Contributions of Multinational Corporations to Socio-Economic and Political Development of Third World Countries: A critique of Nigerian Experience

BASSEY, ANTIGHA OKON (Ph.D.), Lecturer, Department of Sociology, Faculty of Social Science University of Calabar, P.M.B. 1105 Calabar C.R.S. – Nigeria

BISONG, PATRICK OWAN, Lecturer, Department of Sociology, Faculty of Social Science, University of Calabar, P.M.B. 1105 Calabar C.R.S. – Nigeria

OMONO, CLETUS EKOK, Lecturer, Department of Sociology, Faculty of Social Science University of Calabar

ABSTRACT

The paper reviewed the contributions of multinational corporations (MNCs) to the socio-economic and political development of developing countries. Using Nigeria experience and drawing examples therefrom, the paper reveals that the supposed gains from the operations of multinational corporations as presented by pro-western scholarship are more of myths than reality. The paper noted such negative impacts of MNCs activities to include: perpetration of agrarian economy; exploitation of labour; accumulation and capital flight; technological retardation; structural distortion; political instability; cultural degradation and subvertion of host public policy process, etc. In view of the detrimental consequences of MNCs operation, the paper recommended regulation by legislation of MNCs operations by host countries, nationalisation and indigenisation as strategies of ameliorating the attendant negative consequences.

Keywords: Multinational, Corporations, Development, Contributions, and Underdevelopment

INTRODUCTION

The Impact of Multinational Corporations (MNCs) in the development of global economic formations attracts the attention of scholars in the fields of political science, economics, sociology and geo-politics. Prominent among such scholars in analysing socio-economic formations in contemporary Nigeria is Professor Bade Onimode, a political economist of International Repute. This paper is a discussion of Onimode’s statement that "There can be little doubt as to our overall conclusions concerning the impact of MNCS in Nigeria. We have found more myth than reality".

This paper primarily attempts a critical overview of the capitalist explanation that Multinational Corporations are engine of growth in developing countries. It focuses on a comparative analysis of the gains and perilous effects of the operations and activities of these corporations on Nigeria socio-economic and political development.

The line of this discussion will follow contending philosophical foundations guiding the growth and expansion of MNCs and real development of developing countries, like Nigeria, A Multinational Corporation is a company which is mainly located in a developed country and have subsidiaries in other countries (mostly underdeveloped countries). A more embracing definition is given in Ozumba (1997).

"an oligopolistic Corporation in which ownership, management, production, and sales activities extend over several national jurisdictions. It is comprised of a head office in one country with a cluster of subsidiaries in other countries. The principal objective of the corporation is to secure the least costly production of goods for world markets; this goal may be achieved through acquiring the most efficient locations for production facilities or obtaining taxation concessions from host governments."

The emergence of Multinational Corporations in Nigeria dates back to the period of Mercantilist trade, when European traders and explorers came to trade in West African coast, including Nigeria’s Coastal
Towns like Calabar, Opobo and Lagos. This trading started with Human Merchandise and progressed to primary products like palm produce, cocoa and cotton. These companies transcend from pre-colonial to colonial and post colonial. The MNCS dominated all sector of African economy before independence,

Walter Rodney (1972) noted the existence of the following foreign companies in pre-colonial and colonial Nigeria which metamorphosed to the present day Industrial giants: G. B. Olivett, Compagnie Francaise d’Afrique Occidentale; Societe Commercial Quest Africaine; Royal Niger Company; John Holt; Cadbury; Elder Dempster; Standard Bank; and United African Companies. These companies developed and expand through mergers, change of hand and outright purchase. Their development also reflects their adjustment to domestic economic policy and internal political development in Nigeria.

**AN OVERVIEW OF MULTINATIONAL CORPORATIONS AS IMPERATIVE FOR DEVELOPMENT**

One of the major prognoses of the bourgeois economics for the development of third world countries is abiding in the doctrine of comparative advantages in the production of primary products and the creation of enabling environment for foreign investment through economic liberalisation. The marketing of these primary products is expected to yield foreign exchange (FOREX) which is going to be the capital base for Industrialization in developing societies. The Industrialization is to be fostered by Multinational and Transnational Corporations domesticated in the periphery country (like in Nigeria as public liability company, Plc) or by joint ventures between foreign companies and developing countries governments. Hence, the claims that Multinational Corporations are engine of growth.

