zones abroad. . . . Then products are sold to these enterprises at an artificially low price and these enterprises do not pay taxes to our budget at all. . . .

"And look at the moral climate. We can't get rid of it. And the climate is as follows. I am the president of a fund that helps homeless people. This fund is a non-profit organization. We exist only on contributions from businessmen in the form of charitable support, and we extend this charitable support to children's homes not in the form of money but in the form of clothes, kitchen equipment, etc.

"All this is done under strict control of the contributors. They have a right to scrutinize everything we do to the last kopek. But the fund can raise a million dollars a year at best. At the same time everybody knows that $230 million are spent on a foreign football team [the purchase of Britain's Chelsea team, by Roman Abramovich]. So, what moral context can you talk about in this situation? . . .

"I think it would now be correct to conduct some roundtable discussion and . . . to talk with the large entrepreneurs working, say, in the petroleum sector—not in the spirit of 'you give us back everything, and on and on.' No expropriation. And the question should not even be raised in this way.

"But there should be a serious conversation held with them. It is 27% and it is 14%. This is the lag that exists, and it is not due to management; it is due to the national wealth, due to the raw materials which are supposed to belong to the whole people.

"There are mechanisms whereby all this can be taken away."

More To Come

Primakov speaks as a senior figure outside the government or the Presidential staff; but on Nov. 17, Putin's close associate and Defense Minister Sergei Ivanov said practically the same thing. Interviewed by *Kommersant-daily*, Ivanov chastized Russian oil companies for not investing in exploration to identify new reserves—a practice for which Khodorkovsky's Yukos has been especially notorious.

The oil being sold today, Ivanov said, "is the result of [exploration and development] work carried out in the Soviet period." As a matter of the national interest, he said, the state should supervise production and exploration levels. "The state must not lose control of the strategic sectors of the economy."

Energy and mineral resources "belong to the state; they are not private property," said the defense minister, echoing Primakov, as well as the years-long campaign by Academician Dmitri Lvov on this point.

An array of enforcement measures is on the table, some of them announced, others rumored by government and Kremlin officials, and in the press.

In the wake of Khodorkovsky's arrest, the usually liberal Finance Minister, Aleksei Kudrin, promised to close the tax loopholes exploited by Yukos. The government went to the Duma about closing the internal low-tax zones—the ones Primakov referred to—and to lift a ceiling on oil export duties. Raw materials analyst John Helmer, in a series of articles published in November in *The Russia Journal* and the *Asia Times*, reported hints at reviving a plan circulated last year by Dmitri Kozak—who has just been promoted to first deputy chief of staff for Putin—to change the ownership of raw materials in Russia. It would keep energy resources and minerals in the status of state property until they are sold, rather than their becoming the property of the extracting company as soon as they are above ground, as is the case now. There would be a greatly expanded possibility for taxation and licensing fees.

Fraught with even farther-reaching implications was the proposal by Deputy Prosecutor General Vladimir Kolesnikov, at a Nov. 12 conference on combatting pirated goods, that Russia's Central Bank should "become a state agency, subordinate to the government or the President of the country," rather than modelled as an independent institution.

"The Central Bank ought to be supplying the circulatory system of the economy with money," said Kolesnikov, who is the point-man for the Yukos affair of the Prosecutor General's Office.

Rodina's Campaign

In the Duma elections, the question of natural resources ownership, and benefit from them, has been put center-stage by the Rodina (Homeland) bloc, led by economist Sergei Glazyev. His election billboards feature the slogan, "We shall return the country's wealth to the people."

On Nov. 24, the Chamber of Commerce and Industry hosted a roundtable discussion on "natural rent," meaning the wealth derived from the exploitation of natural resources. Cosponsoring the event was the Committee for the Defense of Russian Citizens' Rights to National Natural Resources," founded last June by Glazyev and Academicians Lvov and Zhores Alfyorov, the Nobel Laureate in Physics. Glazyev, Lvov, and Primakov all took part, as well as other scientists, Duma members, and regional leaders.

The Committee released a new open letter to President Putin, which noted that 88% of the Russian population believes the oligarchs' fortunes were ill-got. The letter called on the President to support Glazyev's new bills in the Duma, including the Federal government's responsibility for the welfare of the citizens, and a package of measures for the taxation of oil profits and the collection of "natural rent."

Business Briefs

Globalization

Wal-Mart Near Buying Brazilian Retail Chain

According to the Brazilian daily *Valor Economico* on Nov. 26, Wal-Mart is in the advanced stages of negotiations to buy Bompreco, Brazil's third-largest retail chain—mostly owning supermarkets—from Bompreco's current owner, the Dutch company, Ahold. Wal-Mart is trying to acquire Ahold's credit card operation, HiperCard, as well, according to *Valor Economico*'s sources. Wal-Mart wants to buy a smaller Brazilian supermarket chain, Barbosa Commercial, from Ahold, but a court injunction is delaying that deal.

