazeta* reported, miners who were owed wages from as far back as mid-1995, blockaded mine director Ternovykh in a conference room; police and city officials refused to intervene. With the miners threatening to halt traffic on a nearby highway, an OMON special forces unit came and arrested Ternovykh on Jan.

31, charging him with endangering the lives of miners. The mine director was evidently on cozy terms with the mine's foreign shareholders, Prosystem GmbH, an Austrian firm, and a Liechtenstein-chartered holding company. The mine was the first in Russia to be privatized.

On Feb. 3, workers at the Kovrov instrument-making plant, in the Vladimir region, picked up the miners' tactic. Unpaid since last June, they locked the managers of the enterprise in their offices, then later released the plant's chief engineer "on parole" to go seek money from the local authorities.

Also on Feb. 3, some 3,500 people, most of them defense industry workers, demonstrated in Yekaterinburg, protesting unpaid wages. Interfax-Eurasia reported that the rally, under the auspices of the nationwide Action by Trade Unions to Defend the Rights of Workers, was in preparation for a planned protest at the Yeltsin-Kohl-Chirac summit scheduled in the city on March 25-26.

Labor

Trade unions organize against Rio Tinto

A three-day international trade union conference aimed at organizing an international campaign against the British Crown's mining giant, Rio Tinto, was held in Johannesburg, South Africa, on Feb. 7-9.

The conference had been organized by the International Federation of Chemical, Energy, Mining and General Workers Unions (ICEM), which has 20 million members in 113 countries. Its Australian member, the Construction, Mining, Forestry and Energy Union (CMFEU), has had running battles with Rio Tinto for over a decade, and is presently locked in a life-and-death struggle with Rio Tinto in Australia's coal fields. Many other countries, including Norway, Portugal, Brazil, and Namibia, are becoming fed up with the escalating industrial unrest caused by Rio Tinto's inhuman workplace methods.

On the down side, ICEM, in order to create a high public profile, invited former Australian Prime Minister Bob Hawke to address the conference. Ten years of Hawke-led sub-

servience to International Monetary Fund programs have devastated industry in Australia, and recently Hawke publicly supported the union-smashing tactics of Australian Prime Minister John Howard.

Central Asia

Kyrgyzstan President boosts New Silk Road

Kyrgyzstan will flourish with the "New Silk Road," as it did with the old one, Kyrgyzstan President Askar Akayev told the German daily *Frankfurter Allgemeine Zeitung* on Feb. 3. Kyrgyzstan has few natural resources, "but it once flourished thanks to the Silk Road, before the long-distance trade route was replaced by the sea route," he said.

Akayev said that he hopes for a revitalization of the old trans-Asian connections, of the "excellent relations, during the past 3,000 years," of the Kyrgyz people with the Chinese. Foreign trade with China has increased from 2% to about 20% since 1990, and last year, a second Silk Road route was re-opened through Osh, which runs parallel to the route that passes through Bishkek, the capital of Kyrgyzstan. By 2000, the Osh-Bishkek highway will be restored (with Japanese and other loans). Further, a "Central Asian Bank" has begun to work in Almaty, in neighboring Kazakhstan, and it is funding dozens of projects.

This year, Tajikistan will join Kyrgyzstan and Kazakhstan as an active member in the Central Asian Union, and Turkmenistan will get observer status.

Finance

Buffett buys large hoard of silver

Warren Buffett, owner of Berkshire Hathaway and a billionaire, who last year drew funds out of his company's stock portfolio to buy a large amount of U.S. Treasury zero coupon bonds, is now buying silver, *BusinessWeek* reported in its Feb. 16 and Feb. 23 issues. This move would seem to indicate

that Buffett is positioning himself for a major shake-out of the world's stock markets.

From July 1997 to Feb. 3, Buffett had amassed 130 million ounces of silver, worth \$850 million, representing about 20% of annual world production. One reason that investors are buying silver rather than gold as a hedge, is that central banks are both selling gold on the open market and, more importantly, lending (in the trade, called leasing) huge amounts of gold to hedge fund speculators, who are using it to short gold and force down its price. But few central banks hold any silver, and thus it cannot be brought onto the market to force down the price.

The hoarding of silver by Buffett and a couple of other unnamed large purchasers, has sent its price up to around \$7 per ounce, its highest level in years. In India (which in 1997 accounted for 16% of global silver demand, making it the second largest silver market after the United States), silver traders are now selling silver for the higher price, rather than turning it into jewelry.

