

# Business Briefs

## Petroleum

### Explore Alliances vs. Majors, Says Asian Firm

Southeast Asia's oil companies should explore alliances to counter the threat from the four global giants, the president of Malaysia's state energy firm Petronas, Mohamad Hassan Marican, said on June 11, *Business Day* reported.

The biggest threat facing the world oil industry "is the domination of the super-majors," Mohamad Hassan told an Asia oil and gas conference. Their low cost of capital, access to huge untapped reserves, and strong technical and development skills put them in a class of their own, with a combined production capacity of about 13 million barrels a day. To meet this challenge, national oil companies should seek formal and informal alliances with each other, and explore niche areas of the world to invest in.

Mohamad Hassan suggested that in the next five years, "and purely on a hypothetical basis," the national oil firms of Indonesia, Malaysia, Thailand, and Vietnam might consolidate, along with forming alliances elsewhere in the world.

## Telecommunications

### 'Goodwill' Accounting: One, Two, Many Nortels?

In the wake of Nortel's announcement of a \$12.3 billion charge, mostly to write off so-called "goodwill" from previous purchases, the *Bloomberg* financial news service reported on June 16 that many other telecommunications companies are likely to find themselves in a similar situation.

"Goodwill" is an accounting-sheet fiction used to reconcile the difference between the purchase price of an asset, usually a firm, and the actual value of that asset. Say, for example, the value of a company, its inventory, capital goods, cash, receivables, etc., amounts to \$100 million, but that company is valued by the *stock market* at \$1.1 billion. A purchasing company records the \$100 million in real assets on its books, plus \$1 billion

in "goodwill." That goodwill is then "amortized" (written off) out of operating profits, over as many as 30 years.

In Nortel's case, neither the purchases nor the main company have generated profits recently. Nortel's write-off still values the purchased companies at the original purchase price—in terms of the number of Nortel shares used to buy the companies. However, at the time of purchase, those Nortel shares were worth \$17.1 billion, while the same number of Nortel shares today fetch about \$2.9 billion.

There are dozens of companies poised to take similar charges, analysts say. Nortel, like Cisco, CMGI, Inc., and JDS Uniphase Corp., to name a few, used soaring stock prices to finance a buying spree in 1999 and 2000, paying billions of dollars for companies that often were losing money and had little or no revenue. JDS Uniphase, the biggest maker of fiber-optic equipment, said in April that it was in talks with regulators for permission to write down \$40 billion of goodwill. Alcatel SA, Europe's number-four phone-equipment maker, in May outlined plans for a 3 billion euro (\$2.6 billion) charge.

Some companies are carrying even more goodwill on their books. AOL Time Warner, Inc. probably tops the list with \$127.9 billion, as a consequence of its \$147 billion purchase of Time Warner, Inc. in January. WorldCom, Inc. had \$46.6 billion and Tyco International, Inc., among the busiest acquirers in recent years, \$24.9 billion. Other notables include Cisco with \$4.96 billion, and Lucent Technologies, Inc. with \$5.12 billion.

## Africa

### Trade Unionists Oppose Privatization

A Southern Africa Solidarity workshop against privatization was held in Harare, Zimbabwe at the end of June. Trade unions from Namibia, Swaziland, Zambia, Mozambique, and South Africa attended the meeting, which was hosted by the South African Municipal Workers Union. A spokesman for SAMWU noted that because "nearly all re-

search into privatization in Africa is sponsored by the World Bank," this meeting would gather information collected by the trade unions.

SAMWU also noted that the pace of privatization of water and energy in African countries has increased dramatically in the last two years, and there have already been major African privatization failures during this period. SAMWU has formed an anti-water privatization partnership with forces in Ghana.

The workshop was also scheduled to decide upon a date for a Southern Africa day of action against privatization.

## Health

### French Report Hits EU, Britain on BSE Spread

A report by the French National Assembly released on June 20 criticized Britain and the European Union (EU) for obstruction and cover-up in the spread of bovine spongiform encephalopathy (BSE), *Agence France Presse* reported.

"Health concerns were overridden by the greater objective of the free circulation of goods, services, and capital," i.e., free trade, the report said. It accused Britain of continuing to export meat and bone meal (MBM) to continental Europe, even after this had been identified in 1988 as the probable vector for BSE, and had been banned for domestic consumption in Britain. The report also accused the French government of "insufficient appreciation of the danger," and failure to crack down on illegal imports. It accused EU institutions of putting off essential controls in the face of overwhelming and available evidence about disease transmission.

Francois Sauvadet, president of the commission that wrote the report, said, "It is striking that while the epidemic was spreading, as of 1988 in Britain, no information was ever clearly given to France by the British authorities." The report states that "up until 1994, there was an increase in exports of British MBM to Europe," for which the report blasts French customs, health, and anti-fraud authorities.

