

## Multinational Corporations (MNCs) and Sustainable Development Goals in Developing Countries: Querying the Impact of Shell Petroleum Development Company in Nigeria

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### Abstract

The study titled “Multinational Corporations (MNCs) and Sustainable Development Goals in Developing Countries: Querying the impact of Shell Petroleum Development Company (SPDC) in Nigeria” is a critical examination and assessment of the operations of Shell Petroleum Development Company in the development or otherwise of Nigeria. This is largely due to the gap observed in terms of development challenges in most developing countries, Nigeria inclusive. The study employed Dependency theory as its underpinning and data were collected through secondary sources, while content analysis was used to analyse the data collected. The study however revealed that Multinational Corporations in Nigeria particularly, Shell Petroleum Development Company (SPDC) does not help development in Nigeria rather it becomes an impetus for underdevelopment and confrontation in many dimensions. Most especially in the area of poverty and health challenges as a result of environmental degradation that ravaged communities in Niger-Delta region of Nigeria. In view of the above findings therefore, the study recommends among others that, the Nigerian government should go back to the drawing board and take a critical review of the activities of Shell Petroleum Development Company (SPDC) in Nigeria to agree with the development challenges facing the country especially in the host communities.

**Keywords:** *Multinational Corporations; Development; Developing Countries; Nigeria; Sustainability*

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### **Background to the Study**

Multinational corporations are business entities that operate in more than one country. Multinational corporations (MNCs) have been a source of controversy ever since the East India Company developed the British taste for tea and a Chinese taste for opium (John, 1998). A typical multinational corporation (MNC) normally functions with a headquarter that is based in one country, while other facilities are based in locations in other countries. In some circles, a multinational corporation is referred to as a multinational enterprise (MNE) or a transnational corporation (TNC) (Tatum, 2010). The idea of multinational corporations has been around for centuries but in the second half of the twentieth century multinational corporations have become very important enterprises.

Due to their size, resources and their nature of being on-going business concerns, these Multinational Corporations have constantly evolved their operations and improved their processes to make them stand the test of time and also improve their profitability. This on-going evolution inadvertently has seen the development of technological capabilities and skills which are thus attributable to the nations of origin of the MNCs, and has added immensely to the wealth of such nations, and most times do not do same for the countries hosting these MNCs. Multinational corporations (MNCs) are often accused of destructive activities such as damaging the environment which resulted into intensive poverty, complicity in human rights abuses, and involvement in corruption. Indeed, multinationals today are viewed with increased suspicion given their perceived lack of concern for the economic well-being of particular geographic regions and the public impression that multinationals are gaining power in relation to national government agencies, international trade federations and organizations, and local, national, and international labor organizations (Guyon, 1984).

Shell is a multinational corporation that for almost 50 years has been intimately involved in Nigeria's political economy genre. Shell generates billions of dollars in export earnings while providing the federal government with some of its revenue. Shell has also been implicated in governmental military actions that have resulted in the killings of non-violent community, human rights and environmental activists and local villagers, as well as the oppression of ethnic minorities. They have been seen as being complicit in widespread corruption and as a large contributor to the self-enrichment of government officials and powerful, local interests. They have also been viewed as a principal agent of widespread environmental degradation in what is recognized as one of the world's biodiversity hotspots.

In spite of the widespread adoption of and progress toward the Sustainable Development Goals, Nigeria continues to lag behind most of the world when it comes to socio-economic development. In fact, a recent report by the Sustainable Development Goals Center for Africa- "Africa 2030: Sustainable Development Goals Three-Year Reality Check" reveals that minimal progress has been made and, in some instances, there is complete stagnation. More than half of the global poor (those who earn under \$1.90 PPP per day) are found in Africa. One in three Africans is at the risk of food insecurity (Belay, 2019).

### **Theoretical Framework: Dependency Theory**

Dependency theory is a perspective of Neo-Marxists, notable among them are Samir (1976), Theotonio (1970), Andre (1967), Lall (1975), Emmanuel (1972), among others. The central thesis of this theory anchored heavily on unequal exchange that takes place between the Capitalist West or their agents and the periphery, which culminate into exploitation of the periphery by the centre as postulated by Marx and other underdevelopment scholars. Dependency theory also holds that “the condition of underdevelopment is precisely the result of the incorporation of the Third World economies into the capitalist world system which is dominated by the West and North America” (Randall and Theobald, 1998), hence in development studies, dependency implies a situation in which a particular country or region relies on another for support, “survival” and growth.

