Multinational Corporations and the Socio-Economic Unrest in the Niger-Delta Region of Nigeria

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Abstracts

The focus of this study is to address the challenges and impacts of multinational corporations on the socio economic development of the Niger-Delta region of Nigeria. Indeed the region and Nigeria in general has been very much affected by the deleterious activities of the multinational corporations, operating in the country. Their abhorrent acts have affected her economy immensely and has inspired unrest in some parts of the country, particularly the Niger-Delta region of Nigeria which host most of the major multinational corporations from different parts of the world.The activities of multinational corporations have been identified as questionable or even unethical because of the harms they have caused the society. In the oil sector for example, which of course is the economic mainstay in Nigeria, these corporations perpetrate heinous activities such as pollution of the environment, inadequate technology transfer, violation of human rights, blunt refusal to discharge their social responsibilities, gas flaring which destroys wildlife, seafood's and farmland especially in the Niger-Delta region without adequate compensation

Introduction

Multinational Corporation or Worldwide enterprise is a corporate organization which owns or controls production of goods or services in at least one country other than its home country. Black's Law dictionary suggest that a company or group should be considered a multinational corporation if it derives 25% or more of its revenue from out-of-home country operation. Multinational Corporation can also be referred to as: Multinational Enterprise, Transnational Enterprise, Transnational Corporation, International Corporation and Stateless Corporation. To conceptualize multinational company Walshi L.S. (2004) explains that a multinational company produces and sell at both home and abroad.

The Dutch East India Company was the first multinational corporation in the world and the first company to issue stock (Mondo,Visione, 2008). It was also arguably the world's first mega corporation, possessing quasi-governmental powers, including the ability to wage war, negotiate treaties, coin money, and establish colonies, (Ames, Glenn.J. 2008). The history of multinational corporations in developing multinational countries is marked by its origins in policies of imperialism and Colonialism.

Nigeria as a developing country has played 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 place to access cheap raw materials and labor, Africa especially Nigeria became the obvious destination. They dominated the Nigerian economy after her independence.

Most of the Neo Marxists believe that the MNCs are exploitative, as natural resources found in developing countries such as Nigeria meant for its developmental goals are not productively utilized due to decapitalization of the economy in form of profit repatriation, (Osuagwu and Onyebuchi, 2013). Ozoigbo and Chukuezi, (2011) in full support of this claim argued that the idea of investing in foreign land is not to better the lot of the host nation but to exploit as much as possible in order to develop the home country. In Nigeria, the activities of multinational companies have been identified as questionable

or even unethical because of the harms they have caused on the society.

In the oil sector which is the economic mainstay in Nigeria, these corporations perpetrate heinous activities such as pollution of the environment, inadequate technology transfer, violation of human rights, blunt refusal to discharge their social responsibilities, gas flaring which destroys wildlife, seafood's and farmland especially in the Niger-Delta region without adequate compensation.



2008 Oil Spill In Niger Delta

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The spill in 2008, caused by a fault in a Shell pipeline, resulted in tens of thousands of barrels of oil polluting the land and creek surrounding Bodo, a Niger Delta town of some 69,000 people. Please see the pictography bellow:



The previously unpublished assessment, carried out by US firm Accufacts, found that between 1,440 and 4,320 barrels of oil were flooding the Bodo area each day following the leak. The Nigerian regulators have confirmed that the spill lasted for 72 days. Shell's official investigation report claims only 1,640 barrels of oil were spilt in total. But based on the independent assessment the total amount of oil spilt over the 72 day period is between 103,000 barrels and 311,000 barrels.

More than three years after the Bodo oil spill, Shell had yet to conduct a proper clean up or to pay any official compensation to the affected communities. After years of trying to seek justice in Nigeria, the people of Bodo took their claim to the UK courts.Thousands of activists in more than 14 countries from Japan to Sweden, Senegal to the USA, as well as in Shell's home countries the Netherlands and the United Kingdom took part in events and protests, including outside Shell's offices and petrol stations, calling on Shell to clean up its act in the Niger Delta.

Equally, the activities of these multinational corporations have led to increase in anti-social activities like drug abuses, prostitution, kidnapping, armed robbery and murder etc. On the effect of these kidnappings on the socio-economic development of Nigeria, Ajaero (2010) submits that Nigeria lost N2.46 trillion in 2006, N 2.69 trillion in 2007 and N2.97 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 profit, over-invoicing, smuggling, and racketeering (Alaye, 2010).

