Student’s Name

Professor

Course Code

Date

Negotiation

Q1: The first road of negotiation was skewed towards the view pushed by Enron because among the agreement which was made, the return on equity was one of the decisions. Enron has been pushing for 26.52% ROE, which was rejected by Maharashtra’s finance secretary, Rebecca Mark. And therefore, by accepted the ROE of 25.22% it seems the agreement supported the views of Enron and therefore, Enron won the round one of the negotiation.

Q2: It is noted that the government Maharashtra pulled out of the negotiation and this stopped the entire project. Without bringing back the party to the negotiation back to the table, Enron was heading for a huge business loss. Therefore, Enron decided to trade off with the Maharashtra so that it can bring back the team to the negotiation and complete the team. Second. Maharashtra has declared power produced by Dabhol was expensive and therefore, by reducing the cost Enron was strategic to bring back Maharashtra to purchase power produced at Dabhol. Enron also decided to transfer 15% of ownership to MSEB so that it long term deal with the company. It is also MSEB to purchase power from Dabhol. And therefore, MSEB’s guarantee to purchase 90% of power generated by Dabhol. Initially, the project was halted due to high cost of production. However, the state of Maharashtra decided to allow Enron to restart the project because the cost of production was reviewed to $2.5 to 2.85 for phase I and phase II of the projects. It is because Enron agreed to transfer 15% of the ownership to Maharashtra state government.

Q3: Engaging in known foreign direct investment involve take and give and most a lot of risks are involved. It is also important to point that politics plays a key role in the negotiation and it is important for a company to have contacts within the government sector. It is because bring back Maharashtra state government could not be easy after the project was cancelled and it took much time. The negotiation also made us to learn the importance of giving ownership to a local company. It is because after Enron transferred 15% of ownership to Maharashtra state government, the deal was sealed and it was given a new agreement to restart the project.

Q4: the GE and Bechtel filed Arbitration against Dabhol Power Company because they owned 10% share each in Dabhol power plant. The arbitration was made claiming that India government and its agent illegally to the companies’ interest in Dabhol and therefore, the arbitration was launched to help GE and Bechtel recover their investment. GE and Bechtel therefore, filed for arbitration to claim for Rs 26,000 crore, which is about 6.2 billion for bring back the government of Maharashtra to the negotiation table.

Q5: The role of Bechtel and GE was to bring back the parties back to the negotiation table so that the planed project could be completed. The GE was to bring the government to the table while Bechtel was to convince Enron and Dabhol to the table.

Q6: Foreign direct investment is common and most corporations prefer it. However, as a foreign direct investor, it should be by principle to conduct detailed research regarding the type of investment to understand risks, which may be involved and this can help an investor to limit the risk. By principle a foreign direct investor should invest through capital equity, or partnership. The negotiation should be done prior because put a lot of investment like what happened to Enron to limit the risk.

Q7: The government should have a general principle, which requires a foreign company to give out a percent of its stake for local ownership. It is important to prevent the government from incurring avoidable loses. A foreign investor should be required to share a strategic plan and how the company will ensure that the public benefits from a project.