

**MULTINATIONAL CORPORATIONS AND THE NIGERIAN ECONOMY
(2015-2019)**

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Abstract

This work examines multinational corporations and the Nigerian economy between 2015-2019. In Nigeria, the activities of multinational corporations have been identified as questionable or even unethical because of the harms they have caused on the society. Two theories such as Dependency and Unequal Exchange theories were reviewed to throw more light to the study. Dependency theory implies a kind of parasitic relationship that exists between highly industrialised and the less developed nations, while Unequal Exchange explains how underdeveloped countries are exploited through the process of unequal exchange in the realm of international trade. Because of their formidable resource base, they dominate the economy, straddle the indigenous entrepreneur and in the process create a monopoly. In the oil sector which is the economic mainstay in Nigeria, these corporations perpetuate heinous activities such as pollution of the environment, inadequate technology transfer, violation of human rights, blunt refusal to discharge their social duties, gas flaring which destroys wildlife, seafoods and farmlands especially in the Niger Delta region. Data for the study was collected through secondary source. The study utilised content analysis of library materials, journal publications, internet materials and other documented materials relevant to the subject matter. Based on the study the following findings were articulated. Most of these multinational corporations have done more harm than good to the Nigerian economy in terms of profit repatriation, environmental degradation, human rights violation, non-technology transfer because most of these multinationals are imperialistic and parasitic in nature, also that it is only through active government participation and honest intervention in operations of these multinationals that will minimize the ills on the Nigerian economy. Multinational corporations are the major vehicles by which globalization is affecting businesses in different parts of the world. In conclusion, these corporations in spite of their meagre benefits have impacted negatively on the Nigerian economy. Since these corporations are components of the society, they must subject themselves to the requirements of the society for their relationship is paramount and reciprocal.

Keywords: Nigerian economy, multinational corporations, impacts.

Introduction

The main players in a global knowledge- based economy are multinational corporations (MNCs). The Dutch East India Company was the first multinational corporation in the world and the first company to issue stock (Heidenreich. 2012). It was arguably the world's first mega corporation, possessing quasi- governmental powers, including the ability to wage war, negotiate treaties, make money, and establish colonies.

The history of multinational corporations in developing countries is marked by its origin in the policies of imperialism and Colonialism. Nigeria as a developing country has played a host to MNCs long before independence till date. The number and activities of these MNCs have grown over time as Nigeria struggles to develop socio-economically as a nation, Onudogo (2013). Multinational corporations are those powerful conglomerates that came into being in Nigeria after the abolition of slave trade, Aworom (2013). As a result, the European countries needed a market for surplus products and a place to access cheap raw materials and labour, Africa especially Nigeria became the obvious destination. They dominated the Nigerian economy after her independence.

Consequently, today Multinational Corporations like the United African Company (UAC), Coca-Cola, Lever Brothers, Mobil, Shell etc dominate the landscape of Nigerian economy. These corporations are rich in all ramifications because of the profit they make in Nigeria. For instance, Nigeria is one of the largest producers of oil in the world which accounts for over 80% of her income. Since this sector of the economy is efficiently controlled by multinational corporations who make large sum of profit from the industry, one expects that they should shoulder the developmental process in Nigeria but too sad the opposite is the case. Most of these corporations have been fingered on numerous cases playing active roles in the underdevelopment of Nigeria. These corporations are distinguished based on their orientation into "ethnocentric" (home -country oriented), "polycentric" (host- country oriented) or "geocentric" (world oriented), Bernadine (2003).

International business is the spur for multinationals, and both are currently boosted by the wave of globalization. The concept of globalization has given authority to multinational corporations/enterprises to operate more easily in other parts of the world other than their home countries. The term globalization means integration of the world economies into one in a phenomenon called 'global village' Onudugo (2013). No one can deny the importance of MNCs in the present global business arena- there is normally large capital investment in certain economic activities; the country can enjoy varieties of products, services and facilities, brought to their doorsteps, there is creation of more jobs for the populace; the nation's pool of skills are best maximized and put to proper use efficiently; there is progression in technology as these companies bring in state-of -the-art technology for their businesses. Most of the products we make use of today are supplied by multinational corporations. Their presence and importance in our lives and society are undeniable facts. They have developed significant advantages which can be put to the service of world development. Their ability to tap financial, and human resources around the world and to combine them in economically feasible and commercially profitable activities, their ability to develop new technology and their productive and managerial skills to translate resources into outputs have proven to be extraordinary.

