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Multinational Corporations: Agents of Imperialism and Underdevelopment in Third World States: A Study of the Niger Delta Region of Nigeria

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ABSTRACT: *The role of Multinational Corporations in the development and underdevelopment of the less developed countries (LDCs) has provoked hot debates in recent times, considering their activities and attitudes towards the host communities of the Niger Delta region of Nigeria. Multinational Corporations seek out societies with low production costs, poor working conditions, and abundant and easily exploitable resources, where profits can be maximized and repatriated without legal constraints. It has been argued that the activities of Multinational Corporations in the less developed countries (LDCs) have somehow crushed national prospects for egalitarian and sustainable development in the host nations as against the popular view by the liberals that, Multinational Corporations are essentially agents of economic development in the host nations. This paper will therefore examine critically the role of Multinational Corporations in the development and/or underdevelopment of the less developed countries (LDCs).*
KEYWORDS: multinational corporation, development, imperialism, underdevelopment, economy

INTRODUCTION

Definitions and Characteristics

There are many definitions of Multinational Corporations as there are many writers on the subject. Anderson (1991) defines Multinational Corporation as "normally large firms integrated across nation states vertically and/or horizontally, acting according to global strategies. Contributing to the definition of MNCS, (Spero, 1977) sees Multinational Corporations as “'firms which have sent abroad a package of capital, technology, managerial talent, and marketing skills to carry out production in foreign countries”.

Spero went further to assert that Multinational Corporations, in many cases, are mobile and flexible. According to him, some of these MNCS are tied to specific countries by need for raw materials or by a large capital commitment. Others are, however, able to shift operations across national boundaries for the purposes of company profits, markets, security and survival (Spero, 1977). In his own submission, Duru does not seem to believe that there is a universal agreement on the definition and meaning of Multinational Corporations.

According to Duru, "obviously, there is no universal agreement on the meaning of multinationals, but it is believed to be those companies that have productive facilities in many lands, having access to capital world-wide and having a global outlook among their management" (Duru 1999). Multinational Corporations tend to have foreign subsidiaries in many countries. These subsidiaries which also have important organizational characteristics like the parent company are directly owned by the parent either through sole ownership or through joint venture with public or private groups.

Another important characteristic of MNCs is that as large business enterprises with branches or subsidiary in more than one country, they seek through their operations to maximize profits. Although they may be monopolistic in nature, it is not absolute monopoly. (Toyo, 1983). They are located in the less developed countries where they were initially seen by the host countries as agents of technology transfer and socio-economic development. They were perceived as engines of development and efficiency. Contrary to this assumption, when established, in these nations, they become "flag bearers and champions of imperialism." It is a known fact that several years of oil exploration and the hazards of spillage which accompany it, have degraded the environment in the Niger - Delta area of Nigeria and left the communities desolate.

Impact of MNCS On the Trajectory of World Economy

Experts have identified five views of likely impact of Multinational Corporations on the trajectory of world economy. The first of these views is known as "the race to bottom" (Bluestone and Harrison 1982). According to this view, workers and communities are losers in the operations of the MNCs, while capitalists benefit. What this means is that winners in the "race to bottom" are those killed workers who are highly educated or workers in particular MNC rent - appropriating professions like lawyers and investment bankers, along with the capitalists; the unskilled workers and the unemployed are the losers (Crothy et al., 1998).

The second view which is the opposite of the first one is "the climb to the top". This view holds that Multinational Corporations are attracted less by wages and taxes than by highly educated workers, good infrastructure, and high levels of demand. Competition for foreign direct Investment (FDI) among states according to this view will lead the developed nations of the North and the less developed nations of the South to make available well educated individuals (skilled labour) and high quality infrastructure in order to attract and retain foreign investment (Reich 1992).

