

Article review on bhopal tragedy

[Business](#), [Company](#)



1-Identify the impact of this incident on both the MNE and the host country?

For the host country, the Union Carbide disaster exposed the inability and the ineffectiveness of the government in dealing with the disaster. The Indian government suffered humiliation due to western capital. It also reminded the world that India was still struggling to provide basic amenities to its huge 1.2 billion people, despite its ambitions of becoming a super power. Taken by public anger at the lenient charges, the government was forced to take damage control measures. Comparisons were also drawn with the US government's handling of the BP Oil spill, where it went all out to make the company accountable and compensate for all losses including environmental damage.

The MNE closed down and handed over the accident site to the government. It also left behind 435 tons of hazardous waste to be cleared, something that was to be the responsibility of whoever took control of its affairs. The company was forced to make a huge financial compensation to the victims. An amount of \$470 million was paid by Union Carbide to the Indian government to meet the claims of the victims. In 2001, the company was bought by Dow Chemical Company.

2- Describe how both the MNE and the host country handled the incident.

Despite the disaster at this scale, astonishingly no criminal convictions were made in India until June 7, 2010 when eight former executives of the company were brought to court. The eight were convicted of negligence and sentenced to two years in prison each with a fine of \$2100. Given the loss of

life and health, the verdict was too very lenient and the government was soon facing the wrath of victim groups and right activists who were demanding more severe charges and punishment. The government was soon in action to undo the damages to its reputation. A series of measures were announced, including an increase in the amount in the compensation offered and a commitment to extradite Warren M. Anderson, the chairman of Union Carbide, from the US.

For Union Carbide, the company had always claimed that the leak occurred due to sabotage, rather than a lapse on its part. It put up a steady defense based on this stand. As a result of this stance in a quarter century court battle, it succeeded in getting away with very light sentences. Although the company officials were earlier charged with culpable homicide facing a prospect of about ten years in prison, the Supreme Court of India reduced the charges.

3-In your opinion did the MNE handle the incident correctly? Why?

The MNE as a commercial enterprise had handled the incident unethically. It had always claimed that the leak occurred due to sabotage, rather than a lapse on its part. However investigations have shown that the disaster was a consequence of poor safety and maintenance procedures. The company should have unconditionally accepted responsibility for the accident and cooperated more willingly in compensating its victims. Although legal battles stretch for a considerable number of years in India, the quarter century court case and the subsequent compensation wait by the victims could have been avoided, had Union Carbide voluntarily accepted the charges and came

forward to meet its obligations. Although Union Carbide's attitude was typical of MNEs which are responsible for its shareholder dividends, nonetheless it is wrong, particularly when innocent, suffering victims are ignored. Union carbide had handled this case with the least regard to humanity.

4- What would you have done?

If I had been the chief executive of the company, I would have accepted the company's responsibility, as it is very obvious. Hiding behind a claim of sabotage is highly unworthy. The victims had to be compensated fairly and there was no way the company could shrug off this responsibility. Extending the case for over two decades would easily dilute the impact and responsibility of the MNE, which would be an advantage. However I will not strive to benefit from this extension. Also I would have demanded a larger role in handing over compensations to ensure that the compensation truly reached the affected people. Somewhere someone would have to set standards of corporate ethics and be an example for others to follow.

Work Cited

The New York Times. Bhopal (Chemical Leak). Jan 13, 2011. Web.