

Business Briefs

Banking

Czech National Bank warns of vulnerability

The Czech National Bank warned on May 26, that the country's commercial banks are potentially susceptible to external shocks, the *Wall Street Journal Europe* reported. Luděk Niedermayer, a member of the National Bank's board of governors, said the fragility of the banking sector, caused by large amounts of bad loans, requires that domestic bankers remain extremely cautious in their lending policies, and that the National Bank closely monitor the whole banking sector.

Niedermayer said that Czech banks "are weak, but I'm not saying that I have any insight that any particular bank is bankrupt. It could be costly to deal with [the clean-up], and it will bring disruptions for financing of the economy and its future development. So, I'm just saying that if I put in risks like Asia or problems in Russia, I do see fragility of the banking sector."

The government is preparing to privatize the three largest banks in the country (Komerční Banka, Československá Obchodní Banka, and Česká Spořitelna), which all have a huge ratio of non-performing loans on their books.

Science

New cancer treatment shows promising results

Dr. Avigdor Scherz, of the Weizmann Institute in Israel, presented his research on photodynamic therapy at the National Academy of Sciences in Washington, D.C., on May 19. His research is leading to a new cancer treatment using modified chlorophyll that is toxic only when activated by specific light frequencies.

Dr. Scherz has developed a modified form of a bacterial chlorophyll, which absorbs near-infrared light frequencies, and emits toxic free radicals that kill cancer cells. His discovery solves two problems which had hindered photodynamic therapy. By using near-infrared light, the penetration into

tissue is greater, about three centimeters, and therefore the tumors that can be killed are much larger, as compared with currently used compounds that absorb UV light, which only penetrate about 1 millimeter. Also, the new bacterial chlorophyll is water soluble, and is flushed out of the body in 16 hours, leaving no toxic residue, as compared to fat-soluble compounds, which stay in the body for more than a month, requiring that patients stay out of all sunlight for weeks.

In experiments in mice and rats, injection of the modified bacterial chlorophyll, followed by immediate exposure of the area to near-infrared light, resulted in the complete destruction of small tumors. In experiments on tumors of more than three centimeters in diameter, the photodynamic therapy kills the tumor by destroying the blood vessels that feed it, resulting in cure rates of 75-80% for melanoma and sarcoma in rats.

The new photodynamic therapy based on these modified bacterial chlorophylls is expected to be used in clinical trials on humans within a year.

Currencies

South African central bank fears attacks

On May 26, South Africa's Reserve Bank increased short-term interest rates and issued a warning that it would further increase the rates if necessary to combat a speculative attack on the currency and debt markets, the *International Herald Tribune* reported. "South Africa's financial markets have been buffeted by speculation that began [on May 22], when rumors surfaced in London and New York that the Reserve Bank planned to devalue its rand—a rumor the bank flatly denied. The currency has been targeted by speculators as economic problems in Asia have hurt investor confidence in some other emerging markets," the paper said.

The central bank said, "The bank will not hesitate to increase short-term interest rates sharply should speculative attacks persist." It increased the daily money-market securities-repurchase rate to 18%, compared with 16.1% on May 25. The Reserve Bank also

said it would raise the punitive marginal lending facility rate by nearly 10%, to 28%, to try to protect the country from unstable market conditions.

Mining

Rio Tinto signs more deals with Aborigines

Rio Tinto chief executive Leon Davis, and Aboriginal and Torres Strait Islander Commission chairman Gatjil Djerrkura, signed a memorandum of understanding at Parliament House in Canberra, Australia, which commits the world's biggest mining company to provide an increase in work and training for Aborigines, the *Australian* reported on May 27. Rio Tinto, controlled by the British oligarchy, has led the way in negotiations with the Aborigines, and has been outspoken in its support of Aboriginal land rights, a campaign into which it has poured hundreds of millions of dollars.

Beside Rio's operations in Western Australia, including Hamersley iron ore and the Argyle diamond joint venture (the world's largest diamond mine), it is about to announce an AUS \$550 million coking coal project at Hall Creek in Central Queensland, which has taken three years to negotiate with the Wiri Yuwiburra tribe.

By pouring hundreds of millions of dollars into Aboriginal land rights, the Queen's Rio Tinto is bankrupting all the small and medium-sized mining companies, which cannot afford to meet the standards for monetary and other payouts that Rio Tinto sets.

Asia

Private capital flows are leaving the region

Five Asian countries (Indonesia, Malaysia, the Philippines, Thailand, and South Korea) have suffered a sharp reversal in the flow of capital, and some suffered capital flight, according to the Washington, D.C.-based Institute of International Finance (IIF). In

1996, the five nations received \$93 billion in private capital. But in 1997, some \$12 billion flowed out—a swing of \$105 billion, or 10% of their combined Gross Domestic Product.

