

Reel Adventure

Russia's Pristine Rivers
Offer Rich Fishing
In Cash-Poor Regions

Arctic Wilderness Opens Up
To Anglers and Scientists
Seeking Atlantic Salmon
Letting Big Ones Get Away

By STEVE LISBMAN

Staff Reporter of THE WALL STREET JOURNAL
KOLA PENINSULA, Russia—The beauty of the water of the Pono River boils white as an Atlantic Salmon takes his orange "general practitioner" fly.

The silver fish, in a strong run down stream, leaps clear of the water, its twisted body outlined against the skinny white banks and jagged cliffs of the Pono's primordial banks.

For many years, this is where I've wanted to be, in the thick of the Russian wilderness, holding this fly rod with this fish on the other end. I save the moment, battling the salmon through the rapids and the swift current. After a half-hour, my guide, a 25-year-old local, says the fish is a 15-pound lunker and we release him to continue his upstream march to the spawning beds.

Each catch could have taken place anywhere, except for one thing: This was only the fourth day of my life with a fly rod in hand—and the salmon was in the eye of the afternoon. In the rarefied world of Atlantic Salmon fishing, it is an obscure haul.

Russian Paradox

At the Miraniche, one of Canada's premier salmon-fishing rivers, the average angler can expect (by a quirk of mathematics, not biology) to catch 0.3 to 0.5 salmon per day. During the best week this year here at Ryabaga Camp, located about 100 miles north of the Arctic Circle, anglers brought in an average of 8.7 fish per day.

It is one of the many paradoxes of Russia, often called the world's most polluted country, that it also offers anglers and hunters some of the most pristine outdoors experiences remaining on the globe. The Soviet Union's global paranoia, elitism and strict fishing regulations kept this Arctic river, and others like it, off limits to all but top Communist Party officials.

Now, the Russian wilderness is available to a new class of tourists, and the industry is developing in this remote, cash-strapped corner of the world. There are some 15 fishing camps open to foreigners, adding an estimated \$1 million annually to the local economy. But with 64 salmon rivers, the region's potential has only begun to be explored.

Grand Experiment

Three times the Kola, and much of the Russian outback, a massive labor group, On the Pono, a small group of scientists have been handed a bountiful resource: the challenge of reviving it, but of figuring out how to do it once explored and preserve it. The outcome is by no means certain.

Russian cash-fishing regions, hungry for whatever fishes they can get, face strong

temptation to allow poaching. For fishing rights, foreign operators say they face an unending line of local officials who demand bribes at every step of the way. And the challenge is to get the money out of the region and back into the region, but of figuring out how to do it once explored and preserve it. The outcome is by no means certain.

Meanwhile, the villagers upstream and downstream from the camp—some Russian, others distant relatives to Estonians and Finns—say they have received little benefit from the funds coming into their regions. They believe money is going to larger settlements or being pocketed by local administrators.

And it is big money. A week at the Ryabaga Camp, marketed in the U.S. by Frontiers, a Pittsburgh-based environmental agency, costs between \$5,000 and \$8,000, depending on the time of year. The price includes meals of reindeer tenderloin and fish, a four-day stay in a tent for a maximum of 24 anglers, and tents with wooden beds, a stove and even electricity. Other camps are more modest, with some charging \$2,000 for a week and offering log cabins.

But Gene Eisenberg, hard-core fisherman and chairman of the Houston-based oil-drilling equipment company Malibu Industries Inc., finds value at the Ryabaga Camp. "Per unit of fishing pleasure," says Mr. Eisenberg, who often discusses his company's net-earning loss tax carryover at dinner, "it is not expensive here."

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What's News—

Business and Finance

MORGAN STANLEY was sanctioned for "backing away" from its stock-price quotations on the Nasdaq Stock Market in a crackdown on trading infractions, an issue included in a federal probe of Nasdaq dealers. The National Association of Securities Dealers, Nasdaq's parent, is facing public criticism of how it runs the market and policies its dealers with the release tomorrow of an independent report on the market's problems.

(Article on Page A3)

An agreement among computer makers, consumer-electronics firms and film studios on a universal disk format will change how movies are marketed to home viewers and avoid a potentially disastrous format battle.

(Article on Page B1)

Motorola has won back GTE as a major customer for its wireless communications equipment, an issue included in a federal probe of Nasdaq dealers. The National Association of Securities Dealers, Nasdaq's parent, is facing public criticism of how it runs the market and policies its dealers with the release tomorrow of an independent report on the market's problems.