The third view, known as the "neo-liberal convergence” is the widely held mainstream claim that free mobility of multinational corporations in the context of deregulation and free trade, will produce increased living standards in all countries. It is argued by the proponents of this view that this process will transfer capital and technology abroad, thereby raising the standards of living of those in the poorer nations at a faster rate than those in the richer nations, eventually generating a worldwide convergence in living standards (Sachs and Warner, 1995).

The fourth view which is “uneven development” holds that one region of the world will grow at the expense of another region. This brings us closer to the theory of imperialism: If the south integrated itself with the North, the North would grow at the expense of the south. Now the fear seems to be the opposite: by having to compete with cheap southern labour, an integrated world economy will help the south grow but this time at the expense of the North (Crothy et al 1998). This draws our attention to what (Baran, 1973) describes as “dialectical” relationship between development and underdevelopment. Baran was of the view that Western capitalist countries developed in the process of under-developing the present day underdeveloped countries. "The unfolding of this dialectical relationship started with mercantilist stage around the middle of the sixteenth century, and continued until the end of the nineteenth century. This period includes the era of the slave and free trades when European merchants traversed the coast of Africa, Asia and Latin America in search of spices, gold, slaves and the discovery and/or conquest of new trade routes. This era also witnessed the expansionary dynamics of capitalism, namely imperialism".

Multinational Corporations and Theories of Imperialism

Multinational Corporations have had a prominent place in the various theories of imperialism ever since Hobson's pioneer work on the subject three quarters of a century ago. The intellectual link has been repeatedly renewed and strengthened in the works of others like Lenin, Frank and Galtung (Vernon, 1977). These theories as a rule, link the Multinational Corporations intimately with the government of the country in which the parent Corporation is located, and they see the policies of the corporation and the government as inextricably related. According to such theories, the government needs the economic power of the corporation to help extend its political reach, and the corporation needs the government to protect it from other hegemonic governments as well as to help maintain orderly conditions when stability is threatened.

In a number of developing nations, Multinational Corporations have expanded their activities sharply immediately after a rightist government has taken over power, or have reduced their activities immediately a leftist regime has taken control. There is also a point made, that inside the developing nations, the supporters of Multinational Corporations have come mainly from the anti-socialist end of the national political spectrum (Vernon 1977). This means that the power of the Multinational Corporations has been associated with the power of the countries in which the corporation has been headquartered. This goes to show why the presence of the MNCs in most developing nations has drawn the hostility of those eager to develop a strong national identity free from outside influence; those repelled by the cost of industrialization; those at war with capitalism as a system; and those distrustful of the politics of the rich industrialized states, especially the United States of America.

Apart from these various theories of imperialism propounded by Lenin et al. in relation to the motives and activities of the MNCs in global economy, especially in the third world, there are other modest theories which have developed to explain the motivation for the spread of multinational corporations across the globe. One of such theories is the "product circle" theory which views the expansion of Multinational Corporations abroad as a response to threat to export markets. Firms introduce their newly developed products through exports "When their export position is threatened, they establish foreign subsidiaries in an attempt to retain their advantage." Another theory is the "Oligopoly theory" which argues that firms move abroad to exploit the monopoly power they possess through factors such as unique products, marketing expertise, control of technology and managerial skills, or access to capital. There are other theories which posit that firms expand abroad to take advantage of foreign resources, such as cheap labour and technology or lower taxes and tariffs.

Multinational Corporations and the Less Developed Countries (LDCS): The Liberal and the Radical Perspectives.

In looking at the implications of the activities of the Multinational Corporations in the less developed countries of the world, I will present two schools of thought. The first is the liberal school of thought which is sympathetic to the cause of the MNCs, while the second school of thought is the radical school which is critical of the MNCs.The liberal school sees Multinational Corporations as engines of development in the less developed countries of the world. They argue that the activities of the MNCs increase economic efficiency and stimulate growth. "By transferring capital, technology, and by mobilizing idle domestic resources, Multinational Corporations increase world efficiency, foster growth and thereby improve welfare". George Lodge and Craig Wilson, in their article "Multinational Corporations: A key to Global Poverty Reduction, argue in corroboration with the views of the liberals. They assert that Multinational Corporations are the world's most efficient engines of change. According to them "they (MNCs) provide political leverage with local governments; they offer opportunity for people who are convinced there is none; they motivate the young to learn and organize to gain power; they build roads and hospitals and other infrastructure. Multinational Corporations in developing countries are often the first choice for private sector jobs by young people, who are attracted by the higher salaries and the learning opportunities". (Lodge and Wilson 2006).

