UNITED NATIONS
AFRICAN INSTITUTE FOR ECONOMIC
DEVELOPMENT AND PLANNING

D A K A R

CONFERENCE ON

MULTINATIONAL CORPORATIONS IN AFRICA
(Dakar: 25th September - 5th October, 1974)

THE POLITICO-ECONOMIC POSITION OF MULTINATIONAL CORPORATIONS: A NIGERIAN EXAMPLE

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JULY 1974

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INTRODUCTION

The significance of multinational corporation in the world economic and political order is now universally appreciated. Names like ITT, General Motors, IBM, Ford Motors, Shell, ICI, Unilever (or UAC) Dunlop and even Lonrho are symbols not only of economic power but of political influence. The ever growing power of these international firms has led to anxieties, particularly in developing countries, on their implications for national sovereignty. It is generally argued that the economic power of multinational firms is a serious constraint on economic independence of most developing countries. In this connexion international firms are regarded as neo-colonialists and a hinderance to real socio-economic development.[1]

The other view of multinational corporation is that it brings the various world economies closer together by exporting technological and managerial know-how to areas where they are most needed. Thus it has been argued that "the international corporation has been a key factor in the virtual elimination of the so-called technological gap; indeed, the best way to establish such a gap would be to restrict international investment".[2]

Discussion of multinational corporations has always taken place within the framework of these too opposing views. These views depend on the conception of "development". If this is taken to mean emancipation from economic dependence, then one is likely to view the multinational corporation as a barrier to development. On the other hand if the view of development is mainly in terms of GDP, and per capita income, then multinational corporations are likely to be regarded as indispensable agents of development. As a result of this fixation with national development, discussion of multinational corporations is always pitched at the national level - particularly the relationship of multinational corporations with national governments. The power of multinational corporations is then always measured in terms of the size of investments controlled in the economy and the influence it can exert on governmental decisions.

This paper discusses a single project - a cement factory - jointly owned by a state government and two multinational corporations, in order to highlight the actual working of multinational corporations. Admittedly, generalization cannot be based on a single case, but my intention is not to generalize, but to describe real situation at a level that it is too often neglected - local community and state level - when discussing multinational corporations. One of the objectives of this paper is to show the development process of the cement company and how the multinational corporations involved in this project have achived a politico-economic position that ensures their indispensability for some time to come.

In Section I, I discuss the origin and structure of the cement company and the relationships among the partners. I draw out the implications of the Agreement which defines the roles and responsibilities of each partner. Some of the issues that divide and unite the partners are discussed and the way in which they are related to situation in the factory. The marketing system of the company is discussed in Section II to emphasize the way in which influential Nigerians at various decision-making centres are used. Section III draws out certain implications from this case-study to highlight the problems of development which arises from the roles of multinational corporation in a developing economy.

I[*]

The possibility of manufacturing cement in Western Nigeria was first considered by the Western Region Development Production Board, (now the Western Nigeria Development Corporation, W.N.D.C.) in August 1954.[3/] It was at this point in time that the Western Development Corporation (W.N.D.C.) first approached the Associated Portland Cement Manufacturers of Great Britain (A.P.C.M.). Discussions were at first abortive on account of disagreement regarding capital participation. However, negotiations were reopened later in that year, and an agreement covering a geological survey and paving the way for the creation of an operating company - provided the survey results warranted it - was eventually signed in June, 1955.

In August 1955 two officials of the Associated Portland Cement Manufacturers (A.P.C.N.) visited certain areas of the Western Region (now Western State of Nigeria where limestone was known or believed to exist in large quantities. One of these officials recommended that the search be initially restricted to the Ilaro area because of its proximity to road and rail communications. And in March, 1956, indications of vast quantities of limestone were found. These indications were subsequently proved, and two 'Special Exclusive Prospecting Licences' were taken out. Geological work then began to ascertain the quantity and quality of the deposits.

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* Throughout this section, I shall quote from certain letters and documents available to me without giving the sources, because these were private documents. The quotations should therefore be seen as field data.

Following on the good results being obtained by the A.P.C.M. geologists, negotiations were started for the establishment of a factory with a rated capacity of 100,000 tons per annum and costing £2.5 million. And in December, 1956, the possibility of raising the rated capacity from 100,000 to 200,000 tons was discussed and later approved. The proposal was to cost £4 1/2 million.