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Intel expects to produce computer systems next June at a multimillion-dollar facility in Washington state, part of a major expansion by the chip maker that seeks to become a bigger force in computer manufacturing.

(Article on Page A3)

Industrial production rose 1.1% in August, the best performance in eight months, and the Fed revised July's figure upward to 0.3%. Two straight months of surprising output gains may signal inventory overruns are easing.

(Article on Page A2)

Japan's global trade surplus fell 1.3% in August, largely because of a surprising plunge in exports of automobiles to the U.S. Many economists had expected the balance to increase.

(Article on Page A2)

SkyTel tomorrow will begin the first nationwide two-way paging network, linking 50 metropolitan areas and expanding to 300 by year's end.

(Article on Page A2)

J.P. Morgan is shrinking its mortgage-trading business and shuffling management of its fixed-income operations following a \$120 million loss in the mortgage-derivatives market.

(Article on Page A2)

Till Guldman, a former managing director and the head of global research at J.P. Morgan, was named executive vice president and board member for Infinity Financial Technology.

(Article on Pages C1 and B2)

Oracle intends to add interactive video to its database software. Separately, Oracle's stock price dropped 16% after the company reported first-quarter earnings that included lower-than-expected licensing revenue.

(Article on Page B4)

LSI Logic will unveil a process to quintuple the number of transistors it can squeeze onto semiconductor chips. The method aims to create customized, multifunction chips and to reduce the size and cost of chip designs.

(Article on Page B4)

The SEC may force the strict disclosure rules it imposed on high-yield junk-bond funds, including striking a requirement that funds make known any holdings in the risky securities.

(Article on Page C1)

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World-Wide

THE WEST GAVE Serbia another 72 hours to remove weapons around Sarajevo, NATO and the U.N. continued yesterday's deadline for a pullout, saying the Serbs showed "initial compliance" with demands to pull back their artillery and other heavy weapons from the Bosnian capital. However, we agreed that the suspension of the airstrikes be extended for an additional 72 hours," said a statement by the NATO and U.N. commanders. They didn't say how many weapons the Serbs had withdrawn, but Bosnian government radio put the figure at about 150 out of a total of about 300. Sarajevo's airport, has been cut off by roads have been opened into the city for relief workers. (Article on Page A1)

NATO and U.N. commanders warned that if the Serbs renege on their promise to completely pull back their heavy weapons, or attack inside Sarajevo's exclusion zone, bombing will resume.

The White House voiced some support for a Senate welfare bill, but warned of a possible veto if certain provisions regarding health care and other issues are included in legislation. White House Chief of Staff Patrick said that if the measure "moves in any way toward the original House position, that's trouble for this bill."

The administration stepped up its attack on Republican plans to slow the growth of spending on Medicare and Medicaid. House conservatives and key Senate Republicans said they would veto the bill. Clinton late last week vetoed to veto the GOP measures, saying they would have "draconian consequences." (Article on Page A3)

Retired Gen. Colin Powell criticized conservative politicians' attacks on the welfare system, saying they often amount to "a monetizing" of the poor and minorities who use government programs. He pointed out that lawmakers haven't been in any rush to plan an aid bill to the poor, but have been in a hurry to pass a welfare reform bill. (Article on Page A20)

Six union presidents asked AFL-CIO international President Donahue to quit the race for a full term at the labor federation in order to "bring the labor movement together." A spokeswoman for Donahue said that he "has no plans at all" to run for office prior to the election late next month.

A Senate panel joined the House in seeking to block enforcement of Clinton's order barring federal contractors from firms that hire permanent workers to replace strikers. Friday's vote came as the panel cleared a bill adding back billions of dollars in House cuts. (Articles on Pages A4 and A5)

Hurricane Marilyn tore through the U.S. Virgin Islands and eastern Puerto Rico on Saturday, killing as many as nine people. In the Virgin Islands, the storm destroyed half the houses on St. Thomas. In Mexico, meanwhile, a news agency reported that 10 people were killed when Hurricane Ismael battered the northwestern state of Sinaloa last week.

Residents of Hong Kong voted in their final elections under British rule, with the apparent favorites being pro-democracy candidates who have vowed to leave the island. Early results showed Martin Lee, the Democrats' leader, beating his pro-China rival and other Democratic Party candidates winning handsily. (Article on Page A16)

Israel offered to share control over Hebron with the Palestinians, but the PLO held out for an accord that would give them eighty percent of the West Bank city. Israeli Foreign Minister Peres and the PLO's Arafat met in Egypt, hoping to resolve differences on Palestinian autonomy in time for a White House signing ceremony Thursday.

