

Case study: union oil company of california in burma



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I. Dilemma and Stakeholders

Union Oil Company of California (Unocal) specialized in developing oil fields around Los Angeles and operating all aspects of the oil business such as extraction, refining, distribution, marketing and even retail. Owing to depletion of oil fields in the United States, the company decided to turn to invest in energy projects outside U. S. In 1992, a natural gas field called the “Yadana Field” that belonged to Burma attracted Unocal`s attention and Unocal decided to invest in the international project. In this project, Unocal paid US\$ 8. 6 million to Total S. A to become 28, 26% of the Yadana Field project, while the other investors are Total S. A (31, 24%), Thailand`s PTT Exploration & Production Public. Co (25, 5%) and the Burmese government (15%) (Velasquez, 2011).

Undoubtedly, Unocal, Total S. A, Thailand`s PTT Exploration & Production Public and the Burmese government are main stakeholders of this project. Stakeholders are defined by groups or individuals who can affect or be affected by the achievements of a business (“ Financial times lexicon”). Obvious stakeholders are: employees, consumers and customers, competitors, suppliers, stockholders, the local community, distributors, and the environment. Thus, local community was also a significant stakeholder, especially the hundreds of Karen who were forced as labors and also forced to relocate to accommodate the pipeline project.

According to the case study, one dilemma has been generated: whether it is right or not that Unocal decided to invest in the pipeline project, because Unocal was being accused of complicity in doing human rights abuses with

Burmese military after the company invested into this project. If the Unocal invests this project, Standing in company`s own perspective, there are mainly three benefits investing into this project: local cheap and relatively educated labors; rich in natural gas resources; Burma has geographic advantage, because it was an entry point into other potentially lucrative international markets, which could help Unocal serve as a link to markets in China, India, and other countries in Southeast Asia (Velasquez, 2011).

In addition to benefit to company, the natural gas project should provide much revenues and significant benefits to Burma people and government, as Burma is a poor country with GDP \$200-\$300, higher inflation rate above 20 percent, a high infant mortality, and a low life expectancy. This project could help Burma economic growth. However, this project would do harm to local community, as the project invested by Unocal would contribute the government of Burma to continually violate the human rights of the Burmese people, such as forcing hundreds of Karen to clear the way and build facilities for the pipeline construction and providing slave as the Burmese government labor for the project. If Unocal not invested in this project, Burmese would not have this opportunity to develop its economy and Thailand would not use the natural cleaner gas; at the same time, Unocal would lose this good opportunity to expand its oversea market, which brings a loss of profits.

II Questions

Q2: Is Unocal morally responsible for the injuries inflicted on some of the Karen people? From my perspective, the answer is " yes". I explained it from

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two aspects: knowledge and principle of ethics Knowledge: before Unocal investing into this project, company conducted research on the social political environment of Burma. Burma is a poor country and need other countries to help, and this project is an opportunity to make Burma economic growth. However, the only one serious problem is that government of Burma would be a partner in this project, which was a military dictatorship accused of continually violating the human rights of the Burmese people.

In addition, company has checked the report on Human Rights Practice in 1995 which wrote: “ the Burmese military forced hundreds of thousands, if not millions, of ordinary Burmese to ‘ contribute’ their labor, often under harsh working conditions” (Velasquez, 2011). And Unocal contracted a consulting firm to review the 1991 Amnesty International report, which documented abuses against the Burmese by the army. However Unocal still decided to invest into this project on the basis of knowing these human rights violations in Burma, as well as the risks that might occur.

Subsequently, in 1995, Unocal hired another consultant to investigate conditions on the Yadana project, and the result revealed its continuous human rights violations.

Therefore, on the basis of knowledge of human rights abuse before and after investment, Unocal should be responsible for the injuries inflicted on some of the Karen people. Principle of ethics: the violation of ethics or moral standard obviously occurred in this case related to Unocal in Burma. According to the Velasquez in his Business Ethics Concept mentioned that: Humans have a clear interest in being provided with work, food, clothing, housing and

medical care when they cannot provide for these themselves (Velasquez, 2011).

Humans have a clear interest in being free from injury or fraud and in being free to think, associate, speak and live privately as they choose (Velasquez, 2011). The human rights abuse in this case was proof of conflict with the moral rights perspective of ethics. Moreover, from the distributive justice perspective, even though the benefits have been distributed to all of Burma in theory, it is unfair that the burdens of building this pipe-line felt on citizens living near the pipe-line area, which is violation of justice principle. And it also has a violation of caring principle, because of the loss of basic compassion for the people of Karen by the Burmese army.

Therefore, in terms of violation of ethical principles and moral standard, Unocal should be responsible for the injuries inflicted on some of the Karen people. Q3: Do you agree or disagree with Unocal`s view that “ engagement” rather than “ isolation” is the proper course to achieve social and political change in developing countries with repressive governments. The reason why Unocal chose engagement was that they believed the engagement is the more effective way to strengthen emerging economics and promote more open societies. In my opinion, I totally agree with Unocal`s view that “ engagement” rather than “ isolation” is “ the proper” course to achieve social and political change in developing countries.

