Forum: Economic and Social Council

Issue: Measures to prevent exploitation of developing markets by MNCs in West Africa

Student Officer: Jung Woo Hong

Position: Chair of Economic and Social Council

Introduction

Multinational Corporations (MNCs) are enterprises that are managed from one (home) country but operate in a few countries. This topic will investigate on the measures to prevent these MNCs from exploiting developing markets in West Africa. This is because MNCs have immensely influenced developing countries, participating in their economic activity and growth. As MNCs influence developing countries, it is important to understand what effect MNCs have on these developing markets, how these MNCs benefit from developing markets and why particular events happen.

The impacts of MNCs on developing countries such as aiding economic development and establishing monopolies can be both positive and negative. However, MNCs do not just possess knowledge on production, but can also take advantages of changing situations in international systems to gain maximum profit. This raises questions such as: do MNCs exploit child labor? Are MNCs deteriorating the world's environment? Do MNCs offer new employment opportunities? Are MNCs using domestic resources to exploit their monopoly powers? and so on. The participation of MNCs in developing markets could become a problem if MNCs keep exploiting natural resources. If this keeps happening, developing markets will not be able to develop due to the monopoly of the MNCs and the West Africa, the area where these developing markets are, will be left even poorer and in harsher conditions than before. Thus, the UN has to address this issue, recommending and establishing restrictions for these MNCs entering foreign countries.

As MNCs can produce and take advantages of changes, it gives the MNCs the power to be able to dictate to countries on what they want, and if the countries respond negatively to those requests, the MNCs can pull out and even search for a new state with low opportunity costs.

This report and the resolution and debates to follow will be centered around finding measures to prevent exploitation of developing markets by MNCs in West Africa. Due to the exploitation of developing markets by MNCs, West Africa is currently getting close to the depletion of natural resources. The exploitation of natural resources in West Africa continues, and the MNCs benefitting from developing markets keeps growing, leaving the developing countries even poorer than before.

Definition of Key Terms

Exploitation

Exploitation is the action or fact of treating someone unfairly in order to benefit from their work.

MNCs

Multinational Corporation (MNC) is an enterprise that operates in several countries but is managed from one home country.

Monopoly

Monopoly is the exclusive control of stock and trade in imported and exported items.

General Overview

History

'The Scramble for Africa'

'The Scramble for Africa' started in the late 19th century and ended during the early 20th century. It was a time in history where Africa's resources were exploited by MNCs that continued to plunder the continent's natural wealth. Without consultation with the people living in Africa, the Europeans met and divided Africa into chunks among themselves and this became to be known as 'The Scramble for Africa'. From this, France, Britain, Spain, Belgium, Portugal, Germany and Italy all started to plunder the Africa's natural resources. Due to the foreign countries plundering Africa's natural resources, African countries did not have any natural resources left to benefit themselves. This caused an economic depression in Africa and the African economy could not recover due to the lack of resources left in Africa. This also resulted in less employment opportunities and an overall low employment rate. This was because of the resources the companies could use was so limited, thus only a few countries could benefit and use those natural resources. With the African economy in depression, problems such as poverty, hunger and malnutrition started to rise, making improving their economy even harder.

Caption 1: The Scramble for Africa

Key Players

Nigeria

Nigeria has the highest population density of any African country, and was Africa's biggest economy three years ago. Since Nigeria was an oil-rich country, the country's economy depended on their petroleum. Before the invasion of MNCs in the country, Nigeria had sufficient production of petroleum, however the supply drastically shrunk after the oil-producing MNCs that came to exploit the low petroleum prices. In 2016, the amount of developing markets reached the lowest number in the past decade. The economy of West Africa had stagnated, and was hammered by the ineffective management of politics which stemmed from the failure of President Muhammadu Buhari. His administration was criticized and had to consider improving the country's business climate. This was also partially due to Nigeria being ranked 169th among 190 countries in the World Bank's Doing Business 2017 report.

Angola

Last year, Angola became Africa's biggest oil producing country, closely passing Nigeria. This was partly due to Nigeria being effected by MNCs, while Angola wasn't affected as much. As Angola now has the most oil production, MNCs can now seek to invade Angola and exploit its resources. Although Angola is currently the biggest oil-producing, most economically advanced country in Africa, once MNCs invade Angola, the rapid deterioration of Nigeria's economy could repeat itself in Angola, plummeting production and economy rates. Thus, Angola could be a key player in this issue in West Africa.