Foreign Direct Investment

Foreign Direct Investment is an investment made by a firm or individual in one country into business interests located in another country. Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interests in a foreign company. In other words a Foreign Direct Investment is an investment in the form of a controlling ownership in a business in one country by an entity based in another country.

Broadly FDIs can be made in a variety of ways which includes;

- Mergers and acquisitions or joint venture with a foreign country
- Building new facilities
- Acquiring a controlling interest in an existing foreign economy etc.

In a narrow sense, FDI refers just to building new facilities and a lasting management interest (10% or more of voting stock) in an enterprise operating in an enterprise operating in an economy other than that of the investors

Socio-Economic Unrest in the Niger/Delta Region of Nigeria

Despite abundant oil wealth in the Niger Delta region in the southern-east Nigeria, resident lack basic services including electricity, pipe-borne water, health clinic and schools, the region has seen decades of unrest stemming mostly from local militants uprising over what they called neglect of the money making region. Former minister of defensein Nigeria, Maj Gen Godwin Abe (2nd February, 2010); calls on the Movement for the Emancipation of the Niger Delta (MEND) group to respect the ceasefire members has declared on 25th of October 2009, but ended three months later. On 30 January MEND calls off its declared ceasefire threatening an "all-out onslaught" on the oil industry in the Niger Delta oil-producing region and warning of attacks in the weeks to come. Three British workers and one Colombian were released on the 18th of January, six days after they were abducted by unknown gunmen near the main oil city of Port-Harcourt in the Niger Delta. In view of the actions of oil companies (MNC) and the Federal Government of Nigeria.(Mitee1993:17) observed that the independence constitution of 1960 and the Republican Constitution of 1963 empowered the Federal Government to pay each region 50 percent of the royalties and mining rents derived from their areas.

Consequently, the Federal Government has continued to collect all royalties, mining rents and petroleum profit tax paid by the oil companies (Ukpevo, 1993:17). (Oronto Douglas 1999:19) an environmental lawyer and Deputy-Director of Environmental Rights Action, noted that no single piece of legislation in the country has robbed, in a more vicious manner, the people of the oil bearing Niger Delta communities of their humanity than the Land Use Decree of 1978. He explained that the people of the Niger Delta were not at any

time part of the decision process before the law was promulgated.

According to (ChukwumaNwokoh1998:19), when people are pushed to the wall, or the grievances are primarily centred on neglect, injustice, armed insurgent and corruption, demands are made for reparation, control of the oil resources or complete stop of oil exploration, and withdrew of stationed armed men in their community. Consequent upon the above state of affairs in the Niger Delta region, the Movement for the Survival of Ogoni People (MOSOP) was formed in 1989. The Ogoni episode peaked in November 1995 with the hanging of Ken Saro-Wiwa and eight other MOSOP activists following their conviction by a special military tribunal for the alleged murder of four Ogoni chiefs. It was this concern that led to the Movement for the Survival of the Ijaws Ethnic Nationalities in the Niger Delta (MOSIEND). According to T.K.N. Ogonba, as quoted by ChukwumaNwokedi (1998:18) we found out that the elders in our communities in whose hands we reposed our confidence tended towards a derailment in our march towards total emancipation of our people. MOSEIND is prepared to provide succour for the neglected Izons in the Niger Delta; knowing that what the federal government gets from the area by way of resources is what sustains the Nigerian economy without the people of the area getting anything in return. The Ijaw National Congress (INC) and their youth movement in collaboration with MOSEIND signed and adopted the Kaiama Declaration of December 11, 1998, which claimed ownership of all natural resources found in Ijaw territory. The military crackdown in the communities of Bayelsa State in late December 1998 and early January 1999 led to the death of several dozens of people. The torture and inhuman treatment of others, and the arbitrary detention of many, while some were summarily executed in defense of the justification for the deployment of warships and troops by the Federal Government in Bayelsa State.

One obvious and imperative fact is that most of the communities in the oil producing areas whose inhabitants take the law into their hands and blockade of oil installations, do so because of what they consider as the utter neglect of their areas. This is because the discovery of oil when compared to the developments in these areas was seen as a curse, which has led to deprivation and capital exploitation. The magnitude of this is manifested in such areas as lack of basic amenities, such as roads, water, light, schools and health centres which are not

found in the Niger Delta region. Apparently when people are pushed to the wall, they damn all consequences. Since the eruption of the Ogoni crisis, before and in 1993, as well as the eventual hanging of Ken Saro-Wiwa and eight other Ogoni activists, the Niger Delta (the oil rich region) has been on somewhat perpetual boil, and will continue to boil(Edosomwan, 2006:40).Unless the Federal Government meets the demands of both the oil producing communities and their youths.

