

International Business News

Mahindra buys majority in electric car maker Reva

AFP, Mumbai

Indian car maker Mahindra and Mahindra on Wednesday said it had bought a majority stake in Bangalore-based Reva Electric Car to strengthen its position in the low-emission electric auto market.

Mahindra, India's largest sports utility vehicles and tractor maker, bought a 55.2 percent stake in Reva, a global leader in producing low-cost electric cars.

The acquisition includes buying out equity from the promoters of Reva and infusion of fresh equity of 450 million rupees (9.5 million dollars), a statement to the Mumbai stock exchange said on Wednesday.

The value of the deal was not disclosed.

Reva was formed in 1994 as a joint venture between the family-owned Maini Group and AEV of the United States to manufacture green cars.

It launched its first electric car in Bangalore in 2001, and in London through the G-Wiz brand in 2004.

Eurozone heads for increased 1.2 percent growth: OECD

AFP, Paris

The OECD raised its growth forecast for the eurozone economy on Wednesday to 1.2 percent this year but urged it to tackle financial weaknesses which could slow recovery and threaten monetary union.

The grouping of 30 developed nations forecast gross domestic product across the 16-nation bloc would rise by 1.2 percent in 2010 -- raising its last estimate of 0.9 percent growth made in November.

It forecast growth of 1.8 percent in 2011.

"A gradual (eurozone) recovery is under way driven by economic policy stimulus, a rebound in world trade and improving financial conditions, although there has recently been significant financial market volatility," it said.

"Difficulties in restoring competitiveness and sound public finances in some peripheral countries may complicate recovery," it added, however, in its twice-yearly world economic report.

Recovery in Germany, although fundamentally robust, would pick up from the second quarter as exports benefited from a rebound in world trade.

However, the outcome for the whole of 2010 would be 0.1 percent, down from 1.5 percent last year, and then rising to 0.6 percent in 2011.

"Notwithstanding the temporary weakness, the underlying growth momentum is intact and suggests solid growth going forward," the OECD said



A small group of protesters gather opposing uranium mining as shareholders arrive for the Rio Tinto AGM in Melbourne yesterday. Global giant Rio Tinto said Australia's planned new mining tax was its top sovereign risk on May 24, and had already damaged the economy, linking it to a steep plunge in the country's currency.

Europe moves to levy bank failure tax

AFP, Brussels

Banks will never again be allowed to call on taxpayers to clean up their mess under plans for a new Europe-wide crisis insurance levy unveiled on Wednesday.

"What I'm proposing is logical -- banks paying for banks, not taxpayers," the European Union's financial services chief, former French foreign minister Michel Barnier, said after setting out the grand lines of a new insolvency tax on banks to be raised by each of the bloc's 27 member countries.

Barnier stressed that the levy would operate at national level but did not exclude the possibility that monies collected within one territory could be accessed by banks in trouble in another.

"We're going to have to look closely into this question," he said, having earlier pointed out that "in half of all European countries, half of their banks are owned by groups from other countries."

However, he stressed that what is on the table is "not a European, federal fund (but a) ... pragmatic and realistic" course of action to follow today.

Germany defends ban on naked short selling

AFP, Berlin

Germany defended itself Wednesday against international criticism of last week's ban on naked short selling, saying it wanted a "signal to markets" it will not tolerate "excessive speculation."

"We announced our intention to introduce the ban at the start of the year, and if I remember correctly, this got a positive reception," finance ministry spokesman Michael Offer told a regular government news conference.

"The fact that we acted sooner was because of market volatility in the wake of the Greek (debt) crisis and the euro crisis. Where we are able to act nationally, we will do so."

He added: "I do not see that we acted in an uncoordinated manner. The measures ... must be seen in the context of a package of decisions taken by the Ecofin (EU finance ministers) to ensure stability in the entire eurozone."

COMMENT

Ethics in entrepreneurship

SAMSON H CHOWDHURY

During the past few decades, there has been an explosion of new interest in entrepreneurs and their activities. Yet, only recently, serious research attention is known to have been devoted (in some developed countries) to the ethical problems encountered by entrepreneurs and their organisations. Entrepreneurs face uniquely complex moral problems related to basic fairness, personnel and relationships, distribution dilemmas and other challenges that need to be addressed by all concerned through appropriate legal framework, social order and perhaps also a 'Moral Re-armament Movement'.

In order to understand the role of ethics in entrepreneurship, we need to understand the concept of ethics in life. How should we live? Shall we aim at happiness or at knowledge, virtue or the creation of beautiful objects? If we choose happiness, will it be our own or the happiness of all? And what of the more particular questions that face us. Is it right to be dishonest in a good cause?

