

Business Briefs

Italy

Court Ruling Threatens Entire Banking System

Italian central bank governor Antonio Fazio warned on Dec. 4, that a recent Supreme Court ruling could bring down the nation's entire banking system. The ruling applies retroactively, a bill classifying as "usury" all bank loan contracts with interest rates one-third higher than the market rate. The court ruled that home mortgages can be renegotiated.

Fazio and the banking community reacted by saying that if all contracts were renegotiated, in the worst case it would bring a loss up to 50 trillion lira (more than \$25 billion), amounting to the entire yearly profits of the banking system. Fazio also indicated that no bank would make a fixed-rate contract any longer, whereas foreign banks, which are not subject to the legislation, would take over the market. This would mean the collapse of the entire banking system, he said.

The government is now trying to put together an Executive order to prevent mass legal actions resulting from the Supreme Court decision. It is believed that the opposition would silently support the government action. The Italian banking system is saddled by an unsolved bad-debt burden which is well over \$100 billion.

Ghana

Pro-Creditor Rule Leaves Nation in Ruins

After years of pro-creditors rule, i.e., adherence to International Monetary Fund diktat, by outgoing President Rawlings, the Ghanaian economy is in ruins, the German daily *Frankfurter Allgemeine Zeitung* wrote on Dec. 7, in a portrait of the country on the day of the Dec. 6 Presidential elections.

There has been a construction boom in the banking and manufacturing sectors of Accra, the country's capital, but generally, the manufacturing and farming sectors are down. The unofficial jobless rate is esti-

mated at 50%, and half of the population of 19 million is illiterate. Despite all official propaganda, the country is eating away at itself in an attempt to stay alive.

For example, in the case of Samuel Larty, a Ghanaian who has lived in Germany, Belgium, France, and Italy, the article compares the 200 cedi he earns every month at a gas station, to the 500,000 cedi he must to pay for a somewhat decent apartment. "Every family in Ghana has one member abroad, by whom it is supported; otherwise, we would starve to death," Larty said. The minimum wage is 4,300 cedi daily—7,000 cedi are only \$1. One-third of the population lives below the official poverty level. The heritage of the Rawlings era is a heavy burden on the new President.

Health

Vaccine Works Against Ebola in Monkeys

Scientists at the U.S. National Institutes of Health Vaccine Research Center and at the Special Pathogens Branch of the Centers for Disease Control have developed a vaccine which prevented monkeys from contracting Ebola. *Nature* magazine reported in its late-November issue. Since the natural reservoir, or vector, for the spread of the Ebola virus is unknown, the authors state, "The potential for traditional public health measures to prevent future outbreaks is limited, thus increasing the urgency for the development of a vaccine and therapeutics in humans." Current anti-viral drugs have had no effect on the disease.

Ebola haemorrhagic fever, which has a lethality of up to 90%, is caused by any one of four strains identified so far. The control animals, which were not vaccinated, all progressed to a moribund state and death in less than one week. All of the vaccinated animals were asymptomatic for more than six months. Previous vaccines that had been found to be effective against Ebola in mice and guinea pigs were not effective in primates.

The researchers had earlier developed the guinea pig vaccine by using DNA strands that encode Ebola virus proteins, leading to

an immune response in the animal. In the current research, a weakened second virus, modified with a protein of the Ebola Zaire strain (the most virulent), was used to boost the immune response, the which, combined, protected the experimental subjects.

Scientists point out that this research is needed not only to protect the population of Africa from Ebola, but to prepare for yet-undiscovered viruses.

Banking

British Regulator Warns On Telecom Debt Exposure

The British Financial Services Authority (FSA) has sent a letter to chief executives of more than 50 British banks, warning them to carefully monitor lending to telecommunication companies "amid fears that a credit crunch could slow the construction of third-generation mobile networks," the Dec. 8 London *Financial Times* reported.

So far, European telecom firms have already borrowed more than \$170 billion, about \$100 billion just to buy third-generation mobile phone (UMTS) licenses from European governments. On top of that, the companies will now have to finance another \$100-180 billion for the new mobile phone infrastructure. But, as it becomes ever more difficult for the telecoms to find creditors for these giant investments, any income from the UMTS operation is being delayed further into the future, which, in turn, increases their liquidity problems. The FSA letter calls on the banks to be "particularly alert" to any deterioration of conditions in the telecom sector.

On Dec. 6 and 7, rumors about liquidity problems of the telecom companies heavily involved in the UMTS business, the German Mobilcom and British-based Hutchison, were shaking up European stock markets. Stock prices of Mobilcom, which in August paid 16.5 billion deutschemarks to the German government for its UMTS license, after trading at 200 euros in March, have collapsed since the July UMTS auction, from 140 to 50 euros, and, on Dec. 6-7, plunged as low as 30 euros. The company, as well as its international creditor

group, headed by Merrill Lynch, Deutsche Bank, Société Générale, and ABN Amro, issued statements denying that Mobilcom is about to go bankrupt.