A company to operate the factory was eventually formed and incorporated on 26th February, 1959, with a share captial of £3 million. The company was named The West African Portland Cement Company Limited (W.A.P.C.C.). The shareholders are: Associated Portland Cement Manufacturers of Great Britain, (A.P.C.M.), with 51 per cent of the shares; the Western Nigeria Development Corporation (W.N.D.C.) with 39 per cent; and the United Africa Company (U.A.C.) with 10 per cent.[4/] Building started in 1959 and the factory was officially opened on Saturday 3rd December, 1960.

A diagramatic representation of the relationships between the West African Portland Cement Company Limited (W.A.P.C.C.), the Western Nigerian Development Corporation (W.N.D.C.) and the Western State Government is given below. It is important to understand their relationship in order to appreciate some of the processes discussed later in this section.

A. The Western State Government set up W.N.D.C. as a semi-autonomous body to handle industrial and agricultural development throughout the Western State. W.N.D.C. is a profit-making corporation, whose initial capital was provided by the Western State government.

B. The W.N.D.C. invited A.P.C.M. to participate in establishing a cement factory. A.P.C.M. suggested that the United Africa Company (U.A.C.) be invited as a partner because of U.A.C.'s long experience in industrial and commercial enterprises in Nigeria. This suggestion was accepted by W.N.D.C. and so we come to situation C.[5]

C. The three became partners in the cement company.

D. The West African Portland Cement Company Limited (W.A.P.C.C.) was formed by the three partners: W.N.D.C., A.P.C.M., and U.A.C. The head office of the company is in Lagos where the general administration of the company and the sales of the cement take place.

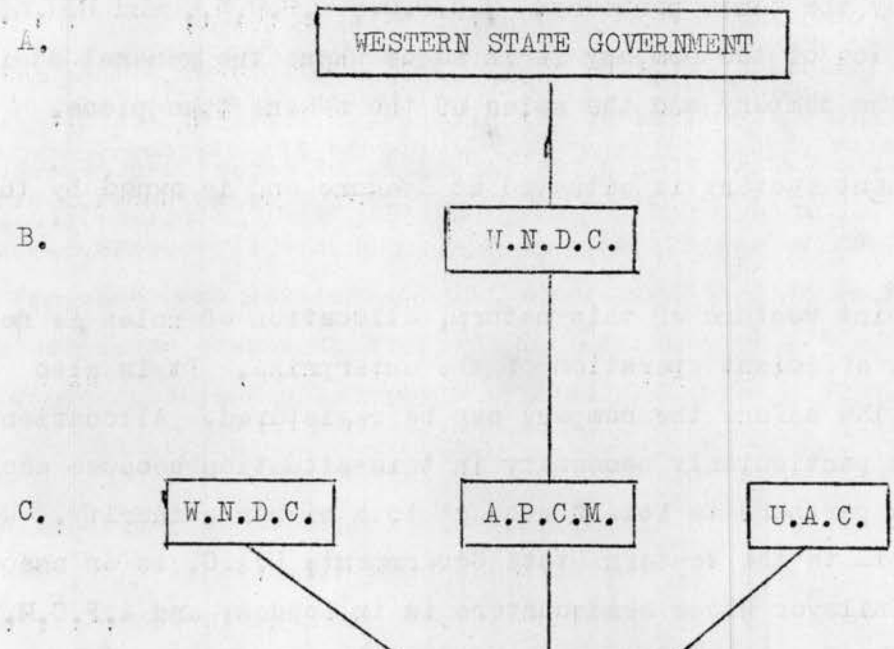
E. The cement factory is situated at Ewekoro and is owned by the W.A.P.C.C.

In a joint venture of this nature, allocation of roles is necessary for the efficient operation of the enterprise. It is also required by law before the company can be registered. Allocation of roles was particularly necessary in this situation because each of the three partners is itself subject to a higher authority. W.N.D.C. is responsible to the Western State Government; U.A.C. is an associated company of Unilever whose headquarters is in London; and A.P.C.M. is also a branch of a large firm with headquarters in London (Blue Circle Group).