Can we justify living in opulence while elsewhere in the world people are starving? If conscripted to fight in a war we do not support, should we disobey the law? What are our obligations to the other creatures with whom we share this planet and to the generations of humans who will come after us?

Ethics deals with such questions at all levels. Its subject consists of the fundamental issues of practical decision-making and its major concerns include the nature of ultimate value and the standards by which human actions can be judged right or wrong.

The term ethics and morality are closely related. We now refer to ethical judgments or ethical principles where it once would have been more common to speak of moral judgments or moral principles. Strictly speaking, the term refers not to morality itself but to the field of study or branch of enquiry that has morality as its subject matter. In this sense, ethics is equivalent to moral philosophy. Normative ethics is primarily concerned with establishing standards or norms for conduct and is commonly associated with general theories about how one ought to live.

Perhaps the most striking development in our study of ethics during the second half of the 20th century has been the growing interest among philosophers in applied ethics. Such moral issues as racial and sexual equality, human rights and justice have become prominent, as have questions about the



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value of human life raised by controversies over abortion and euthanasia.

Related to the latter are the ethical implications of various developments in medicine and the biological sciences, as in-vitro fertilisation (test tube babies), sperm banks, and gene manipulation. This field of applied ethics (known as bioethics) covering areas of business and entrepreneurship, frequently involve inter-disciplinary work requiring the cooperative efforts of philosophers, physicians, scientists, lawyers, theologians and the social /political leaders.

Entrepreneurs

Since the days of classical Greece, entrepreneurs have been praised for their important contributions to common life. Yet many have also been strongly criticised for significant ethical lapses.

The mythical entrepreneur Hermes depicted as a skilled inventor and merchant, is dishonest and is described as an 'unethical trickster and thief', concerned only with his own interest and gain. While today entrepreneurs are likewise greatly admired, many of their business leaders are also often perceived as willing to do almost anything to succeed.

In his book 'The Achieving Society', David McClelland was among first contemporary scholars to ask serious ethical questions about entrepreneurship issuing a call for more study. McClelland observed: "We do not know at the present time what makes an entrepreneur more or less ethical in his dealings but obviously there are few problems of greater importance for future research."

Entrepreneurs today encounter

uniquely challenging ethical problems. They typically operate in stressful business environments and they often struggle to find time and perspective for focused ethical reflections.

Entrepreneurs make choice and take actions that affect many, usually without the moral guidance available in established organisations. Their decisions can strengthen or seriously weaken a firm's future business viability. The cases of Enron, WorldCom, Anderson and other giants of USA are shining examples of results of unethical decisions by key personnel of those enterprises.

Entrepreneurs aspire to succeed and speak the language of entrepreneurship and economics. It is important that we speak of ethics. The capital that we use to build our business depletes, but the capital of our character outlasts all material resources.

Self-interest and self-preservation at times tend to compromise ethics. Today's economic environment thrusts the entrepreneurs into a survival mentality. Ethics stand as a vital bridge between entrepreneurship and economics. Ethics do not stand as the primary pillar of the house (firm); it will fall under the weight of corruption, which pervades most nations.

Therefore, ethics are internally self imposed limitations for entrepreneurial success. Ethics do not guarantee material success, but they carve a straight path. No one can force a person to be honest and upright in dealing with others. These internal traits comprise a person's character. Government and bosses can impose laws

and a code of conduct to govern and rightfully so. However, codes and laws are not intended for persons who do right according to a character of integrity. Rather, they are intended for those who tend to violate them.

Adam Smith rightfully wrote, "When the law does not enforce the performance of contracts, it puts all borrowers near upon the same footing with bankrupts or people of doubtful credit" (Wealth of Nations). That is, those who tend toward cutting corners in their business drag others down with them if legal code does not prevent it. This, in turn, leads to the disintegration of the free markets.

What does this look like in daily business affairs? The entrepreneur must lead by example in upholding the highest regard for ethics in the company. A leader is a service provider to all constituents within and to the company. Sound leadership holds ethics in high regard and exhibits integrity. This regard is an internal quality that says, "I value the governing principles that apply to all persons for the good of society, because such value is ingrained in my person. I also value my fellow human because he or she is my equal."

Attempting to cut corners in business under pressure to meet the numbers or failure to deliver according to agreements lead only to hurt the entrepreneur and those served. As these practices work their way out among all business, they cause great harm to the free market and lead to greater external imposition on all business. An internal set of ethics promote greater freedom, enhance the entrepreneurial spirit, grant success, and lead to greater house management (economics).

Doing the right thing works from an internal core and forms an upright character. External codes and laws can force people to do right but fail to change the internal core of one's character.

