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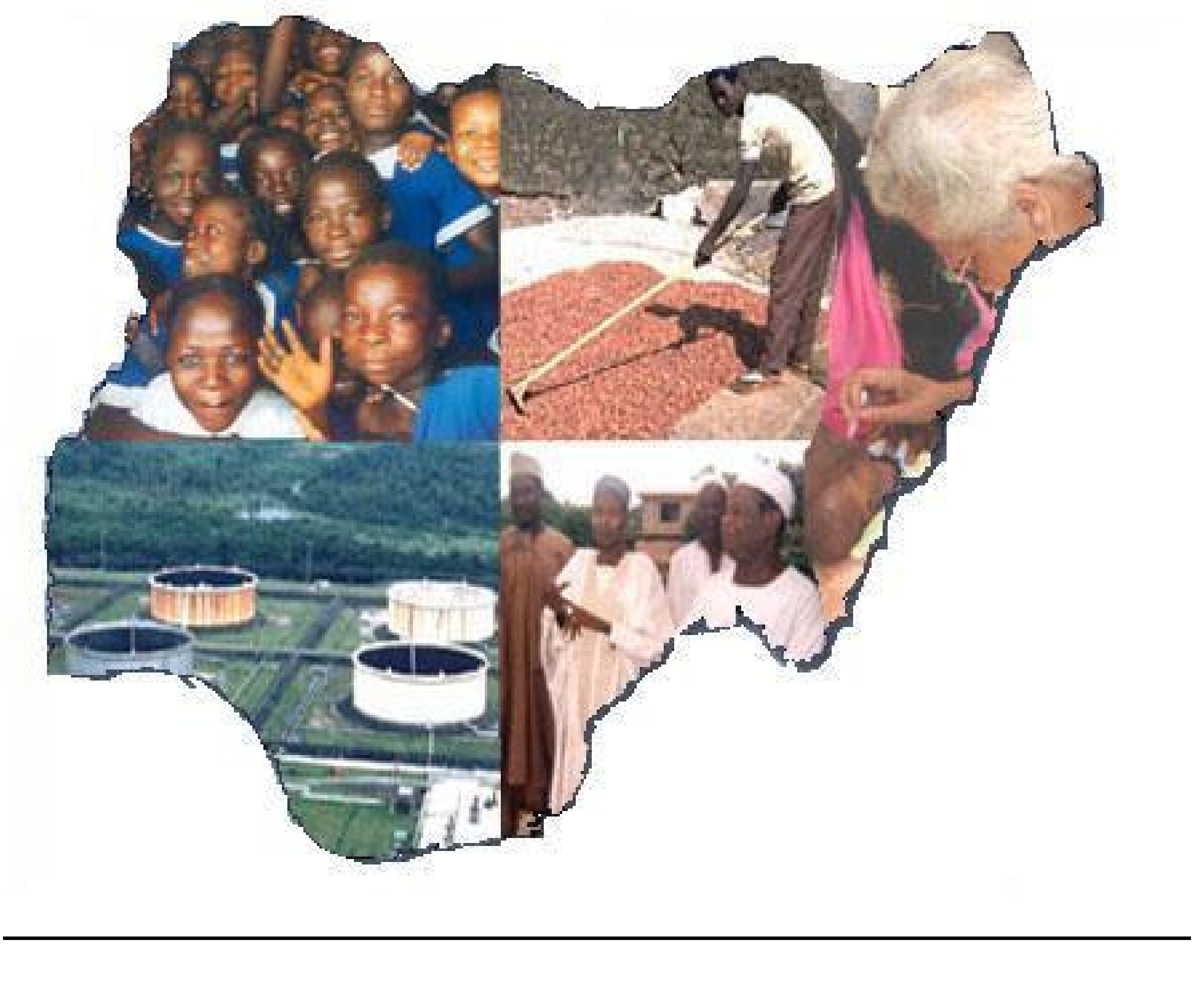
Economic Development through Globalisation in Nigeria

An analysis of Shell & the IMF Structural Adjustment Programs



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Summary

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Title: Economic Development through globalisation in Nigeria. An analysis of Shell & the IMF Structural Adjustment Programs

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Research Question: Can globalisation be seen as positive or negative for the Economic Development of Nigeria? A focus on Shell and the International Monetary Fund

Research Issue: Globalisation in its current form is viewed in the Western world as a positive influence for the Economic Development of under developed countries. However these views on the benefits brought to developing countries have been frequently disputed.

