

Impact of Multinational Corporations in the Practice of Nigerian Diplomacy

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Abstract

Multinational corporations most times influence the diplomatic practice of their host countries by shaping their economic and political dynamics through their socioeconomic operations and representations of their home country's interests. This is because the significant investments of these multinational corporations facilitate increased diplomatic engagements to ensure favourable conditions for business. Furthermore, the presence of multinational corporations has increasingly become a determining factor in the conception and implementation of foreign policy by states. Thus, this paper explores the multifaceted issues and prospects emanating from the advent of multinational corporations on Nigeria's diplomacy, examining the interplay between economic interests and diplomatic ties. It delves into how multinational corporations have influenced Nigeria's foreign policy making and Diplomatic practices. A historical method through mostly secondary sources of data is employed to highlight instances where the investments of multinational corporations and their activities thereof had formed the basis for diplomatic decisions and how it has informed Nigeria's stance on global issues. The reciprocal nature of the nexus between foreign policy making and multinational corporations is examined, capitalizing on the evolving dynamics between multinationals and Nigerian diplomacy, thereby contributing to a nuanced understanding of the complex interaction between economic forces and diplomatic activities in general.

Keywords: Nigeria, Multinational, Corporations and Diplomacy

Introduction

In the intricate dance of international relations, the presence of powerful multinational corporations adds a complex and often disruptive layer. MNCs are major actors in international relations and help facilitate globalization through their business activities including foreign direct investments. International relations entail all forms of interactions between nations while globalization is the creation of global systems of interaction in areas such as transportation, labour, culture, ideologies, information technology and many more.

As agents of globalization, MNCs tend to be more concerned with the economic and political aspects of globalization. This is because changes in these aspects of any country, especially host countries will have significant effects on their operations. For this reason, MNCs attempt to influence the foreign policy (especially economic policies) of countries in multiple ways for

the policies to align with their interests. For instance, most multinational corporations engage in Foreign Direct Investment (FDI), which implies that a corporation gains controlling interest in a foreign company thereby being able to indirectly affect the creation of economic policies which favour the corporation. Nowhere is this truer than in the case of Nigeria, a nation rich in resources yet grappling with the multifaceted pressures of globalization (Kline, 2006). The presence of these powerful corporations and their bid to create favourable conditions for business by means of influencing policies is of a double barreled significance to the international relations and diplomacy of Nigeria.

On the one hand, Multinational Corporations (MNCs) present undeniable opportunities for Nigeria's development. Foreign investments often bring with them much-needed capital, technological expertise, and employment opportunities.

These economic benefits can translate into diplomatic leverage, granting Nigeria a stronger voice in the context of international relations and fostering stronger ties with host countries where MNCs operate. For instance, Nigeria's vast oil reserves attract energy giants like Shell and ExxonMobil, creating a web of economic and political interdependence that shapes bilateral relations (Ejiofor, 2017).

However, the influence of MNCs is not without its dark side. Critics argue that their pursuit of profit can often come at the expense of national sovereignty and environmental justice. Environmental degradation, human rights abuses, and unsustainable exploitation of resources are common accusations levelled against MNCs operating in developing countries like Nigeria. These issues not only cast a shadow on Nigeria's international image but also pose complex challenges for Nigerian diplomats, who must navigate the delicate balance between protecting national interests and appeasing powerful economic actors (Nnoli, 2009).

Furthermore, the opaque nature of MNC practices and their ability to leverage international legal frameworks can create tension with traditional diplomatic tools. The rise of investor-state dispute settlement (ISDS) mechanisms, for instance, allows MNCs to bypass national courts and directly sue governments for alleged breaches of investment agreements. This can undermine the sovereignty of states like Nigeria, limiting their ability to regulate economic activities within their borders. (Ifeanyi, 2023). Nwagwu also argued that these companies play a crucial role in the Nigerian economy, contributing to foreign direct investment, job creation, and technological transfer. However, their presence also raises complex issues concerning resource extraction, environmental impact, labour practices, and societal development (Nwangwu, 2018). Thus, this paper delves into the ever-evolving relationship between MNCs and Nigerian diplomacy, exploring the intricate ways in which these economic giants

influence, and are in turn influenced by the nation's foreign policy choices.