An agreement between the partners was signed in London in May, 1957. The part of the agreement relevant for my analysis is that which allocated different roles and responsibilities to the partners. Under the agreement, A.P.C.M. was to arrange for the planning and supervision of the construction of the factory, as well as for any possible subsequent additions or extensions to it; it was to provide all necessary engineering and technical services in connection with the construction of the factory and of any additions or extensions to it; it was to be responsible for the acquisition and technical control of raw materials and the manufacture of cement and cement products; it was to provide a general manager for the cement company

DIAGRAM 1

THE RELATIONSHIP BETWEEN THE GOVERNMENT, W.N.D.C. AND THE CEMENT COMPANY



W.N.D.C.	- Western Nigeria Development Corporation.
A.P.C.M.	- Associated Portland Cement Manufacturers of Great Britain.
U.A.C.	- United Africa Company.
W.A.P.C. Co. Ltd.	- West African Portland Cement Company Ltd.

either by secondment (from A.P.C.M. in the U.K.) or by direct recruitment, and to recruit all other technical staff, whether supervisory or otherwise, necessary for the efficient operation of the factory.

W.N.D.C. was to arrange for the company to secure from the Federal Government of Nigeria the rights to mine and quarry; to give advice on mining rights and rights to grind clinker, and on relations with the governments of the federation.

U.A.C. was to establish commercial and administrative divisions under the control of a Commercial General Manager who was to be provided by U.A.C.; it was to advise on commercial, accountancy, legal and secretariat matters; it was to provide - either by secondment or recruitment - a Commercial General Manager for the Cement Company as well as all other non-technical staff deemed necessary or desirable; it was to purchase all goods required by the commercial and administrative divisions of the company; and it was to purchase goods for the technical division when required to do so.

The agreement also provided for A.P.C.M. to appoint three directors, one of whom would be the managing director; for W.N.D.C. to appoint two directors; and for U.A.C. to appoint one director who was to be the commercial director (Commercial General Manager).

Some of the main implications of this agreement were as follows. Firstly, it prevented W.N.D.C. from exercising any influence on recruitment which was to be entirely shared by A.P.C.M. and U.A.C. In a way this violated the expectations of the government and the public that W.N.D.C. was created to provide employment for Nigerians. Secondly, the agreements prevented W.N.D.C. from taking part in the purchase of materials for the company in which it was the second largest shareholder. While it was incumbent on A.P.C.M. to purchase technical equipment, U.A.C. had the responsibility to purchase all goods required by the commercial and administrative divisions. Thirdly, neither of the two directors representing W.N.D.C. was to have a post in the company, whereas one of A.P.C.M.'s nominated directors was to be the managing director, and the one nominee from U.A.C. was to be the commercial director. Fourthly, the functions of W.N.D.C. were ones which reflected its awkard position. For example, it had consistently supported the applications of the management of the W.A.P.C.C. to the government for employing expatriates in the cement factory in accordance with the duty assigned it in the agreements. But one of the primary purposes for which W.N.D.C. was established was to provide employment for Nigerians. If, however, W.N.D.C. was to oppose the recruitment of expatriates into the cement factory, it would be seen by the other partners as failing in its duty and hindering the progress of the company. For the recruitment of the expatriates was often justified by the other partners on the grounds that this was necessary for the efficient operation of the factory, as the expatriates recruited were men of high skill not available locally.[6] W.N.D.C. has consistenly opposed the governments in its proposal to have another cement factory by another company in Western State. Why did W.N.D.C. oppose the government on this issue? W.N.D.C. was established to foster economic development through industrial and agricultural projects, it was also expected by the government to be a profit-making and self-supporting corporation. But it was not given the monopoly for establishing industrial and agricultural projects in the state. (Other agencies and individuals could set up industrial projects). W.N.D.C. was therefore not protected from competition. Like any other business concern, it has to discourage competition. And since the cement factory is one of the most profitable enterprises in which W.N.D.C. participates, it has to protect it from competition. W.N.D.C. has thus had to redefine its primary objective as being to make profit, even if this means opposing the establishment of another factory by another company which might well be profitable. The opposition of W.N.D.C. to the establishment of another cement factory is thus understandable in terms of its interest, but in relation to the prupose for which it was established, its position is anomalous.