However, exactly what is the right thing? All of us know about integrity, promise keeping, commitment, and truthfulness. We learned these traits from childhood. An important question arises for us personally and in the business world do we practise integrity or do we have it imposed on us from an external source? The capital we use to build our business becomes consumed through production, but the capital of our character outlasts all material resources.

This is the abridged version of a lecture on ethics in entrepreneurship, delivered at the School of Business, North South University, on April 2. The writer is the chairman of Square Group.

ANALYSIS

BP's billion-dollar question

REUTERS, New York

Just how many barrels of oil are gushing into the Gulf of Mexico from the Deepwater Horizon spill is a billion dollar question with implications that go beyond the environment. It could also help determine how much BP and others end up paying for the disaster.

A clause buried deep in the US Clean Water Act may expose BP and others to civil fines that aren't limited to any finite cap -- unlike a \$75 million limit on compensation for economic damages. The Act allows the government to seek civil penalties in court for every drop of oil that spills into US navigable waters, including the area of BP's leaking well.

As a result, the US government could seek to fine BP or others up to \$4,300 for every barrel leaked into the US Gulf, according to legal experts and official documents.

So far, analysts and experts calculating potential oil spill liabilities have mostly concentrated on the cost of the clean-up and compensation for economic damages to affected parties. Some have also discussed criminal liabilities.

But the potential for civil fines has received scant attention -- and they could add up very quickly, depending on how aggressive the US government is in pursuing them.

The threat of hefty fines underscores the importance of quantifying how much oil is pouring into the Gulf. As BP seeks to staunch the leak that has now been gushing for at least 33 days, it has estimated a spill rate of 5,000 barrels per day. But some experts say the volume -- and hence the fines -- could be more than 10 times higher.

The little-known, seldom applied clause in the Clean Water Act was added in 1990 after the

Exxon Valdez disaster in Alaska, and was intended to beef up the arsenal of penalties the government can apply to oil spillers to deter future disasters.

"These civil penalties could be staggeringly high, possibly running into the billions," said Professor David Uhlmann, director of the Environmental Law program at University of Michigan.

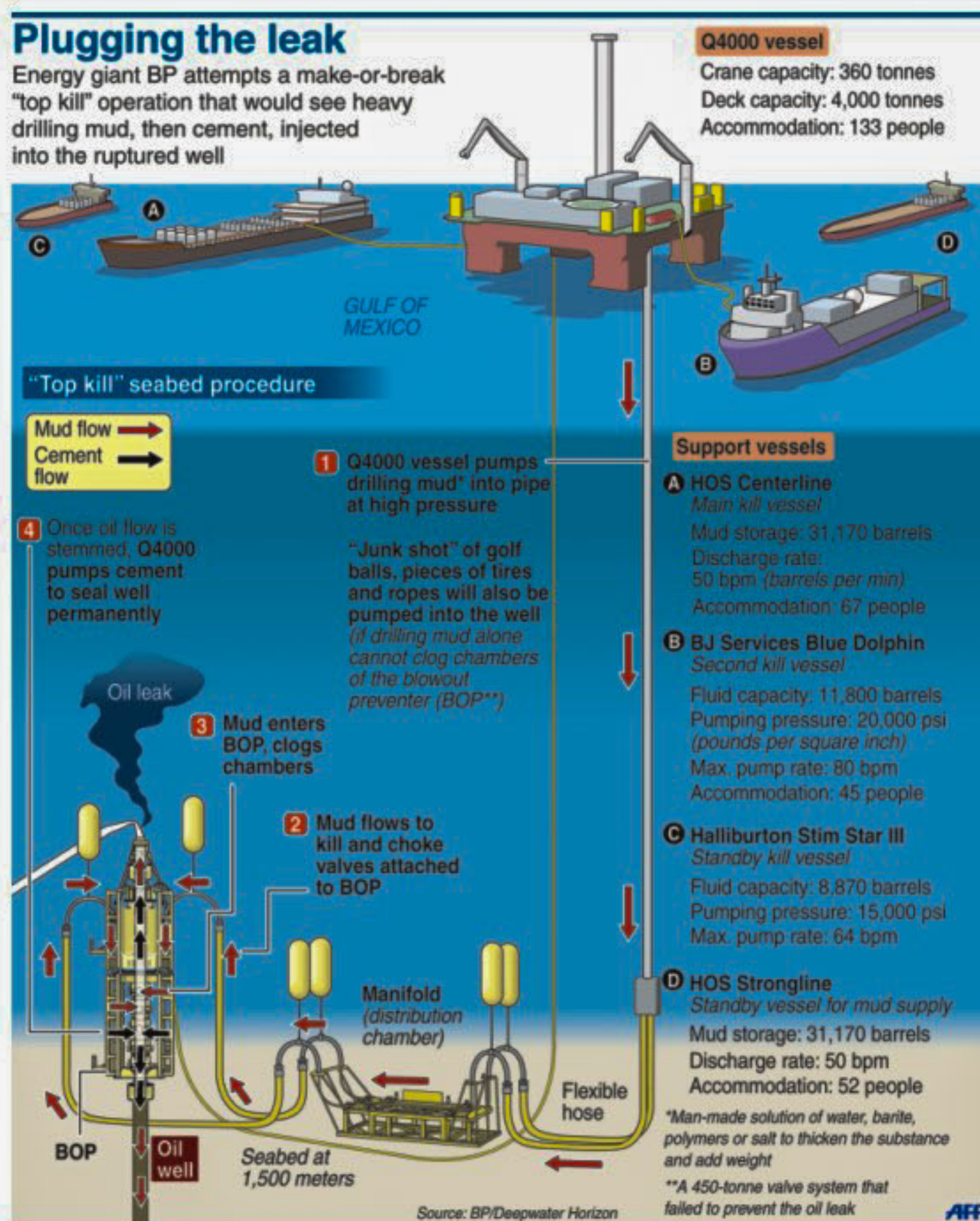
Total liability -- including civil fines as well as the cost of clean-up, economic damages and potential criminal liability -- "will run into the billions and may be in the tens of billions," Uhlmann said.