Multinational Corporations

Once the term 'Multinational Corporation' is mentioned, what comes to mind are companies of a global nature, once a company expands into a global market it is classified as a multinational company or corporation (MNC). A multinational company is defined as a firm operating in two or more countries. The country where the multinational company headquarters are located is called the home country while countries that allow a multinational company to set up its operations are called host countries (EspaceMondial Atlas, 2018).

Elsewhere, it is given that multinational corporations are business organizations whose activities are located in more than two countries and are the organizational form that defines foreign direct investment. This form consists of a country location where the firm is incorporated and of the establishment of branches or subsidiaries in foreign countries. Multinational companies can vary in the extent of their multinational activities in terms of the number of countries in which they operate. A large multinational corporation can operate in 100 countries, with hundreds of thousands of employees located outside its home country. The economic definition emphasizes the ability of owners and their managerial agents in one country to control the operations in foreign countries (Lazarus, 2021).

MNCs are often characterized by a large volume of sales with customers around the world, economic power and high quality products with which they enjoy a worldwide reputation. They are also characterized by Aggressive marketing as they spend a lot of money on advertising in both the home and foreign markets. This allows them access to a large variety of products and services while raising global awareness. Some scholars have categorized the types of MNCs into;

Centralized corporations, in which executive officers and management

located in the home country oversee the global offices and operations as well as domestic operations rather than managers at local offices in foreign countries, make the key business decisions.

Decentralized global corporations: Corporations in this maintain a presence in their home country and have autonomous offices and other facilities in locations around the world.

International divisions: An international division is that part of the multinational corporation that has been made responsible for all international operations. This structure facilitates business decision-making and general activities in local, and foreign markets.

Transnational: A transnational corporation involves a parent-subsidiary structure whereby the parent company oversees the operations of subsidiaries in foreign countries as well as in the home country (Chen, 2023).

MNCs have a significant impact on each economy in which they operate. They create jobs, pay taxes, and contribute to the social welfare of the host country. The number of MNCs has been on the rise as a result of the trends toward economic and cultural integration across the world. Nowadays, we can find multinational firms in all kinds of industries, including Retail, Automobile, Technology, Fashion, Food, and Beverages. Amazon, Toyota, Google, Apple, Zara, Starbucks, McDonald's, etc. are examples of the world's most well-known multinational corporations.

Diplomacy

Diplomacy, in the traditional sense, refers to the art and practice of managing relationships between states through negotiation, dialogue, and other peaceful means to achieve national interests (Gower, 2011). However, the rise of global interconnectedness and the increasing

influence of multinational corporations (MNCs) necessitates a broader understanding of diplomacy in this premise. Conceptualizing diplomacy within the context of MNCs and Nigerian diplomacy requires an understanding of its economic dimension and multi-actor landscape. In the economic dimension, diplomacy takes centre stage, with negotiations surrounding investment treaties, resource extraction agreements, and trade deals. Understanding the global market, economic development strategies and the specific interests of MNCs becomes crucial for effective engagement. While in the latter, diplomacy goes beyond solely state-to-state relations. It encompasses interactions with MNCs themselves, other stakeholders like non-governmental organizations (NGOs) and local communities, and international organizations like the United Nations (Elmes, 2022).

The diplomatic toolbox has expanded beyond traditional channels like formal meetings and treaties. Contemporary diplomacy utilizes public diplomacy, engaging directly with the public through media, cultural exchange, and social media. It has also involved unofficial meetings and interactions between non-governmental actors to foster understanding and dialogue. Diplomacy leverages online platforms and technology for communication, outreach, and negotiation (Jentleson, 2013).

Even though diplomacy – the interaction of nations, is triggered by national interests, the contemporary understanding of diplomacy encompasses broader objectives such as promoting peace and security through conflict resolution, arms control, and non-proliferation. It is also motivated by the need to address global challenges such as climate change, human rights, economic development, and pandemics. More recently, sustainable development – the balancing of economic growth with environmental protection and social justice has become a major aspect of diplomacy, (Nye, 2013) most especially for a country like Nigeria, whose vast resources (oil in particular) possess great economic potentials and the same time birthing

environmental implications.

Diplomacy also constitutes adapting to a Changing World. The digital age, globalization, and the rise of non-state actors require diplomatic practices to be more flexible, inclusive, and responsive to complex challenges. This necessitates intercultural sensitivity; and understanding of diverse perspectives and values. It also necessitates strategic innovation and experimentation, adapting tools and methods to new challenges (Hannerz, 2017).