The third world countries are the economically underdeveloped countries of Asia, Africa and Latin America, considered as an entity with common characteristics, such as poverty, high birthrates, and economic dependence on the advanced countries. This implies that the third world countries where Nigeria comes from have the tendency of being exploited. Distinctively, the underdevelopment of the third world countries is marked by a number of common traits; distorted and highly dependent economies devoted to producing primary products for the developed world and their agents as well as to provide markets for their finished goods.

The unequal relationship created by capitalist expansion and its attendant consequences has made dependent development sacrosanct in Africa and Nigeria in particular. It is obvious that Multinational Corporations (MNCs) are agents of capitalist west, where Shell Petroleum Development Company engaged in oil exploration and exploitation in Nigeria. The activities of Shell Petroleum Development Company in Nigeria have been accused of deepening development challenges in the country, especially the host communities. Unfortunately, the Comprador bourgeoisies in Nigeria are in constant contact with their masters in the capitalist west for perpetual exploitation of their fellow Nigerians thereby leading them to abject poverty, medical impairment, food insecurity and lots of tragedy.

### **Multinational Corporations and Dependent Development**

The most instructive position of the Dependence theorists is that MNCs are tools for the propagation of 'Dependent Development', i.e. a situation whereby independent national economic development by Third world countries is stunted with the introduction of FDI. The independence of the host country to develop its consumption patterns according to its domestic needs is lost to the MNCs which influences the consumption pattern to agree with its investment motives. By this, the Third World countries' economies now become an extension of the economy of the country of origin of the MNC. Jonathan Galloway words captures this problem very clearly as he is quoted by Adeoye Akinsanya; MNCs integration of the Western World's economy to the linkage of the Third World to this more integrated economic growth and is consequently an impediment to stable political and social development. (Akinsanya, 1984:190).

Defenders of the activities of the MNCs in Third World countries argue that the MNCs supply resources which are not readily available, or available in short in short supply, resources like capital, technology and marketing skills. They also claim that MNC activities result in job creation and increase the international purchasing power of the host nations. These arguments on the surface may hold true but a deeper evaluation the resultant effect of MNCs' activities shows that the host nations are usually worse off when a holistic view is taken. Firstly, MNCs may have initially brought in capital but this is quickly repatriated to the originating country via tools like transfer pricing, over-invoicing of imported components of production, under-invoicing of exported goods, overpricing of technology, abuse of expatriate staff quotas, etc.

Secondly the creation of jobs by MNCs is more of a mirage than reality. They provide fewer jobs and cause serious job loss due to their use of capital-intensive technology which require fewer hands to operate and leaves the abundant unskilled labour force without jobs (Akinsanya, 1981). In addition to this, MNC operations are usually not fully integrated into the mainstream economy of the host nations. Their activities turn out highly developed enclaves which are almost independent of the host country's economy. One cannot overlook the inappropriate, and sometimes destructive, consumption patterns encouraged by the MNCs. This aid and encourages the uneven distribution of wealth, income and privileges among the people of the host nation as they respond to the product differentiation and marketing/advertising techniques applied by the MNCs.

#### **The Activities of Shell Petroleum Development Company (SPDC) in Nigeria**

Shell first set up shop in Nigeria in 1973. Today's representatives of Royal Dutch Shell Nigeria have shown themselves willing and very able to take on this task. On July 21, they engaged in a one hour-plus online dialogue with journalists, bloggers, and other interested parties from around the world regarding the multinational oil and gas giant's numerous and varied activities - in the West African nation, the continent's most populous (Okronta and Douglas, 2001).

Nigeria was estimated to have 37.2 billion barrels of proven oil reserves as of January 2010, with a "name plate" production capacity of around 2.9 million barrels per day (b/d), according to the US Energy Information Administration. That makes it the tenth largest oil rich nation in the world, one that holds nearly 30% of the African continent's known prove reserves. Some of that is located in Okrika Local Government Area, in the Niger Delta region, where Shell Nigeria, with the Bonga deep water project, is now moving its Nigerian oil and gas production of ports offshore. Oil and gas revenue accounts for 40% or more of Nigeria's GDP, 65% of Federal Government Revenue and 95% of its foreign exchange earnings. Nearly 40% of the country's oil exports wind up in the US. Spread over 30,000 square kilometers, shell has 90 oil fields, 10,000 producing wells, 72 flow-stations, 10 gas plants and two major oil export terminals in Nigeria. Its network of flow lines and pipelines extends more than 6,000km.