Under the Clean Water Act, the Environmental Protection Agency can seek in federal court to fine any party whose negligence results in an oil spill in US federal waters.

Other companies involved at the Horizon platform and the oilfield could share liability with BP, experts said. They include rig-owner Transocean Ltd, cementing contractor Halliburton Co., blow-out preventer manufacturer Cameron, and Anadarko and Mitsui, which also hold stakes in the oilfield.

The basic fine, according to the act, is \$1,100 per barrel spilled. But the penalty can rise to \$4,300 a barrel if a federal court rules the spill resulted from gross negligence. The fines were originally set at \$1,000 to \$3,000 but that was raised in 2004 to keep up with inflation, according to Tracy Hester, head of the Environmental Law and Policy programme at the University of Houston.

It is unclear, however, that the EPA would try to apply the fines, or seek maximum penalty levels. EPA officials did not respond to several calls and e-mails requesting comment.



If the agency does act, the per-barrel fines could push oil companies' liability well beyond the cost of cleaning up the spill and paying legitimate claims for economic damages it causes, experts told Reuters.

"There are civil fines that could be quite substantial. I think BP's exposure to this is far greater than people initially thought," said Harvard Law School professor Jody Freeman, who recently served in the White House as Counsellor for Energy and Climate Change.

BP has already said it will voluntarily exceed a \$75 million cap on liability for economic damages, pledging to pay any "legitimate

claim" it receives. But the civil fines are another wild card.

BP spokesman Mark Salt said the company had nothing further to add to what it has said about the costs of the oil spill response.

Cash raised from such fines would be funnelled to government pollution funds, which provide economic aid for hazardous material spills.

BP or other parties facing fines could appeal them, or try to settle with the government for a lesser amount. Another option would be for BP or other responsible parties to seek a far-ranging settlement covering various areas of liability.

"The amount of barrels being

released from the well is going to be critical," said Hester of the University of Houston.

Under pressure over the government's response to the disaster, President Barack Obama last Friday created a bi-partisan commission on the spill, and the administration has pledged to independently verify the volume of oil leaking into the Gulf. "We're not depending on what BP is telling us," Interior Secretary Ken Salazar told CNN last week.

After past oil spills, experts said, civil fines have comprised a modest proportion of total liability, but they said the magnitude of the Gulf spill may lead the government to seek unprecedented penalties.

It is common for the government to wait until an oil spill clean-up is well underway before pursuing civil penalties, experts said. Authorities would also need an accurate accounting of the spill volume before seeking the fines.

Bernstein Research estimated in late April that BP's liability could reach \$8 billion, but that figure didn't include any potential penalties.

BP's stock price has plunged by around 30 percent since deadly explosions rocked the Transocean Deepwater Horizon rig on April 20, setting off an oil leak that may become the biggest environmental disaster in US history.

An EPA legal document leaked online and viewed by Reuters shows the agency evaluated applying per barrel civil fines on BP for a 5,000-barrel oil spill in Alaska's Prudhoe Bay in 2006. The EPA and US attorneys declined to confirm or deny the contents of the document, which was found on a whistleblower website called peer.org.