The myth of the bourgeois postulate can only be realised in the purported impact of MNCS on the development of the Satellite or Periphery Countries (developing). This is based on classical, neo-classical, and the keynessian economic Interpretation and the Modernisation paradigms of McClelland (1961), Rostow (1960) and Piero Gheddo and Offiong (1982 ). One major impact of MNCS in developing countries like Nigeria is the provision of Investment capital. The Orthodox economist argued that the bulk of investment capital in third world countries is provided by the Multinational Corporations.

It is equally claimed that the Multinational Corporations boosted the periphery economy by the provision of employment opportunities. This employment provided income to boost saving and investment, the process of which is expected to result in capital accumulation, to finance industrial takeoff. Thirdly, the corporations are said to serve as agent for the transfer of technology to developing countries. The argument goes that the corporations established manufacturing industries and factories and employed citizens of the host country. Hence, technical and managerial know-how are passed onto them. Finally, the bourgeois scholars stressed the contribution of Multinational Corporation to Government Revenue in the developing countries in terms of export and import tax, royalties, donation to government development project through corporate social responsibility etc.

It is assumed as in Nigeria that 85% of all revenue accruing to the Federal Government is sourced from Oil Multinationals operating in Nigeria, such as Exxon Mobil, Chevron, Shell, Agip etc (Buhari, 1995). The above explanations are given by western capitalist apologists; who, according to the words of Rodney (1972) are always distorting fact to buttress their argument in order to maintain the status quo of world economic relations which ensure the exploitation of the under-development or of the third world countries and the ever economic development of the Western metropolitan countries. This is the myth of Western scholastic explanation. The reality concerning the real impact of Multinational Corporations in Nigeria can only be realised with the critical analysis of economic formations and production relations in Nigeria, arising from the activities of Multinational or Transnational Corporations operating in Nigeria, from pre-colonial era to present day. This can be achieve by employing a more realistic and pragmatic mode of enquiry, which is the radical approach of enquiry in political economy as championed by Onimode (1983).
A CRITICAL ANALYSIS OF THE IMPACT OF MNCS IN NIGERIA

Extensive research has been undertaken by indigenous political economists of no mean status. Bassey In Ozumba (1997) explained, the activities of Multinational in Nigeria development crisis, looking from the perspective of Onimode (1988), he noted the corporations’ exploitation of third world economy through:

"The pillage of natural resources, super-exploitation of labour, net capital transfer, technological retardation, structural distortions, political instability, and Cultural degradation’’.

It is on this direction that the real activities of MNCs in Nigeria are discussed. All these are achieve, through the monopolistic control of markets, production and technological innovation by these Corporations, which integrates Nigeria into the global capitalist mode of production mainly as the producer and marketer of raw material, as well as the supplier of suitable location and cheap labour to MNCs to aid their profit maximization, and repatriation.

In the same direction, Nwankwo (1981) exposed such negative actions of Multinational Corporation as: clandestine accumulation of funds, devices for restricting competition, establishing economic control, ordering of Nigeria economic structure, subversion of public policy, tax evasion and ensuring the dependency of Nigeria on the European and North American economic blocks.

This myth of the bourgeois claimed that Multinationals Corporations are imperative to the development of Nigeria and other third World Countries can not be unravelled without a critical assessment of the very impact of each of the variant arguments of the radical scholars, as represented by Onimode (1983). The examination of these arguments follows historical and dialectical materialism as a tool of analysis and it is not system centric as applicable in radical literature to prevent bias of any form.

PERPETRATION OF AN AGRARIAN ECONOMY

The present day Transnational Corporation in Nigeria like the U.A.C.N (United African Companies of Nigeria) is a merger of various European trading companies bought over by the Unilever of Britain before its subsequent privatisation. This company even till today has a number of subsidiaries that engage mainly in the purchase of cash crops, which they bought and processed in their metropolitan plant to re-export to Nigeria. This act blocks the development of the existence of research, development and innovative technology in Nigeria.

The economic blue-print of the World financier, World Bank and Economic Monetary Fund (IMF), which are executed in third World Countries by MNCS further place Nigeria perpetually as agrarian economy since we engage mainly in the production of primary agricultural product for export as in the classical doctrine of comparative advantage and international division of labour. In this regard the MNCS perpetuate Nigeria dependency in World product price system, controlled by the Western Capitalist Countries. This explanation supports Onimode’s (1985) argument of the MNC’s pillage of Nigeria natural resources.

EXPLOITATION OF LABOUR

One major factor for the location of industry is the availability of labour. The MNCs realised and sited a number of their plants in Nigeria through which they employ Nigerians as cheap labour, since corporations pay Nigerian workers lower than foreigners from the core country higher than their counterparts, within the same job specification.

