



**National University of  
Science and Technology**  
Think in Other Terms



FACULTY OF COMMERCE  
DEPARTMENT OF FINANCE  
MSc IN FISCAL STUDIES  
STAGE I FINAL EXAMINATION – MAY 2012  
**ETHICS, GOVERNANCE AND DEVELOPMENT [CFS 5104]**  
TIME ALLOWED: 3 HOURS

**INSTRUCTIONS TO CANDIDATES:**

1. Attempt ALL Questions from Section A and THREE from Section B
2. Write legibly.

**INFORMATION FOR CANDIDATES**

The businesses in this question paper are intended to be fictitious

Start each solution / answer on a new page in your answer book.

The paper contains SEVEN (7) questions.

Questions in Section A carries 40 marks. All questions in Section B carry equal marks [20 marks]

**Section A:**

**[40 marks]**

**Read the following case study and answer the questions that follow:**

**The Bhopal Disaster**

Union Carbide, an American-owned company, owned 50.9 per cent of a pesticide plant in Bhopal, central India. The government of India had apparently been so keen to receive this inward investment that it had found a way around its own legislation, which at that time allowed overseas companies to own no more than 40 per cent of any Indian company in which they invested. On the night of 2-3 December 1984, 40 tonnes of poisonous gases were thrown into the air over Bhopal from the plant. The gases burned the eyes and the lungs of people on whom it settled and, when it crossed into their blood stream, it damaged many physiological systems. Over 3000 people died and 20000 were injured. At least that was one estimate; the death and morbidity rates of the accident are still the subject of controversy. Campaigners claim that the accident has caused 20000 deaths in the 20 years since the accident and that half a million have become chronically ill (Ramesh, 2004).

There appear to have a number of contributory factors that led to the leakage. They mostly related to a cost cutting culture in a factory that at that time was making a loss and only working at a third of the factory capacity. On the night of the disaster six safety measures designed to prevent a leak were inadequate, malfunctioning or switched off. Safety audits had been done that had revealed major safety concerns but no action had been taken. These all raise the question of the extent to which Union Carbide had taken advantage of low levels of safety monitoring and expectations to save costs.

It can be argued that a concern to save costs characterized the company's behavior during the aftermath of the disaster. On one account the company's legal team arrived in Bhopal days before their medical team (Bhopal.net, 2001). One of the issues after the accident was whether the case should be settled in an American court, as the government of India wanted, or in an Indian court, as the company wished, and as was in fact the case. The company fought liability for the accident and agreed an out court settlement five years later with the government of India for \$470m. The families of those who died received an interim an interim payment of \$550 per fatality. Had the deaths occurred in the USA the families might have received a hundred times that amount (De George, 1999: 511). Associations of the injured are still fighting for further compensation (Corpwatch, 2001). The Bhopal.com website (2001), owned by Union Carbide Corporation, argues that the 1989 settlement has provided sufficient money from its investment to provide the compensation, and that the compensation was much higher than any other settlement that would have been payable under Indian law. The company saw this settlement as complete and final.

It was the twentieth anniversary of the incident in 2004 and this became a time for taking stock. The site of the plant in 2004 belonged to the government of India. The site had not been cleared and there reports that it still contained potentially damaging chemicals. Dow Chemicals, which

had taken over Union Carbide, claimed that it had no further responsibilities in India while the government of India was still pursuing its demand that Dow Chemicals should clean up the site through the Indian Courts.

There is an outstanding criminal case against Warren Anderson, the former Chief Executive of Union Carbide. The Indian CBI (Criminal Branch Investigations) had sought Anderson's extradition from his retirement in the USA to stand trial in India. However, the American Government had not responded, pointing to the technical difficulties in the claim. The CBI was still pursuing the case, however (*The Times of India, 2004*).

The poor people of Bhopal, who had borne the brunt of the toxic effects of the discharge, were often still living close to the plant. Only part of Union Carbide's payment had been distributed to the victims. By 2004 there was a balance of GBP174m (the compensation fund had been swelled by interest over fifteen years). The problems of identifying the victims and deciding what proportion of the compensation sum each should receive had brought the payments to a standstill. In 2004, however the Supreme Court of India demanded that the government should pay the money out on a per-capita basis (Brown, 2004); which would mean that each victim would receive about \$300. There was some skepticism among the activists in Bhopal as to whether the money would appear in the victim's hands.

A group of activists, the 'Yes Men Group', arranged an elaborate hoax so that when the BBC producers arranged an interview with a representative of Dow Chemicals (the successor company to Union Carbide) they were actually talking to one of the hoaxers who stated, when interviewed on radio, that Dow Chemicals was accepting full responsibility for the Bhopal disaster. He later said that he was 'speaking on behalf of Dow in a certain way. I was expressing what they should express' (Wells and Ramesh, 2004). Residents of Bhopal had broken down in tears when they heard that Dow had finally accepted their responsibilities, a collapse that was no doubt repeated when they learnt it was not true.

**Adapted from:**

*Fisher C and Lovell L (2009) 'Business Ethics and Values. Individual, Corporate and International Perspectives'. Third Edition. Pearson Education Limited, Harlow, Essex*

**Question 1.**

- (a) What are the values or ethical issues that may have been breached in this case study? (10 marks)
- (b) Critically evaluate the forms of governance in this case study. (10 marks)
- (c) The Bhopal case illustrates the ability of Multi-National Enterprises to exercise some choice of legal jurisdiction they choose to submit to, taking advantage of the different institutional contexts of different countries. Critically evaluate this statement (20 marks)

**SECTION B**

**[60 marks]**

**Question 2.**

- a) Clarify what is meant by the term ethical leadership. (5 marks)
- b) Demonstrate the specific components ethical leadership. (15 marks)

**Question 3.**

- a) Evaluate what you understand by the term organization culture. (5 marks)
- b) Define and describe the culture of your organization and critically explain in detail how you would change the culture of your organization. (15 marks)

**Question 4.**

Discuss the use of child labour in factories in developing countries from the Kantian and the Utilitarian perspectives. (20 marks)

**Question 5.**

Describe and evaluate the five key dominant characteristics found in sustainable governance systems. (20 marks)

**Question 6.**

In terms of development what were the problems faced by newly independent African States? (20 marks)

**END OF EXAMINATION PAPER**