Marxist Theory of Imperialism and Corporate Social Responsibility in Third World Countries

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Abstract

The concept of corporate social responsibility is intricately connected to the multinational corporation's global expansion and domination of foreign territories in search of opportunities for profit maximization. This paper critically interrogates the multinational corporation's ethical commitment to host community development simultaneously as it strives to widen its profit margin. The major objective of the paper is to demonstrate the dilemma that confronts the corporation in the process of pursuing its business interests. The central thesis is that the MNC is structurally and ethically deficient to generate accelerated and sustainable development in its host community. Data gathering techniques adopted in this work were secondary, such as academic journals, newspapers, corporate bulletins, newspapers and magazines, owing to the qualitative nature of the paper. Data analysis technique effectively utilized content analysis of extant documents and scholarly works. Conclusively the paper observed that structurally unequal exchange frustrates the MNC's efforts to develop its host communities. It recommends constant engagement, consultations and inclusiveness between MNCs and host communities as means of achieving appreciable community development.

Keywords: Domination, Imperialism, Multinational Corporation, Profit, CSR

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Background to the Study
The process of interaction between states is as old as the history of the existence of states itself, because human communities have always been in contact with each other even before they were transformed into states. Engels (1978), has always maintained that while human collectives have always existed the state has not always been in existence. Rather it came into existence at a particular historical stage when the social conditions necessary for its emergence had been fulfilled. Inter-state relations assume various forms, from peaceful trade to pillaging, warfare, inter-boundary abductions, slavery, intermarriage, etc.

The concept of imperialism is associated with relations between states and for that reason has been drawn backwards to accommodate a variety of similar forms of state relations. Herodotus’ (2013, 6) remark that the “Cimmerian attack upon Ionia, which was earlier than Croesus, was not a conquest of the cities, but only an inroad for plundering”, could be construed as an ancient genre of imperialism. Weber made a necessary distinction between the ancient forms of production and exchange and modern capitalism. Surplus acquisition or profit making through trade or commerce, as well as through war, plundering and piracy have always been part of human history. However, the spirit of capitalism was a unique experience at a specific stage in the development of human societies. He would state that:

*The new spirit, the spirit of modern capitalism, had set to work. The question of the motive forces in the expansion of capitalism is not in the first instance a question of the origin of the capital sums which were available for capitalistic uses, but, above all, of the development of the spirit of capitalism. Where it appears and is able to work itself out, it produces its own capital and monetary supplies as the means to its ends…* (Weber, 2001, 30)

Contemporary imperialism is the outgrowth and necessary component of capitalism (Ake, 1981). It is capitalism at a particular stage in its evolution and development, when the investment of capital within the domestic economy is no longer profitable, when both over-production and under-consumption impose severe limitations on the domestic market, and when domestic sources of raw materials prove grossly inadequate for industrial production. The export of finance capital or financial imperialism is perhaps the most pernicious dimension of imperialism (Nkrumah, 1974) and to be more secretive it now operates through the instrumentality of multilateral organizations like the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank) in what has come to be designated as multilateral imperialism (Nabudere, 1977; Tandon ed. 1982).

The Multinational Corporation (MNC) is the most intimidating and conspicuous vehicle for realizing the imperialist dream in foreign, mostly less developed and vulnerable countries in the contemporary global economy. MNCs are moulded to operate as profit maximizing machines in environments where critical voices are intimidated into silence.

*The large corporation is thereby transformed into a multinational enterprise, a vast conglomerate spanning a large range of industries, with sales running into hundreds of millions of dollars and affiliates spread over several countries* (Camilleri, 1976, 95).
All manner of tricks and strategies are adopted to force their hegemony on the host country and obtain favourable operational concessions which ensure maximum profit for them while the host communities wallow in poverty, devastated environment, and destroyed livelihoods (Chinweizu, 1978; Rodney, 1972; Onimode, 1983).

However, emboldened by the dilemma to either fight back or go into extinction the host communities have picked up the gauntlet against the imperialist MNCs, forcing them to introduce this strategy of Corporate Social Responsibility (CSR) as a mechanism to maintain some form of relative peace more to ensure a steady profit rather than a desire to achieve sustainable development in host communities.