Method: The research we are undertaking is a pilot study based on documentary research. Our source of information is secondary data such as books, articles, newspapers and journals. The study employs a qualitative approach.

Conclusions: Even though globalisation is often viewed as positive we have discovered that this is not always the case in relation to its effects in Nigeria. Judging from our analysis, globalisation through the IMF and Shell has had an overall negative impact on Economic Development. However, Shell is attempting to act more responsible by adjusting its position in order to have a more positive impact on Economic Development. On the other hand, the IMF has not adapted to Nigeria but obliges the country to adapt to the institution's demands hindering Economic Development.

Keywords: Globalisation, Economic Development, Shell, IMF, Nigeria

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Västerås, Sweden
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Sven Bokhari & Fabrizio Del Duca

Glossary

CA	Community Assistance
CD	Community Development
CSR	Corporate Social Responsibility
GDP	Gross Domestic Product
IFI	International Financial Institution
IGO	International Governmental Organisation
IMF	International monetary Fund
MAN	Manufacturing Association of Nigeria
MNC	Multi National Company
MOSOP	Movement for the Survival of the Ogoni People
NBO	Non Business Organisation
NEPD	Nigerian Enterprise Promotion Decree
NGO	Non Governmental Organisation
NNPC	Nigerian National Petroleum Corporation
NNSC	Nigerian National Supply Company
OAU	Organisation of African Unity
SCD	Sustainable Community Development
SNEPCo	Shell Nigeria Exploration & Production Company
SNG	Shell Nigeria Gas
SNOP	Shell Nigeria Oil Products Ltd.
SPDC	Shell Petroleum Development Company
TNC	Trans National Corporation

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1. Introduction

With the advent of globalisation and especially since the end of World War II, the World has become a much smaller place where interaction between different countries has led to a situation where a country's economy and development are not only in the hands of the ruling Government but is highly influenced by international organisations where international rules and legislations reign. Globalisation is a highly controversial process which has come under much criticism in its current Neo capitalist form and comes to a surprise to Economists and Policy makers who are highly convinced of the benefits this form of globalisation can bring to the developing world.

The effects of globalisation can be seen on Economic Development within a country. Many highly globalised Developing countries have not been able to profit from globalisation and are still facing the same problems they have been facing for many decades. Western organisations have throughout the years increased their commitments in developing countries due to this being more profitable for them, one reason being due to the large quantity of resources found in these parts of the World. However, looking at the current situation in countries such as Nigeria, it's commonly believed that Economic Development has not attained the results which one would have hoped for with the introduction of international organisations.

Our objective in this study is to analyse the impact Multinational Companies and International Financial Institutions have on the Economic Development of Nigeria through three variables later defined. Our choice of Nigeria as our focus country is due to its ideal background for analysing the effects of globalisation. Nigeria is a country of immense natural resources however it is still a very poor country. Furthermore the weakness of Nigerian governments has facilitated the insertion of foreign organisations in the form of MNCs and IFIs. We have selected Shell as an MNC (Multinational Company) and the International Monetary Fund (IMF) as an International Financial Institution (IFI) for our thesis as they both are immensely influential on the country and as we have discovered, have a great impact on Economic Development.

Much research in the area focuses on the benefits brought to investing companies through globalisation. Therefore, due to our interest in social politics and to globalisation for the benefit of all, our intention to carry out this research is to look at globalisation from a different angle.

The International nature of the modern day world economy has strengthened the bonds between international business and international politics, making as we believe, the effects of globalisation on Economic Development in Developing countries the concern, not only of the direct parties involved, but the responsibility of the international community. A high percentage of Nigerians live below the poverty line therefore it has become imperative that international organisations become more responsible and realise what an influential role they have for Economic Development.

1.1 Research Question

Can globalisation be seen as positive or negative for the Economic Development of Nigeria?

1.2 Research Issue

Globalisation in its current form is often viewed in the Western World as a positive influence for the Economic Development of under developed countries. However these views on the benefits brought to developing countries have been frequently disputed. Therefore our intention is to focus on how Economic Development in Nigeria has been affected by globalisation. We will not look at how Nigerian companies have internationalised and expanded abroad but rather focus on how globalisation has impacted on domestic Economic Development and how its impact can be looked upon.