On one occasion W.N.D.C. had to defend W.A.P.C.C. from a charge of having a "monopolistic tendency" in the following words:

> "We do not feel that the case of monopoly has been established against the company.....it will be better for our existing company to expand as market dictates than to set up a rival company in this State. New programmes of expansion are at present being studied by the Board of Directors." 7/

The position and functions of W.N.D.C. described above were sources of dissatisfaction to its personnel. The nature of this dissatisfaction can be readily appreciated if we analyze certain contentious issues among the partners. The higher management structure of the cement company is depicted below as background to understanding the issues and the relation of W.N.D.C. to the other two partners.

The first issue is Nigerianisation.8/ It is the policy of all the governments in Nigeria whenever practicable to replace expatriates with Nigerians in all spheres of employment as quickly as possible. In spheres of employment controlled directly by the federal and state governments - the civil service and the statutory corporations - Nigerianisation was virtually complete by the time of this study. But in foreign-owned commercial and industrial enterprises, Nigerianisation is largely controlled by the expatriate owners, though the government imposes indirect control by limiting the number of expatriates allowed into the country. A foreign-owned company has to show that there are no qualified Nigerians to fill a particular post before it is allowed to recruit expatriates. As mentioned earlier, it fell to W.N.D.C. to show that there were no qualified Nigerians before supporting applications by the cement company (W.A.P.C.C.) for the employment of expatriates. On one occasion, W.N.D.C. wrote to the government explaining that a charge of anti-Nigerianisation levelled against the cement company (W.A.P.C.C.) was not justified. "Nigerianisation in the Company (W.A.P.C.C.) seem slow on account of the technical nature of their operations. W.N.D.C.'s (nominated) directors (in W.A.P.C.C.) are looking into it".

Yet it was on the very issue of Nigerianisation that W.N.D.C. constantly quarrelled with A.P.C.M. and U.A.C. On another occasion W.N.D.C. wrote to A.P.C.M. suggesting the appointment of a Nigerian as a Deputy Managing Director, but A.P.C.M. replied in the following terms:

> "The senior managerial set-up in the Company consists of .... (See Diagram 2). In this set-up we are afraid there would simply be nothing for a deputy managing director to do".

A.P.C.M. then went on to make an alternative proposal, at which point the process of bargaining began:

> "The present Secretary/Accountant, an expatriate official seconded by the United Africa Company, is due to retire in ..., and our suggestion is that he should be replaced by an Nigerian. To this extent the United Africa Company are agreeable to release one of their Nigerian officials who, it is considered, would be suitable to take up the appointment, and we on our part would provide him with an initial period of training in the United Kingdom....."

DIAGRAM 2

TOP MANAGEMENT STRUCTU W.A.P.C. CO. LTD.

THE BOARD OF DIRECTORS (SIX MEMBERS)

(A.P.C.M. - 3) (W.N.D.C. - 2) (U.A.C. - 1)

□	CHAIRMAN/MANAGING DIRECTOR	A.P.C.M.
□	COMMERCIAL DIRECTOR	U.A.C.
□	WORKS MANAGER	A.P.C.M.
△	SECRETARY/ACCOUNTANT	U.A.C.

□ - Expatriate

△ - Nigerian

A.P.C.M. then concluded:

> "We hope you will feel that these proposals, within the present framework, are further evidence of the acceptance by the sponsors of the Company of the principle of Nigerianisation. We are confident that in the course of time it will be possible to proceed further with the implementation of this policy but I am sure you will agree that in the case of this Company, which is still of recent origin, and which is operating an industry entirely new to Western Region and is still expanding, it would be unwise and, in fact, detrimental to the interests of all concerned, including Nigerians, to proceed with undue haste".

W.N.D.C. then replied suggesting that the 'schedule of the executive hierarchy' be altered so as to allow the managing director to gradually pass some of his responsibilities to the deputy:

> "It is our understanding that Nigerians will take over the management of the company eventually and we therefore feel that the time has come when a deputy managing director should be appointed who would understudy the managing director. Unless concrete steps are taken to train and groom a Nigerian as deputy managing director, it will be difficult to find a suitable Nigerian to take over as managing director."

Although W.N.D.C. insisted on having a deputy managing director, it accepted the alternative proposal to appoint a Nigerian as the Secretary/Accountant. On the other hand, W.N.D.C. rejected the idea that U.A.C. should nominate the Secretary/Accountant on the grounds that a substantial number of U.A.C.'s staff have already been released to work in the Cement Company, whereas none of W.N.D.C.'s staff had been asked to work there.