Shell's business in Nigeria is organized into three distinct subsidiaries, the principal and lead being the shell Petroleum Development Company of Nigeria, or SPDC for short. It is a joint venture between shell (30%), Apip's NOAC (5%), Total's TEPGN (10%) and Nigeria's National Petroleum Co., which holds a 55% interest. Shell Nigeria Gas Ltd is the only International Oil and Gas Company supplying natural gas to industry locally. Shell Nigeria Exploration and production Co. Ltd. (SNEPCO), operates the Bonga, Nigeria's first deepwater offshore oil and gas discovery, one with the capacity to produce more than 200,000 barrels per day of oil and 150 million standard cubic feet of gas (SCF) per day. In addition to its oil and gas operations within Nigeria, Shell also refines large quantities of Nigeria's oil exports at refineries outside the country (Kolawole, 2004).

Nigeria is the only country in African where Shell is producing oil and natural gas, or has oil and gas resources, according to its 2010 annual reports. Proved oil and gas resources totaled 406 million barrels, and proved natural gas resources totaled 1,092 million SCF for a total 594 million barrels of oil equivalent (BOE). Proved undeveloped reserves totaled 344 million barrels and 1,897 million SCF, respectively, a total 671 million BOE.

SPDC was the first and remains the only international oil and gas company to supply natural gas within Nigeria, a country, ironically, that experiences almost chronic shortages of electrical power. SPDC produces about 70% of the country's natural gas, the primary fuel for electrical power generation.

### **Shell Petroleum Development Company (SPDC) and Development Challenges in Oil Producing Communities of Nigeria**

Spanning some 112,000 square kilometers, the Niger Delta region is a wetland area made of several ecological zones, including sandy coastal ridge barriers, mangroves, permanent and seasonal freshwater swamp forests. It is home to more than 3,000 communities and a growing populations recently estimated at some 30 million, which the United Nations Development Program (UNDP) projects will increase to 46 million by 2020. Subsistence farming and fishing, or some combination thereof, are the principal mainstays of residents' livelihoods. Urbanization, industrialization and deforestation are taking a heavy toll on the Delta region's soil, land, water and air. The country's forest area has been reduced by around half between 1990 and 2009, which is degrading the region's agricultural productivity and water resources. Local activists and residents, as well as local and foreign scientists and researchers, have decried the fouling of the Delta region's air, land and water, much of it attributed to pollution associated with oil and gas exploration and production (Abdul and Gudimetta, 2010).

Exploring for and producing oil and gas is a risky business. The benefits of plentiful fuel and power, and the jobs and incomes it provides are substantial. They also come with costs, ones that are not necessarily seen or felt immediately or even during one person's lifetime. They are ultimately economic in nature, but are more completely viewed and appreciated in terms of costs to human and environmental health and safety, and their sustainability.

One of the community leaders in the Daka area of Okrika town, Chief Sunday Alatoru, indeed lamented that fishing, which used to be the major occupation among the people, had since been abandoned as a result of the high level of pollution caused by the activities of Shell Petroleum Development Company and a refinery around the area, precisely in Alesa Eleme. He explained that oil companies often flushed waste products into the sea where the people fish, maintaining that such waste products had destroyed the aquatic and their lives; as a people. Alatoru, a retired teacher, said:

*Our main occupation is fishing. But it is more or less abandoned because the sea is dead. If you go there, you would notice that all the waste products from the refinery are flushed into our creeks, killing all the fish and other aquatic products. The sea is completely dead and we have no source of livelihood again. This has affected our people in a very bad way as our source of livelihood is damaged, not only by the refinery, but the oil companies. If you go out now, you would see pipelines criss-crossing and they often explode, you will see the spillage for months before they come and clear it. They don't clear it after they manage to close the source of the leakage. Again, the vessels coming from outside produce waste, which they release into the sea. All of these have damaged our source of livelihood, which is fishing and, as it is, we are helpless (Alatoru, 2018).*

Another elder in the area, Mr. James Amikiri expressed dissatisfaction over the level of neglect which, he noted, the area had continued to suffer, while pollution remains their lot. Amikiri pointed out that many youths there were jobless due to the pollution of rivers in the area. Amakiri said, "Environmental pollution is high here and nobody cares for us, there are no jobs. The youths are desperate. You have a family of graduates who yet have nothing doing. So, their frustration is so much and this results into militancy. So, we expect the Federal Government to look into the problem of pollution and ensure the development of this area" (Akasike, 2014).