Trade

Ibero-American trade deficits are growing

As a result of declining commodity prices, and the Asian financial meltdown, Ibero-America nations are suffering rapidly growing trade deficits. This led the Feb. 12 *Wall Street Journal* to the not very startling conclusion that the region will see "currency turmoil and financial difficulties later this year." Larger trade deficits are also swelling current-account deficits, and together with lower rates of foreign investment, this "could set the stage for another round of [currency] devaluations."

Mexico is hurting because of the oil price decline, and Argentina recently raised the estimate for its 1997 trade deficit to \$4.7 billion, up from \$4 billion, because of lower commodities prices and a 27% rise in consumer goods imports. Chile's trade deficit, which was \$900 million for 1997, is expected to increase to \$3 billion, because of the drop in copper prices.

However, HSBC Markets' economist Gray Newman said recently, "We are just starting to see the third phase of the Asian

contagion, and that is increased exports of manufactured goods from Asia. We haven't seen the total impact of this by any stretch of the imagination." He warned that many economists are underestimating the rate of trade deterioration in the region. As an example, he reported that many Mexican producers are complaining that Asian producers are taking U.S. market share from Mexico in commodity steel products.

Physical Economy

German banker warns of financial bubble impact

Prof. Hans-Jürgen Krupp, the president of the state central bank of Hamburg, Schleswig-Holstein, and Mecklenburg-Vorpommern, and a member of the Central Banking Council, warned about the inflationary impact of the financial bubble on the real economy, at a bankers' meeting in Hamburg on Jan. 14. "In contrast to the low inflation rates in the real economic sector, there is a fundamentally different development taking place in the financial markets. Here, the rises in value (from a real economic standpoint, it can be debated whether these really represent rises in value) seemingly have no limits," he said.

Krupp referred to last year's 47% rise in the German DAX stock market index, and similar developments in the United States. We have probably reached the limits of this process, he said, and now liquidity is having problems finding enough highly profitable investments. This has led investors to take higher risks. Therefore, he said, we have to question whether the expansion of financial asset prices "really corresponds to the creation of new value, which could meet the people's expectations regarding the reliability of their investments." More "fundamentally new questions" have to be raised: "Are there processes in the financial sector which are comparable to inflation? What is the difference for someone, if the price of his stock portfolio is rising, or the price of his real estate? The latter we call inflation, the first not." This leads to new questions for monetary policy, Krupp added, such as "whether such processes are interfering with the safekeeping function of money."

LAYOFFS by U.S. companies during the fourth quarter of 1997 were 152,854, a 33% increase over 1996, and the highest fourth quarter level in four years, the Feb. 16 *BusinessWeek* reported in an article entitled, "Will Downsizing Ever Let Up?"

GERMAN Bundesbank President Hans Tietmeyer warned of "systemic risks" of "global dimensions" in the financial system, in Hamburg on Feb. 5. But, he said, there is no *Patentrezept*, or cure-all, for the crisis. Helga Zepp-LaRouche's campaign for Chancellor of Germany became famous for a proposed *Patentrezept*.

THE AUSTRALIAN government's new industrial laws aimed at depriving workers of their right to strike, laws authored by the Mont Pelerin Society, are forcing unionists, especially in the Maritime Union of Australia, to put their homes into their wives' names to thwart potential legal action against their personal assets.

UKRAINE averted a blowup of state finances before the March parliamentary elections, when, on Feb. 11, it offered its first Eurobond issue at a record 16.2% interest rate. The issue proved that there are still a large number of gamblers: Despite being nearly double the originally intended amount, the \$420 million issue was all bought up.

ENERGY PRICES in the United States must rise dramatically, to meet the greenhouse gas emissions targets agreed upon in Kyoto, Japan, Jay Hikes, head of the Energy Information Administration of the Department of Energy, told the House Science Committee on Feb. 4.

SOUTH KOREA'S rate of corporate bankruptcies rose 1,000% in December 1997 over a year earlier, due to the financial crisis and International Monetary Fund policies. The Feb. 15 *Washington Post* reported that a Korean government think-tank forecasts 53,000 bankruptcies this year, compared to 16,000 in 1997 and 10,000 in 1996.