A.P.C.M. gave a final reply, which was also the final decision:

> "Apart from the fact that there would be little for him to do, both A.P.C.M. and U.A.C. are of the opinion that it would be injudicious to introduce someone, irrespective of

> nationality, as a deputy managing director, without his having had considerable practical experience over the years of the cement industry. I think it will be agreed on all sides that considerable progress has already been made in the implimentations of the policy of Nigeriansation and I am sure the partners will proceed with this policy with due regard to the prosperity and welfare of the Company, of whose record I feel we can all be justifiably proud. This, I would suggest, is in keeping with the spirit[9] (my emphasis) of the Agreement into which the partners entered when they decided to set up the West African Portland Cement Co. Ltd.".

In regard to the appointment of a Nigerian Secretary/Accountant, A.P.C.M. reminded W.N.D.C. that under the Agreement, it was the duty of the U.A.C. to provide the necessary administrative staff either by secondment from U.A.C. itself, or by direct appointment made by U.A.C. on behalf of the cement company.[10] In the end no deputy managing director was appointed, and the Nigerian secretary/accountant appointed was U.A.C.'s nominee.

A second major disagreement over Nigerianisation arose out of W.N.D.C.'s suggestion to the Chairman of the W.A.P.C.C. that the cement company should appoint "an indigenous auditor" to work with the firm of expatriate auditors. The Chairman of W.A.P.C.C. discussed the issue with the firm of expatriate auditors who rejected the idea for the following stated reasons: that their audit did not lend itself to a division of work; that the combined fee for joint auditorship would almost certainly exceed the fee being charged at that time; that their firm has Nigerians below the level of principals and hoped soon to have Nigerians at the level of principal. (In effect the expatriate auditors were suggesting that they too were Nigerianising their staff).

In writing to W.N.D.C. agreeing with the expatriate auditors, the Chairman of W.A.P.C.C. said: "...it would be unwise and also unnecessary to bring in an indigenous firm to act jointly."

W.N.D.C. answered rejecting the reasons given by the firm of expatriate auditors for not wanting to associate with a firm of Nigerian auditors. W.N.D.C. argued that the auditing work was divisible and that the fee need not increase since the volume of work would remain the same.

The chairman of the cement company, in his capacity as A.P.C.M.'s representative, consulted U.A.C. and both agreed to appoint a firm of Nigerian auditors. W.N.D.C. was informed after the Nigerian auditors were appointed. W.N.D.C. welcomed the appointment but protested that it was not consulted before the appointment was actually made. It is clear that W.N.D.C. would certainly not have nominated the particular firm appointed, but it had to accept the joint decision of A.P.C.M. and U.A.C. since this partially met its demand. These two disagreements over Nigerianisation illustrate the power of multinational corporation and also the processes of bargaining and negotiation inherent in the relationships between the three partners.

Nigerianisation was not mentioned in the Agreement governing the relationship, but it had major national implications which could have led to the collapse of the cement company if not carefully handled. Since the general issue was not governed by any specific rules, every specific incident had to be negotiated.

When W.N.D.C. initially raised the issue of Nigerianisation in a tone that suggested that it had the legal right to do so, it was reminded by the other two partners that such an issue was only "in keeping with the spirit" of the agreement. Bargaining took place on this basis and A.P.C.M. and U.A.C. agreed to the appointment of a Nigerian Secretary/Accountant. It was in the interest of A.P.C.M. and U.A.C. to negotiate because W.N.D.C. had the power to prevent recruitment of additional expatriates. In pursuing their respective interests, the partners had to bargain if their joint relationship was to persist.

There were however situations in which bargaining did not take place. When W.N.D.C. insisted that it should nominate the Secretary/Accountant, it was reminded that according to the letter of the agreement, it was U.A.C.'s responsibility to appoint an official of that status. Thus the agreement that was interpreted in its spirit on one occasion was interpreted in its letter on another. The particular agreement, and the rules in general, did not in effect specify or define relationships in any rigid way since the same rules could be interpreted differently. The rules could therefore be seen as resources which were subject to continuous negotiation and manipulation according to the changing way in which the relationship between the partners was perceived. The view taken here is that in a situation of this type where relationships are supposedly specified by rules and are therefore thought to be predictable, they may in fact be unpredictable and may not necessarily be either stable or unstable.

