Should oil firms invest in Angola at all, and what is ethically acceptable in the current scramble for ultra-deep-water concessions?

To answer this, we must first identify the ethical principle involved. In this case it is: *Whether it is ethical to profit by engaging in business with corrupt and oppressive regimes.*

Who are the stakeholders?

- Shareholders - benefit
- Management - benefit
- Employees - benefit
- Angolan government - benefit as individuals
- UNITA - benefit if they win the war
- Angolan population - no benefits

Business with Angola legitimises what is basically civil war over control of resources. The government is a kleptocracy- 1/3rd of its USD1B budget just went missing in 2000. In fact, only 7% of its budget was devoted to public expenditure in 1998.

So doing business with the government is basically doing business with organised crime. This business allows the perpetuation of this organised crime. Besides being completely unethical, it also tarnishes the reputation of the company- an example of this is Shell's association with Nigeria (the second most corrupt country in the world).

What do you understand by the concept of globalisation? Does this process pose any specific ethical dilemmas for firms?

Globalisation refers to the increasing integration of economies around the world, particularly through trade and financial flows. The term sometimes refers to the movement of people (labour) and knowledge (technology) across international borders.

- Trade: Developing countries as a whole have increased their share of world trade– from 19 percent in 1971 to 29 percent in 1999. But there is great variation among the major regions. For instance, the newly industrialized economies (NIEs) of Asia have done well, while Africa as a whole has fared poorly. The composition of what countries export is also important. The strongest rise by far has been in the export of manufactured goods. The share of primary commodities in world exports—such as food and raw materials—that are often produced by the poorest countries, has declined.

- Capital movements: This is what many people associate with globalization - sharply increased private capital flows to developing countries during much of the 1990s. There are three observations to be made (a) the increase followed a particularly "dry" period in the 1980s; (b) net official flows of "aid" or development assistance have fallen

significantly since the early 1980s; and (c) the composition of private flows has changed dramatically. Direct foreign investment has become the most important category. Both portfolio investment and bank credit rose but they have been more volatile, falling sharply in the wake of the financial crises of the late 1990s.

• Movement of people: Workers move from one country to another partly to find better employment opportunities. The numbers involved are still quite small, but in the period 1965-90, the proportion of labour forces round the world that was foreign born increased by about one-half. Most migration occurs between developing countries. But the flow of migrants to advanced economies is likely to provide a means through which global wages converge. There is also the potential for skills to be transferred back to the developing countries and for wages in those countries to rise.

• Spread of knowledge (and technology): Information exchange is an integral, often overlooked, aspect of globalization. For instance, direct foreign investment brings not only an expansion of the physical capital stock, but also technical innovation. More generally, knowledge about production methods, management techniques, export markets and economic policies is available at very low cost, and it represents a highly valuable resource for the developing countries.

Source: www.imf.org

If we concentrate on foreign direct investment in developing countries, the ethical dilemmas that firms faces include issues of:

- (Underpaid) labour forces
- Dealing with governments with dubious human rights record
- Government corruption and greed
- Environment
- Occupational health and safety

Should the free rider problem affect the decision oil companies must make in dealing with the Angolan state elite?

Definition of free rider in the context of this question: if our Company is not in this country other less principled firms will be.

No, we must be able to make an ethical stand independent of the free rider problem. We are of the believe that if we can't make a difference being insider in Angola then perhaps our next most effective option is to withdraw and hope that it will create public interests in other parts of the world as to the issues on Angola.

The seriousness of the situation is such that only 7% of oil revenues is used on public expenditure, there is very little difference (downside) between 7% and zero. Our withdrawal will have an immaterial impact on Angola's citizens.

Government/government policy needs to be change and corruption stamped out. There is no way that could happen by lobbying the Angolan government, therefore whether you are there or not is irrelevant.

As MNC, if we truly want to make a difference, then we can lobby powerful foreign governments (i.e. US, France, Germany & Japan) to put political pressure on Angola to reform their corrupt ways.

Introduce the principal ethical challenges most likely to confront a trans-national corporation.

As an introduction to the some of the ethical challenges that we see (and following Bob Marks interest in up-to-date news) we can see the Mark Thatcher campaign to overthrow the government of Equatorial Guinea in August 2004 using a rag tag bunch of mercenaries (allegedly) as an indicator of the depth to which groups of people will stoop when faced with the opportunities for riches that the oil industry provides.

Other examples of poor ethical behaviour in the oil industry can be listed ad infinitum. To give a few examples however"

- Kazakhstan and James Giffen (alleged corrupt front man for the Nazarbayev family, taking huge payments from oil companies looking for licenses there)
- Issue in Angola was that there is a civil war so not clear who would win and be able to grant concessions thus many companies taking sides in the conflict

- Incidentally, can't refrain from telling you my favourite story - re Elf corruption case which involved very senior French politicians up to Roland Dumas, foreign minister. When the lid blew off it all (slush funds for political funding, bribes etc for foreign governments etc), they caught up with Elf's general affairs manager after he'd been on the run for 3 years in the Philippines. His first act was to open the back of his mobile phone and chew up the SIM card so that they wouldn't find the information on it. Is this ethical behaviour in the oil industry ??

Hope this is some help - oil concessions and fraud or corruption have been intertwined ever since the first oil well was drilled by Colonel Edwin Drake who wasn't even a Colonel (added it to his name for credibility!). You could write a library's worth of books on the subject

In a nutshell the principal ethical challenges are how to deal with different expectations for corporate behaviour world wide. The US Foreign Corrupt practices act punishes any company listed in the US or with substantial holdings in the US should they be found be involved in bribery. This has not been found to be beneficial to US companies (see Halliburton in Iraq).

In addition in the US facilitation payments to allow the shipment of plant and material to construct oil refineries in a time efficient manner have also been banned.

Since Elf has been a French company which was traditionally owned partially by the French government they were not bound to the above rules. This did not, however, result in any negative business results for them until the above scandal was exposed.

What do you understand by the concept of “fair trade” ? Should this affect how firms do business in the developing world ?

Promotion of more equitable, less exploitative dealings with producers in developing countries. This however does not often include a proviso to ensure that the common people of the country being exploited reap the benefits of the business. Simply equitable trading with the ruling elite has been seen as sufficient.

I believe that the concept of fair trade should affect how firms do business in the developing world but the duty for this should not fall on the companies to regulate themselves. As long as they are following international law they should be free to gain profit where they can.