The Problem
Research is driven by an identified social problem the proper articulation of which is the starting point for a sound academic paper. Consequently, the problem statement for this paper stems from the persistent friction between MNCs and their host communities due to their perennial inability to achieve satisfactory sustainable development. MNCs are the pre-eminent drivers of imperialistic exploitation of foreign resources. Being products of the spirit of capitalism their primary motivation is for profit maximization by leveraging on several advantages, ranging from tariff reduction, tax holidays, low-priced raw materials, under-paid local labour, available market for dumping of their products, etc. Because their operations are capital-intensive very little local labour (being mostly unskilled) could be absorbed, their high technology and cheap products easily kill off local industries and products, the environments of host communities are devastated and livelihoods destroyed with an increase in poverty rates and unemployment. Sometimes compensation for environmental effects of their operations is politicised leading to local wars and conflicts like Ogoni/Shell in Nigeria (Okonta, 2008). In the face of such realities CSR becomes a mirage or a mere instrument or strategy for ensuring unchallenged exploitation of the resources of the host countries.

CSR has often been “taken to mean a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and society.”

Such approaches make no direct reference to organizations taking responsibility for the impact of their activities on the environment and society of the host communities. The major trust of CSR is to give something back to the host community from the profit derived from the exploitation of their resources as well as the environmental effects of their operations. Perennial conflicts that have erupted in oil producing communities in the Niger Delta, like Ogoni, Rumuekpe, Umuechem, Bonny, etc. against MNCs like Shell, Agip, Elf, Texaco, show clearly that CSR or MOU or GMOU, have failed to effect the desired developmental change in the Niger Delta. The contradictions associated with the profit-driven activities of oil multinational companies and their responsibility to positively impact their host communities form the problem focus of this paper.

Aim and Objectives of Study
The broad aim of this paper is to relate the theory and practice of imperialism and the operations of multinational corporations to the requirements of Corporate Social
Responsibility, a relationship that is contradictory and therefore has limited capacity for achieving the desired result. The specific objectives are to:

1. Articulate the relationship between the theory and practice of imperialism and corporate social responsibility.
2. Examine the possibility of the multinational corporation satisfactorily generating socio-economic development in host communities.
3. Explain the role of the multinational corporation in causing economic underdevelopment in host countries.
4. Adduce reasons for the failure of corporate social responsibility in host communities.

Research Questions

1. What is the nature of the relationship between the theory and practice of imperialism and corporate social responsibility?
2. What are the factors that make it difficult for the multinational corporation to satisfactorily generate socio-economic development in host communities?
3. In what ways historically have multinational corporations played a role in causing economic underdevelopment in host countries?
4. What are the reasons for the failure of corporate social responsibility in host communities?

Theoretical Framework

Framework adopted to theoretically explain this paper is Dependency Theory, which defines the negative or inverse relationship between the colonizing capitalist countries of the West and conditioning effect of underdevelopment on the dependency through a transfer of resources in an unequal exchange (Roxborough, 1979; Ake, 1981; Onimode, 1983). The phenomenon operates in such a manner that:

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\text{The mode of articulation of the underdeveloped economies with the world economic system may result in a transfer of resources from the periphery to the centre and/or this articulation may give rise to various 'blocking mechanisms' which hold back or 'distort' the economies of the periphery, thereby preventing an allocation of resources which will produce economic growth (Roxborough, 1979, 63).}
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Imperialism, by its internal logic and dynamics, produces effects that are negative in the colonized dependent economy, making growth and development difficult if not impossible, while simultaneously facilitating economic development in the metropolis through the transfer of resources. The transfer of resources takes various forms, including direct plunder, unequal exchange, exchange of productive goods for non-productive, consumable items, control over prices, etc. MNCs are involved at all levels and forms of resource transfer, including direct plundering like the oil multinationals in the Niger Delta.

