

CHAPTER I

INTRODUCTION

1.1 Background

Large corporations would violate the Geneva Convention if the laws of war were to be applied to some of the operations they were in charge of. This is due to the fact that corporations with their factories and production processes emit pollution, which has a huge impact on the environment and surrounding communities. The 3,000 largest companies in the world harm the environment annually for more than \$2.2 trillion in 2008.¹ Unfortunately, this topic often gets overlooked because numerous people do not directly experience the negative impacts first-hand. It becomes more concerning when these corporations conduct their business outside their home country, or which is commonly known as, multinational corporations.

In early human history, business transactions were primarily focused on local and regional markets. Companies typically operated within their own country's borders, and international trade was limited compared to today. Contemporarily, the rise of globalization and technological advancements has significantly transformed the way businesses operate and conduct transactions on a global scale. Thousands of business firms in many nations have developed into

¹ Heal The Planet, "#85 Multinational Corporations," Heal the Planet, November 26, 2019, <https://healtheplanet.com/100-ways-to-heal-the-planet/multinational-corporations/>.

multinational corporations with ownership control or other links that cross national boundaries.

A company is considered a multinational corporation (MNC) if it conducts business in at least one nation other than its own. Referring to some definitions, it also generates at least 25% of its revenue outside of its own nation.² Multinational corporations have branches, factories, or other facilities throughout the world in addition to a centralized headquarters that handles the global management. Meaning there are benefits of establishing a multinational corporation for a business include increasing market share as well as vertical and horizontal economies of scale (cost savings that come from expanding output and consolidating management).³ However, they are typically criticized for being an economic and frequently political tool of foreign dominance. Critics believe that multinational corporations abuse their power to influence politics, take advantage of developing countries, and eliminate jobs in their own countries.

A study finds that firms indeed locate their CO₂ emitting activities in countries with weaker environmental policies and pollute less in their home country where environmental regulation is more stringent.⁴ This proves that developing countries are particularly prone to exploitation, not only socially, but also

² James Chen, "Multinational Corporation: Definition, How It Works, Four Types," Investopedia, April 25, 2023, <https://www.investopedia.com/terms/m/multinationalcorporation.asp#toc-advantages-and-disadvantages-of-multinational-corporations>.

³ The Editors of Encyclopaedia Britannica, "Multinational Corporation (MNC) | Britannica Money," [www.britannica.com](https://www.britannica.com/money/topic/multinational-corporation), June 24, 2023, <https://www.britannica.com/money/topic/multinational-corporation>.

⁴ 03/18/2020 08:47:00, "Exporting Pollution: Where Do Multinational Firms Release Co₂?" PRI, March 18, 2020, <https://www.unpri.org/pri-blog/exporting-pollution-where-do-multinational-firms-release-co2/5592.article>.

economically since their economies are based on a small number of exports, frequently of primary goods. Among the risk factors facing the host countries are monopolistic business practices, violations of human rights, and interference with more established economic growth strategies. Due to the conflicting interests and power dynamics, there are conflicts between local communities and multinational corporations around the world.

The Chevron case is one of the conflicts present between MNC and local communities. Chevron, previously known as Texaco, started conducting oil drilling operations in the Ecuadorian Amazon in the 1960s. The business was charged with substantial environmental pollution and ecological harm brought on by waste disposal procedures that contaminated the soil and water. This has caused the local communities to suffer the long-term effects such as health problems and the loss of their traditional livelihoods.

In India, Coca-Cola ran into criticism and disputes with the community over concerns regarding water usage and depletion. Locals in some areas complained that Coca-Cola's bottling operations made the problem of water shortage worse, which had an impact on farming and local water supplies. The Oyu Tolgoi copper and gold mine in Mongolia also faced disputes with the locals about land rights, water use, and environmental effects. The people stated that water shortage in the area was a result of the mine's operations, which interfered with traditional nomadic grazing methods. Protests, campaigns, and decades of legal battles have been taken up by the local communities against multinational corporations. But for most cases, the conflicts are multi-faceted and complex, varying in different points of causes.

However, this research will focus on the case of Shell oil company in Nigeria. The multinational corporation has been operating in Nigeria since 1956, and has now become the largest oil producer in Africa since the 1970s. High expectations were placed to improve the indigenes' quality of life significantly, but instead of that, residents experience firsthand the curse of oil which has robbed them and their generations the true value of life. More than 80 percent of the population rely on fishing for livelihood.⁵ But in a region that once were filled with aquatic life, it is now a shadow of its former self with a number of polluted estuaries and oily swamps.