Citing examples with the activities of Nestle and Unilever in India, Coca-Cola in Venezuela, Intel in Costa Rica and Land O'Lakes International in Albania, this duo who belong to the Liberal School argue that the initiatives of the aforementioned multinational corporations not only provide jobs and raise incomes in their respective domains of operation, they also improve education and give individuals motivation to pursue it.

They said that for the impoverished citizens of these countries, life dramatically changed for better as soon as they caught the attention of the MNCs. More children began to attend school, people became active in local politics, and health services improved. The radicals on the other hand, while acknowledging that MNCs somehow, transfer technology which creates employment, they argue that such employment is only for a select group of high skilled workforce. To them, the extent to which the so-called transferred technology affects real development is questionable. Such technology according to them are usually expensive, capital intensive and sometimes outdated, which makes them inappropriate for LDCs where surplus labour abound. As Duru pointed out, "in Nigeria, as in any other country the MNCs operate in order to satisfy their own interests. As a result, they do not supply technology as a commodity that can be purchased in the market, rather, they supply it as their own investment in materials in their own nationals whom they brine along with the materials. One thing stands clear in the above point, that is the MNCs do little to impact the transferred technology on the local indigenes (Duru, 1999).

Reacting to the argument by the liberals that MNCs are engines of development and efficiency, the radicals posit that such argument is baseless and does not hold water because according to them, these international oligopolies called Multinational Corporations reduce efficiency and stifle growth. Spero observed that "because of the absence of competition, Multinational Corporations may be able to limit production, maintain artificially high prices, earn monopoly rents, and thus lower efficiency. They may actually hinder national growth by absorbing local capital instead of providing new capital, by applying inappropriate technology, and by employing expatriate, not indigenous managers". The radicals went further to observe that "global efficiency and growth do not necessarily maximize efficiency and growth for individual national economics." (Spero, 1977).

In his own contribution from the radical viewpoint, Duru emphasized that poor countries have been an indispensable source of finance capital for worldwide expansion of Multinational Corporations, neglecting developmental projects in the host countries.

The finance capital generated by the natural wealth of many countries of the underdeveloped world was not used to develop local factories, schools, and other structures for generating more wealth, but was siphoned off to the developed world (Duru, 1999).

Multinational Corporations and Environmental Degradation in the Niger Delta Region of Nigeria

Although the bulk of crude oil which is Nigeria's main source of revenue is derived from the Niger Delta region of the country, this region belongs to the rank of the most backward and politically marginalized in Nigeria Over eighty percent (80%) of Nigeria's wealth comes from oil which is pumped out of the Niger-Delta region in millions of barrels daily by Multinational oil Corporations like Shell, Chevron, Mobil, etc. Despite/ this wealth of natural resources, the indigenous people of this area are still very poor and their environment polluted. Many residents of this region still sleep in mud houses without electricity, drink dirty water from ponds and rivers, and live far below subsistence level. They survive by fishing, but oil spillage has damaged their fish stocks. The oil wealth accruing from their land is shared between the Nigerian government and the oil companies with very little or nothing getting to the communities. "The government's share of the money often ends up in the private bank accounts of corrupt government officials." This explains why, in many instances, government's position has always been in favour of the multinational oil corporations in conflicts with the host communities.