In essence, diplomacy is a multifaceted concept that extends beyond state-to-state relations. It encompasses interactions with diverse actors, utilizes a variety of tools, and pursues broader goals beyond pure national security. Adapting to a changing world, diplomacy plays a crucial role in navigating complex global challenges and fostering international cooperation. By examining diplomacy through this multifaceted lens, we can gain a deeper understanding of its complex role in navigating the relationship between Nigerian interests, international actors, and multinational corporations.

An Overview of Multi-National Corporations (MNCs) in Nigeria

Nigeria, Africa's most populous nation, hosts a diverse range of multinational corporations across various sectors (Agwu, 2012). The following paragraphs reveal some of the major sectors and key players in those sectors;

Oil and Gas: Oil giants like Shell, ExxonMobil, Chevron, and TotalEnergies dominate this sector, accounting for a significant portion of Nigeria's export earnings. Despite generating revenue, oil extraction has sparked concerns about environmental pollution, community displacement, resource mismanagement and diplomatic concerns (Aluko, 2012).

Telecommunications: MTN, Airtel, Globacom, and 9mobile are key players, driving mobile phone penetration and digital connectivity across the country.

However, issues like high data costs, service quality, and consumer protection remain challenges.

Banking and Finance: Standard Chartered Bank, Citibank, Guaranty Trust Bank, and Zenith Bank are prominent players, shaping Nigeria's financial landscape. While facilitating access to finance and investment, concerns about lending practices, financial inclusion, and ethical conduct persist.

Consumer Goods: Unilever, Nestlé, Procter & Gamble, and Coca-Cola are major players in the food and beverage industry. While providing essential products and employment opportunities, concerns regarding pricing strategies, local content integration, and product safety exist.

Infrastructure and Construction: Julius Berger, China Railway Construction Corporation (CRCC), and Dangote Cement are prominent players in infrastructure development. While their projects contribute to improved infrastructure and economic growth, issues like project transparency, environmental impact, and local labour utilization require attention.

Nigeria's Diplomatic Tools and Multi-National Corporations (MNCs): Case Studies

Nigeria, as a major African player with significant natural resources and a complex relationship with multinational corporations, has employed various diplomatic tools to address issues and leverage opportunities arising from their activities. Here, we shall examine some case studies to illustrate how Nigeria utilizes a combination of diplomatic tools, tailoring its approach to address specific issues and seize opportunities stemming from MNC activities. However, to digress a bit is to state that crucial debates surrounding the effectiveness of these tools in ensuring equitable benefits, environmental protection, and long-term development in the country are an aspect of

the study that deserves the rigour of analyzing.

Meanwhile, the issue of oil spills and environmental degradation caused by Shell operations in the Niger Delta has led to ecological damage, livelihood disruption, and community protests. In addressing environmental concerns with Shell in the Niger Delta, officials of the Nigerian government have engaged in high-level talks with Dutch authorities, where Shell is headquartered, to pressure the company for increased environmental responsibility and compensation for affected communities (Nwabu, 2014). The theme of bilateral meetings as a tool of diplomatic interaction is portrayed here. Reminiscent of such bilateral meetings, the Dutch courts have been moved to entertain hearings on the myriad of cases levelled against the economic giant and have birthed the payment of compensations by Shell as well as taking responsibility for environmental pollution among others.

On 29 January 2021, Shell was ruled responsible in a landmark verdict. It was a historic ruling against the oil giant Shell, a Netherlands court found in favour of four Nigerian farmers along with environmental activists in an oil spill case that was first filed in 2008. In the verdict delivered at the Court of Appeal in The Hague, the appeals judge sided with the farmers in finding Shell's Nigerian subsidiary responsible for four out of six pipeline leaks covered by the lawsuit, as well as declaring that the parent company, Royal Dutch Shell, had violated its duty of care (Meijer, 2021).