At the same time, the power vested in their hands and their exact or proper use of it, their ability to shape demand patterns and values to impact the lives of the people and government policies, as well as their impact on the international division of labour, have raised concerns about their role in the affairs of the world. This concern is probably heightened by the fact that there is no functional procedure of monitoring their activities and discussing them in an appropriate and articulated forum. The importance of the foreign private sector to the development of developing countries was pointed out in the International Development Strategy for the Second Development Decade unanimously adopted by the United Nations General Assembly in 1970. Countries such as Singapore, Thailand and Malaysia have encouraged foreign direct investment actively because of the immense positive impact which multinational corporations have created on their economies. China's growth in the coastal sector is undisputedly linked to the massive investments by multinational corporations. However, historically Japan and Korea have pursued more cautious policies regarding investments by multinational corporations. Heindereich, M (2012).

Although, Bulu and Ango (2012) reports that multinational corporations are now trying to manage these ambiguous set, hence; they are usually accused of destructive activities such as damaging the environment, complicity in human rights abuses, and involvement in corruption and stifling of infant industries autonomy issues in the host countries by implementing Corporate Social Responsibility (CSR) strategies, because such problems may risk the success of their operations and activities. But it is not in the nature of the MNCs to solve social or economic problems of the host countries. In Nigeria, the activities or operations of multinational corporations have been identified as questionable because of the ills they have caused on the society. Because of their formidable resource base, they dominate the economy, collapse the indigenous businesses and in the process create a monopoly in the oil sector which is the economic mainstay or financial base in Nigeria, the said corporations perpetrate dangerous activities such as pollution of the environment, insufficient supply of technology, violation of human rights, outright refusal to discharge their social responsibilities, gas flaring which destroys wildlife, seafoods and farmland especially in the Niger Delta region without proper compensation. The activities of these multinational corporations have led to increase in anti-social activities such as drug abuse, kidnapping, armed robbery and murder. On the impact of these activities on the socio-economic development of Nigeria, Ajaero, submits that Nigeria lost N2.46 trillion in 2006, N2.69 trillion in 2007, and 2.97 trillion in 2008, through attacks on oil installations resulting in shutdowns and spillages. Nigeria has also lost billions of naira to foreign countries through act perpetrated by multinational companies such as tax evasion, bribery, under- declaration of profits, over-invoicing, smuggling, and racketeering. This mainly concerns oil companies operating in Nigeria.

The main objective of this study is to dissect the negative impacts of multinational corporations on the Nigerian economy. Basically, the study sought to find out possible ways of reducing this impact on the Nigerian economy and examine how multinational corporations can be managed to ensure economic growth and development in Nigeria.

BRIEF HISTORY OF SOME MULTINATIONAL CORPORATIONS IN NIGERIA
Historically, the roots of modern MNC dates to Europe's great trading companies in the 19th

century industrial revolution and capitalism in Europe where the exports of capital and production technology to pre-industrial territories in Africa, Asia and Latin America were championed by the big industrialised powers notably Britain, France, and Germany. In the early 20th century, the United States found competition of the European economies in the export of productive technology and foreign investment; such American predators were singer sewing machine, Otis elevator and general electric. The growth of MNCs declined in the First and Second World War periods (1914-1918, 1939-1945).

Nigeria is the most populated country in Africa. It is a source of large and quite unending pool of customers for a whole range of products. So, it is no surprise that many international companies in Nigeria are setting up facilities to exploit the rich customer source. There are various types of multinational corporations in Nigeria, but would discuss a few.

Chevron

Chevron is one of the big guns of energy production in the world. The company was established in 1879, and its headquarterd in San Ramon. Chevron has many brands under its umbrella, some of which include Standard Oil, Ursa, Texaco, Caltex, Star Mart and Havoline. It is operational in more than 180 countries, including Nigeria, which makes it a multinational company in the country.

Chevron is the largest producer of geothermal energy in the world, and it has made great strides in creating alternative energy sources to reduce the overall emission of dangerous particles into the atmosphere.

Coca-Cola

Coca Cola is a multinational beverage brand that has moved from its initial establishment in Atlanta, Georgia, United States, to over 200 countries globally. Coca-Cola is one of the most consumed beverage drinks in Nigeria. Their products are top class, with many flavours to suit a wide range of customers in the market. The various brands under the Coca-Cola Company include; Fanta, Schweppes, Sprite, and many more.

Coca-Cola is fully licenced to operate in Nigeria, and their establishments are some of the top companies in Lagos. Their head office is at Iddo House, Iddo, Lagos, Nigeria.

Shell

Headquartered in the Hague, Netherlands is the oil and gas juggernaut company, Shell. The company is the fifth largest company in the world, and they deal with energy and petrochemicals.