Pope John Paul II addressed African church leaders at a cathedral in Johannesburg, calling for an end to the international arms trade and an increased emphasis on education and health programs. The pontiff is due to leave South Africa today for Kenya. He had refused to visit South Africa under its former apartheid regime.

A presidential candidate was slain in Algeria, casting further doubt on the legitimacy of an election already marred by an explosion in the capital. The independence candidate, Abdelmajid Benhadja, was shot to death outside his home near the capital. There was no immediate claim of responsibility. The election is set for Nov. 16.

Small can learn: Aided 600 militiamen in capturing the southwestern city of Kono. Aid workers and soldiers were rounded up and detained, relief agencies said. Aided's forces were said to have moved southward in Somalia, possibly planning an assault against the port of Kismayo.

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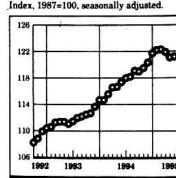
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Industrial Production

Index, 1987=100, seasonally adjusted



THE INDEX of industrial production rose August for the second seasonal adjustment from a revised 121.6 in July, the Federal Reserve reports. (Article on page A2)

Patented Plums Gave French Fruit Sleuth His Reason D'etre

Detective Jean-Pierre Foisy
Goes Snooping in Orchards
In Search of Illicit Produce

By THOMAS KAMM

Staff Reporter of THE WALL STREET JOURNAL
NIMES, France—Jean-Pierre Foisy has landed himself a plum assignment. And that's why this evening he is rummaging through an orchard in southern France, ripping open the plums trees and writing code numbers on them.

Trespassing to steal leaves is all in a day's work for Mr. Foisy. He is a fruit sleuth. His mission: to stamp out bootlegged fruit.

Just as there are real Louis Vuitton bags and fake ones, so are there patented plums and pirated ones. And Mr. Foisy's task is to make sure that no one grows fished fruit varieties without paying royalties to the people who own the rights.

Inventors' Interests
"My job is to put an end to fruit piracy," Mr. Foisy says. "It's part Sherlock Holmes and part organizing a licensing system for fruit. It's just one of the services of a small number of patent owners. And he won't say how lucrative the work is."

But a growing business, he says. Fruit might seem like a mundane thing, in the public domain, but that isn't always the case. To Mr. Foisy, it is more on the order of a high-tech industry, in the middle of the intellectual-property debate, with high-technology or artistic creation. The stakes are the same: the mastery of production and distribution worldwide.

Science and business have long since wormed their way into the orchard, but some fruit growers are just now discovering that patent law, in France as elsewhere, can be as important as good weather and fertile soil.

Limiting foreign sales, for less hairy peaches or more precious plums—not to mention new hybrid fruits—scientific research has been a long time coming.

Limiting foreign sales may be fine for countries with high domestic savings rates; such countries can grow largely by tapping their own savings. This typifies much of the investment in Asia these days and perhaps that in countries such as Chile. But for low-saving, high-debt countries, such as much of the developing world, such savings are scarce. "These countries desperately need growth," says Enrique Mendoza, an economist at the Federal Reserve Board.

Mr. Mendoza says that foreign money is what to take to get that growth.

So, if U.S. interest rates drop, problems will crop up. But there are other problems if U.S. interest rates rise, of course. And if the U.S. economy rebounds in the second half of 1995 from its second-quarter lull, U.S. rates could indeed move higher.

They could also catch fire emerging markets. "With each notch up in interest rates, another group will exit" these countries, says Edward McDermott, chief economist at A.G. Edwards & Sons Inc. in St. Louis. Meanwhile, if the money is to keep flowing into these countries, emerging-market investors will have to be paid.

There is a risk premium, in the form of much higher yields.

Moreover, some fear that foreign investment in the form of patents will be reduced. They might decide that there is no sense in understanding dozens of countries and might retreat to a regional focus—say, in the case of Eastern Europe, to the Republic in Eastern Europe—and then most other countries unless they offer higher interest rates premium over U.S. rates. That would be the best reason because high rates would hamper economic growth.

One solution is to attract so-called direct foreign investment in the form of plants, joint ventures and acquisitions of companies in the developing world. Asia has a greater mix of direct investment than does Latin America. But Eastern Europe seems to be going more in the Asian direction. These funds are desirable but scarce.