1.3 Research Purpose

Our purpose is to conduct a pilot study to show the impact globalisation has had on Economic Development in Nigeria.

1.4 Limitations

It is quite evident that our study will have limitations above all concerning the time period we have at our disposal. Due to these time limits we have decided to focus only on one Multinational Company i.e. Shell, and one International Financial Institution i.e. the IMF.

To have a complete view of the effects Multinational Companies have on Economic Development in Nigeria, it would be necessary to take a more profound consideration of other sectors and not just focus on the petroleum sector. Concerning the role played by IFIs, there is a need in future studies, to incorporate the role of other non business organisations such as IGOs (International Governmental Organisations) and NGOs (Non Governmental Organisations) in order to have an all encompassing analysis.

There are several different variables of Economic Development we could have chosen for our study. However, due to time limitations we were not able to carry out such an encompassing work which may have given different results. As a final point we would like to mention that much information and articles deal with this area of research so we realise that all aspects and opinions were not covered making for some criticism of our sources.

1.5 Target Group

If we refer to the above limitations, we can see that there are areas which will not be covered in this thesis. Therefore it is our intention to direct our pilot study at Doctorate students. We believe that our work will provide a good background for further study in this are for Ph.D students. Nonetheless, it is our intention to make it interesting for all parties involved in the globalisation process in third world countries as well as to inform the wider public.

1.6 Disposition

Regarding the structure of our work we will in the following section describe our methodological approach which comprises of the methods of data collection as well as explanations and limitations of our approach. In the third section we will introduce our Literature Review. In this section we will define terms we will use and explain why they are used. These terms will include an explanation of globalisation and its relevance to our topic. Subsequently, we will take a deeper look at the main concept Economic Development and divide this into two factors which consist of the influence of Multinational Companies, and the influence of International Financial Institutions. As there is much data concerning these two dimensions, we have decided to focus on the most influential organisations namely Shell and the International Monetary Fund. They will be analysed through their impact on three variables, Structural Change, External influence on Government and Environmental Conditions.

The next chapter, Empirical data will provide background information on the country and its past economic situation up to Nigeria's independence. Further we will review how Shell and the IMF have been involved in the Economic Development of the country. The analysis will be the fifth section of our study where we will analyse the information gathered from the two previous chapters (the Literature Review and the Empirical data) to view what effects these developments have signified for Nigeria. Finally, the last section will consist of our conclusions from the study and recommendations which will be towards further study in the area.

2. Research methods

This chapter will focus on an explanation of the general approaches of data collection. This will be followed by a clarification of methods chosen for our study as well as a critical analysis of our sources.

2.1 Methodological approach

In order to approach our research topic we have examined documents already dealing with the research issue, those documents include several forms of written materials. Therefore we were able to choose between the two different methods of collecting data namely a qualitative approach and a quantitative one. The former approach "sees the world as socially constructed through individual perceptions. Their approach is to not believe that they understand and can identify reasons for behaviours. They are sceptical of providing possible explanations without carefully examining the process" (Central Washington University, 1999). Alternatively, Quantitative analysts "see the world and its events as an objective reality apart from the beliefs of individuals. In other words, they believe that we can identify reasons and explanations" (Ibid).

Regarding the study of the effects of globalisation, we noticed that there are two schools of debate concerning the matter. One suggests that international organisations such as Shell and the IMF are having a significant positive impact on Economic Development in terms of improving economic and social welfare, whilst the other states that these organisations are actually counterproductive for Economic Development in under developed countries (Omoweh, 2005).

2.2 Data collection

After spending some time on the topic, we decided to undertake a qualitative approach to our work due to the possibilities of different perceptions possible on the subject. There is no clear right or wrong answer so it is more a case of carefully examining the process and subsequently providing possible explanations. Our reason for choosing a qualitative approach is due to the possibility to interpret the situation and not only focus on numbers as in a quantitative approach, but would allow us to show a deeper and more precise picture hidden behind the numbers. Our source of information is based solely on secondary data such as books, articles, newspapers and journals. Our method of data collection can be described as documentary research because we are undertaking an open approach towards the collection of documents. Fisher (2004) confirms that documentary research can take an open and pre-coded form. In this approach to texts and documents, the researcher may be trying to recognise how rhetorical techniques are used to try and persuade the reader to a standpoint. Since our aim is to carry out a pilot study, we decided that this is the best way of finding information.

