

## Fermenta's El-Sayed returns

points. Presenting a united front will give both the industrialized nations and the emerging biotech industry the best chance to operate as effective and willing advocates for biodiversity and development in less-developed countries.

Will the Japanese and Europeans go along? Given the history of the treaty, some within the biotechnology industry believe the key may be whether President Clinton is willing to take up the problem directly with the leaders of the seven major industrialized countries. The feeling among both environmentalists and industry representatives who worked on the Group of Six draft interpretive statement is that there are probably no major substantive disagreements between European countries, Japan, and the U.S. on big issues such as intellectual-property rights. But other lesser issues could well scuttle the prospects for a joint statement. Some are concerned about raising red flags for the less-developed countries that are unhappy with the American position on intellectual-property rights and technology transfer.

Some European delegations, before and after Rio, have sharply disagreed with the U.S. over what are now euphemistically called "biosafety protocols," or international regulatory standards. While the U.S. has opposed such strictures in the past and succeeded in excising the concept from the body of the treaty, the Clinton administration has softened somewhat in the face of strong European advocacy. It has expressed a willingness, in fact, to be a part of any deliberations on the subject, if only, or so it says, to ensure the U.S. a seat at the table to influence future debate.

Just how much is the Clinton administration willing to give? For now, biotech officials have committed themselves to support the treaty and have no choice but to take a wait-and-see approach to both the final interpretive statement, if one materializes, and the administration's ultimate position on biosafety. It is, as they say, a course strewn with political landmines. But so far, anyway, it's an improvement over a path that was leading nowhere. //

RIGA, Latvia—Refaat El-Sayed is back in the biotechnology business. The former Fermenta (Stockholm) boss—who was jailed for six years after being convicted on 14 counts of felonious fraud, accounting infractions, and insider-trading infractions—is riding high after closing accounts with Fermenta.

El-Sayed, a colorful Egyptian-born Swedish national, found his release from a Stockholm prison last April less uplifting. His chief concern involved claims filed by Fermenta seeking restitution in the amount of \$56 million. Although Fermenta contended that it was determined to press its case against El-Sayed, amid assertions that he was assembling a group of Swedish and U.S. investors to takeover the company, behind the scenes maneuvers resulted in talks between lawyers for the dissenting parties.

El-Sayed could not be more pleased with the outcome. Fermenta has, under the terms of a court settlement, agreed to conditionally drop all claims against El-Sayed. El-Sayed, for his part, is prohibited from participating in any action hostile to Fermenta's interests. In addition, El-Sayed may not attend or be represented at shareholder meetings, nor may he voice his opinion on any aspect of Fermenta's business operations past or present.

Indeed, the deal is being viewed by some Fermenta executives as a small price to pay for El-Sayed's final banishment, as they acknowledge that there was never any real chance that Fermenta would have recouped even a fraction of \$56 million. Fermenta is currently seeking to develop its biotechnology business and financial-services business into profitable stand-alone units.

El-Sayed is becoming increasingly active as a consultant to Hebi (Stockholm), a venture-capital company that is focusing on biotech acquisitions by targeting companies with weak capital bases and with managements under pressure. Hebi is controlled by a Panamanian-registered company called Oaxaca. El-Sayed currently holds 20 percent of Hebi.

A splurge of takeovers has resulted in a sharp rise in Hebi's annual

turnover, which totaled \$2 million last year but should reach \$400 million this year. In its latest acquisition, Hebi purchased the bankrupt remains of Svenska Rayon (Valberg, Sweden), a biotechnology/hygiene-products firm with sales of \$50 million in fiscal-year 1992. Hebi bought the company at the knock-down price of \$2.3 million.

El-Sayed's whirlwind romance with the biotechnology started in 1982 when he acquired Fermenta from Astra (Stockholm) for the princely sum of 15 cents a share. El-Sayed recruited well-known businessmen to serve on Fermenta's board, giving him considerable status and respect, and then took Fermenta public in 1984. He was the darling of the media, appearing on many TV talk shows. He was even voted "Swede of the Year" by one TV show.

El-Sayed got so far as to sign a preliminary agreement with Volvo (Stockholm)—a major stockholder in Pharmacia (Stockholm)—to gain control of Pharmacia. Payment was arranged in Fermenta stock. But Volvo cancelled the deal on the disclosure that El-Sayed had lied about holding a Ph.D. from the University of California at Davis.

When Volvo pulled out of the Pharmacia deal, Fermenta's stock went into a tailspin. El-Sayed, however, responded by claiming that Fermenta was on the point of disclosing record profits of \$100 million for the first eight months of 1986, an amount twice the 1985 level. Doubting shareholders demanded an audit, which showed that Fermenta would be lucky to realize profits of \$6 million for the period.

Fermenta was delisted from the Stockholm Stock Exchange, and its stock plummeted to \$5 a share, down from \$54 a share at its peak in February 1986. El-Sayed was declared bankrupt in September 1987. The court ruled that the self-made millionaire—once heralded as Sweden's richest businessman, with assets worth \$400 million—was "desitute," with debts of \$185 million and assets of just \$61 million.

—Gerard O'Dwyer

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