And there lies the real rub, some economists say. The talk about globalization of capital markets, Martin Feldstein and other economists note that well over 90% of the world's capital markets are in the U.S. and Europe. It is a trend, perhaps, but it is still a relatively minor one. What is really needed, they say, is a much greater flow of investment, not only in the form of capital but also in the form of technology and expertise with the best prospects can get the money they need to grow—and thus help expand the world market for goods and services.

POLITICS & POLICY: Rep. Archer steps out of the shadows, A-8.

LAWYERS & CLIENTS: The dirty secret of overbilling, B7.

INTERNATIONAL: Russia's oil industry is set to rebound, A16.

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OPINION: David Brinkley on the history of tax reform, B1.

LEISURE & ARTS: New fall television season begins, A17.

The Outlook

Some Painful Lessons
On Emerging Markets

NEW YORK

Just nine months after the Mexican peso crisis, the world's emerging markets are staging a comeback of sorts. As professional investors size up the stock and bond markets in Latin America, Asia and Eastern Europe, many like what they see.

In Mexico itself, the currency has stabilized and stocks are up, at least for now. Despite jitter over Argentina's and Brazil's economies, investors have pushed up equity prices there more than 20% since March. Many Asian markets also have rebounded. And some of the older U.S. money managers are putting money into South Africa, India and even the risky bond markets of Bulgaria and Russia.

A new chapter may be unfolding in the low-level relationship between global investors and the emerging markets. Going forward, though, it is becoming clear that both sides have learned some painful lessons.

The most important one: U.S. interest rates profoundly affect capital inflows and outflows in emerging markets. When U.S. rates drop, they encourage American investors to seek higher rates abroad. That happened in 1990 to 1993, when more than \$150 billion flowed to emerging markets from the U.S. Treasury, which is hovering around 6.5%, is small compared with yields that can run more than 17% in Argentina. The wide spread is highly attractive, even with the many uncertainties in Argentina's economy and financial system.

As long as we stay below 7% on U.S. long bonds, the environment is very good for emerging markets, says Isabel Saltzman, portfolio manager for several international funds at Scudder, Stevens & Clark Inc. in New York City. She is based in the Netherlands, predicts portfolio investment of \$25 billion in emerging countries in 1996, with most of it in the second half.

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Plunging In

Surge in Mutual Funds
Lures Small Operators
Into Setting Up Shop

Coming From Many Fields,

They Battle Red Tape

And Marketing Problems

SEC Examiners Meet 3 Kids

By ROBERT MCGOUGH

Staff Reporter of THE WALL STREET JOURNAL
As the mutual-fund industry roars past \$2.6 trillion in assets, small-time entrepreneurs of all stripes are scrambling to pick up the losing cash.

Despite steep expenses, a regulatory maze and competition from the behemoths such as Fidelity, PaineWebber and Vanguard Group, the industry each year attracts a stream of people—aerospace engineers, business executives, factory owners, plus a few unconventional characters—who intend on building the next mutual-fund empire.

"We call them garage funds," says Leslie Weisberg of Valley Forge Services Inc. "If you call the portfolio manager, you can hear his kid crying, you can hear the vacuum going in the background."

Relying on Faith
Some of these entrepreneurs, having impressed friends and family with their stock-picking, are out to become the next Peter Lynch. Some are acting literally on faith. Last Saturday, they came to the New York World Financial Center for reasons of conscience or religion, promoting Christian values, family values or women's issues.

"People seem to think that if I invest, have a concern about an issue, there ought to be a fund where they can voice it," says Paul J. Lynch, a 65-year-old former Plan Fund, based in Winter Park, Fla., avoids buying Walt Disney Co. stock, for example, because, he says, the company is "too much into the 'produce garbage'." The former broker says he is "passionate" about opposing abortion and pornography but really isn't fond of running a mutual fund. "I look in the mirror and say, 'Man, am I crazy?'"

And some managers of new funds have run into legal problems in the past. One is Irving Borsel, a 75-year-old man who lives in Lake Forest, Ill. Though started up only last March, his one-man mutual-fund company is already managing \$1.8 million in assets. Borsel's fund, the Irving Borsel Core Equity Fund and \$1.5 million in the Lake Forest Money-Market Fund.

An Earlier Legal Problem
So what if, three years ago, the Office of Thrift Supervision sued him for running in any federally chartered financial institution and fined him \$52,000? The agency accused him of violating banking laws by operating a "private bank" by, for example, billing the savings bank for items such as decorative reindeer, barbecue tools and a doghouse.

And running start-up mutual funds with Vanguard and Fidelity all day