

billion to \$1 trillion of Russian capital, if not more, has fled to the far abroad. In effect, the West is lending to us and investing here, with our own money! And, charging more for it than is paid there on deposits and credits; and, lending us less than what has been received. These figures may even be understated. Nobody has delved into the 100-year history of capital export from Russia in all its forms. During some periods of time, it exceeded our GDP. Nobody has really assessed the size of Russia's shadow economy, or its monetary system, which is now tightly interfaced with the world system. There is, as yet, no desire on the part of this flown capital, to return home and cooperate with the current state authorities, and this has a direct impact on the situation with investments.

The crisis of production

The crisis of investment has caused a further decline of industry and deterioration of its technological structure. In the first eight months of 1996, Russia's GDP fell by 6% from the corresponding period of 1995; it was 43.3% of the 1989 level, which was the last year in which economic growth was registered. In six years, half the industrial capacity of Russia has been destroyed.

It is possible to project year-end declines for 1996 (the figure in parentheses is supplied by *EIR* to express the decline that the 1995 level of output of each product represented from the 1990 level):

- Machine-building: 13%
- Metal-cutting machine tools: 27% (77%)
- Stamping presses: 48% (93%)
- Tractors: 29% (90%)
- Combines: 54% (94.3%)
- Trucks: 12% (61%)
- Refrigerators: 34% (53%)
- Washing machines: 42% (75%)

The gross harvest of grain in 1996 will be 69 million tons, a little more than in 1995 but 34% less than in 1989. The most damaging effect is the continued slaughter of cattle, for lack of feed, as a result of which Russian producers have lost an estimated 16-39% of the domestic market for meat and milk products.

Russian industry is deteriorating. The obsolescence rate has reached 40% in agriculture and construction, 45% in transport and communications, and 50 to 80% in industry. The age of machinery is two and a half times greater than abroad.

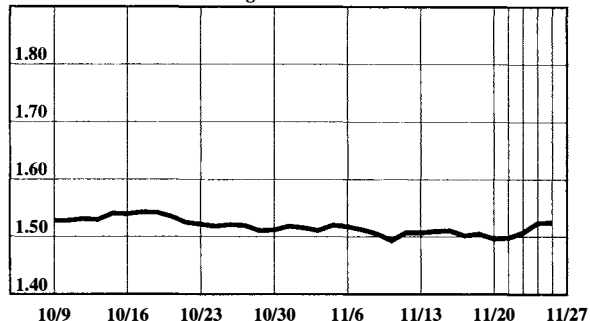
The raw materials and basic processing industries are staying afloat, thanks to exports. As of autumn 1996, 25% of timber and gas, 40% of oil and ammonia, 50% of synthetic rubber, 60% of rolled ferrous metals, 80% of mineral fertilizers and cellulose, and 70-90% of non-ferrous metals production were being exported.

Dr. Makarevich concluded his report, with two more sections: "The crisis in relations between the center and the regions," and "The legal and structural crisis."

Currency Rates

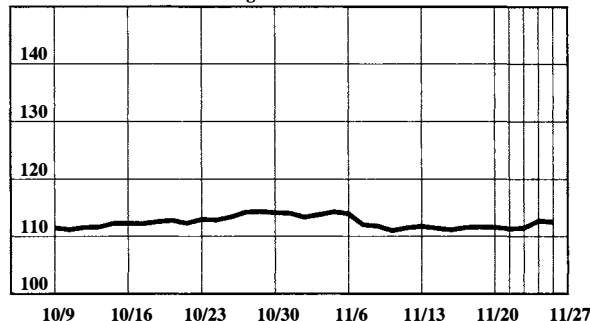
The dollar in deutschemarks

New York late afternoon fixing



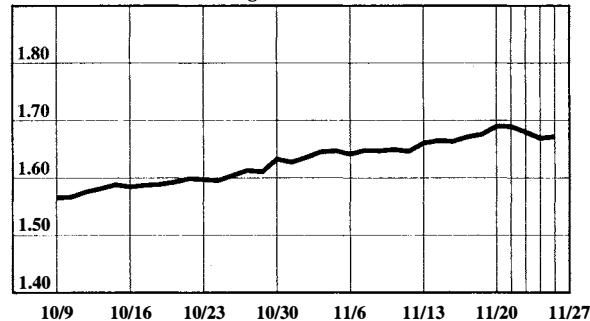
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