The gathering of information took place at Mälardalen University Västerås, Sweden and at the Johan-Wolfgang-Goethe Universität, as well as in the Deutsche Bibiliothek Frankfurt, Germany. Search engines used for our thesis were ABI/Inform, ELIN, Emerald, Libris, Google Scholar, SpiegelOnline and the Katalogportal. Key words in our search for material included

Nigeria, Economic Development, Globalisation, Shell, IMF, Structural Adjustment Programs, Political stability, Structural Change and Environmental change.

2.3 Research Design

The research design is the glue that holds the research project together. In order to structure the research, a design is used to show how all of the major parts of the research project work together addressing the central research question (Social Research Methods, 2006). According to Durham University (2002), there are six different research designs.

1 Philosophical/discursive
This design is primarily based on existing literature, rather than new empirical data. It is often used to examine a research issue from an alternative perspective.

2 Literature review
By collecting different sources together, this design aims at summarising what has already been collected for a particular topic. The analysis of this data subsequently creates new knowledge and perspectives on the matter. When findings are largely qualitative, a literature review may help to clarify the key concepts and offer critical or alternative perspectives to those previously put forward.

3 Case study
This involves collecting empirical data providing rich details about those cases. This can be done through different approaches but overall a case study generally aims to provide insight into a particular situation stressing experiences and interpretations of those involved generating new knowledge.

4 Survey
This type of design is used when it is a case of gathering large amounts of information usually through questionnaires generally involving some quantitative analysis. Here it is vital to report how samples were chosen and to comment on the validity and reliability of instruments used.

5 Evaluation
An evaluation can be formative (designed to inform the process of development) or summative (to judge the effects), or consist of both. Case studies and surveys are often used in this design.

6 Experiment
This involves manipulation on the part of the researcher in order to determine the effects of an experiment. It is important in this design to give the same importance to sampling, response rates and instrumentation as in a survey.

Our research design can be described as a combination of Literature Review and Philosophical design. Due to our choice of research strategy involving a solely qualitative approach, this design can help to come up with alternative perspectives. Concerning the philosophical design, it is relevant to our study as we are using only existing literature rather than empirical data hence our intention to use this design also.

2.4 Developing our Framework

After deciding to focus on how globalisation affects a developing country, we defined the term globalisation by using different theorist's perceptions on the matter. A common aspect of their work was that globalisation impacts on Economic Development. The term is often used to explain how globalisation can impact on the Economic Development of a poor country (Wohlmuth, 2001). Hence we have chosen this term as our key concept to investigate. Whilst showing how the concept of Economic Development evolved over time and developing to include more and more variables, we decided to focus on the three variables, External influence on government, Structural Change and Environmental conditions, despite others, to best describe the concept. Looking at the impact globalisation has on Economic Development, we found that the factors most interesting to analyse this concept are the activities of MNCs and IFIs as mentioned by Schuurmans (2001) who states that these two factors are assumed to be of great interest when describing the impact of globalisation on the three variables of Economic Development chosen. So our choice of Nigeria as the developing country to analyse is due to the extent of power held by a sole MNC i.e. Shell, and due to the importance of IFIs through international laws and conditions imposed, as well as through financial aid provided.

As a result, our framework is based on theories of different areas of research such as Economics, Social studies and Environmental Sciences and therefore includes every necessary aspect relevant to answer our question.

2.5 Criticism of sources

As one can see from the above information our research will only be based on secondary data which can be regarded as a limitation as it will not give us a perfect incite in the topic that could have been provided through primary sources.

Our findings have focused much on internet sources and annual reports therefore based on non reviewed sources as well as peer reviewed articles from respected journals. Concerning the annual report of Shell Nigeria we are only given information highlighting the achievements of the year and most probably will not deal with failures and misbehaviour of the company. Regarding internet sources, due to their different objectives and allegiances it is most difficult to judge their validity. However due to the large amount of definitions needed and the short supply of books dealing with economic definitions in the Mälardalen library we decided to define terms by using 'reliable' internet sources such as Penn State University. We must also mention that sources were used of which their reliability can be questioned. However sources were only used for minor details such as for a description of Nigeria's geography.

Much of our analysis has been based on findings from other researchers without using quantitative data to back up these findings therefore it can be argued that not all findings are entirely conclusive as they come from a certain point of view and not a general institutionalised belief.

Due to time limitations we have not been able to verify the background of the researchers therefore we do not know whether they have any external agendas or allegiances to directly involved parties.

