# Chapter 1
# Multinational Enterprises and African Economy

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## ABSTRACT

*Africa's economy, an emerging economy is gradually being re-positioned in the global economy as a focus of investment. Multinational Enterprises (MNEs) have helped to shape the economy of Africa. An overview of Africa's economy was examined; top 20 Africa's largest economies were highlighted; major sectors perceived as paths to growth of Africa's economy were examined – Agriculture, Banking, Consumer goods, infrastructure, mining, oil and gas, and telecommunications. The chapter also enunciated the concept, 'diversified economy' in relation to oil exporters, the transition economies and the pre-transition economies. It is therefore concluded that Multinational Enterprises will continue to contribute to the growth of Africa's economy, especially as more indigenous enterprises are being launched by African countries. It is therefore recommended that African countries should continue to diversify her economy to take advantage of large labor potential and natural resources endowment.*

## INTRODUCTION

The realization by African countries of the pace at which her development effort can be accelerated through activities of MNEs is being heightened as African countries are showing greater involvement in the establishment of MNEs beyond the shores of African continent. African economy is largely described as "a developing economy". This concept (of a developing) will further be understood with description of associated terms such as development, growth, and economy, among others. Kelleher and Klein (2006) viewed development as an economic process which enables an increasing number of people to produce enough wealth to support an acceptable quality of life. The interpretation of this view is that development is measured in qualitative terms based on human living and lifestyle or quality of live. In other perspective, development could be measured in terms of a society achieving a modern technology-based lifestyle – how many people in a given society can afford to use what? Is the level of

DOI: 10.4018/978-1-7998-3019-1.ch001

development in a given society capable of answering the question of poverty? These questions capture the situation in Africa where the level of technological development is acclaimed as low; incidence of poverty largely ascribed as high and general quality of life among the masses perceived as low. The case of Africa thus portrays a vicious cycle where a network of four interrelated; mutually reinforcing factors severely inhibit improvement in economic growth and development. This being the case in Africa, except a few countries, the role of MNEs in the development of African economy can better be embraced.

Chukwuemeka, Anazodo and Nzewi (2011) said that it is open secret that after several years of independence of countries like, Nigeria, Ghana, Ethiopia, Sierra Leone, South Africa etc., only very little improvement has been recorded in just few sectors of the economy of these countries. Some of these economies still operated on monocultures and vertically integrated with the parent industries of the neo-colonials themselves (Izunwa, 2005). It is against this background that the following thought provoking questions and assertions bug the mind. Can African nations be truly independent when the activities of multinational enterprises have partially destroyed local entrepreneurship drive, which have an important effect on development? Does the presence of global firms raise the cost of capital and makes insufficient fund available to local firms? This counters the development posture of leaders of the third world nations, agreeing with this point, Bernal (2005), stated that "it is frequently contended that the international firm sups up local capital either by borrowing locally or by receipt of investment incentives". Multinational enterprises do not encourage improvement of balance of payment of host countries. Multinational enterprises have been used as a foreign policy instrument of their home governments, to the disadvantage of host country's economic development (Ugwu, 2010). Multinational enterprises are accused of not transferring technology since they fail to impart specialized technical know-how to host country nationals.

It is generally recognized that the African nations, apart from being the cradle of the human race, compared to the rest of the world, is the best endowed with the richest natural resources the world has ever seen. She has landmass several times the size of Europe. She is rich in oil deposits, gold, diamond, iron or copper, various types of wood etc (Aja, 2009). And for centuries Africa and Africans built an economy able to produce its own food and its own tools including weapons. The Europeans who came to Africa in the 15th and 16th centuries were interested mainly in goods like gold and other natural products like pepper, spices and ivory for which there was a great demand in Europe. Politically, most of the third world nations have been free for a long time.

But economically, an enormous position of the continent remains in chains. Basic economic realities remain unchanged from the colonial period. To fully appreciate the role of the multinational enterprises in the exploitation of the third world nations, it is necessary to understand the character of the new states, its level of development, and basic thrust of their foreign policy. For many years after independence of many third world nations and up till now, they continued by and large with policies which at the international level ensured close collaboration with the metropolis emphasizing the special relationship between them and their colonizers (Ake, 1981). The industrial sector was dominated by low technology and the pattern of relationship between her and multi-nationals being based primarily on joint ventures did not encourage the development of an auto centric industrial base. New states lacked the capacity to exploit local raw materials, work intermediate industries and produce capital goods, which along could provide the basis for production and reproduction required for national development.

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