In the course of an incident in October 2004, more than 23, 000 liters of oil spilled into the environment. A mangrove forest covering about 40 acres was destroyed by fire. Furthermore, in June 2005, a leak from a Shell pipeline located in Oruma, another village in the Niger Delta, contaminated the environment for 12 days until Shell Petroleum Development Company of Nigeria (SPDC) was able to manage the flow. Then, in Ikot Ada Udo, another incident happened in August 2007 when around 100,000 liters of oil escaped from a Shell wellhead. Failures of equipment, sabotage, corroded pipelines, and well blowouts are believed to be the main causes of spills in the region (This will be further studied in this paper).

Those incidents led to the current conflict between the community in Nigeria's Niger Delta region and the SPDC. For decades, groups of people that are affected by the incidents have participated in demonstrations, militia attacks, as well

⁵ FairPlanet and Bob Koigi, "The Hidden Cost of Shell Oil Spill in Niger Delta," FairPlanet, n.d., <https://www.fairplanet.org/dossier/eco-crimes-shell-and-the-niger-delta/the-hidden-cost-of-shell-oil-spill-in-niger-delta/>.

as initiated lawsuits aiming to hold the company accountable for their actions. Although there have been successful court decisions in favor of Niger Delta community members, the majority of oil corporations do not adhere to the court's decision. Oil corporations in all cases claimed the spills were the result of sabotage and that they shouldn't be held liable for the harm done to people and communities. This has created domino effects.

1.2 Research Questions

Recognizing the impact of oil explorations in Nigeria, this research focuses on the environmental harm and the tensions that arise between the local community and the multinational corporation. The conflict continues to this day in the form of legal actions, demonstrations, and criminal activity. These actions, however, are carried out by a variety of stakeholders impacted by oil production activities, not just one set of individuals. Additionally, there are barriers in addressing the conflict related to the region's socioeconomic condition, history of imperialism, policy, and different perspectives of the involved parties. There are those who are in favor and those who disapprove of the matter. Peace in the region is therefore hard to come by.

In line with the urgency of addressing human rights violations, this research will emphasize on the communities, but not limited to other actors; government of the host country and multinational corporations. Even though this research will examine the cause of conflict through the history and upbringing of Nigeria as a

state, the author still limits its focus to analyzing the difference before and after the year 1999. In accordance with the context and boundaries previously outlined, the following research questions are intended to answer:

1. What are the negative impacts of Shell Nigerian company operating in the Niger Delta region that leads to conflict with the local community?
2. What are the barriers that prolong the conflict that has been going on for decades between Shell Nigerian company and the local community in the Niger Delta?

1.3 Research Objectives

Subsequent to the formulated research questions, the objectives of this research are as follows:

- The aim of this paper is to identify the negative impacts of Shell companies from their oil exploration in the host-country that leads to conflict in the region.
- To properly comprehend the particular conflict, the study examines the barriers that contribute to the issue's complexity, allowing the conflict to endure for decades until now.

1.4 Research Significance

This research is expected to highlight the importance of sustainability approach within multinational corporations. As well as to raise the general public's awareness regarding the interdependence of people's livelihood and the environment. Learning the significant factors that may lead to cases of conflict, like the one between multinational corporations and communities in the host countries, as well as the historical background of the state. Emphasize the roles of key actors in contributing to the solution. There have been earlier studies on this subject, but they discuss the conflict of MNCs and local communities in general. Others frequently overlook how the historical background has shaped the current mismanagement of multinational corporations, adding to the complexity of the issue. Also, the challenges that state and non-state actors face when attempting to reach the collective goal.

Considering the direction of this research in analyzing the impact, challenges, and implementation faced by oil multinationals, state actors, and communities in Nigeria, this research further aims to inspire other non-state actors including but not limited to private institutions, NGOs, and the general public, to dedicate their work towards pursuing sustainable global development in their respective fields. Furthermore, the findings of this study are meant to provide readers with insightful information that might be a reliable source for studies on related subjects in the future.

1.5 Structure of Writing

Divided into five integrated chapters, the first chapter introduces the emphasised issue, subject, urgency, and scope of the research. As a result, the opening chapter provides context for the research, as well as research questions, aims, and significance. The second chapter provides the foundation for addressing the research issues in subsequent chapters. That includes the theoretical foundation through 13 pieces of literature reviews on subjects related to the topic, a full description of one International Relations theory and four key ideas.

The third chapter outlines how this research is conducted and describes its methodology. In this sense, the third chapter includes four concurrent approaches to answering the research questions in the following chapter, including the research approach, research method, data collection technique, and data analysis technique. The fourth chapter serves as the research's main point, providing an in-depth examination to answer the research questions. Systematically, the fourth chapter presents the findings by combining the study data acquired with the theory and concepts. Lastly, the fifth chapter summarises the important findings and arguments of the research. Furthermore, this chapter also closes the research with recommendations for future studies relevant to this research.