3. Literature Review and Conceptual Framework

This chapter starts with a literature review of the key terms of our work, and their relation to each other.

3.1 Globalisation

In this section we will give the reader a short explanation of the roots of globalisation. We will then define the term "globalisation" by using different theories from authors to redefine the term to connect it to our research aim. The last part will deal with views on globalisation in terms of its advantages and disadvantages from opposing perspectives.

3.1.1 Definition

Globalisation is nothing new as ancient trade routes such as the 'Silk road' spanning several countries, have existed since the advent of mankind. In Europe, the first extensive trade network was established by the Romans via trade with other regions especially in the Mediterranean Sea. Other trade networks such as the Hansa or the British Commonwealth are more examples of trade routes in history. However globalisation even in past eras, has not just been seen as a tool for economic activity but also caused events such as the discovery of America. This shows that globalisation cannot be seen as a new process even though the speed of globalisation has increased phenomenally in the last decades.

The term globalisation is often used in contexts which are at first sight not directly related to our topic of research or only have some vague connections to it. This has to do with the fact that the term globalisation has evolved from the term "modernity" and therefore combines many different aspects (Schuurman, 2001). The multiple possibilities to understand the term of globalisation often leave the reader wondering about its actual meaning or its part in the paper just about to be read. Globalisation can be defined as "the network of connections of organisations and people across national, geographic and cultural borders and boundaries" (Pearson Education, 2002). According to a more detailed definition "globalisation refers to the increasing importance of international trade, international relations, treaties, alliance etc. International of course means between or among nations. The basic unit remains the nation even as relations among other nations become increasingly necessary and important" (Daly, 1999, p.1). To be more specific and to reveal the first similarities with our topic, it seems appropriate to include the following estimation: "while much of this process comprises economic interaction it also includes cultural, political and ideological relations" (Howlett & Ramesh, 2006, p.175). "It is often used to explain the development of economically underdeveloped countries because it is assumed to help economic growth" (Wohlmuth, 2001, p.20). However, this last statement is not always true as Wohlmuth (2001) himself explains in his book that weaker States are often hindered in their growth because of the effects of globalisation.

By using the above definitions we can see that globalisation is a network of organisations across nations therefore accentuating the importance of international relations. It has often been seen as a purely economic aspect however, globalisation also comprises cultural, political and ideaological relations. Although globalisation is often used to explain the development of under developed countries, the effects of this concept are not always as positive as may seem.

3.1.2 Views on globalisation

Critics of globalisation state that it is a form of controlling and influencing an economy of a country by overseas corporations which therefore implies a surrender of power from the local government. It is viewed as a means of keeping developing nations exactly that. Low paid workers, GM seed pressed on developing world farmers, the selling off of state owned industry in order to qualify for IMF and World Bank loans and the increasing dominance of Western corporate culture across the globe has come to symbolise globalisation for its critics (The Guardian, 2002).

However, not everyone agrees that globalisation is necessarily evil or that Multinational companies are running the lives of individuals or are more powerful than nations. Some say that the spread of globalisation, free markets and free trade into the developing world is the best way to beat poverty (Ibid). According to the Chancellor of the Federal Republic of Germany (2007) globalisation presents huge opportunities for emerging economies by bringing jobs and business opportunities to areas which would have otherwise struggled economically.

3.2 Economic Development

Economic Development is often seen as an analysis of the economic growth of nations. However, we will show how this theory has developed over time to include a wider variety of variables and not just a focus on economic growth. There are many definitions for the term Economic Development, where each definition is focusing on different variables. Like the World Bank said “economic growth by itself may not alleviate the problem of poverty within any reasonable time-period” (Chenery, Ahluwalia, Bell, Duloy and Jolly, 1976). Therefore in relation to our thesis, we will select an appropriate definition to encompass the variables we will examine. However first of all we must give a review of how this term has developed over time.

