Business Briefs

Russia

Warnings of collapse of power grid

There are increasing warnings that major disruptions of electricity generation and supply in Russia could occur, the opposition newspaper *Zavtra* reported in its issue for the week of Oct. 23.

On Sept. 16, the Moscow tax inspectorate froze the accounts of Mosenergoremont, a privatized firm that carries out maintenance on electric power systems in 19 provinces and republics in Central Russia. The firm owes the State 5 billion rubles, but State enterprises owe it 25 billion rubles. The firm's operations are in a state of paralysis, *Zavtra* said.

In four years, electricity consumption has fallen by two-thirds, damaging safety systems of Russia's national electricity grid. Fuel reserves at many conventional power plants are 20-30% below normal, as winter looms. *Izvestia* reported on Oct. 21 that "only 80% of the government target for fuel stocks have been laid in and only 70% of the amount of equipment that should have been repaired has been repaired."

The collegium of Tsentroenergo, a directorate of the Ministry of Electric Power, has issued a statement about the danger of collapse of the Unified Electricity System of the Russian Federation.

Banking

British banks now more 'secret' than the Swiss

Major British clearing banks, such as Barclays, Lloyds, and NatWest, have resorted to highly dubious sources of profit (i.e., money laundering, by all appearances), in order to make up devastating losses on their huge lending to failed real estate and other markets over the past five years, according to a reliable source.

"In one bank's case, whose internal books I was able to examine, the bank had huge losses in 1993 in U.K., U.S., German, and French loans. But they saw huge profits from Cayman Islands, Hongkong, Channel Islands, Gibraltar. British banks during the last crisis have become even more secretive than Swiss banks as to how they are making money, but it is widely suspected in the banking community that it comes from a huge increase in their direct exposure to laundering of illegal funds from drugs and such. Previously they kept that at arm's length because of the risk of exposure, but now they can no longer afford the luxury; they, too, urgently need the profit," the source said.

Poland

Privatization voted down by Senate

The plan for an all-out privatization of State-owned firms, one of Polish President Lech Walesa's pet projects, was voted down by the Senate in Warsaw on Nov. 2. The plan, which called for a national referendum on the "voucherization" of the entire State sector, was designed to outflank the ongoing, factional disputes among all parties over government plans to privatize several hundred State-sector industrial enterprises.

The labor unions and workers' councils at the plants, as well as administrations in regions that already suffer from high jobless rates, such as the mining districts in the south of the country, are rejecting the government's plans. Walesa's calculation was that by offering to distribute the shares of the entire State-sector economy among the population, privatization would be made acceptable to them.

Economic Policy

Czech medical sector hits privatizations

The Czech public medical sector, including all doctors and nurses, went on strike on Nov. 1 against the government's privatization plans, which prescribe "economic efficiency" as the prime guideline for investments and funding in hospitals and health services. The government of Prime Minister Vaclav Klaus keeps insisting on its "market economy" policy.

The strike is reported to have broad support within the population, because hospitals are suffering from a chronic undersupply of medicines, bandages, anaesthetics, food, and fuel for heating. Doctors have complained about the lack of government funds for the overdue modernization of the technical equipment of their hospitals. Surgeons, especially, are operating with outmoded and worn-out equipment.

The situation in the hospitals is dramatic. Patients are being turned away for lack of cash (which many clinics demand) in the range of several hundred dollars, or because the prospective patient's insurance was deemed "not sufficient." The case of 68-year-old Josef Bilys, who was sent home untreated after a heart attack and died several hours later, has led to a public outcry throughout the republic.

Dope, Inc.

British firms target India

There is a drive ongoing by British firms to turn India into a new base for Dope, Inc. hot money:

Jardine Fleming is floating another open-ended India fund, the India Flagship Fund, to be marketed among European institutional and retail investors. The move is an indication of Fleming's continued bullishness on the Indian economy, according to the fund's U.K. manager Vivek Shekhar. It will be the fourth Fleming fund to be directed at the Indian subcontinent.

"Standard Chartered Bank is planning to open about eight new branches in India in the next three years," Patrick Gilliam, group chairman of Standard Chartered Plc, announced at a press conference on Oct. 19. Gilliam said Standard Chartered was planning to focus on India, Indonesia, and China in the next 15 years. The bank has 70% concentration in Asia, and the rest in South Africa and America. The firm has decided to link up its Indian banking operations with those in Hongkong and Singapore.

Franklin-Templeton, the world's fourth-

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largest fund manager with global assets worth nearly $130 billion, is set to increase its exposure in Indian paper through the foreign institutional investors it operates in India. Templeton's various funds, which have already invested close to $45 million in Indian securities, have decided to target key scrips in an effort to pick up large chunks of blue chip stocks. Templeton is known to be close to Prince Philip of Britain.