Sequel to the above, the Niger Delta youths have come to terms that it is better to die than to live under the Nigerian Government's continued repressions. As a result of the liberation struggle, (Tajudeen Adigun 1998:1) noted that the combined output of Chevron, Shell Petroleum Development Company (SPDC) and Nigerian Agip Oil Company (NAOC) had been cut down by about 500,000 barrels of oil per day, in a renewed wave of community unrest launched by the Ijaw, Egbesu youth/boys of Africa (EBA).

The group declared through their leaders that their demands include:

- Provision of employment for the youths
- Construction, dualized roads linking oil producing communities.
- Create more council areas in Bayelsa State.
- Establish a federal university and polytechnic in Bayelsa State.
- Provide pipe-borne water, electricity, cottage hospital and telecommunications network in all oil producing communities.

Following the arrest of three Ijaw youth activists, the Ijaw youths under the aegis of the Egbesu Boys of Africa, claimed that four Chevron workers including the supervisor of the Abiteye Flow station were taken hostage in retaliation for their arrested and detained youth activists (Okafor, 1998:3). KimseOkoko, Ijaw National Congress President, responded that the Nigerian state forgot that there were inhabitants in the places where they have been tapping these petroleum products from, and that their major source of livelihood had long been dislocated. Kimse noted further that, they intend to stop the mindless environmental degradation of the Ijaw nation occasioned by many years of oil exploitation and production by the multinational oil companies without anything to show for

it. If they had developed the indigenes and incorporated them in their activities, there would not have arisen the problem of youth's restiveness today.

He believes that through the converging of a sovereign National Conference, the answer to the problem of the Niger Delta will be found (Obari, 1999:1). Unfortunately, Odi and Ijaw – South communities suffered a great set back more than the experience of Ogoni in 1993 and 1994 where about 153 youths were killed in Ijaw south and Odi blotted out by the Federal armed troops deployed by President Ibrahim B. Babangida in 1993 and President OlusegunObasnjo in 1999 respectively. The former governor of BayelsaState, DiepreyeAlamieseigha, who visited Odiand saw the ruins of Odi lamented that, a total destruction of Odi an expected-oil producing community soon to gain political autonomy in line with Ogoni and other oil producing communities in the Niger Delta was unfortunate. According to reporters, after the attack on Odi, only 13 old women, about 2 old men and 8 children were left.

Following the position of the youths on resource control (Kaiama declaration) on Tuesday, 12th of September, 2000, all activities in the Bayelsa State capital were grounded to a halt as everybody including market women and civil servants came out enmass to give their support to the youths (Willie Etim, 2006). They all carried placards that read "on Kaiama declaration we stand, wake up all Ijaws for the control of your resources. It is God given resources, control and self-determination is our birth right. They went further to tell the Federal Government that they can no longer accept environmental degradation that was taken place in Ijaw nation. And if they continue to accept this position, their children and generation yet unborn will have no place in this country.

In a statement, the Ijaw Youths Congress (IYC) threatened to disrupt the oil companies operations in the area, which would continue indefinitely following the refusal of the transnational oil companies operating in the Ijaw land as contained in the Kaiama Declaration. An official of the youth group who briefed journalists asserted that, the Kaiama Declarations does not amount to waging war against the State, but their right to self-determination and resource control. He stated further that the answer to the problem of the Niger Delta lies in convening a sovereign National Conference which shall

be composed of equal representatives of the various ethnic nationalities in the Nigerian State.

Tam David-West, a Professor of Virology and a former Petroleum Resources Minister under president Babangida's administration, quoted by Akinrinade (1990:13) said that the only way government official can be adequately sensitive to the suffering of those in oil areas is for every member of the Federal Cabinet to take a tour of o the oil producing areas. Out of complete ignorance, policy makers may not know the full impact of the devastation in those areas. Air Commodore Dan Suleiman (Rtd) stated that many observers point to the several years of deprivation and abject poverty in the face of abundance, as the propelling force, which has made groups in mineral rich areas to start the clamor for control of these resources.