Theories of Imperialism

The end of the nineteenth century marks another major turning point as the beginning of what Lenin called the 'imperialist stage' of capitalism. Following his lead, many Marxists
reserve the term 'imperialism' to describe the twentieth century, using other terms for the expansionism of earlier periods (Brewer, 2001, 7). Lenin (1975, 106) has provided the most comprehensive definition of imperialism thus:

*Imperialism is capitalism at that stage of development in which the dominance of monopolies and finance capital has established itself; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun; in which the division of all territories of the globe among the biggest capitalist powers been completed.*

The first point to note is that “*imperialism is capitalism*”, implying that both phenomena are intricately related in such a manner that one cannot be divorced from the other, one being a logical outgrowth of the other. What that means further is that they share the same motivating forces. Second, imperialism is a stage in the development of capitalism, and that is marked by the internationalization of the investment of capital for profit. Historically, this particular stage is called the “imperialist stage or the age of contemporary imperialism” and marked by the end of the 19th century. Marxists therefore associate the era of contemporary imperialism with the 20th century (Brewer, 2001, 7). One significant difference between them is that capitalism operates in the metropolitan domestic economy with civility, in accordance with the established rules, while its other face in the Third World countries loathes any stipulated rules, control, monitoring or investigation (Nkrumah, 1974, 13).

Imperialism has divided the world into two categories of nations intricately tied to each other with one category, the Third World or Proletarian, negatively conditioned by the positive processes in the other, advanced capitalist countries of Europe, North America and Japan or Bourgeois (Ake, 1978, 11-13). Dependency theory posits that the developmental achievements recorded by the advanced capitalist countries is the result of their exploitative relations with the underdeveloped or developing countries of the Third World which provide them with the resources or raw materials, markets, cheap labour as well as financial transfers in form of profits from their operational gains and interest from both bilateral and multilateral foreign loans. Rodney (1972), has identified certain mechanisms by which Third World countries are exploited such as unequal trade, unequal exchange, profit repatriation, etc.

Though Marx did not articulate a formal theory of imperialism he nonetheless provided a framework for analysis of imperialism as a logical outcome of the process of development of capitalism for his adherents to build on. He had actually anticipated that the spread of capitalism would result in similar capitalist development in foreign countries, i.e. capitalism would create a world in its own image. In the Communist Manifesto he declared that the bourgeoisie had knocked down all barriers that divided the world and transformed it into an unequal unity, a simplified complexity and a coordinated disaster.

The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian nations into civilization. The cheap prices of its commodities are the heavy artillery with which it
batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e. to become bourgeois themselves. In one word, it creates a world after its own image (Marx and Engels, Selected Works, Vol. 1, 1977, 112).

In this passage Marx and Engels reveal the fundamental essence of imperialism and opened the floodgates to the robust debate on various strands of the effects of the internationalization of capitalist investment, from theories of imperialism to dependency and underdevelopment. The process of integration of all the far-flung pre-capitalist social formations and remote territories into its business orbit is for raw materials, markets, cheap labour and investment opportunities. That is the starting point for imperialism. Marx's vision of the world of imperialism appears nebulous. Part of the above passage mentioning the battering down of walls and capitulation create the impression of an unequal exchange, a division of the world into centre or metropolis and satellite or periphery, concepts that were effectively utilized by dependency theorists. However, another reading that focuses on phrases like “become bourgeois themselves” and “a world after its own image” could be interpreted to mean an ambition or vision to develop every part of the world to achieve a developmental parity or image or replication with the west or capitalism by economically sowing the seeds of capitalism.

In his conceptualization of primitive accumulation as the first stage in the development of capitalism Marx had initially simply defined it as the process of the peasant losing control over his means of production, particularly land, “primitive accumulation therefore is nothing else than the historical process of divorcing the producer from the means of production” (Marx and Engels, Selected Works, Vol. 2, 1977, 101), but later recognized the role played by other external forces such as the inhuman slave trade, pillaging of resources from foreign lands and even piracy and smuggling on the high seas, as necessary components of the development of capitalism.

