

Business Briefs

Banking

IMF descends on Russia's Sberbank

International Monetary Fund (IMF) representative John Odling-Smee, meeting with Russian Prime Minister Vladimir Putin in Moscow on Nov. 3, claimed that Russia will receive the long-promised \$640 million loan tranche in December, but with conditions, *Kommersant* daily reported. The primary demands in the sphere of trade are "far from free market policy": in particular, Russia is being forced to cut exports of fuel oil practically to zero. This seems to contradict another demand, that the market for oil products be "liberated from administrative restrictions."

A particular demand concerns the state-managed savings bank, Sberbank, through which most elderly and disabled Russians receive their pensions. Sberbank is the largest banking institution in Russia and would be a mainstay of financing a real recovery. Already in June, the IMF demanded from Russia's Central Bank to conduct a "diagnostic investigation," which is now to be completed by Dec. 31.

Sberbank President Andrei Kazmin is reportedly under pressure to resign. He told *Kommersant* that "the demand for scrutiny produces an impression of a certain bias." The paper cites an unofficial government source, that Sberbank is to be audited by a commission including representatives of the Central Bank, Audit Chamber, and Government's Control and Revision Department.

Agriculture

Russia seeks to boost national production

An "equipment for food" program is being prepared by the Russian government to replace obsolete farm equipment by 2006, bringing it up to 1990 levels, Deputy Agriculture Minister Rafgat Altinbayev has announced, *Agra-Europe* for the week of Nov. 2 reported. The government wants to invest

some \$250 million to reduce dependence on food imports and to boost food self-sufficiency to 90%. If agriculture's condition is not dramatically improved, Russia will have to spend increasing amounts for imported food, he warned.

Right now, the whole sector has only 55% of the machinery that it needs, which is affecting harvest results more and more severely. Altinbayev said that, whereas Russia harvested 100 million tons of grain in 1990, by last year, the harvest was down to 47.8 million tons.

This year, according to figures published by the Agriculture Department in Moscow, Russia's grain harvest will be around 53 million tons, 11% higher than last year but still much lower than expected. The government had been expecting a harvest of 60 million tons.

One reason for the poor result is the drought that damaged crops on 7 million hectares (out of 42.6 million hectares of grain planted), but the main reason is outdated farm equipment and lack of gasoline and lubricants. According to Arkady Slotshesky, the head of the Grain Union, there was roughly 20 million tons of hard wheat harvested this year, enough to meet minimum requirements for bread flour, but reserves will be depleted by next summer's harvest. Planting of winter wheat is down 13.7% from 1998, which already ensures that next year's harvest will be down again compared to this year's.

Yugoslavia

Dire poverty doubles in one year, says UN

Poverty in Yugoslavia has nearly doubled over the past year, with 63% of the population living on about \$60 a month, according to a UN report, Associated Press reported on Nov. 5. Particularly hard hit are pensioners, the urban poor, single-parent households, and families with more than three children, said Steven Allen, the UN humanitarian coordinator for Yugoslavia. "There was a very high level of unemployment before the NATO operations, and the destruction of certain places of work, factories and so forth,

have added to the problem."

The study, which excluded Kosovo, had been carried out at the initiative of the UN Office for the Coordination of Humanitarian Affairs. In July 1998, the number living on \$60 a month or less had been 33%, before the NATO bombing campaign. Still, the U.S. administration stated on Nov. 4 that despite the high unemployment, it would only lift the ban on oil sales and flights to Serbia if free elections were held.

Meanwhile, Sarik Tara, head of a major Turkish construction firm, said that \$800 billion of infrastructure investments are needed in the Balkans in the next 15 years, at a conference on the reconstruction of southeastern Europe, in early November in Thessaloniki, Greece. The conference, organized by "Stability Pact coordinator" Bodo Hombach, is not expected to produce any significant results. The gap between required investments and the current reality is illustrated by the European Union plan to channel only \$500 million for Kosovo reconstruction next year.

Finance

Hankel: Speculation orgy is out of control

"The worldwide orgy of speculation has run out of control," states German economics professor Wilhelm Hankel, former chief economist of the Kreditanstalt für Wiederaufbau (KfW, the German Bank for Reconstruction), in an editorial in the German economic daily *Handelsblatt* on Nov. 1. He stresses that "70 years after the stock market crash on Wall Street," we are now in a situation where another "Black Friday" is "in the pipeline. The only question is, when it comes, what triggers it, how the responsible central banks will react to it, and what consequences will follow. Will we see, as in 1929, the end of free international payment systems and capital markets?"