The legal framework for oil exploration in Nigeria was led by the Mineral Oil Ordinance of 1914 which vested the right to search for, mine and explore mineral oils exclusively in British subjects or companies supplied by them. However, in 1939, a consortium of Royal Dutch and Shell Petroleum, known as Shell D' Arey Company emerged and began oil exploration. From a base in Owerri – ImoState, put their operation was interrupted by the Second World War. They also resumed operation in 1946, this time British petroleum. This establish what was generally known as Shell BP joined them. It drilled its first well in 1951, but came out dry. In 1956, the Shell British Petroleum Company stuck oil at Oloibiri in the present BayelsaState. The 1904 mineral ordinance were repealed in 1958 by the 1958 mineral Act that broke the Shell's monopoly thereby bringing other international oil companies, so as to ensure that the country was not over dependent on one oil company.

The petrodollars from the sale of crude oil in the last four decades have brought a phenomenal danger in the country's economy, in the view of Dr. Uyi-EgbenOgbeide ironically, the oil industry, which has brought development to many parts of Nigeria, has become a source of misery to the people of oil producing communities whose existence is now threatened by the scourge of oil pollution. He went further to state that, the frequent oil spillage in the Niger Delta has escalated into a political figure in which the Nigerian government, Shell Petroleum Development Company and the oil rich region are pitched against one another.

For example why the huge revenue derived from oil industry has been used by the government and oil companies to build super-highways, bridges and architectural edifices in the far away cities as Lagos, Ibadan, Enugu, Abuja, Kaduna, Kano, etc, such infrastructural facilities are virtually absent in the towns and villages, in the oil producing Niger Delta region. Moreover, why employees of the oil companies receive fabulous salaries and allowances which enable them to own luxurious cars, huge mansions and expensive electronic gadgets, the peasants and fishermen in the oil producing communities can hardly afford farming instruments such as cutlasses and hoe, fishery canoes and bicycles. Majority of the peasants and fishermen live in dilapidated mud or baboo houses in fact all over the Niger Delta, there exist a juxtaposition of extreme wealth of a few educated elite connected foreign oil companies and the government, and object poverty of a majority of the population; particularly of the peasant and fishermen whose air, land, rivers and creeks have been devastated by oil producing communities. Moreover, foreign oil companies do import alien foods, services and values that usually prude the busting political and social economic structures of the Niger Delta communities, thereby under-developing this communities. Thus the militancy among the youths in the Niger Delta today is traceable to the activities of the foreign oil companies in the region.

Federal Government insensitivity to the plight of oil producing communities aggravates the crisis in the affected areas. I strongly believe that the Nigerian government recognizes the need to compensate these communities whose environment and livelihood are affected by the exploitation of natural resources, but because a lot of broken promises to develop and empower these communities in the Niger Delta areas was made and failed. The social frictions set into the relationship between the host communities and the oil exploration multi-national companies operating in these communities. According to Dan Agbebe (1998:34) The people of these communities are asking for more attention there is so little for them, because what communities face is a complicated fact of neglect and unfairness by the oil companies operating in their arras and the federal government.

Another source of controversy on resource control in the Niger Delta areas is on the revenue allocation formula.

According to (Dave Enechukwu 2008) the entertaining representation from some solid minerals producing communities to which the Federal Government has been reported as saying that the 13 percent derivation payable to the oil mineral producing states will equally be due to every state producing natural resources. This is a very serious policy statement, because it touches on one of the most contentious issues in our land at the moment and that is, the question of revenue allocation and kicked against federal government's idea to generalize the 13% derivation allocation. Though federal government had claimed to have shown concern for the Niger Delta region, yet they looked dejected and hunger stricken as their houses had been pulled down by soldiers (Umannah, 1999:25). The attack and destruction of Odi followed a threat by President OlusegunObasanjo on the 3rd of November, 1999, to the Bayelsa State Governor that he should to produce the killers of the deployed policemen or risk the declaration of a state of emergency in his state. Hope Eghagha (1999:33) is of the view that in line with the popular uprising in the oil rich Niger Delta perceived neglect and deprivation. According to him, the president should or must address the fostering wound of the Niger Delta pragmatically and seriously. Any proffered solution to the Niger Delta protest must be linked with minority rights in a democratic and federal set up. Eghagha advised that providence has so designed the federation in such a way as to make it possible for those referred to as minorities to produce the mainstay of the national economy.