### **Social and Economic Conditions in the Oil Producing Communities in Nigeria**

Despite the vast oil wealth in the oil producing areas, the region remains poor. Unemployment in the region is still at alarming rate. The SPDC employs only a small percentage of the workforce at the levels of rank and files from the host communities and the country at large. Education levels are below the rational average, approximately three quarters of Nigerian children are believed to attend primary school, and national adult illiteracy is estimated at 43 percent, but in parts of the Delta, attendance at primary school dropped significantly and illiteracy is presumably corresponding higher (Gilpin, 2001).

The poverty level is exacerbated by the high cost of living; the influx of people employed in the well-paid energy sector has made Port Harcourt and the other urban areas of the region among the most expensive in Nigeria. The state governments report that only 20 to 25 percent of rural communities and 45 to 50 percent of urban areas have access to safe drinking water; in all likelihood this is overestimated. Proper sanitation is available to less than 25 percent of the population; in Port Harcourt, the region's biggest city, there is no

city wide sewage system. This situation is common to much of Nigeria but worse in the delta region, where it is additionally exacerbated in the areas of regular flooding. Water related diseases are widespread and probably the “Central health problem in the Niger Delta region”.

As in the rest of Nigeria, electricity supply from the national grid is erratic; in any event, most of the riverine and coastal areas are not connected to the grid, and depend on kerosene stores and lamps or private generations for power. Rivers, Bayelsa and Delta states are projected on the basis of the 1991 census to have a total population of up to eleven million, about 70 percent of the population live in rural Delta communities. While overall population densities are not high, because of the high percentage of land not suitable for settlement, densities per habitable area are very high. High flood levels, projected as a result of upstream dam siltation, threaten to increase densities still (John, 2011).

The forests of the Niger Delta of all types provide important sources of food and income to local communities. Mangrove has over seventy major uses in non-timber forest products include medicines, dyes, thatching, and food species as diverse as monkeys or periwinkles. In the freshwater swamp forests, raffia palm, mango, ogbono (bush mango; a common food ingredient in the local diet and sold across Nigeria), land snails, and other products are all significant. Destruction of “undeveloped” forest is thus as important to local communities as destruction of cultivated land.

### **Conclusion**

The Dependent theorists are strongly of the opinion that the operations of MNCs in Africa brings about serious technological dependence. This state of technological dependence of most African countries impedes, indeed, stifles local development. They also point to this as a major means by which MNCs perpetuate their exploitative acts. As MNCs usually overprice the materials they import for their operations from their parent companies and grossly underprice the goods they export to their parent companies. This is all in a bid to move out profits that usually were not declared, or to hide these from local taxes, or even to create an image of non-profitability and thus extend their tax and tariff holidays.

However, despite the wide belief that Multinational Corporations (MNCs) is an instrument for development in developing countries, particularly Third World Countries of Asia, Africa and Latin America, but then its presence in Nigeria is more of a curse than blessings in terms of development. A look at the existence of nations and their capabilities shows that there is a glaring disparity among the nations. Given the nature of the African countries, these countries share unenviable characteristics of being poor in factors of production, over population, low in per capital income, labor-intensive, plagued by corrupt governments and serious environmental and health challenge, just to mention but a few.

The obvious fact is that, Shell Petroleum Development Company (SPDC) in Nigeria has not aided development in the country as provided by the Sustainable Development Goals (SDGs), especially Goals 1,2 and 3. The operations of SPDC are said to have worsen or degenerated the livelihood of people of the host communities into penury, and precarious conditions.

### **Recommendations**

In concordance to the findings and conclusion of this study, the following recommendations are made:

- i. Nigerian government should go back to the drawing board and take a critical review of the activities of Shell Petroleum Development Company (SPDC) in Nigeria to agree with the development challenges facing the country especially in the host communities
- ii. There is the need to ensure as a matter of importance and necessity, the issue of Corporate Social Responsibility be prioritized by Shell Petroleum Development Company in Nigeria, so as to achieve Goal 1 (no poverty), Goal 2 (zero Hunger) and Goal 3 (good health and well being) of SDGs.
- iii. Ensure that oil operations are carried out in accordance with all local environmental legislation in force in Nigeria, or with international standards if they are higher.
- iv. Review programmes of community assistance to ensure that development projects are planned by people who are professionally trained, that all members of communities can participate in devising development plans - and not only elites who already have good relations with the oil industry, and that projects genuinely address the needs of the people in those communities.

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