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'Buy farmland and gold,' advises Dr Doom

Leo Lewis, Asia Business Correspondent

The world's most powerful investors have been advised to buy farmland, stock up on gold and prepare for a "dirty war" by Marc Faber, the notoriously bearish market pundit, who predicted the 1987 stock market crash.

The bleak warning of social and financial meltdown, delivered today in Tokyo at a gathering of 700 pension and sovereign wealth fund managers.

Dr Faber, who advised his audience to pull out of American stocks one week before the 1987 crash and was among a handful who predicted the more recent financial crisis, vies with the Nouriel Roubini, the economist, as a rival claimant for the nickname Dr Doom.

Speaking today, Dr Faber said that investors, who control billions of dollars of assets, should start considering the effects of more disruptive events than mere market volatility.

"The next war will be a dirty war," he told fund managers: "What are you going to do when your mobile phone gets shut down or the internet stops working or the city water supplies get poisoned?"

His investment advice, which was the first keynote speech of CLSA's annual investment forum in Tokyo, included a suggestion that fund managers buy houses in the countryside because it was more likely that violence, biological attack and other acts of a "dirty war" would happen in cities.

He also said that they should consider holding part of their wealth in the form of precious metals "because they can be carried".

One London-based hedge fund manager described Mr Faber's address as "excellent, chilling stuff: good at putting you off lunch, but not something I can tell clients asking me about quarterly returns at the end of March".

Dr Faber did offer a few more traditional investment tips, although their theme fitted his general mode of pessimism.

In Asia, particularly, he said, stock pickers should play on future food and water shortages by buying into companies with exposure to agriculture and water treatment technologies.

One of Dr Faber's darker scenarios involves growing military tension between China and the United States over access to limited oil resources.

Today the US has a considerable advantage over China because it has free access to oceans on both coasts, and has potential energy suppliers to the north and south in Canada and Mexico.

It also commands an 11-strong fleet of aircraft carriers that could, if necessary, secure supply routes in a conflict situation.

China and emerging Asia, meanwhile, face the uncertainty of supplies that must travel from the Middle East through winding sea lanes and the Malacca bottleneck.

American military presence in Central Asia, Dr Faber said, may add to the level of concern in Beijing.

"When I tell people to prepare themselves for a dirty war, they ask me: "America against whom?" I tell them that for sure they will find someone."

At the heart of Dr Faber's argument is a fundamentally gloomy view on the US economy and its capacity to service a growing mountain of debt.

His belief, fund managers were told, is that the US is going to go bankrupt.

Under President Obama, he said, the country's annual fiscal deficit will not drop below \$1 trillion and could rise beyond that figure.

Arch bears have predicted that US debt repayments could hit 35 per cent of tax revenues within ten years.

Dr Faber believes that the ratio could easily hit 50 per cent in the same time frame.

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