**PAKISTAN'S** Chief Executive Gen. Pervez Musharraf said that his government is willing to allow a gas pipeline from Iran to India to run through his country, the Iranian News Agency reported on June 14. Building an overland pipeline would contribute to greater economic integration among the three countries.

**INDEPENDENT TRUCKERS** in the United States are going under in record numbers, the June 25 *Wall Street Journal* reported. Small firms are either going into bankruptcy, or just turning over the keys to lenders. Some 1,155 trucking firms went under in the first quarter of this year. This is attributed to higher costs, including for fuel, and a 2-5% drop in shipping volume.

**A KRA CANAL** feasibility study has been approved in Thailand. The project will take 18 months and cost about \$25 million, to be financed mainly by Japanese, Iranian, and Chinese public and private interests. Deputy Prime Minister Chavalit Yongchaiyudh will head the study committee. Previous efforts have not gone beyond pre-feasibility studies.

**INDIA** has undertaken efforts to link the two major rivers, the Ganga and the Brahmaputra, as a national waterway to facilitate navigational links in the east and northeastern parts of the country, Inland Waterways Authority Chairman B.N. Jha said. Jha said India has requested that Bangladesh help in linking the two most important waterways of the nation.

**THE EUROPEAN** Commission announced on June 15 that EU Energy Commissioner Loyola de Palacio would discuss bringing China into the new satellite navigation system called Galileo, being developed in Europe, during her visit to China on June 16-19. "China is potentially an important partner for the EU in the framework of this program, having identified a Global Navigation Satellite System as one of its priorities," the Commission said.

As for the EU's role, the report states that "in the first years of the epidemic, the agriculture commissioner, Ray MacSharry, obstructed certain measures that would have limited the spread of BSE in Europe." The report criticizes successive EU ministerial meetings for "denying, against all the evidence, the risk of BSE in their countries," to the point that Germany, Italy, Spain, and Denmark only began testing last year.

## Infrastructure

### WHO Warns on Global Freshwater Supply

A World Health Organization report entitled "Water at the Service of Health," warns that there is a global shortage of freshwater. Given that 20% of the world population has no access to safe water supplies, and that water shortages are also being monitored in other regions, such as Europe, that have had relatively safe water supplies to date, future severe water shortages might even lead to the outbreak of war among the worst-affected countries.

("A thirst of gigantic proportions" is predicted in another expert study, recently released by PriceWaterhouseCooper.)

According to the WHO report, the top crisis regions are Central Europe, the Balkans, the Middle East, and Africa, such that countries including Hungary, Slovakia, Croatia, Serbia, Turkey, Syria, Egypt, Sudan, and Ethiopia will suffer from dramatic water undersupply, if no investments are made to improve the situation. The WHO estimates that it will be necessary to invest \$305 million alone to address this issue, over the coming 14 years. *EIR* experts consider that amount of investment a gross underestimate.

Western Europe is not safe either. For example, the Russian newspaper *Pravda* on June 17 quoted Prof. Santos Oliveira of the Portuguese Faculty of Science and Technology in Lisbon, who implied there might be a potential "water war" between Spain and Portugal: As the Spanish water needs cannot be met by the Ebro River alone, Spain will have to tap the resources of the two main Portuguese rivers, Tagus and Douro, both of

which have their sources inside Spain. Already, the main cause of homicide in rural Portugal is disputes over water, Oliveira said.

## Climate

### Scientist Forecasts New Glacial Era Ahead

Richard S. Lindzen, a member of the U.S. Academy of Sciences panel that published a climate report, defied the global warming propaganda, and said the world is going toward a glacial era, in an interview with the Italian daily *Corriere della Sera* on June 15. The assessment echoes that of Lyndon LaRouche.

"In one century the climate will be different from today, but simply because atmospheric changes are the rule. I am convinced that in a few thousand years we will have another glacial era. But CO<sub>2</sub> emissions have nothing to do with that," Lindzen said. "Think to the 'miniglacial era' that brought snow and ice to Europe in the 17th and 18th Centuries. Or to the Middle Age Optimum when the word pollution did not exist yet, but Iceland and Greenland were temperate, inhabited areas, where winegrapes were grown. Temperatures, at that time, were between 2 and 5°C higher than today."

When asked whether man can do something to prevent things from getting worse, Lindzen said, "This question goes out of the scientific field and enters the domain of religion. You are asking me whether sacrifices to Gods are opportune to improve things. . . . My impression is that Europe, above all, is prey to environmentalist religion and hysteria."

Groups such as the World Watch Institute "make money by alarming people" about climate change, Lindzen said. As for the ozone hole and pollution, "both problems are diminishing. In most industrialized countries . . . the air is cleaner. Not only that: Instead of having everybody dying of cancer and asthma, longevity is increasing everywhere. There are more serious and urgent questions, believe me. And that is what our report says: You can breathe, the end of the world is not ahead."