Problems Raised

Depletion of Natural Resources

Some problems that are raised in West Africa is that once MNCs enter a rural country, they can establish monopolies due to the less experienced developing markets in African countries. As MNCs are knowledgeable about production and can take advantages of changing politics, they are able to exploit monopoly and request advantageous compromises. With the power to exploit their monopolies over certain markets and take advantage of the natural resources, the country's natural resources would start to deplete. As MNCs were larger than developing markets, MNCs had more production and thus more power over the developing markets. This thus allowed MNCs to establish monopoly and to exploit the natural resources of the country. The developing markets would not be able to do much, as the MNCs would produce much more and expand fame, while the developing markets would start to go bankrupt and close down. Like the aforementioned problem, MNCs exploit monopoly and benefit from natural resources, gaining more profit and leaving no resources for local developing markets. If rural areas and countries do not even have natural resources left, the economy of these places would definitely plummet even more, creating a worse situation for these areas. If MNCs exploit natural resources and leave nothing in return, these countries would be in an even worse situation than before, making it harder to be economically independent and harder to be self-sustaining.

UN Involvement, Relevant Resolutions, Treaties and Events

The UN has been an active participant in finding measures to prevent MNCs from exploiting developing markets. Although not all measures are applicable for West Africa, most of the solutions are transferrable. Starting from the United Nations Millennium Declaration in 2005, the UN has been an active participant in trying to prevent MNCs from exploiting developing markets. Following the declaration was the World Summit Outcome, which passed General Assembly Resolution A/60/L.1. General Assembly Resolution A/60/L.1 discussed development, peace and collective security, and human rights and laws. In the development section of the resolution, it discusses plans on sustainable development, commitments to policies and laws, and the roles and responsibility of every nation for their own development. It also addresses specific measures and policies that focuses on expanding development opportunities for developing countries. This summit discussed topics on investment, debt, trade, commodities, quick-impact initiatives, financing for development, global partnership, and more. Through these discussions, regulations for MNCs invading foreign countries were discussed and set. Economic and Social Council resolution 2007/2 of 17 July 2007 passed in 2007, which highlighted the role of the United Nations system in promoting full and productive employment and decent work for all. This resolution also mentioned the involvement of the MNCs and its effect on unemployment, poverty and social integrations in developing countries. Following this Economic and Social Council resolution came another relate resolution from the same council: Economic and Social Council Resolution 2008/18, which promoted full employment and decent work for all. Since 2008, the UN has held summits, declarations and challenges on trying to prevent the MNCs from exploiting developing markets around the globe. There hasn't been much work done to help the exploitation of developing markets in West Africa, but there have been efforts in aiding the developing markets, as stated above.

Timeline of Events

Date	Description of event
2005	United Nations Millennium Declaration
2005	World Summit Outcome
2006	Ministerial declaration adopted by the Economic and Social Council at the high-level segment of its substantive session of 2006.
2007	ECOSOC resolution 2007/2 of 17 July 2007 and the theme of the coordination segment of its 2007 substantive session, "The role of the United Nations system in promoting full and productive employment and decent work for all"

2007	General Assembly resolution 62/131 of 18 December 2007
2008	ECOSOC Resolution 2008/18, promoting full employment and decent work for all

Possible Solutions

Setting Laws and Restrictions

As MNCs tend to exploit the natural resources of rural countries, laws and restrictions on MNCs using natural resources should be set. If stricter laws and restrictions are set for these countries, then MNCs would not be able to exploit these countries as much, and would help the economy of the countries improve rather than leave them in worse states. This would be done by encouraging the individual countries to set laws and restrictions specific for this category. As the UN cannot set laws for other countries, a solution would be to advise the countries to do so, offer incentives and or threaten sanctions or punishments if they do not set the laws.

Creation of Conducive Environment for Enterprise Development

This solution would encourage the West African governments for the continuation in the pursuing of creating a conducive environment for enterprise development. This would be implemented in both rural and urban areas, giving more attention and consideration to smaller sized enterprises. With the creation of these conducive environments, security systems, use of microcredits, access of information, applications of new technology and regulations would all be improved, aiding in enterprise development. Also, this environment would allow for developing markets to develop better and the governments could reject MNCs as the developing markets would help the economy.

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