The second issue relevant to understanding relations among the partners is the proposal of the government to establish another cement factory "to break the monopolistic tendency" of W.A.P.C.C. All the partners were solidly united against the government on this issue. They argued that on economic grounds it was better to expand the factory at Ewekoro than to have another factory in the state.[11] The peculiar position of W.N.D.C. on this issue was previously discussed. While the partners were divided over Nigerianisation, they were united in their opposition to the government on its proposal to open another factory.

The third issue related to the discipline of workers in the factory. It was common for workers disciplined or dismissed to make representations to W.N.D.C. when they felt they had been treated unfairly. On each such occasion W.N.D.C. made representations to the chairman of W.A.P.C.C., sometimes asking for explanation of the management's action. But W.N.D.C. never succeeded in making W.A.P.C.C. change a decision. The significant questions to pose are: Why were the workers at the time looking to W.N.D.C. for protection? Why did W.N.D.C. take on the role of defending the workers against its partners?

The answer to the first question seems to be that the workers thought of W.N.D.C. as the owner of the factory. They perceived W.N.D.C. as effectively occupying position B in Diagram 1, whereas the position of W.N.D.C. in relation to the factory is at level C. At this level W.N.D.C. was less powerful than its other two partners not only because it did not have the controlling shares, but also because the responsibilities allocated to it under the agreement were less 'powerful' than those allocated to the other partners separately and collectively. The ignorance of the true position of W.N.D.C. on the part of workers was widespread, and it led them to the belief that W.N.D.C. had the power to act in their favour against the management whom they regarded as 'foreigners'. Another reason was the relative inactivity of the trade union at that stage. It was not until early in 1968 that the Union became effective in handling workers' grievances. Yet again, it was not till the middle of 1968 that a personnel department was established in the factory.

In this section, I have briefly referred to the history of the company and especially the way in which the functions of the three partners had crucial implications tending to set off W.N.D.C. from other two partners - A.P.C.M. and U.A.C. W.N.D.C. had conflicting and incompatible roles to perform and this fact initially affected its relationship with the other partners. This situation however, is predictable from the allocation of functions in the Agreement, the allocation of functions shows the power of A.P.C.M. and U.A.C. It did not appear that W.N.D.C. and the state government which sets it up have the power - economic or otherwise to confront A.P.C.M. and U.A.C. Since the preoccupation was with the establishment of a factory to provide jobs for Nigerians and to produce cement for development, the government accepted the terms of operation of those who were to provide the capital and technical know-how.

The issue of Nigerianisation which later arose touches on the problem of economic independence and national sovereignty which are inherent in foreign investment. The sporadic disputes on Nigerianisation and the ways they were resolved emphasize the power of A.P.C.M. and U.A.C. and their willingness to compromise to achieve their overall economic objective.

II

In this section, the marketing system is discussed to further emphasize the way in which the cement company strengthen its position. The product of the company is sold through about 75 distributors. Stocks are allocated each month to the distributors who then sell this through A.T.C.'s issued to consumers. The consumers then present the A.T.C.'s at the factory or at any of the two depots and collect their stock. The advantage of this system for the cement company is that it has to deal with only seventy-five or so distributors instead of the general public. The advantage of the system for the distributors is that they need not store cement physically; what the distributors sell is a piece of paper; it is the consumer that pays the cost of transport.[12/] The very high demand for cement, its inadequate supply at home and stringent restriction on import, have ensured a very lucrative business for the company and the distributors. The competition to be a distributor of the company's product is therefore very high. It is estimated that only about 5 - 10% of those applying for distributorship stand any chance of success.

The way in which the company selects its distributors is the crucial point for this paper. Although one stipulated condition for being a distributor is a successful business - particularly in building materials, the selection clearly shows politico-economic considerations at all levels. At the local community level - where the factory is situated, the distributors are powerful local community leaders - the real decision-makers - whose past and present politico-economic roles are known beyond the borders of their local community. At other parts of the country, the distributors include traditional rulers, national political figures, current leaders of business, and relations of very highly-placed government functionaries. The other category of distributors are expatriate firms - some of which are subsidiaries of U.A.C.