In 1995, the World Bank conducted a study of the environmental hazards in Niger Delta. The study entitled "Defining an Environmental Development Strategy for the Niger Delta" was quick to note that "the Niger Delta has been blessed with an abundance of physical and human resources, including the majority of Nigeria's oil and gas deposits, good agricultural land, extensive forest, excellent fisheries, as well as developed industrial base, and a vibrant private sector" (World Bank Report, 1995). However, the region's tremendous potential for economic growth and sustainable development remains unfulfilled and its future is threatened by deteriorating economic conditions that are not being addressed by government policies and actions. The report went on to say that despite the vast oil reserve in the Niger Delta; the region remains poor with education level below the national average. According to the report, while seventy-six percent (76%) of Nigerian children attend primary schools, the level in some parts of the Niger Delta has dropped.

The existence of multinational oil Corporations in this region does not show any sign of true development there, rather, they exist to maximize profit, as their main concern is to explore and produce crude oil profitably. This view corroborates the thinking of Barnet and Muller (1974) as they stated that "the unfortunate role of the global corporation in maintaining and increasing poverty around the world is due primarily to the dismal reality that global corporations and poor countries have different, indeed conflicting interests, priorities and needs. The primary interest of the global corporation is worldwide profit maximization."

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Oil exploration and exploitation in the Niger Delta region has destroyed the means of livelihood of the inhabitants. Lack of employment has led many jobless youths to emigrate to the towns and cities where they are not guaranteed to have jobs. The oil money is neither invested in their localities nor in the cities around them rather such monies were channeled to other major towns and cities outside the region or invested in infrastructure which the region hardly benefits from. The Nigerian government and the multinational oil corporations operating in the Niger Delta area have refused to come to terms with the fact that they are obligated to provide clean pipe-born water, good roads, schools, health care services to the people of this region in reciprocation of the crude oil extracted from there. Even when these amenities are provided, they only facilitate the exploitation of the communities as evidenced in the construction of access roads that link up their various oil and gas fields and not necessarily to develop the host communities (Azaiki, 2003).

The Impact of Oil Exploration and Environmental Degradation on the Economy and Society of the Niger Delta Region of Nigeria

According to Otoabasi, Akpan, the search for petroleum oil in Nigeria started during the first decade of the 20th century, specifically in 1903, eleven years before the amalgamation of Nigeria. It was in Ikot Akata in today's Akwa Ibom State that the searchers announced "eureka - we have found it" in 1953. This was a cry of triumph at the discovery of oil in Nigeria. Indeed, oil which has changed the socio-economic landscape of Nigeria and the thought pattern of Nigerians was first discovered in Akwa Ibom State. Oloibiri in Bayelsa State was rather the first place that oil was found in commercial quantity and indeed the first site from where the product was exported (Akpan, 2004).

Writing in his book "Understanding the Niger Delta Crisis," Ibaba posited that while oil was found in large quantity in 1956, it was not until 1958 that actual production started in commercial quantity with an output of about 5,100 barrels per day. According to him, this rose to a peak of about 2.3 million barrels per day at the height of the oil boom (Ibaba, 2001). Available data show that Nigeria has about 31.4 percent of Africa's proven reserves and about 1.97 percent of world reserve. Indeed, the oil industry has bestowed enormous financial resources on the country. It was estimated that between 1980 and 1993, about 211.3 billion dollars was generated as federal government revenue through oil sales.

This oil exploration and its wealth generation for the country is not without its negative impacts on the socio-economic development of the country, especially the Niger Delta region where the oil exploration is carried out. Available statistics on the Niger Delta clearly show that the oil industry has impacted more negatively on the rural communities from where oil is produced in varied dimension. One of such studies as highlighted by Ibaba states thus:

"The petroleum industry has for long been plagued by operational conflicts which centre around such concerns as widespread environmental degradation, human displacement, inadequate compensation for loses imposed in the oil producing communities and inadequate community level involvement which often leads to alienation between state and the indigenous population " (Ibaba, 2001: 25)

Environmental experts have infact identified oil spillage as the major variable which have impacted negatively on the communities of the Niger Delta region. Records reveal that between