The Dresdner-Kleinwort Benson combine recently announced that it will provide sevices to corporations in India.

Corporate

Thatcher adviser urges war on earnings

Sir Alan Walters, an economic adviser to former British Prime Minister Margaret Thatcher (1981-84, and 1989), proposes a war on corporate earnings, which would choke off investment and put corporations even more at the mercy of speculators and international financiers, in a commentary in the Oct. 31 *Wall Street Journal.*

U.S. corporations don't pay out enough earnings to shareholders, he claims, and they should be required to issue two types of stock: AE (all earnings) shares, for which a set amount of earnings must be paid out, such as 80%, and NE (noearnings) shares. Shareholders could then choose whether they want earnings paid to them.

The most common objection to his scheme, he claims, is that the "so-called 'short termism' of the capital markets" militates against "long-term development." But, "we are seeing what Japanese policies have brought: vast overinvestment in the wrong industries and, ultimately, the waste of citizens' savings."

Corporate management won't like being "forced to distribute at least 80% of its earnings [because] it will be deprived of cheap capital," he wrote. Corporations will be forced to go begging to borrow money from Wall Street and London. "If management is forced to go to the capital markets for funds, it will have to review its proposed projects with a newly critical eye [and] would help the capital markets better develop their ability to discriminate between profitable and prestige projects."

Walters's proposal would be particularly devastating for smaller U.S. companies, almost none of which pay dividends (which come from earnings) to shareholders, preferring instead to use this "cheap capital" to fund future growth. In the best companies, this means funding R&D and new capital investments in plant and equipment. For example, Intel, the computer chip manufacturer which is one of the most profitable companies in the world, pays out only 16¢ in dividends on a stock that is now priced at $69.75 a share, a yield of 0.2%. A spokesman for the National Association of Securities Dealers told *EIR* that only 14% of the 1,919 small companies listed on the Nasdaq, and 29% of the 3,663 larger companies, pay dividends.

Finance

Bankruptcies of OECD nations 'unavoidable'

State bankruptcies of many OECD countries will be unavoidable, Prof. Walter Wittmann said at a conference of the Liberal Institute in Zurich, Switzerland on Oct. 27.

According to a report in the Swiss daily *Neue Zürcher Zeitung,* he reached this conclusion by taking into account not only the public debt of a State, but also the indebtedness of households and companies, and the difference between future obligations and present incomes of social security and pension systems. As an example, U.S. public, consumer, and corporate debt has reached 195% of gross national product, three times bigger than the usual figures on U.S. debt. In Switzerland, the private mortgage obligations are 2.5 times bigger than the whole public debt of the country. Including social security and pension obligations, the median OECD country today has a debt twice the size of its GNP.

Unfortunately, the remedies Wittmann offers, such as drastic cuts in social expenditures, would only exacerbate the problem. Historical experience shows, he said, that any political activity in this respect will be in vain, because States only learn from bankruptcy.

Briefly

● **PHILIPPE SEGUIN,** president of the French national assembly, declared that change in monetary policy "is not in and of itself a sufficient response to the problems of the real economy. . . . Currency should not be a slogan or an end in itself. . . . It is a weapon which must be put in the service of employment," the daily *La Tribune* reported on Oct. 31.

● **SCIENCE** ministers of the 15 European Union States blocked funding for the International Thermonuclear Experimental Reactor, pending a review of the entire project, on Oct. 30. German Minister of Science and Technology Jürgen Ruettgers warned that this "partial pull-out" could end the project.

● **MOBIL** is negotiating "to buy a multimillion-dollar stake in one of the world's biggest oil fields in Kazakhstan," the Tenghiz oil field, the Oct. 27 *Washington Post* reported. Mobil hopes to buy at least half of Kazakhstan's share, which is now 50%.

● **QATAR** has announced a deal with Enron for the sale of natural gas, in a $5 billion project to be completed in 2001. Enron will process 5 million tons per year and 40,000 barrels of condensate per day at a plant in Qatar. Rebecca Mark of Enron said prospective buyers include Israel and possibly Jordan. Discussion of a joint off-load facility at Aqaba is under discussion.

● **GERMANY'S** Federal Agency for Credit Controls announced on Nov. 2 that it will temporarily close Fischer & Co., a banking house, in order to avoid default. The bank belongs to the Jahr family, which controls much of the Hamburg-based, Anglophile media, including the weekly *Stern.*

● **JAPAN'S** largest securities broker, Nomura Securities, may join a merger of Daiwa Bank and Sumitomo Bank, to form the world's largest financial conglomerate, the Tokyo *Shimbun* newspaper reported on Nov. 5.