With these objective statements, bordering on non-salutary origins of capitalism Marx set the tone for the great debate on the contemporary conceptualizations of imperialism. Contemporary theories of imperialism are primarily traced to Hobson (1902), whose works influenced many Marxists though he could not be identified as a Marxist. It was thought that the nationalist spirit (Sabine and Thorson, 1973) would result in internationalism, which meant solidarity of European states at the international level.

Imperialism, it would appear, became a reality by default, more or less an accident of history. Such has been the approach of liberal scholars to the phenomenon of imperialism such as Joseph Schumpeter, Robinson and Gallagher, etc. (Ake, 1981) more or less an accident of history. It was one mode of expression of the nationalist spirit and even offered an opportunity to decongest an overpopulated Britain. “Imperialism as an outlet for the ever-growing surplus population . . . Great Britain is one of the most congested areas in the world”, Hobson would further argue (Brewer, 2001, 74).
It had even become far more expensive than anticipated without much benefit, they would argue, insisting that the direct economic outcome of imperialism is a great public expenditure on shipping, arms procurement, military equipment for surveillance and conquest, provisions for crew over long periods, etc. (Hobson, 1902; Brewer, 2001). However, the sweetness of imperialism, having been accidentally discovered, had to be accepted and fostered since there was no other channel for over-production or excessive manufacturing and surplus capital which could no longer be profitably invested within the domestic economy, forced Great Britain, Germany, Holland and France into imperialism (Hobson, 1902, 85).

Hilferding’s contribution to the theory of imperialism came by way of the concept of “finance capital”, from the fusion of industrial and financial or bank capital. He discovered the role of banks in the consolidation of monopolies. Hilferding successfully linked finance capital with the contemporary large multinational corporation.

Finance capital signifies the unification of capital. The previously separate spheres of industrial, commercial and bank capital are now brought under the direction of high finance, in which the masters of industry and of the banks are united in a close personal association. The basis of this association is the elimination of free competition among individual capitalists by the large monopolistic combines (Brewer, 2001, 94-95). Hilferding identified three objectives of finance capital; to establish the largest possible economic territory, close this territory to foreign competition with a wall of protective tariffs and reserve it as an area or sphere of exploitation for national monopolistic combines (Brewer, 2001, 100).

**MNCs and Corporate Social Responsibility (CSR)**

A firm or corporation, domestically or internationally, has profit maximization as its primary motivation. It is a business outfit engaging in activities such as the accumulation of capital and investing it to, not just to make profit but that the profit margin has to continue to expand. It’s not enough to just break-even. The multinational corporation began as a firm operating within the domestic economy. It’s not just about profit making but also profit maximization which runs contrary to the demand and requirements of corporate social responsibility. Rahim (2013, 13) views CSR in terms of,

> A complex and multidimensional organisational phenomenon that is understood as the scope for which, and the ways in which, an organisation is consciously responsible for its actions and non-actions and their impact on its stakeholders. It represents not just a change to the commercial setting in which individual companies operates, but also a pragmatic response of a company to its consumers and society. It is increasingly being understood as a means by which companies may endeavour to achieve a balance between their efforts to generate profits and the societies that they impact in these efforts.

From this perspective CSR, as part of the policy framework of a company, makes it conscious of its responsibility for its actions or inaction, such as the impact on the environment, recruitment, provision of social amenities, etc. In doing so the company has to be able to strike
a balance between CSR and the profit margin. This is because if it concentrates on CSR, it would stand the risk of folding up as it is not a charitable organization. If it leans toward the profit margin it would be exposed to a hostile neighbour. Attacks from the host community could adversely affect the company's profit margin.

This is the crux of the matter for this paper as the maximization of profit in most cases takes precedence over CSR. The EU’s Green paper on CSR defined it as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Amaeshi, et al, No. 39-2006). Rahim (2013) has identified a key element for enhancing positive multipliers as recognizing that the frameworks being adopted for doing responsible business must move beyond philanthropy and be incorporated into core business strategy and practice of multinationals.

