Multinational Corporations in Bendel State of Nigeria

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Abstract: In several developing countries, multinationals have great freedom in deciding not only what to invest but also where to invest. This often leads to a concentration of investments in a few favoured areas to the detriment of others. This paper will attempt to show with regards to space, the distribution of multinational investments in Bendel State of Nigeria. The presumable economic, social and political problems which such lop-sidedness in the distribution of investments create for developing countries facing the problem of spatial integration will be highlighted. After attempting an explanation of this locational behaviour of multinationals, some suggestions will then be made which might help to achieve a more equitable distribution of multinational investments.

Introduction

In most developing countries, the scope of multinational activities is so extensive that some of the multinationals not only constitute a government on to themselves but in fact are richer than some of the governments in the countries in which they operate. In Nigeria, for instance, multinational activities span almost all sectors of the economy — petroleum, mining, manufacturing, banking and insurance, construction, distribution, transport, and agriculture (Onimode 1978). The volumes of their investments are therefore not only tremendous but in some cases may even outstrip national government efforts. The activities of these multinationals therefore deserve our attention. To date, most studies (Pazos 1967, Streeten 1976, Kappon et al. 1972, McDougall 1960) concentrated on the sectoral activities of these multinationals. The spatial aspects of their activities have long been neglected and have only recently attracted attention (Abumere 1978, Blackborn 1972, De Smidt 1968). This is awkward. The spatial ramifications of multinational investments deserve our attention not just because of the volume of these investments but because of the regional inequality which they create. This aspect will also receive treatment in this paper.

Some Background Information on Multinational Operations in Nigeria

There can be no doubt that the colonial administration policy, from 1900, which placed much emphasis on export and import trade led to the proliferation of highly integrated multinational companies in Nigeria. The situation was such that by the 1920s, the Nigerian market came to be dominated by these transnational corporations to the extent that by 1949, according to Kilby (1969), the largest three of these companies accounted for some 49% of all traded commodities in Nigeria. These expatriate Companies include the John Holt (founded in 1867), the United Africa Company (a Unilever affiliate, founded in 1879), Paterson Zochonis, Compagnie Francaise de Afrique Occidentale (CFAO), Societe Commercial de l'Ouest Africa (SCOA), the Swiss Union Trading Company (UTC), AG Leventis and several others.

Most of these companies at first devoted all their investments to the export and import trade but they have now spread out so widely that there is virtually no sector of the Nigerian economy where involvement by the multinationals is not found. With the discovery of oil in this country, in the 1960s, several multinational oil companies
trading companies mentioned above. These multinational companies constitute the front through which foreign private capital, management, and technology are brought to Nigeria. Recently, Onimode (1978) has levied several criticisms on the multinationals in Nigeria that they not only create structural distortion in production and distribution (for instance, by investing in industries, yielding quickest and highest profits, which may be unrelated to the development priorities of the country) but also in the end lead to a displacement of, rather than addition to, indigenous efforts (for instance, eliminating the markets of Nigerian blacksmiths, iron-smelters, brass-workers, weavers etc., through import of manufactures). These unacceptable faces of multinational operations have been exhaustively treated elsewhere (Mabogunje 1977) and so should not delay us here. What has not received enough attention is the locational aspects of these multinational investments.

There are really no locational guidelines formulated in Nigeria to guide the location of multinational enterprises (Aboyade 1968, Hakam 1966). It can be argued that in the absence of such location policy, multinationals were free to locate their enterprises where they liked. This will usually mean in areas that will ensure least cost and maximum profits. Whether this led to lop-sidedness in the spatial distribution of these investments should not really worry the multinationals who are in business for profit and not because of equity reasons. Ironically, it may well be that the "industrial incentives" granted to the multinationals in Nigeria have enabled them to concentrate in favoured areas thereby creating further regional imbalance. Gilbert and Goodman (1976) have pointed out the problems arising from the vertical institutional organization of the multinational enterprises receiving incentives and then refusing to identify effectively with the disadvantaged region to the point of having negative, instead of positive, impact on their performance. As a result, spatial inequality in the distribution of multinational investments is to be expected in Nigeria. The next section of the paper examines this with respect to Bendel State of Nigeria. The probable explanatory factors for this maldistribution will be examined and some solutions suggested.

The Regional Distribution of Multinational Investments in Bendel

The main focus of multinational investments in Bendel are in such sectors as Mining (especially petroleum), Agriculture (Palm produce, Rubber and Timber), Construction and Retail Trade. Data on the volumes of investments according to areas and sectors are not available for the period earlier than 1963. However, data exist for the 1963–1969 period. It is possible to argue that the spatial pattern exhibited by the multinational investments in the 1963–69 period will be remarkably similar to that of earlier and later periods.

Tab 1 shows percentages of total Bendel State investments accounted for by the different sources and divisions in 1963. The first important thing to note about this Tab is that multinational (private non-Nigerian) investments account for some 62.2 % of total investments in Bendel in that period. Indigenous private investment accounted for 26.5 % while Bendel State Government accounted for only 7 %. The low figure for the State Government may be accounted for by the fact that the government had only just taken off in that year when Bendel State was carved out of the former Western Region of Nigeria. It may be unfair to discuss Federal Government investments in comparison with other sources since the Federal Government, until recently, seldomly engaged in direct investments in the states.

What is remarkable about multinational investments in Tab 1 is not really the magnitude of these investments but their regional distribution. About 91.1 % of total investment by multinationals (which is 56.7 % of entire investments in Bendel) went to Delta Province while only 8.9 % (which is 5.6 % of total investments in Bendel) went to Benin Province. On the other hand, the State Government invested more in Benin Province than in Delta Province. In Delta Province, the divisions that received the multinational investments are Urhobo West (probably mainly Sapele), Warri and Western Ijaw (mainly on oil). Only Benin West Division (certainly mainly Benin City) received any appreciable multinational investment in Benin Province. Multinational investments enabled Delta Province to have some 84.6 % of total investments in Bendel in 1963 as compared with 15.4 % for Benin Province even though Benin Province has a higher population figure (1,354,986 in 1963 as compared with 1,180,853 for the Delta) and a higher geographical area (22,404 km$^2$ compared with 17,099 km$^2$).

Tab 2 contains the same type of information as contained in Tab 1 but for the 1965 period. This time, multinational investments account for 72 % of the entire investments in Bendel. The percentage accounted for by State Government has now risen to 16.8 % while that of indigenous private effort has declined. Delta Province received the greater proportion of multinational investment just as in Tab 1 — 81.6 % (which 58.7 % of entire state investment) as compared with 18.4 % (which is 13.3 % of total state investment) received by Benin Province. The proportion of total state investment accounted for by Benin Province has now risen to 33.3 % while that of Delta Province declined to some 66.7 %. The divisions that got most of the multinational investments in Benin (Benin