Secondly, nationals of core countries employed in the MNCs like Mobil Producing Nigeria Unlimited or Chevron Oil are paid in hard currency (Dollar) while their indigenous workers are paid in Naira. Under this practice, a foreign expert collects ten times the amount paid to a Nigeria with equivalent qualification, expertise and experience. The proceed from this appropriated exploitation is re-invested in the research and development at the metropolis while nothing is done in Nigeria. Offiong (1980) clearly exposed these sharp practices by Dunlop subsidiaries in Nigeria.
ACCUMULATION AND TRANSFER OF FUNDS

The MNCs devised several means of illegal accumulation of funds. Nwankwo (1981) explains that local subsidiary of the MNCs payment for imported materials and services provide an opportunity for effecting additional transfer of funds through overpricing, which increases production costs, decreases the rates of profits and keeps the company away from the attention of the government.

For instance, Offiong (1980) shows the sharp practice by Michelin that pay for its goods before they arrive and before the shipping papers have been completely submitted. Hence, the company received half of what it pays for and the other part form part of their illegal capital transfer. This analysis proved that MNCs subvert tax valuation procedure and are under-taxed. This is contrary to bourgeois scholars’ claim that the MNCs contributed immensely to government revenue generation.

TECHNOLOGICAL RETARDATION

One of the most outstanding claim of the benefit of MNCs to third world countries as earlier put up is the issue of technology transfer. This Western capitalist postulate generated a lot of controversy and attack from the radical scholars. The notion of transfer of technology is more a myth than reality when one critically looks at the actual practice of the MNCs,

Firstly, the MNCs only established trade outlet for the purchase of raw-materials and sales of finished goods brought from home plant. Secondly, these raw materials are packaged and sent abroad for processing. Thirdly, the processed raw materials are re-imported to Nigeria for packaging and sales to consumers. Hence, research and development are carried out abroad.

Even at the assembling level, the machines are fabricated abroad and only sent down for work here. Any Nigerian who gained little knowledge will be disappointed because such installation will become obsolete few years after its installation. The Nigerian subsidiary depends entirely on the importation of spare parts, technical know-how to service and maintain the machines. This explains a situation of technological dependence rather than transfer,

Claude Ake in Eminue (1997) clearly unravelled the secret of MNCs intrigues concerning technological transfer by guiding technology through patent right and licencing, proving that technology is not a commodity that can be bought unhand. This explanation underscores the capitalist conception that MNCs are the major sources of technological transfer for the industrial development of Nigeria and other third world countries.

The situation is exemplified when making case studies of technology transfer in Nigeria, with particular reference to the construction of Eko Bridge, Paper mill project at Jebba and refinery in Port-Harcourt. In this respect, specialist and skilled men were nationals of foreign countries in control of the companies carrying out the project. Ekpe (1996) opined the following as ill consequences of technology transfer by MNCs: repatriation of dividends; royalties; technical, managerial and administrative fees via a very long chain of dubious consultancy; intra-company loans and equity subscription; transfer pricing which is discrentional pricing for goods and services within the corporation and foreign exchange remittance. These processes are exorbitant both in time and money, and can only sap a country's energy, with little time and manpower left for either adapting or even initiating technology. In this regard, the MNCs importation of product close market for local product and hinders the development of product perfection and innovation, therefore clamping down the development of indigenous technology (Rodney, 1972),

STRUCTURAL DISTORTION

Operating under the concept of international division of labour and comparative advantage as outlined earlier the MNCs determined their area of business, mode of production, product specification, and location strategy. These four variables have negative impact on the structuring of Nigeria economy and her relation in world economic system.

In Nigeria, UACN controlled the entire commercial and manufacturing subsector through its numerous subsidiaries before 1990. UACN engaged in the buying and processing of primary product.
This resulted in Nigeria producing only primary products, the price of which is determined by world product price index which is at the detriment of Nigeria and other third world countries.

The most vibrant sector of Nigeria economy i.e. the oil sector is the most lucrative. MNCs like Shell BP (British, Dutch), Gulf (America), Tanneco (America), Mobil Exxon (America), Agip (Italy), Satrap (French), Philips (America), Occidental (America), Texaco (America), and Deminex (German). This concentration in one product rendered Nigeria as a mono-economy. The consequence of this is that any alteration in the price of this product has direct consequences in the economy. For instance the fall in price of oil was one of the major reasons for the Federal Government to review downward the National Minimum Wages. Finally the location of MNCs in urban areas in Nigeria to exploit cheap labour worsen the problem of rural-urban drift. This was the major reason that motivated current research at the Centre for Advance Social Science (CASS) which called for research proposal in Urban Renewal and Rural Development.

