

Business Briefs

Public Health

UN Agency Warns of Locust Swarms in Africa

The United Nations Food and Agriculture Organization (FAO) issued a statement on Oct. 11, warning North and West Africa to be on alert against a possible new invasion of locusts, the crop-devouring insects.

According to the FAO, serious locust infestations have recently been detected in northwest Mauritania, raising the danger of an upsurge of locust swarms there, as well as in Algeria, Mali, Morocco, and Senegal, if favorable weather and ecological conditions continue. Locusts have been found in areas of recent rainfall about 150 kilometers northeast of the Mauritanian capital, Nouakchott, where they have been devouring green vegetation. Their eggs were expected to hatch in about ten days.

In 2004, North and West Africa were hit with the worst locust infestation in 15 years, which heavily damaged the agriculture in several parts of West Africa, with numerous swarms invading the Sahelian countries adjacent to the Sahara from northwest Africa, destroying crops, fruit trees, and other vegetation.

Of the world's 50 poorest nations, 34 are in Africa, of which several are situated in the above-mentioned region.

Transportation

Iron Silk Road' Treaty To Be Signed in Korea

An international agreement on the Trans-Asian Railway Network—known as the “Iron Silk Road”—is to be signed during the Ministerial Conference on Transport on Nov. 10 in Busan, South Korea, reported the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) on Oct. 6 from Bangkok.

“The Trans-Asian Railway (TAR) Network Agreement constitutes another step towards the identification of a trans-continen-

tal, integrated, international, intermodal network to facilitate international trade and tourism,” says UNESCAP. A similar agreement under UNESCAP's auspices on the Asian Highway Network came into force in July 2005.

The member countries of the TAR Network are Armenia, Azerbaijan, Bangladesh, Cambodia, China, Democratic People's Republic of Korea, Georgia, India, Indonesia, Islamic Republic of Iran, Kazakstan, Kyrgyzstan, Lao People's Democratic Republic, Malaysia, Mongolia, Myanmar, Nepal, Pakistan, Republic of Korea, Russian Federation, Singapore, Sri Lanka, Tajikistan, Thailand, Turkey, Turkmenistan, Uzbekistan, and Vietnam.

The new plan, says UNESCAP, will “give reality to the dream of connecting their capital cities, ports and industrial centres by rail,” and is of “crucial importance to landlocked countries whose access to world markets is heavily dependent on efficient connections to the region's main international ports. Twelve of the world's 30 landlocked countries are in Asia, and 10 of them are members of the Trans-Asian Railway Network.”

As part of the development of the TAR Network, members have already begun to identify stations of international importance that will have similar functions as ports away from coastal areas, or dry ports.

Finance

Equity Funds Escalate Takeovers in Germany

Equity and other so-called “financial locust” funds are going for a wild takeover drive around the globe, notably in Germany, where Bain Capital already tried to buy up shares of Continental Tires (a bid which was repudiated), news services report. Other prominent funds like Permira and CVC (U.K.), or Fortress (U.S.), plan raids on German industrial firms MAN, Siemens, and DaimlerChrysler.

Texas Pacific Group alone has a war chest of \$15 billion for such offensives. All

funds together have collected \$300 billion for takeover attacks which operate under extreme debt repayment pressure, because the funds are mostly using borrowed short-term capital from banks, insurance companies, pension funds, and private investors.

There is tremendous, highly speculative bubble-building activity involved, for example in Fortress's plan to offer its real estate in Germany for investors in the stock market at a value of more than 5 billion euros, whereas experts say it is not even worth EU3 billion. The difference cannot be compensated by increasing the rent of tenants such as those in the 48,000 apartments in Dresden that Fortress purchased in March.

Speculation

Forbes: Will Credit Derivatives Blow?

“A Dangerous Game: Hedge Funds Have Gotten Rich From Credit Derivatives. Will They Blow?” is the title of an Oct. 10 article in *Forbes* magazine by Daniel Fisher. He claims that the financial problems of the Amaranth hedge fund were minor compared with what may be in store with credit derivatives. “If you want to fret over the next financial catastrophe, . . . focus on something far more obscure: credit default swaps.” The danger is that hedge-funds have so much tied up in credit default swaps. When something goes wrong, “the pain will be widespread.”

A credit default swap is a derivative that a bank writes as insurance policy for a bond, in particular a junk bond. The bank promises the holder of that bond, that should the bond default, the bank will make the equivalent of timely interest and principal payments on it. For this, the bank collects an up-front fee, usually 3-10% of the value of the bond; so, on a credit derivative on a \$10 million bond, the bank can collect as much as a \$1 million fee. If several bonds default, for which a bank has written credit derivatives, the bank goes under.

Hedge funds now account for 58% of all trading in credit default swap derivatives. The failure of credit default swaps will collapse the \$1.3 trillion hedge fund business.