This distribution-arrangement necessarily ensures that the company enjoys some amount of goodwill among those who take decisions not only at the national level but also at the state and community levels.[13/]

What emerges from this paper so far are the ways in which the cement company has attempted to control its environment. At the inception of this company the other partner (W.N.D.C.) was given functions which guarantees the supremacy of A.P.C.M. and U.A.C. Secondly, the company has always shown willingness to compromise on issues that do not really disturb the balance of power among the partners. Thirdly, the company has built up tremendous good-will among decision-makers at all levels in the country. The net effect of all these and the efficient management of the factory is the increasing success of this company's profit-wise.[14] The company has now been authorised to start two new cement projects in the country. When these are completed, the company will control three of the seven cement factories in Nigeria, and will account for well over half the total production of cement.

III

This section discusses the role of multinational corporations in the development of African societies within the framework of two questions posed for this conference:

(a) Does the provision of capital and transfer of technology reduce the dependence of the underdeveloped countries upon the developed ones, or it intensifies such a dependence and at the same time increasingly integrates the underdeveloped economies into the world economic order which is highly uneven?

(b) What are the alternative strategies which African economies can adopt to confront multinational corporations?

The first question raises the issue of economic independence of developing countries, the issue of national sovereignty and the overall objective of economic development. The case described above is hardly a sufficient basis for answering the question; but certain points in that case study are pertinent to understanding the processes by which the M.N.C.'s adjust their positions to changing circumstances. First, it must be admitted that the primary objective of the cement company is to make profit. In pursuance of this, it establishes a factory based on modern technology, in an area that ensures its success. It exploits the eagerness of the state government to have a cement factory by securing favorable conditions which ensures success profit-wise and power-wise. Secondly, in spite of this initial advantages, the cement company - spearhead by A.P.C.M. and U.A.C. - was not complacent about its position, but it played politics at all levels to maintain its position. Thirdly, where conflict arose, the company has shown willingness to compromise. All these are indications that the multinational corporations change tactics and strategies as situation demands.[15/]

In this connection, the issue of economic independence and national sovereignty of developing countries should also be viewed within a time-perspective and situationally. There are times when national sovereignty will be traded off - even if the myth of sovereignty is openly maintained - for pure economic development, and also situations where national sovereignty takes precedence over economic development. It seems to me that the real problem of development is how to balance these objectives at <u>appropriate times</u>. The success of developing countries in this direction depends on a clear-cut socio-economic objectives which recognizes the inevitability of international involvement in development and the need for investment diplomacy. It can be argued that the ease with which multinational corporations penetrate developing countties is due <u>inter alia</u>, to lack of <u>specific</u> naticnal (socio-economic) objectives. Multinational corporations therefore do not find it difficult to present their own objectives as always in consonant with national objectives.

Strategies to confront multinational corporations therefore have to rest primarily on a clearly-defined and articulated sets of objectives. Since developing countries are technologically and economically powerless, and have to take account of the existing international environment, the first option is confrontation on "ideological" basis. By this it is meant a clear-cut plan as to which direction the developing countries wish to move. This will mean bargaining from a particular position. In the absence of such a clear-cut position and sense of direction developing countries are likely to continue to try various measures which only make for precarious participation in their economy. Such haphazard measures like indigenisation, capital participation, foreign exchange and profit-repatriation restrictions, nationalistic company legislations, can only be successful if they are set within a coherent national objectives. Otherwise some of these piecemeal measures will run counter to one another. It is perhaps significant that the power of multinational corporations in Africa has not declined despite various measures mentioned above.

However, a coherent national objective as a means of confronting multinational corporations can only be effective if that objective does not include the belief that multinational corporations are indispensable means for economic development. The evidence so far points to such a belief. Official decision-makers tend to rely on multinational corporation; this position is understandable because for a company to be multinational is a sign of success and it is safer to rely on companies with proven success rather than on others. This belief in the indispensability of multinati nal corporations has to change, if, and only if, it is desirable to curtail their powers. I have already pointed out that the A.P.C.M./U.A.C. dominated cement company in Nigeria are soon to start operating two other large projects. The question is this: Is it more prudent economically for the same company to start other cement factories and thereby strengthen that company (and M.N.C.) than to support another company for the new projects? This seems to me a choice between two evils, since the other company is inevitably going to be foreign. Successful confrontation therefore is possible only if decision-makers' belief about M.N.C.'s change.

