

Business Briefs

Petroleum

If Iran Is Attacked, Oil Price Would Soar

Rajab Safarov, the head of the Contemporary Iranian Studies Center in Moscow, said that international sanctions would not be a threat to Iran, because the country has been under U.S. sanctions for many years now, according to a March 13 release from Interfax, a Moscow press agency. But what about the effects of a military attack? "The U.S., jointly with Israel, could deal missile strikes on Iranian strategic facilities," Safarov said. "But then Iran would respond by destroying the Middle East oil and gas infrastructure, blocking oil tankers' exit from the Persian Gulf, and stop oil and gas supplies to world markets. Should this happen, oil prices could top \$150 for a barrel, while \$80-90 a barrel is the limit for many economies. This would cause the collapse of many economies and of the world economy as a whole."

Lyndon LaRouche had earlier asserted that an attack on Iran would light the fuse of a bomb that could collapse the world financial-monetary system.

Nuclear Industry

Putin: Russia Will Prioritize Engineering

Russian President Vladimir Putin announced plans to gear up the Russian nuclear industry, in a speech to a conference at the Kremlin on March 14, just as the energy ministers of the G-8 industrialized nations were beginning their own meeting in Moscow. Putin emphasized that nuclear engineering is "a priority branch for the country, which makes Russia a great power; the most ambitious projects and progressive technologies are linked with this [industrial] branch." He noted that the nuclear industry is also seeing a revival in the United States and elsewhere—that nuclear power is "no longer a Cinderella," or outcast.

Sergei Kiriyyenko, the head of Russian's state-run nuclear enterprise, Rosatom, de-

clared that government budget funds are insufficient to build the 40 or so new nuclear reactors Russia needs in the next 20 years. Therefore, he said, Russia plans to build 60 nuclear plants abroad, expecting in particular major "markets in Southeast Asia." Soviet nuclear specialists had built 30 reactors in other countries, and since the break-up of the Soviet Union, selling services abroad is how Russia has financed, and kept alive, its space program.

Prime Minister Mikhail Fradkov, Security Council Secretary Igor Ivanov, and Industry and Energy Minister Viktor Khristenko also attended the meeting.

U.S.-Russia

Mikhailov Hits Failure To Renew Nuclear Accord

Former Russian Atomic Energy Minister Viktor Mikhailov stated, in a March 10 RIA Novosti interview, that the U.S. refusal to renew nuclear energy cooperation agreements with Russia has helped intensify the Bush Administration's conflict with Iran, and also stalled the development of critical next-generation nuclear technologies.

The U.S.-Russia nuclear cooperation agreement was allowed to expire five years ago, after the United States passed the 2000 Iran Non-Proliferation Act. The Russian government fought with the White House throughout the 1990s, refusing to pull Russia out of the deal to complete Iran's Bushehr nuclear reactor, because Russia needed to continue working in the nuclear sphere, in order not to lose its nuclear technology cadre, among other reasons.

There are now two parallel international efforts for nuclear technology development. One, a Generation-4 program, is led by the United States, and includes a dozen nations, but not Russia or "former Soviet" countries. The other, under the auspices of the International Atomic Energy Agency (IAEA), is the International Project on Innovative Nuclear Reactors and Fuel Cycles (INPRO), led by Russia, with 22 members, some of whom overlap with the U.S.-led program.

Both programs have ongoing activities

in the same technology systems, such as high-temperature reactors, fast reactors, and hydrogen-generating and other process heat applications. Both have long timetables to actually build anything, and little funding.

There has been ongoing, informal discussion between top-level American and Russian nuclear scientists from the nations' laboratories and institutes, on restarting a joint nuclear technology development effort. According to the Russian Embassy to the United States, a delegation of U.S. nuclear experts is leaving soon for Moscow. But without a bilateral civilian nuclear agreement, it is unclear that much of anything can be accomplished.

Banking

Iceland's System On Verge of Collapse

Nykredit, one of the biggest financial institutions in Denmark, warned that the impending blowout of Icelandic banks would be too big for Iceland to handle, the Danish daily *Jyllands-Posten* reported on March 13, under the headline "Warning Against the Icelandic Geyser Economy."

The article included a diagram showing the almost exponential increase in the price of Icelandic bank stocks, with a fivefold increase over the last two years, and the caption: "Icelandic bank stocks rocket heavenward."

Because of deregulation of the banking system, a financial bubble developed in Iceland over the last three years. Before that, the state owned most of the financial sector.

Jyllands-Posten reported that Icelandic banks "have much more lending going out, than deposits coming in, and for that reason have been borrowing many of the billions that in recent years they used to finance their own purchases abroad." They usually get the money by issuing bonds, according to the paper, which cites Michael Sandfort, a senior market analyst at Nykredit Markets, who advises investors to get rid of that sort of paper: "The risk of incurring losses on the investment is too big."