Barrister (Mrs.) Adewale, law lecturer at the Institute of Advanced Legal Studies, University of Lagos, observed that the oil-producing communities who are involved in pipeline vandalization, complained about visible neglect and in an attempt to show their discontent, they (villagers) resort to acts of sabotage. They created spillage so that they can at least; set some compensation for their damaged crops. Professor JibrilAminu, former Minister of Petroleum Resources under the Babangida's administration posited that the nation (Nigeria) still have to worry about the trend of crisis in these areas of the Niger Delta. Oil remains the mainstay of the Nigeria economy, providing 90 percent of the foreign exchange needs and any major problem in the industry would surely have negative effects on the economy. He stated that he did not want to sound as if he was not sympathetic to the people, but that there has been a misunderstanding of the issues. According to him,

the issue requires a deliberate systematic planning and implementation, over a long period by very serious people. He appealed to the people to maintain peace to allow for meaningful development. Prof. J. Aminu explained that it would be difficult to pursue serious economic activities such as transportation and agriculture just to mention few(Kenneth Ezea 1999:2) reported that owing to marginalization and the resultant effect of the youth unrest in the oil rich region, President Obasanjo and three governors of the core Niger Delta States reached an agreement on the body that will take responsibility for the development of the Niger Delta areas.

Ezea reported also that the President announced at the end of the meeting held on the 11th of June, 1999 that the meeting was his first official engagement outside the Federal Capital Territory, Abuja since his inauguration. The President agreed that there has been great injustice done to the people of the Niger Delta in the management of funds derived from petroleum and vowed to stop the practice. He further posited that the problem in the Niger Delta being a cardinal issue of his electioneering campaign, he has commissioned consultants to fashion out a comprehensive master plan for the development of the Niger Delta and that his worry is on how to agree on the immediate relief to quell the restiveness of the people who have expressed lack of faith in government promises. Isaac Williams (1999:1) reported that President Obasanjo noted the grievances and sufferings of the Niger Delta people, acknowledge that in spite of being the goose that lay the golden egg, pointed out that the situation might have contributed partially to the crisis in the region.

Theoretical Frameworks

- **New Trade Theory** (NTT): New Trade theory is a factor that explains the growth of globalization which multinational corporations serve as main agents. The theory suggests that government might have a role to play in promoting new industries and supporting the growth of key industries. A developing economy may need tariff protection and domestic subsidy to encourage the creation of capital intensive industries. If the industries get support for few years, it will be able to exploit economies of scale and then be competitive without government support. New Trade Theory is not primarily about advocating government intervention in industry. It is more a recognition that economies of

scale are a key factor in influencing the development of trade. It also suggests that free trade and laissez faire government intervention may be much less desirable for developing economies who find themselves unable to compete with established multinationals.

- **Dependency Theory :** This study is anchored on dependency theory developed by Boxborough(1974).According to the theory" Dependency implies a kind 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 later". The relationship between Nigeria and the multinational corporations, especially their owners is defined by this Theory
- **Unequal Exchange Theory:** According to Arghiri (1972), underdeveloped countries are exploited through the process of unequal exchange. The Theory of unequal exchange equally explains situation in Nigeria. In Nigeria, our crude oil is sold at a much reduced price to the Multinational Corporations who refine it and sell to us at very exorbitant prices.

Effects of MNCs on Nigerian Economy

Apart from some of the very usual effects of the MNC especially on the Niger/Delta Region and on the Nigerian economy in general which includes: Environmental degradation, Structural distortion Bribery and Corruption, Profit repatriation and inadequate provision of social responsibilities. There are also numerous effects and which have indeed grossly impacted on the Nigerian economy.

Though,no one can deny the importance of MNCs in the current global business environment.As such that most of the products we use in Nigeria, are supplied by multinational corporations.The country enjoys varieties of products, services and facilities, brought to their doorsteps; there is creation of more jobs for the populace. Their ability to tap financial, physical and human resources around the world and to combine them in economically feasible and commercially profitable activities.

Conclusion

Multinational Corporations are neither black nor white. Globalization further makes the influence of multinational enterprises more pervasive and impacting. These corporations in spite of their meager benefits have impacted negatively on our economy.

A serious consideration should be taken on the actions of the environments in which these Corporations operate, the corporation needs the society just as the society needs the corporation. A strong tie must exist between government and various multinationals operating in Nigeria to ensure maximum co-operation and peaceful coexistence.

Recommendations

However, to minimize presumed negative effects of MNCs on Nigerian economy, some of these following recommendations should be strictly taken to considerations:

- **Strict Penalties and sanctions:**Nigerian Government should imposesevere penalties on the directors of companies and threats of corporate closure.
- **Government active intervention and honest participation:** The government herself is guilty of unethical practices like being in conjunction with these MNCs by receiving bribes, the government can still influence operations of multinational corporations.
- **Corporate Environmental Policy:** Companies committed to reduce its impact on the environment usually create a set of environmental principles and standards, often including formal goals. Most of such statements express a company's intentions to respect the environment in the production and distribution of its products and services.

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