POLITICAL INSTABILITY

Offiong (1980) reviewed the role of the America Central Intelligence Agency (C.I.A.) and their global giant (Multinational Corporations) in political instability in third world countries. He noted the collision of the CIA, General Motors, and International Telephone and Telegraph (ITT), both U.S. multinational companies in the destabilization of President Allande regime in Chile. In Nigeria, it is noteworthy that the Vice Presidency of ITT Chief M.K.O Abiola occupied, in the seventies underscored his Presidential Campaign, since he was seen by the intellectual class as agent of American imperialism. It is also worth to note that the Nigerian Civil War and the assassination of General Murtala Mohammed was occasioned by oil politics on the part of Multinational Corporations operating in the country. British petroleum which the Murtala regime renamed African petroleum account for the aborted coup of 1976 (Ekpe, 1996).

CULTURAL DEGRADATION:

The MNCs sell mainly products from Western manufacturers in Nigeria, imported from their Home Companies. These product are so advertised to attract the passion and emotion of Africans. As a result, we see our products as inferior to the Western product, adopting the later at the detriment of the former. For instance we now officialise western dressing and African traditional dresses are not preferred at official quarters. The language of European trade become the dominant language in Nigeria, all this alter our thinking about ourselves and the native products of our culture as inferior, (Rodney, 1972).

MONOPOLISTIC ECONOMIC CONTROL

This can be seen in MNCs activities as in the case of UACN controlling about 92% percent of the manufacturing sector in Nigeria, (Emuine, 1997). The gains of UACN from large scale production makes it impossible for local industrialists to compete with. Because of the large scale production, their price per unit will reduce, resulting in lower prices for the MNCs products in comparison to that of our local industrialist. This pushed the local manufacturer to close down his factory.

SUBVERSION OP PUBLIC POLICY

MNCs operation and its relationship with the parent companies at the core countries are so interdependent that they rendered the economic policy of the satellite countries to be ineffective. This can be seen when examining a number of public policies in Nigeria, such as; Monetary, fiscal, privatisation and commercialisation, and indigenization policy.

The indigenisation policy was subverted in various ways by MNCs. For instance, the U.A.C re-grouped in order to by-passed various schedules of the policy and maintained their monopolistic control. MMCs equally give to some of their loyalist loan to buy up the companies indigenised as front men. A situation which produced a Nigerian enterprise operating directly under foreign control. The manpower indigenisation policy was also subverted as MNCs raised Nigerian employees to
management status without functional portfolio, a situation Offiong (1980) referred to as monks without hoods.

The situation whereby MNCS altered their Accounting papers to avert tax amount to subversion of fiscal policy of Nigerian government and the act of price rescheduling and product exchange with core affiliate or home company, underscore the Monetary policy with regards to foreign exchange regulation. The activities of these MNCs include various sharp practices like expatriate quotas swapping which fault Nigeria’s immigration policy.

The critical analysis so far made follows the radical thesis that the very process that led to the development of the core countries led to the under-development of the periphery or satellite states. This is further reveal by multinational corporations manipulation in post second world war era, economy of new dependency countries (Ekpe, 1996). Hence multinational corporations are not agents of development, but the device for the exploitation and sustaining of further underdevelopment of third world countries as seen in Nigeria.

CONCLUSION

This paper started with an overview of the impact of MNCs as the only way to the development of Nigeria. And a critical examination of which was undertaken to review various factors in the development myth of the MNCs apologist. The findings of this discussion at various stages of the analysis provided us with more myth than reality.

The activities of multinational corporations are detrimental in all ramifications to the socio-economic and political development of host country. In Nigeria, lucrative employment in MNCs is not for Nigerians both foreigners, capital is mobilised and repatriated to metropole, public policy is subverted. Any gain provided with one hand is retrieved with two hands.

It is recommended that government of developing countries should nationalise and indigenise all MNCs operating in their countries. Serious effort should be directed towards manpower training and capacity building to fill gap to be created by repatriation of expatriates. New operating policies and regulatory framework to be formulated to ensure true nationalisation and indigenisation as MNCs promotes socio-economic retardation and underdevelopment rather than fostering development.

BIBLIOGRAPHY