Expectations are usually very high on the part of the host community and keep expanding with new demands. Indeed, CSR is a complex phenomenon and is usually contingent on the particular situation being addressed, including customer expectations, employee demands, human rights, skill acquisition, training, sponsorship of symbolic local events, local content requirements, etc.

Okodudu (2008), has identified two theoretical perspectives from which CSR has been conceptualized: (1) as an ethical phenomenon, and (2) as a business strategy. These two approaches are essentially company-focused, and fail to take into cognizance the pressure from the host communities or stakeholders. It has been alleged that “Shell (Nigeria) always applied a different set of rules from Shell (Overseas) . . . When they had meetings with Shell (Overseas) they received much better treatment than when they tried to deal with Shell (Nigeria)” (Kukah, 2011, 139). In other countries enough pressure on them ensures that they fulfil their commitment to community development.

**Failure of CSR in Host Communities**

Colonialism had never pursued a policy of development of host countries. Policies and projects are introduced and executed in such a manner that they would be beneficial to the MNCs themselves. Railways, seaports, new cities, roads, cash crops, etc. were all introduced and executed for the benefit of the foreign companies and the colonial masters. It was for this reason that scholars produced theories of dependency, unequal exchange and underdevelopment (Baran, 1957; Frank, 1967; Emmanuel, 1972; Ake, 1981; Onimode, 1983; Roxborough, 1979).

In the context of developing countries, the high level of poverty, weak civil society and poor governance records mean that they lack the capacity to play the role of drivers for CSR by directly engaging the MNCs. The priority for most individuals, whether as host community members or employees, is securing a livelihood. Demands for economic empowerment, employment opportunities, development projects, training to acquire skills, etc. are often of secondary concern.
More often than not CSR is ill-defined with deliberately inserted loopholes that provide escape routes in the event of litigation. This is made possible by limiting the contributions or participation of the host communities in drafting the CSR policy documents. In most cases these local people are too poor and illiterate to ask questions. They are sometimes shortchanged by their leaders after being bribed by the MNCs.

Even in their countries of origin atrocities are committed by MNCs, particularly in tribal communities where precious resources are found and are being exploited. “Treaties were rewritten to shift oil-rich land away from tribes... Across the country tribal people who refused to leave the land were bribed, robbed, threatened, and murdered” (Juhasz, 2008, 67). These corporations (Shell, Chevron, Mobil, Elf, Agip) are motivated by profit rather than ethical values and this adversely affects their social responsibilities to host communities. Several studies have meticulously recorded crises resulting from the failure of CSR in the Niger Delta such as Enweremadu (in Okoko ed., 2011, 88-111), Obulor (in Okoko ed., 2009, 121-139), Ogali, (in Okoko ed., 2012, 96-135), Okolo, (in Okoko ed., 2018, 139-182), Etekpe, (2007), and Ogali (2017). In the particular case of the Ogoni Shell was fingered as having even sponsored state security institutions for purposes of repression and oppression in the host communities (Okonta, 2008).

Conclusion
The central objective of this paper was to prove that the imperialist orientation, policies and capitalist interests of multinational corporations operating in developing countries act as an impediment to the possibility of achieving their corporate social responsibilities. From the foregoing this study arrived at the conclusion that:

1. Multinational corporations are primarily designed to maximize profit which makes corporate social responsibility unattractive to them.
2. Though MNCs introduce CSR policies and execute projects the expectation of generating satisfactory or sustainable development is difficult to achieve.
3. Host communities make little or no contribution to corporate social responsibility policy documents, making sustainable development difficult to achieve.

Recommendations
Based on the findings of this study the following recommendations are presented.

1. Stringent conditions should be given to MNCs operating in Third World countries and closely monitored to ensure that they give back maximally to their host communities.
2. Host communities and host governments should participate actively in the preparation of CSR documents as well as their implementation.
3. Annual audits should be conducted on MNCs to verify their compliance with the CSR documents, which should also be reviewed within specific time frames.
4. MNCs should be made to reinvest a sizable proportion of their profits in the domestic economy, like the agricultural sector and education.
References