In the International Fora, Nigeria actively participates in international environmental conventions and forums like the United Nations Environment Programme (UNEP) to raise awareness and advocate for stricter regulations on MNC operations in extractive industries (Ufen, 2018), and has been an active participant in all international climate agreements like the Basel Convention, Stockholm Convention, Montreal Protocol and Rotterdam Convention, among others. Basel Convention deals with transboundary movement and disposal of toxic and

hazardous waste while the Stockholm Convention is on Persistent Organic Pollutants (POPs) with the Rotterdam Convention talking about the promotion of shared responsibilities to the importation of hazardous chemicals which are global concerns that emanate from industries owned by multinational corporations.

One other significance of multinational corporations on Nigerian diplomacy is that it has seen the Nigerian government engaging in regional collaborations. Nigeria has partnered with other oil-producing African nations through the African Union and ECOWAS to develop regional regulations and share best practices for sustainable resource management and environmental protection in response to MNC activities (Nkwocha, 2019).

Furthermore, Nigeria has invoked the tool of negotiation in negotiating investment deals with China for infrastructure development, and Chinese investments in infrastructural projects like railways, ports, and power plants, which offer potential for economic growth and development in Nigeria. The country has reached bilateral agreements and signed strategic partnerships as well as Memoranda of Understanding (MoUs) with China outlining mutually beneficial infrastructure projects and securing Chinese investments (Okolo, 2012). This is further evident in the participation in international conferences and forums like the Forum on China-Africa Cooperation (FOCAC), which allows Nigeria to engage with Chinese officials and businesses to attract specific investments and negotiate favourable terms for infrastructure projects (Adebayo, 2011). In the sphere of public diplomacy, Nigeria aims to foster the positive public perception of Chinese investments, promoting social acceptance and mitigating potential concerns about their impact on local communities through cultural exchange programs and media outreach, (Egbune, 2012).

Issues and Prospects

Unfair extraction practices, particularly in

the oil and gas sector, result in environmental degradation, resource depletion, and community conflicts. Examples include oil spills in the Niger Delta region and displacement of local communities due to infrastructure projects. Environmental implications such as pollution have resulted in health problems, biodiversity loss, and long-term ecological damage. Examples include air pollution from manufacturing plants and water contamination from mining activities. The economic benefits generated by MNCs may not be equally distributed, exacerbating existing social and economic disparities within Nigeria (Agwu, 2012). This can lead to increased income inequality and social unrest. Concerns exist regarding unfair labour practices like low wages, poor working conditions, and limited bargaining power for Nigerian workers employed by MNCs (Nwosu, 2013).

These practices can violate human rights and hinder sustainable development. The complexities brought to Nigeria by multinational corporations; social unrest, underemployment, and environmental implications among others come together to form the national image of the country as well as its classification in global statistics such as poverty rates, strongest economies, most peaceful countries, unemployment rates, security, political stability, human rights violation among others. These issues may likely place Nigeria in a disadvantaged position in international bargaining and negotiations under its interests. Further, these complexities form internal factors to be considered in the formulation of foreign policy. Howbeit, effective engagement with multinational corporations can present an opportunity for significant investments boosting economic growth and development in Nigeria. This can lead to increased infrastructure investment, job creation, and technological advancements, thus; the issues and prospects of multinational corporations on Nigerian diplomacy.

Conclusion

In conclusion, the relationship between

MNCs and Nigerian diplomacy is a complex tapestry woven with threads of opportunity and exploitation. To navigate this intricate landscape effectively, Nigerian lawmakers and diplomats must employ a nuanced approach that balances the economic benefits of foreign investment with the protection of national sovereignty, environmental sustainability, and the rights of its citizens.

Recommendations

- i. The interests of various actors are complex and often intertwined. Nigerian diplomacy must navigate the pursuit of national economic development goals (attracting foreign investment, creating jobs) alongside upholding human rights, environmental protection, and ensuring equitable benefit distribution from MNC activities.
- ii. Public perception of MNCs and their impact on Nigeria is critical. Nigerian diplomacy needs to employ public diplomacy strategies to communicate effectively with its citizens, address concerns about potential negative impacts, and build trust with local communities.
- iii. The Nigerian government interacts with MNCs at various levels, from national ministries to local authorities. Coordination and coherence between these levels are essential for consistent and effective diplomatic efforts.
- iv. Digital platforms and virtual communications are increasingly crucial for diplomacy, particularly in engaging stakeholders located across the globe. Nigerian diplomacy needs to adapt and leverage technology effectively to foster communication and collaboration.

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