The largest change occurred in lending by private financial institutions. In 1996, private lenders (both commercial banks and non-bank private creditors) lent a net \$74 billion. In 1997, net lending was -\$4.5 billion, meaning that these five nations paid out more in interest and principal than they received in new credits.

At the same time, while private equity investment was \$19.1 billion in 1996, it was -\$4.5 billion in 1997.

Business Week on June 1 reported that since 1997, some \$50 billion has fled Indonesia. At the same time, in the last ten days of April, Japanese investors bought a record \$21 billion in foreign bonds and foreign equities, a sign of flight capital.

Thailand

British privateers move in, as crisis worsens

British Ambassador to Thailand William Hodge has announced that privatization experts, headed by Ralph Soderstrom from Coopers and Lybrand, began arriving in Thailand in May, with more to come in July. *The Nation* reported on May 15. "Since the U.K. has had extensive experience in the subject," Hodge claimed, "our experts are capable of advising the government on how to prepare organizations for privatization, and on how to deal with the labor force."

The announcement came as the Thai Labor Congress warned of "social unrest and violence like that being seen in Indonesia," if the government's anti-poor and anti-labor policies continue. Under particular attack is the government's decision to stop contributions to social security. The government pays one-third under the current plan. Suwit Hathong, president of the Labor Congress, accused the Chuan government, both now and during its 1992-95 term in office, of showing little interest in supporting underprivileged groups.

Prime Minister Chuan acknowledged, "Under the prevailing economic situation, it

is impractical for the government to directly subsidize the underprivileged. The country does not have the resources to hand out money to the poor."

Meanwhile, the crisis in the physical economy is growing worse, with 232 out of 1,200 rice-milling plants now shut down because of the government's decision to repatriate foreign workers. Mill operators have been unable to get Thai workers to fill the jobs, and they are warning that this will soon hurt Thai rice exports. Some 80% of the 25,000 workers in the industry are foreigners. Similarly, 50 steel factories have closed due to the collapse in demand from the construction and auto sectors, the liquidity crunch, higher energy costs, raw materials shortages, and unfavorable tariffs.

Based on information from the Federation of Thai Industries, which has been lobbying for debt rollovers and "lending into arrears" for small and medium-sized firms, the Thai cabinet was told on May 25 that 2,000 firms urgently need debt restructuring.

Germany

Unemployment boosts taxpayers' costs by 10%

German taxpayers were saddled with 10% higher costs in 1997, as compared to the year before, because of the high rate of unemployment, according to figures released in May by the Institute for the Labor Market and Professional Research (IAB), which is associated with the national unemployment office. The calculation included both unemployment benefits paid out, and the loss in tax income caused by more Germans not having a job and, therefore, no taxable income.

In 1996, some 150 billion deutsche-marks was spent for jobless benefits; in 1997, DM 166 billion was spent.

According to the IAB report, there are currently 6.3 million Germans without a regular income: 4.4 million officially registered jobless, plus another 1.9 million that are not registered as seeking a job, because they fail to meet the statistical criteria for being listed under any of the standard "joblessness" categories.

TURKEY plans to build a rail tunnel under the Bosphorus, linking Europe and Asia, Transport Minister Nacdat Munzir announced on May 25, *Al-Quds Al-Arabi* reported. The 13 kilometer tunnel will cost \$1.2 billion, and it will boost the Eurasian Land-Bridge project.

CHINESE interest in German rail technology has increased, a spokesman at Deutsche Bahn told *EIR* on May 26. In the last year, about 30 delegations of experts from China have visited Germany to get insights into engineering, track construction, signals technology, tunnel construction for high-speed trains, and plans for high-tech central stations.

AUCKLAND, New Zealand was hit with another blackout on May 10. The privatized Mercury Energy has been unable to guarantee power to the central business district, which had been almost completely blacked-out for two months prior to April 15. The government has mandated an inquiry, but specified that privatization is not to be considered as a possible cause.

UKRAINIAN miners from the Donetsk basin took their grievances concerning wage arrears, working conditions, social welfare and education of their children, and housing, to Kiev in late May. These issues have been raised locally, but this is a marked increase in politicization of the protests.

GERMAN Chancellor Helmut Kohl said that "preparing a plan to support the Middle East similar to the Marshall Plan might help to provide peace to this crisis-infested region," after his visit to Brandeis University in Massachusetts, *Al-Quds Al-Arabi* reported on May 26.

THE HONG KONG government on May 29 announced that the economy shrank 2% in the first quarter, the first negative quarterly growth since 1985. "I don't have any reason to believe that the second quarter will be better than the first," said Shamus Mok, chief economist at Bank of East Asia.