'New Economy'

Computer Sector Hit by 'Second Apple' Shock

Personal computer sales in the United States fell 12-15% in November compared to a year ago, and computer manufacturing firms may be forced to slash prices, cutting into profits. Such bad news has fuelled declines in stock prices. For example, the day after the biggest ever one-day rally on the Nasdaq, stock markets around the globe fell back to reality. Immediately after the stock market close on Dec. 5, Apple Computer shocked investors yet again with another sales and profit warning. When Apple Computer, on Sept. 29, lowered its expectations for the fourth quarter, its stock price crashed by 52%. But now, the company has had to admit that even these revised expectations have turned out to be too optimistic. In particular, pre-Christmas sales seem to be very disappointing. Instead of \$1.6 billion, sales in December will probably be just \$1 billion. Even worse, Apple Computer now expects to post a loss for the fourth quarter, which would be the first quarterly loss in three years. The company also lowered its expectations for next year, saying that they are being hit by three major problems simultaneously, including company-specific issues, a general slowdown in the PC market, and an "overall worldwide economic slowdown."

In electronic trading in Europe and Asia, Apple stocks on Dec. 6 were down about 20%, and in midday trading in the United States were down by about 15%. Thereby, Apple stocks fell to less than one-quarter (\$15) of what they were at the beginning of September (\$64).

In late November, the second-largest direct seller of computers in the United States, Gateway, Inc., came out with similar disappointing sales and profit warnings and even pointed to a price war in the PC market erupting by New Year, triggered by sluggish con-

sumer sales. Recently, Dell Computer and Micron Electronics also had to sharply revise downward their expectations for the fourth quarter and next year.

Intel, which makes the Pentium chip, which is the main driver in many computers, warned that fourth-quarter results would fall short of expectations, and blamed cancelled orders by PC makers. The chip-maker now expects sales to be unchanged from the third quarter, making the current quarter its worst in years.

Currency

Thailand Restrictions To Curb Speculators

The Bank of Thailand (BOT) announced on Nov. 27, that local banks are forbidden to sell the Thai currency, the baht, to Thailand's offshore facilities (the site of the speculative attacks on Thailand in the late 1990s and, again, today), unless they demonstrate an underlying commercial purpose. The bank allowed a three-day grace period, during which all dollars purchased from offshore were to be sold to the BOT at a discount. After the three days, proof of commercial transactions was required. The short selling over the past weeks had further dropped the baht's value against the dollar.

The BOT also suspended several unnamed banks from the "repo market" (the market for repurchase of Treasury bills) for ten days, for breaching the already existing restrictions with offshore facilities on foreign exchange, which limited baht sales to non-residents to 50 million baht (about \$1.1 million). Several foreign bank branches were recently reprimanded for breaching such restrictions.

The new measures are important, but, without establishing fixed rates with Malaysian-style controls, the speculators will continue to find ways around the rules. The Thai daily *The Nation* reported on Nov. 28, "One thing is certain, they [the banks] will continue to play catch-me-if-you-can with the regulators and take advantage of any loopholes in the BOT regulations in order to make a hefty quick profit."

AL-ARAB International on Nov. 24 covered the release of Lyndon LaRouche's book, *Now, Are You Ready To Learn Economics?* "Lyndon LaRouche is the founder of *EIR* magazine, whose unique and remarkable studies and forecasts for the American economy have been the most accurate and precise in the history of economics," the daily commented.

AZERI OIL will be transferred to the West via Russian pipelines beginning next year, the two nations agreed in November. In the first phase, 3 million tons of oil will be pumped from Baku to Russia's Black Sea port of Novorossiisk, and provide Azerbaijan revenues that "will exceed \$500 million." For that sum, you can buy 10 billion cubic meters of gas, solving many domestic problems, he said.

JAPANESE consumers, fearing another round of layoffs, have cut spending, such that overall consumer prices fell 0.9% in October and 0.8% in September compared to the same months in 1999, despite the doubling of oil prices. Finance Minister Kichi Miyazawa warned, "A downturn on this scale involves structural issues."

U.S. IMPORTS now account for 18.5% of the world total, an "historically unprecedented level," the World Trade Organization reported in late November. While world trade has increased 10%, more than half the expansion is due to the increase in U.S. imports and exports.

INDIA is serious about a manned mission to the Moon. Space Research Organization Chairman K. Kasturirangan said on Nov. 30. "It is not a dream project," he said, indicating that it will take seven to eight years to bring the project to fruition.

THE RUSSIAN government is backing President Vladimir Putin's call for addressing Russia's demographic crisis by attracting immigrants from the former Soviet republics, *Vedomosti* reported on Nov. 28.