Because Burma is a poorly country and such as the project attracted Unocal, Total S. A etc. to help in building and changing the Burmese socially as well as improved it economically. Historically, isolation occurs when a country is

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isolated by another country or group of countries in the form of sanctions usually in the form of trade embargoes or travel & immigration bans. In addition, the U. S Congress on April 30, 1994 voted to place Burma on a list of international “ outlaw” states, and in 1996, President Bill Clinton barred Burmese government officials from entering the United States (Velasquez, 2011), which may be a signal to be isolated by United States. Since 1962, Burma has been under totalitarian regimes when General Ne Win staged a military coup. Since then, Burmese people were suffering very tremendously.

Under General Ne Win’s one party Burma Socialist Programming Party, corruptions are rampant, and people are facing very hardship due to closed economics system and miss-management (“ Burma democratic concern ;,”). If Burma is still continually violating the human rights for Burmese people and in a closed economics system, it is possible that Burma would be isolated by other countries even the whole world. Thus, taking an engagement policy not only improve its economics, but also promote open societies, well-being of human being and help growing the opportunities against its repressive government.

III. Arguments

In order to study this case, I adopt three ethical principles to analyze this case: utilitarianism, moral right, justice and fairness. And using the three principles demonstrates the dilemma mentioned above. Utilitarianism perspective:

Utilitarianism focused on that the actions and polices should be evaluated on the basis of social benefits and costs they will impose on society. The socially <https://assignbuster.com/case-study-union-oil-company-of-california-in-burma/>

responsible course for a business to take is the one that will produce the greatest net benefits for society or impose the lowest net costs (Velasquez, 2011). The core concept of utilitarianism is the focus of good consequences for all stakeholders and not just the individual. To understand whether Unocal decision to invest in the Yadana project or not, we can analyze the costs and benefits of the project.

Benefits of this project: Unocal and other companies built schools and roads along the pipeline, small businesses were growing, the project increased employment for Burma citizens, Thailand was able to enjoy cleaner natural gas from the 500-600 million cubic feet of gas that was piped in daily through the pipeline instead of using dirtier fuel oil and Unocal was expected to earn \$2.2 billion dollars. Costs of the project: abundant Karan were used as labor to force to clear the road and build facilities and many members of their family were forced to relocate, be tortured, murdered or raped by the Burmese army. In utilitarianism perspective, Unocal should invest into this project, because there are more people getting benefits from this project which produced the greatest net benefits to society.

Moral right perspective:

A right is an individual's entitlement to something (Velasquez, 2011). There is lots of right that encompasses all human beings or better known as moral rights. According to the Kant's theory, it implies that "individuals generally must be left equally free to pursue their interests while moral rights identify the specific interests individuals should be entitled to freely pursue"

(Velasquez, 2011). Moreover, Manuel Velasquez in his Business Ethics

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Concept mentioned that: 1: Humans have a clear interest in being provided with work, food, clothing, housing and medical care when they cannot provide for these themselves (Velasquez, 2011). 2: Humans have a clear interest in being free from injury or fraud and in being free to think, associate, speak and live privately as they choose (Velasquez, 2011). 3: Humans have a clear interest in preserving the institution of contracts (Velasquez, 2011).

During 1993 to 1996 Human Rights Watch and Amnesty International reported: “ Burmese army was using forced labor and brutalizing the Karen population as it provided ‘ security’ for Unocal workers and equipment” (Velasquez, 2011) and in Unocal official report “ the egregious human rights violation have occurred, and are occurring now in southern Burma...the most common are forced relocation without compensation of families from land near the pipe-line route.” (Velasquez, 2011). All these reports were proof of conflict with the moral rights perspective of ethics. In the perspective of moral right, Unocal investing in this project was not right. Justice perspective:

The justice approach to ethics is ensuring that all are treated fairly, with equal distribution of benefits and risks. We could consider the case in three types of justice: distributive justice, retributive justice, and compensatory justice. Distributive justice: “ requires distributing society`s benefits and burdens fairly” (Velasquez, 2011). From the distributive justice perspective, it seems that Unocal was not right to invest into this project. Even though the benefits have been distributed to all of Burma in theory, it is unfair that the burdens of building this pipe-line felt on citizens living near the pipe-line <https://assignbuster.com/case-study-union-oil-company-of-california-in-burma/>

area. Retributive justice: “ requires fairness when blaming or punishing persons for doing wrong” (Velasquez, 2011).

Unocal should not invest in this project, because the company was sued in both the Federal and State courts in the US and the ensuing bad publicity and boycotts by consumers in the US eventually forced Unocal out of business by way of a merger with Chevron, which means the investing behavior of Unocal has induced wide dissatisfaction. Compensatory justice: “ requires restoring to a person what the person lost when he or she was wronged by someone” (Velasquez, 2011). From the compensatory justice perspective, Unocal has compensated the people who have suffered in this project through out of court settlement.