

Business Briefs

Russia

Putin Committed to 'Leadership in Energy'

On Dec. 22, Russian President Vladimir Putin addressed a special session of his country's Security Council on the topic of "Russia's Role in World Energy Security." While stressing the export of fossil fuels, especially Russia's position as the leading natural gas exporter in the world and the second leading oil exporter, he also emphasized, according to Russian press reports, the prospects for greater development of nuclear power. On the fossil fuel front, Putin emphasized the planned oil-export pipeline to the Pacific, which he said could be augmented by natural gas export lines in the same direction.

While the Baltic Sea floor gas-export pipeline has been in the headlines, as has former German Chancellor Gerhard Schröder's joining its board, Putin and the Gazprom team, led by Dmitri Medvedev (who is also now First Deputy Prime Minister and was recently identified by Lyndon LaRouche as representing the "fascist" tendency in Russian policy), have been moving aggressively to capitalize on Russia's energy relations with other world powers. On Dec. 13, Gazprom deputy chairman Alexander Medvedev (no relation) announced at a Berlin press conference, that his company intends to achieve "more than 10% of the U.S. market share by 2010," increasing that to 20% soon thereafter. This goal would be achieved through liquid natural gas (LNG) exports.

Earlier in the Fall, Medvedev accompanied Minister of Industry and Energy Victor Khristenko on a tour of the United States, to further this Gazprom goal. A related development was Russia's attempt to recruit former U.S. Secretary of Commerce Donald Evans, a close associate of the Bush machine in Texas, to serve as co-chairman of the board at the state-owned oil company, Rosneft. On Dec. 20 Evans declined the offer (citing family reasons, while praising Russia's commitment to meeting international standards for transparency and high-quality corporate management), which had been put to him by Putin personally.

Putin, when queried about the Evans job offer on Dec. 16, said it was natural for Russia to seek top international managers, given

that companies like the state-owned Rosneft are in the process of launching IPOs in international markets. IPOs by Russian firms have been one of the hottest items on the London Stock Exchange this year.

Labor

African-American Job Losses Rise Sharply

"Black Joblessness Grows to Record Levels" was the headline of a wire story reporting on the November unemployment report of the Bureau of Labor Statistics, which showed that unemployment among African-Americans had officially reached 10.6%. This was a huge leap from October's 9.1%, while the overall national unemployment rate "officially" stayed the same at 5.0%.

Rep. Mel Watt (D-N.C.) of the Congressional Black Caucus, in a statement, warned that the black unemployment rate is actually significantly higher than that: Watt says the sustained displacement of hundreds of thousands of Hurricane Katrina evacuees is making it very difficult for them to look for jobs, so that the percentage of labor-force dropouts in the African-American population has grown sharply.

Speculation

Germany Tightens Control of Hedge Funds

Although former German Chancellor Gerhard Schröder's initiative at the Group of 8 for improved controls of hedge fund activities has not made much progress, due to (as Schröder himself exposed) opposition from London and New York, Germany is implementing national legislation, according to Dec. 20 news reports.

The Ministry of Finance chose two approaches to tighten defense against speculative hedge fund operations: 1) The funds have to report in detail about their activities in Germany, to the Federal Financial Sector Control (BAFIN), from mid-2006 on; 2) the BAFIN will be given greater investigative powers, for example, to launch unannounced

raids on funds' offices, and to seize files, including computers, if there is suspicion of illegal operations.

This partially overlaps with other legislation to protect German industrial and other assets against hostile takeover, for example, by hedge and private equity funds. Boards of threatened firms will be authorized to take measures against hostile takeovers, even without assembling the shareholders beforehand; furthermore, shareholders will have an 18-month privilege to defend their company or bank against takeovers, preventing speculative shareholder newcomers from aggressively dominating management decisions.

Real Estate

U.S. Home Mortgages Go To High-Risk Borrowers

About 13.4% of U.S. home mortgages at the end of June were contracted to borrowers considered most likely to default, the Mortgage Bankers Association reported. Since the size of the U.S. residential mortgage market is \$7.6 trillion, this means that \$1.09 trillion of home mortgages are "likely to default."

Yet, the housing bubble has several layers of leverage. Many mortgages are packaged into pools, and bonds are issued against them. The amount of bonds backed by these high-risk loans more than doubled since 2001, to \$476 billion, so there are two branching-points feeding the potential housing bubble explosion. First, the home mortgages themselves; second, the bonds issued against the mortgages.

The market "will deteriorate as housing slows down," said Christopher Flanagan, who runs debt-backed research at JP Morgan Chase & Co (which bank is the fourth largest issuer of mortgages in the United States). The dollar volume of mortgage loans made, may fall by as much as 25% next year, he said.

At the same time, the monthly Housing Market Index, compiled by the National Association of Home Builders and Wells Fargo Bank, a gauge of builder confidence in the single-family home market, declined four points to a reading of 57, its lowest level since April 2003.