Shell is currently operational in over 70 countries and globally. It aims to create sustainable and environmentally-friendly energy solutions for the future and has a heavy presence in the Niger Delta area of Nigeria. It also has major establishments in different parts of Nigeria, and their offices are highly rated on the list of multinational companies in Abuja. Shell's head office in Nigeria is at Constitution Ave, Phase 2, Federal Capital Territory, Abuja, Nigeria.

Theoretical Framework

The study reviewed two theories to help throw more light in explaining the nexus between

multinational corporation and Nigerian economy. They are Dependency Theory and Unequal Exchange Theory.

The study lies on dependency theory developed by Boxborough (1974). According to the theory' dependency connotes a sought of parasitic relationship that exists between the highly industrialized and the less developed ones in a manner that ensures the continuous advancement of the former to the detriment of the latter. The theory defines the relationship between Nigeria and the multinational corporations, particularly their owners as asymmetrical in nature. This theory represents the complex politico-economic relationship that binds the developed capitalist countries of the Centre and the other countries in the periphery, such that the movement and structural formation of the former decisively determine those of the latter in a manner somehow detrimental to the economic progress of the other societies. Countries such as Ghana, that at some point experimented with the dependency theory have achieved neither prosperity nor greater economic independence. Rather they have experienced poverty in a higher level, misery and greater dependence on international aid and charity. Ahiakpor, (1985).

The second theory to be considered here is the unequal exchange theory. This theory equally explains the situation in Nigeria. According to Arghiri (2016), underdeveloped countries are exploited through the process of unequal exchange. In the realm of international trade, the former sells their commodities below value; this gives room for veritable means of underdevelopment. In Nigeria, our crude oil is sold at a much-reduced price to the multinational corporations who refine it and sell back to us at very exorbitant prices.

Negative Impact of Multinational Corporations on the Nigerian Economy

Nigeria is so affected by the negative activities of these multinational corporations. Their activities have affected our economy in numerous ways. These are:

- **Environmental degradation:** This is more pronounced among the oil producing companies/firms in Nigeria some of which are Chevron, Mobil Exxon, Shell and Agip Oil Company. These companies have blatantly degraded our environment, farmland, wildlife, rivers through gas flaring, oil spillages, Ibeanu, (2009). In same vein, millions of naira have been lost in the process oof tackling these issues because they seriously impede economic growth and development of the country. For example, Nigeria lost 2.456 trillion in 2006, 2.69 in 2007, and 2.97 in 2008 as a result of the activities of these multinational corporations.
- **Technological backwardness:** It is in this area that MNCs have performed poorly. The MNCs by a way of purporting to help industrialize Nigeria creates a branch- plant economy of small inefficient firm's incapable of propelling overall development. The local subsidiaries exist only as enclaves in the host economy rather than as engines of self-reliant growth. These corporations intentionally and cunningly introduce inappropriate type of technologies that hamper indigenous technological development. These MNCs employ capital intensive productive techniques that causes unemployment. All these prevents the emergence of domestic technology. Before the coming of MNCs, in Nigeria, there were numerous assorted types of technologies all over the country, even though they were of a low scale type. The MNCs rather than help them grow, knocks them systematically through the

introduction of more advanced technologies. The MNCs both retain the control of the most advanced technology and do not transfer it to Nigeria or the rest of the developing economies at reasonable prices. Heidenreich, M. (2012).

The negative impact of MNCs on Nigerian economy is most pronounced in this area of technology transfer. Ozoigbo and Chukuezi (2011) noted that there are four main reasons for this assertion:

7. Most of the imported technologies came under the industrial property system of restrictive patterns and license. This is a very sensitive barrier for Nigeria. The implication for this is that Nigerians cannot copy and internalize these technologies even if the capacity to do so is available.

Because of this, Nigeria must make do with dependent development, which has various deleterious economic consequences.

8. Another point of skilful deceit by the MNCs is the fact that where competent and qualified indigenous staff are to be exposed to the technological know-how of a type of production.

Sometimes the type of technology they are exposed to is so sophisticated that they are mesmerized by it. In some instances, the high capital that may be needed simply embarrasses the nation in that they cannot afford it instead she chooses to let it go.

9. The MNCs jealously guard the technological know-how of their technologies by way of refusing to make use of competent staff. The MNCs instead uses mere technicians who are at the last rung of productive process and simply assemble what they knew not how it was produced. By implication, Nigerians cannot learn from the technicians the intricacies involved in the production of the product.

10. The MNCs increase the mal distribution of income in Nigeria and in other less developed countries. The case of oil workers earning in a month what some federal workers earn in a year does not augur well with the development of the nation. This step creates a class-conscious society, which does not help development as such.

