

Case study for Chapter 13

Union Carbide and Bhopal

On December 2nd 1984 over 40 tons of lethal chemical gas was released into the air from the Union Carbide chemical factory in Bhopal, India. The accident was caused by water entering a tank containing chemicals: the resulting reaction generated great heat and vented the poisonous gases into the atmosphere. As a result, many thousands of people in the Bhopal area were killed – estimates vary between 3,800 and 8,000 – and hundreds of thousands have suffered ill health ever since.

Such a disaster was bound to make headlines throughout the world. Union Carbide were held accountable in the world's press, and the company was widely criticised by environmental groups. As years went by after the disaster, the situation grew no better: Union Carbide were seen as being slow to pay compensation, slow to make reparations at the plant, and slow in implementing a clean-up operation. In particular, the US parent company was accused of not caring about the victims simply because they were Indians.

Twenty years on, the story has not gone away. Campaigners are still seeking further compensation: an Indian court ordered Union Carbide to pay \$470m in 1989 (five years after the disaster) as a full settlement of all claims arising from the disaster, and the company did so, but campaigners say that the damage has been underestimated and that the high incidence of birth defects in the region is a result of the leakage. Union Carbide argue that the birth defects are caused by close interbreeding, a feature of marriages in the area. Campaigners claim that contamination of local water supplies has come from the plant: Union Carbide say that the type of contamination could not have been caused by anything they used at the plant, and the pollution must be coming from somewhere else.

Union Carbide's main argument, though, is that the Bhopal plant was only owned 51% by the company (26% by the Indian Government, the rest being privately-owned shares), and the Bhopal plant was staffed and managed entirely by Indians. The US company therefore denies any legal liability whatsoever, and has the backing of the Second Circuit Court of Appeals, Manhattan, which ruled in 1987 that the case belongs in India and the US company has no liability. The Indian Government was held partly liable and was ordered to purchase health insurance for the 100,000 people who are thought to have been affected by the incident.

The case was further complicated in 2001 when Dow Chemical bought the US Union Carbide company. Dow (not unreasonably) do not accept any responsibility whatsoever for the disaster, and are refusing to consider any further claims. Meanwhile, campaigners have persuaded the Indian criminal court to issue a warrant for the arrest of the former Union Carbide CEO, Warren Anderson, on charges of culpable homicide and assault. This arrest warrant has been issued, and moves are afoot to have Anderson extradited from the USA to stand trial in India. This is unlikely to be implemented, of course – the US justice system is unlikely to give up a US citizen without very solid evidence of direct (and personal) responsibility.

Meanwhile, in Bhopal the survivors of the disaster wait for something to happen. The compensation amounted to less than \$500 each, which may be a substantial sum of money to people who earn only \$2 a day, but still won't cover the medical bills. The ebb and flow of corporate takeovers means that Union Carbide (India) is now owned entirely by a different corporation, as is Union Carbide USA. Neither of the new owners have any interest or desire to pay compensation, and certainly do not feel liable for the disaster. And yet the campaigning still continues, presumably until the last of the survivors has died.

Case Study Questions

1. If Union Carbide in the USA has no connection with the Indian company, why should they do anything? *At one time Union Carbide USA was a major participant in Bhopal, and presumably had a great deal of input into the design and operation of the plant. Whatever the legal situation, this could be construed as a moral obligation – especially as the Indian Government, the other owners of the plant, have been held liable and have been ordered to pay for health insurance for the victims. A further issue is the pragmatic one, which is that Union Carbide's corporate reputation is being severely damaged by this.*
2. How do you imagine the Union Carbide salesforce will be affected by the situation? *Undoubtedly some potential customers will take a moral stance and decide that they do not want to do business with a company which apparently is dodging its responsibilities. Others may take a pragmatic approach, and will avoid Union Carbide on the grounds that they appear to have demonstrated incompetence in running the business. Still other customers will regard Union Carbide's stance as reasonable in the circumstances, and may even applaud the company's business acumen.*
3. How might Union Carbide's sales management be affected by the situation? *As with potential customers, some salespeople may not want to work for Union Carbide, whether or not the company is at fault.*
4. What might Union Carbide do to reduce the negative publicity?