Hankel says that the coming crash could lead to regionalization, where some national or regional markets "decouple from the global, deregulated, dollar-denominated financial markets of the post-Bretton Woods era." Because of the never-ending crises in Ibero-America, the Middle East, Africa, and

POPE JOHN PAUL II reiterated his call for debt cancellation for poor nations, on Nov. 3. He urged nations to "follow the path of solidarity, or face a catastrophe. . . . The problem is complex and has no easy solution. But it must be faced by international lawmakers and resolved." He said that poor nations need to concentrate their resources on improving living conditions, rather than on finding ways to secure new loans.

TURKISH Undersecretary of State for Energy Yurdakul Yigitguden said that Georgia, Azerbaijan, and Turkey have agreed to build a 1,259-mile pipeline from Baku, Azerbaijan to Ceyhan, Turkey that bypasses Russia and Iran, Agence France Presse reported on Nov. 5.

FEWER U.S. FIRMS pay dividends, according to a study by Professors Eugene F. Fama of the University of Chicago Graduate School of Business and Kenneth R. French of the MIT Sloan School of Management, on trends over the past 70 years. Today, just 20.7% of all publicly traded U.S. companies pay a dividend, down from 66.5% in 1978.

INDONESIAN Parliament chairman Amien Rais backed efforts to increase trade and technology transfers with China, after meeting with China's ambassador on Nov. 1. He called for an alliance among Asian countries, which he said would "create a formidable force to protect Asia in the era of globalization."

CHASE MANHATTAN Corp. will take a \$60 million pre-tax (\$40 million after-tax) charge for the fourth quarter, after discovering an overvaluation of some over-the-counter foreign exchange derivatives transactions.

THE MERGER BOOM continues. Two of the world's biggest drug firms, American Home Products and Warner-Lambert, said on Nov. 3 that they will merge, involving a stock deal valued at \$72 billion, one of the biggest mergers ever.

Russia, he says, there are now many politicians and central bankers in these regions who are looking for some kind of "monetary and financial nationalism or regionalism" like that in the 1930s.

Hankel emphasizes that the threat of a crash cannot be overcome by any of the usual monetary measures that central banks use. Instead, "the worldwide speculative orgy has to be brought under control." Banks are now buying up "stocks, derivatives, and other uncertified debt titles," not with their own liquidity, but in most cases with credits from other banks. "If these truly astronomical sums of the ever-higher mounting pyramid of bank-refinanced currency and stock market transactions had to be financed in existing liquidity, rather than in newly created liquidity, the global financial markets would shrink to a small fraction of present turnover and risk volumes. And they would again become secure."

Taxing speculative transactions, he says, is not enough, because if speculators are out to make 70% profits by crushing a currency, they won't care too much about a few percentage points of taxes. What is needed, is to regulate the actions of professional speculators at banks and funds by some form of "global banking and credit supervision," as "a first step toward a new world financial architecture." Regulation will come in any case, Hankel concludes. Those responsible for the global financial world can only choose, whether they introduce it before the crash, or wait until they are forced to do it.

Nigeria

Obasanjo stresses safety net, production

Nigerian President Olusegun Obasanjo discussed the importance of agriculture, infrastructure, and a safety net for the poor, at the sixth annual Nigerian economic summit, the daily *Post Express* reported on Oct. 25. He said that the nation needs a stable micro-economic policy that would reactivate dormant sectors such as agriculture, electricity, and water supply, as well as education.

"It is important to create the appropriate safety net that secures the short- and me-

dium-term welfare of the millions of Nigerians who may be disadvantaged, but also have rights to the basic necessities of life," Obasanjo said. He challenged the private sector to be more sensitive to the economic needs of the people, citing the high rate of interest charged by banks, which, at 35%, makes it "impossible for meaningful economic development to take place in the country."

Summit speakers painted a gloomy socio-economic picture of Nigeria, quoting the UN Development Program's *Human Development Report*, which placed Nigeria among the 25 poorest nations, with a per-capita income of \$300. The report said that only 40% of Nigeria's more than 100 million population have access to electricity, less than 20% to potable water, and there are less than five telephones per 1,000 people.

Obasanjo told the British Broadcasting Corp. that the government had provided fertilizer to farmers, and the result is that "food is available today; prices are stable." However, he said that his administration had made plans for all eventualities: "If the prices are getting too low, we will intervene as the buyers of last resort to encourage the farmers to go on," he said.

Biological Holocaust

We must act now on TB, doctor warns

The comeback of tuberculosis is the subject of a recent report by Harvard Medical School and the Open Society Institute, *Newsweek* magazine reported on Nov. 8. Drug-resistant TB strains have now been identified in 104 countries. In the United States, only 1% of the 18,000 cases of TB reported each year are antibiotic resistant, but, in Russia, where there are perhaps 100,000 TB patients in the prison system alone, up to 30% could have drug-resistant disease.

One of the authors of the report, Harvard's Dr. Jim Yong Kim, states, "The scenario we most feared is upon us." Kim warns that action must be taken globally, because both people and disease travel. "If we don't treat it now, we'll be in big, big trouble in 10 years," he said.