Wal-Mart arrived in Brazil in 1995, and has subsequently opened 25 stores, mostly in the southeastern region, including São Paolo and Rio de Janeiro. Were it to be successful in buying the 120-store Bompreco, which is located in the Northeast, Wal-Mart would leap from the sixth- to the third-largest retail chain in Brazil, and would be in a position to dictate a restructuring of how Brazilian retail suppliers do business, one economic consultant told *Valor*.

Wal-Mart is establishing a beachhead in Ibero-America: It is already the largest retailer in Mexico, with over 400 stores, and is expanding in Argentina.

Trade

India-China Trade Sets New Record

Indian-Chinese bilateral trade has passed the level of $5 billion annually this year, for the first time ever, according to Chinese government figures.

Indian exports rose 85.3% during the first nine months of this year. Bilateral trade, worth $5.33 billion, was up 54.8% from the same period last year. Chinese exports to India have grown 28.4% over a year ago. Now, India has a favorable trade balance with China, a reverse from last year.

Indian exports are iron and steel, ores, plastics, organic chemicals, cotton, mineral fuels, hides and skins, and machinery.

In Shenzhen, in China's Guangdong province, a high-level joint Indian-Chinese economic forum opened on Nov. 26. Under discussion was better industrial, scientific, and technological cooperation, and promoting cooperation in all of southern Asia. The forum will discuss strategic alliances between enterprises of the two nations.

Agriculture

Rail Breakdown Hits Depressed U.S. Farms

The once-strong farm belt, and the overall U.S. economy, are threatened by shortages of railcars and crews, because they are so heavily dependent on railroads, the *Wall Street Journal* reported Dec. 1. Farmers are facing severe delays in grain shipments, which grain industry officials have called the worst since 1997—logjams which affect some 40% of the nation's grain that is transported by rail; the remainder are sent by trucks and barges.

These bottlenecks, combined with below-parity prices for farm commodities, are decimating the bulwark of U.S. agriculture, the small family farm—about 75% of which lose money farming. For example, in Reynolds, N.D., farmers are still waiting for a train that was supposed to arrive on Nov. 1. The farmer-owned Reynolds United grain elevator, which depends on Burlington Northern Santa Fe Corp. to haul its wheat, has stopped purchasing wheat from growers, because it cannot move the 270,000 bushels it has already bought. For a similar reason, the farmer-owned cooperative in Mayville, N.D. was forced to dump about 400,000 bushels of corn and soybeans on the ground.

The deteriorating condition of the nation's rail fleet, especially in grain-hauling equipment, has led to the bottlenecks. A whopping 68% of railroad-owned grain cars are more than 20 years old, cautioned Steve McClure, president of the rail-leasing unit of CIT Group. In particular, Burlington Northern had cut its fleet of grain-hopper cars by 24% over the past five years.

Manufacturing

U.S. Majors Continue To Close Plants, Cut Jobs

A few signs of the industrial breakdown driven by "free trade" and "shareholder value," countering the myth that the economy grew at the fastest pace in 20 years because of "productivity":

• Ford Motor Co. confirmed it will eliminate about 187 iron-casting jobs at a plant in Cleveland, on top of plans to shut down its aluminum casting plant on Dec. 19, which opened less than three years ago. Ford said it expects to outsource about $1 billion in automotive parts from China next year.

• American Standard is stopping most of the work done at its water-faucet assembly plant near Paintsville, Kentucky—and moving the work to Monterey, Mexico—eliminating 165 jobs at the 44-year-old factory by the end of February. Founded in Louisville, Kentucky in the 1880s, American Standard, which makes air conditioner systems, plumbing products, and auto brakes, had in 1992 shut down its 97-year-old cast-iron sink plant in Louisville.

• Navistar International Corp., the world's fourth-largest truckmaker, said it will eliminate 1,600 employees during the next year, through early retirement, to boost profits.

• Coleman Co., a manufacturer of outdoor consumer products, announced it will lay off 142 workers in Wichita, Kansas and close a facility in Lake City, South Carolina, as it moves the production and assembly work to unspecified locations. A company spokesman declined to comment when asked if Wichita work is being outsourced to other countries, the *Wichita Eagle* reported.

• Pepsico, Inc., the world's second-largest soft-drink maker, will fire 750 workers, and shut down a Frito-Lay snacks plant in Kentucky. The closing of the plant, which has 330 employees, is one measure in a cost-cutting effort–partly to free up money for advertising.