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1976 and 1990 alone, a total of 2,796 oil spill incidents occurred in the country. According to these experts, the situation resulted in the spilling of 2,105,393 barrels of oil into the environment. The impact of these oil spills on the communities is varied and devastating. A mass of empirical evidence generated by scholars support this position. One of such studies has pointed out that:

"Oloibiri is a shadow of its former self. Farming which used to be the mainstay of the community's economy has been paralysed as farmlands have been destroyed, fishing activities grounded and aquatic life virtually castrated by many years of oil prospecting and exploration." (Ibaba, 2001; 12)

The above observation connotes that oil spillages have destroyed the very basis of the economies of the local communities which host the oil industry. Put differently, the blame concerning the crisis of development has been placed on the oil companies. A UNDP report indicates that there are more than 7,000 kilometres of pipelines and flow lines and 275 flow stations operated by more than 13 oil companies (UNDP Report, 2006).

According to the aforementioned UNDP Report, the productive and environmental impacts of the number of operators are at the increase everyday in the region. The percentage of the land of the region occupied by the oil industry is less than five percent, but the adverse effects associated with its operations are innumerable and region-wide. Besides oil spills as source of environmental degradation in the Niger Delta, gas flaring stands out as another major source. About 80 percent of gas is flared by the oil companies operating in the country.

Okoko has decried the method of gas flaring by the oil companies operating in the Niger Delta area. He stated that these companies employ the "open-pipe flare" which is very damaging to the environment. This method has no provision for pollution abetment. Consequently, the flame produces the worst level of atmosphere pollution and nuisance (Okoko, 2002: 21). Gas flaring has also been identified as having disastrous impact on agriculture. Ibaba's study on the impact of gas flaring on the environment has disclosed that there is about 100 percent loss in yield of all crops cultivated about 200 metres away from Izombe station (a flare site), 45 percent loss for about 600 metres away and about 10 percent loss in yield of crops about one kilometer away from the flare. Economic trees such as oil palm trees, cotton trees, etc have been withered away by flared gas (Ibaba 2001: 28). On the whole, oil exploration in the Niger Delta has threatened nearly all aspect of the region's communities' existence.

CONCLUSION

Most less developed countries where MNCs operate, are characterized by poverty, unemployment, insecurity of lives and properties and social service decay. In response to Multinational Corporations' bad behaviour and their brazen disregard for economic development and social viability of their host nations, there should be a new generation of leaders, especially in Africa to define and pursue a dynamic economic agenda. These leaders must work towards achieving a sense of national pride, and compel these Multinational Corporations or work in collaboration with them to create an atmosphere conducive to implementing development programmes. As long as the resources of these host nations have not depleted, there is still hope for economic development and provision of social services for the people.

In view of the strategic importance of the oil rich region of the Niger Delta, Nigeria cannot afford to underestimate the need to coordinate the operations of the multinational corporations in ways that can safeguard sustainable development, welfare, equity and justice in this region. This is in view of the fact that what is done for the people of this region so far is far too little to compensate for the ruinous damage done to economic, ecological, social and cultural life of the region. I seem to agree with Duru's line of thought, when he said the operative laws will have to be updated so that foreign and indigenous firms can plough back substantial investment in the areas affected in line with what these multinationals practice in other parts of the world where they do business.

He asserts that there is need for both the Multinational Corporations and their host governments to do more for the host communities by providing such basic amenities as water, good health care services, electricity, education etc. This will enable the Multinational Corporations, especially those of them operating in the Niger Delta region of Nigeria to operate profitably without frequent disruption as presently is the case, and "the Nigerian State would benefit from royalties without balance of payment problems and the oil communities would also benefit in terms of infrastructural provision without violence and loss of lives which has been the bane of the region". Nigeria and the other developing nations should ensure that the activities of these MNCs will bring benefits to their economies at minimum cost and thus contribute to, not detract from economic development.

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