- **Structural Distortion:** The principle of industrialization in an open economy of the Nigerian government in relation to the MNCs has given the MNCs the freedom to choose their line of operations, the locations of their industry and other productive processes. The MNCs natural base is usually in urban centres of the Nigerian society like Lagos, Enugu, Port-Harcourt. The industries in these cities are mainly those of oil and consumer goods. This urban concentration of MNCs distorted the structure of the society by enhancing an unequal "development".

OPERATIONS OF MULTINATIONAL CORPORATIONS IN NIGERIA

Multinational corporations have for some time now gained notoriety in the area of human rights and labour rights in Nigerian economy. The operations of multinational corporation in these spheres have continued to generate a vast number comments and research activities. Operations of multinational corporations in Nigeria cuts across virtually all sectors of the economy, for example mining, technology transfer, banking and finance, etc.

Mining and Extraction of Oil

The operations of multinational corporations in the country increased significantly with the discovery of crude oil in Nigeria in the late 60s. Today, Nigeria earns 95% of its export revenue from oil and gas sector. The oil and gas sector are dominated by foreign multinational corporations operating in some form of partnership with the Nigerian National Petroleum Corporation (NNPC).

Multinational Corporations are mostly concentrated in the Niger Delta area of Nigeria where more than 80% of oil exploration operations are carried out. The people in the Niger Delta have had to contend with the burden of environmental degradation including oil spills from the pipelines polluting land and waterways, gas flaring polluting the air and destruction of fishing and farming opportunities leading to the destruction of the livelihood of farmers and fishermen in the region.

Technology Transfer

The operations of multinational corporations in Nigeria is evident in the area of technology transfer. In this aspect most of the imported technologies came under the industrial property system of restrictive patterns and license. This is very sensitive barrier for Nigeria. The implication of this is that Nigeria cannot copy and internalize these technologies even if they have the capacity and willingness to do so because it is illegal for them to do so. Because of this, Nigeria has to make do with dependent development, which has several deleterious economic consequences.

Possible Ways Of Reducing The Negative Impacts Of Multinational Corporations In Nigeria

- **Strict Penalties and Sanctions:** These measures have the capacity to control corrupt practices. Government should frequently impose more strict penalties on the directors of companies and threats of corporate closure.
- **Corporate Environmental Policy:** Companies committed to reducing their environmental impact usually create a set of environmental principles and standards, often times including formal goals. At minimum, most of such statements express a company's intentions to respect the environment in the design, production and distribution of its products and services; to commit the company to be in full compliance with all the laws and go beyond compliance whenever possible; and establish an open-book policy whereby employees, community members and others can be informed of any potentially adverse impact the company might have on the environment.
- **Green Products:** Products themselves may be made more environmentally friendly, with regard to, for example, the control of emissions, noise, reduced health and safety risks, and energy requirements.
- **Employee Training /Involvement:** Leadership of companies recognizes that to be effective, an environmental policy needs to be embraced by employees throughout the

organization, not just those whose work is related to the environment. To do that, companies should engage in a variety of activities, especially education, to help employees understand the environmental impact of their job and to support their efforts to make positive changes. Some companies go further in helping employees become more environmentally responsible throughout their daily lives, helping them build true environmental ethics. Besides education, many companies create incentives, rewards and recognition programs for employees who demonstrate their environmental competence.

- **Effective Regulatory Mechanism:** Investors must be carefully screened so that only genuine ones can be allowed to do business. This will ensure the kind of investment that is welcomed would complement the developmental objectives of the host country and equally ensure that only multinationals that meet the developmental objectives are welcomed.

Conclusion

Multinational corporations are major vehicles by which globalization is affecting businesses in various parts of the world. Globalization further makes the influence of multinational enterprises more pervasive and impacting. The operations of multinational corporations constitute mixed blessing, this simply means that operations in Nigeria affects the nation positively and negatively.

Nigeria as a developing country can only benefit immensely from the operations and activities of these multinational corporations if strict consideration is given to the environment in which they operate. Since these corporations are components of the society, they must yield themselves to the fair requirements of the society, for, their relationship is paramount and reciprocal (the corporation needs the society, just as the society needs the corporation).

Recommendations

- . Discrimination in employment policies and salaries of workers should be ruled out, and selection of staff should be encouraged to benefit the citizenry.
- . A technology transfer policy should be formulated which will be binding on any company wishing to do business in Nigeria. This policy will boost our image and prestige thereby ensuring sustainable economic growth and development.
- . The Nigerian government should form and implement strict laws concerning active participation in the operations of these multinationals and make defaulters face the penalty to help curb their nefarious operations.

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