The three biggest of the roaring Iceland-

BROAD EXPANSION of nuclear power is now being sought by the Group of Eight industrialized nations as the way to meet rising global energy needs, according to the March 15 *Financial Times*. In its "Action Plan" to be published in July, the G-8 states, "We believe that the development of nuclear energy would promote global energy security." The G-8 energy ministers were meeting in Moscow.

A BRITISH LOCUST fund wants to grab up municipal housing in Berlin. The "investment" fund, Puma Brandenburg Limited, wants to pour up to 1 billion euros into the takeover of privatized municipal housing, predominantly in Berlin, fund managers announced March 14. Puma is a daughter of Britain's Shore Capital Investment Bank.

123,000 KATRINA victims are behind on their mortgage payments in Louisiana (24.6%) and Mississippi (17.4%). Meanwhile, the Bush Administration's Small Business Administration approval rate for disaster loans is the lowest in 15 years.

RUSSIA wants to sell uranium to India for two nuclear reactors, after the United States turned down an Indian request, according to Indian Foreign Ministry spokesman Navtaj Sarna. Russia has informed the Nuclear Suppliers Group of plans to supply the Tarapur nuclear facility. Russian Prime Minister Mikhail Fradkov will discuss the deal in India this month, and also discuss defense, space research, trade, and technology.

ELECTRICITY RATES in Maryland have skyrocketed seven years after deregulation. Increases of up to 72% can be expected for this Summer, according to the state's Public Utilities Commission. After agreeing to deregulation in 1999, Maryland lawmakers now are scrambling to soften the blow to the electorate before the next elections.

ing banks "are so big, that they hardly can be saved by the Icelandic state alone, and since a major part of the investments are abroad, the state's obligation to provide a safety net under the banks is not the same any more," according to Sandfort.

Real Estate

Leaking Housing Bubble To Cause 'Terrible Shock'

In an article in the March 12 issue of *The Nation*, entitled, "Leaking Bubble," Doug Henwood writes: "The past several years have seen the most extraordinary boom in the U.S. housing market in history, rivaling the dot.com stock market madness of the late 1990s. In the third quarter of 2005, the average new house sold in the United States cost 4.9 times the average household's yearly income, up from 3.9 times in the late 1990s. . . . Turnover of new and existing houses in the third quarter of last year was more than 16% of GDP, way above its long-term average of 9 to 10%, and easily beating the levels reached in the housing frenzies of the 1970s and '80s."

Families are buying homes on outrageously risky terms: In 2005, 43% of first-time home buyers "made no down payment at all." The housing bubble has metastasized into the entire U.S. economy, especially as homeowners borrow against the inflated increase in the value of their homes. Henwood writes, "Americans have been using their houses as MasterCard, turning about \$726 billion of their home equity into (borrowed) cash between 2001 and 2005. That's a big number, even by the standards of the U.S. economy; it's equal to almost 40% of the growth in personal spending." Moreover, "Wall Street economists estimate that 40 to 50% of the growth in GDP and employment over the last several years has been driven by the housing boom."

In 2000, when the financial system was threatened with the bursting of the dot.com stock market boom, Federal Reserve Board Chairman Alan Greenspan intentionally fed the housing bubble, by lowering interest rates to 1%, Henwood states. However,

mortgage rates are rising, and home sales are sagging. "So many households have taken on so much mortgage debt that if prices merely stop rising, they're going to find themselves under water. . . . The broad economy has become so dependent on home-equity credit that its withdrawal could come as a terrible shock."

Lyndon LaRouche commented, "This indicates that the Senate and House have no time to waste on adopting the measures I've proposed. There are those who propose that we wait until after the election to deal with these problems. That is irresponsible."

Science & Technology

Brazil Will Build Seven Nuclear Plants

Brazilian Science and Technology Minister Sergio Rezende announced on March 7 that Brazil has a plan to build seven nuclear plants over the next 15 years, two of them in the country's most impoverished region, the Northeast. Rezende was interviewed by BBC Brazil, while he was in London accompanying President Lula da Silva on a state visit.

Rezende said he wants the government to approve the National Nuclear Energy Plan by the end of July. Once that happens, construction of the already-started Angra 3 facility would be completed, and then one new nuclear plant would be started every two to three years afterwards, for the following 15 years. This will be polemical, he said, but nuclear energy should stop being seen as the "ugly duckling." These plants can be built near urban centers, unlike hydroelectric plants, and costs will cheapen soon, due to the worldwide renaissance in nuclear energy, he argued.

The Science Minister also announced that the formal inauguration ceremonies for the start-up of Brazil's uranium enrichment program on an industrial scale—pushed back repeatedly as the international campaign on Iran escalated—should occur in April, when President Lula can attend. Small-scale production has already begun, he said.