If we accept the view that multinational corporations are part of the international business environment with which the developing countries have to cope, a permanent strategy to cope with that environment is the development of native manpower sophisticated enough to cope with intricacies of 20th Century technology. In this connexion, there should be no consideration of either East or West (politically) but a vigorous exploitation of international resources in pursuit of this objective. In the final analysis, it is men and their ideas - not a sudden and unexpected wealth - that can sustain real socio-economic development.

NOTES AND REFERENCES

1. Consider for example the following: "... the multinational corporation, irrespective of possible reforms in internal organization, managerial style or corporate doctrine, is unlikely to contribute to the process of modernization in Third-World societies," see W.M. Dunn: "The Multinational Corporation and Third World Modernization: Toward A Strategy of Research and Action;" paper presented at International Dimensions of the Effects and Implications of International Business, U.S.A., Feb. 22, 1971.

2. See Rolfe, Sidney E. and Damm, Walter, "The Multinational Corporation in the World Economy" (Praeger Publishers 1970) p. 27.

3. W.N.D.C. is now reorganized and it bears the name "Industrial Investment and Credit Corporation" (I.I.C.C.). In this paper, I shall use the old name W.N.D.C.

4. In conformity with a recent decree, the government shares went up to 40%, and that of U.A.C. went down to 9%.

5. W.N.D.C. does not have a monopoly of industrial and agricultural projects. Private companies and individuals can set up their own projects. The Government can even invite firms (indigenous and foreign) to establish projects without consulting W.N.D.C. It should be noted that the cement factory is just one of the <u>many</u> projects in which W.N.D.C. participates.

6. It is still a subject of bitter public argument whether the jobs to which expatriates are recruited could not be filled by Nigerians. Some take the view that expatriates are recruited not because Nigerians of the appropriate skill cannot be found, but because the effective owners of industrial and business concerns in Nigeria are expatriate firms who are unwilling to surrender total control to Nigerians. Consider, for example, the following statement:
"The whole of the production function at Ewekoro is now in Nigerian hands, but the specialist engineering functions are in expatriate hands and the problem is this - how far can one put the maintenance and engineering of some £8,000,000 of plant at risk by too early Nigerianisation?" - From the speech of an A.P.C.M.'s official at a seminar in London on "Nigeria Now", 9th April, 1970.

7. From a <u>confidential</u> letter. The government's proposal to establish another factory stemmed from complaints by the public, that the price of cement was too high and that W.A.P.C.C. was charging high price because it had no competitor; that the cement factory was unablè to meet the demand for cement although it worked for twenty-four hours daily. Another cement factory by the same company (W.A.P.C.C.) is to be built between 1975 and 1976 in the Western State. A third factory to be built by the same company was announced as this paper was being prepared.

8. For a concise discussion of "Nigerianisation", see Taylor Cole: "Bureaucracy in Transition" in Tilman R.O. and Cole, Taylor, "The Nigerian Political System (Duke University Press 1962). The Government's position on Nigerianisation of business activities is contained in Decree No. 4 (1972) Nigerian Enterprises Promotion Decree.

9. There was nothing in the Agreements signed by the partners about 'Nigerianisation'. It therefore became an issue that had to be negotiated not according to the <u>letter</u> of the Agreements, but in the <u>spirit</u> of the Agreements.

10. In the case the <u>Letter</u> or 'workings' of the Agreement was adhered to.

11. The same company has however agreed to establish two other factories in Nigeria.

12. Arrangement to modify the system is now well under way. This involves inter alia appointment of distributors and sub-distributors, and bearing of transport cost by the cement company. The proposed changes do not affect my argument.

13. For a detailed description of the relationship between a M.N.C.'s and national bourgeoisie, see Glaes Brundenius: <u>The Anatomy of Imperialism: the case of the multinational mining corporations in Peru.</u> Journal of Peace Research, pp. 189-207, No. 3, 1972.

14. Since the company was formed just over a decade ago, the labour force, production, sales and profit have doubled. The company has previously declared a dividend of 50%.

15. This has been referred to as controlling <u>"investment climate"</u> which consists of <u>economic, social, administrative and political climates.</u> See: Litvak, Isaiah A. and Maule, Christopher J. (eds.): <u>Foreign Investment: The Experience of Host Countries.</u> (Praeger Publishers 1970) Chapter 12.