3.2.1 Historical development of the term

The term Economic Development was conceptualised in respect only to economic growth and industrialisation in capitalist society by the classical school of economics in the early part of the 20th century. This meant that the specific Economic Development of countries in Latin America, Asia and Africa were not taken into consideration but rather, were seen as underdeveloped versions of the Western World and could in time, catch up with the European and North American standards. (History of Economic Thought, 2008)

After World War II and especially due to decolonisation, the target of the theory had changed to include not only the Western world but also the less developed areas, which in fact made up most of the population of the globe. Therefore this led Economic Development to be redefined to include other variables rather than purely economic growth. (Ibid)

As the political geography of the world started to change, there was now a need for the formation of supranational bodies to oversee the progress of these developing nations. In the post war period organisations such as the United Nations, the World Bank and the IMF were formed. These bodies were given the task to sustain and accelerate growth in the developing countries along with local Government involvement in the Economic Development of the country to speed up progress. (Ibid)

Overtime the term Economic Development shifted from a focus only on a capital orientated concept to also include human capital formation developed by Schultz (1951). This idea of social development was further extended by Singer (1964) who included health and fertility into the equation. As of this point, there seemed to be a notable change in defining the term Economic Development especially after Dudley Seers (1969) defined development as incorporating elimination of poverty, inequality and unemployment.

Social development had been included to form part of the overall definition of Economic Development alongside economic growth showing that third world countries were not merely less developed versions of Western countries but had distinctive characteristics of their own, also known as the Structuralist Theory developed by Seers (1977).

In the 1980s, the Neo-Liberals introduced the idea of Private sector organisations such as Foreign MNCs to be seen as a factor in the Economic Development of non developed countries. (History of Economic Thought, 2008)

3.2.2 Definition of Economic Development

After searching through the literature we found that the following definition of Economic Development would be best suited for us due to its compatibility with our analysis of a third world country, “The process of improving the quality of human life through increasing per capita income, reducing poverty, and enhancing individual economic opportunities. It is also sometimes defined to include better education, improved health and nutrition, conservation of natural resources, a cleaner environment, and a richer cultural life” (Penn State University 2008). Hackett (2008) emphasised the role of the Government and its influence on Economic Development.

3.3 The variables of Economic Development

In the following section we will define the three variables of Economic Development.

3.3.1 Structural Change

The term Structural Change as defined by Matsuyama (1997) “is a complex, intertwined phenomenon, not only because economic growth brings about complementary changes in various aspects of the economy, such as the sector compositions of output and employment, organisation of industry, etc., but also these changes in turn affect the growth”, and hence can be seen through the development of an economy.

According to the above definition, Structural change refers to changing the structure of production to achieve overall higher economic growth seen in an increase in output and employment. It can also be used to describe change in industry such as in the increase of the service sector to the detriment of the agricultural industry.

According to World Economy and Social Survey (Anonymous, 2006), in order for economic growth to take place structural change is a necessary requirement. This growth can be achieved by adopting and adapting existing technologies, substituting imports and entering into world markets for manufacturing goods and services and through the rapid accumulation of physical and human capital.

In the developing world, such as in Sub-Saharan Africa, there has been a lack of structural change taking place as opposed to the industrialised regions of the globe. Therefore there seems to be a difference in the nature of the growth process between the industrialised countries and the developing world. Technological innovation for instance, is a structural change which continues to be more concentrated in the industrialised world although it is brought to developing countries by external forces such as MNCs which consequently have control over the technology. (Ibid)

3.3.2 External influence on Government

Through globalisation the power of a government in matters of Economic Development can be influenced by external organisations. International institutions such as the World Bank and the IMF as well as MNCs, have the potential to decrease government control in its own country causing a loss of legitimacy (Riddell, 1992). In regards to Economic Development, this can have drastic effects as political instability as well as policy instability could lead to a reduction in effective measures in implementing Economic Development policies by the State government.

Government stability and its participation in economic matters are seen as essential conditions in order to foresee the implementation of effective measures in what concerns matters of Economic Development. In relation to developing countries, we see that the influence of external forces have profound impacts on the organisation of the State and can lead to a decline in the States' capacity to implement Economic Development policies (Ibid). Therefore, through the following definition we will demonstrate how Shell and the IMF have influenced the stability of the Nigerian government.

According to Miller (1992) External influence on local governments consists of political instability and policy instability. Political instability deals with the potential or actual change in the political system and the opportunities evolving from such changes. Policy instability refers to the instability in Government policies.

3.3.3 Environmental Conditions

Economic Development and Environmental conditions are closely intertwined due to increases in economic activity leading to a change in the character of the environment.
Concern for the environment has become an international issue in the last few decades and has caused an increase in environmental awareness on the part of global organisations. (Mastel, 1999)

In what concerns developing countries, increased participation in the economy of those countries through international organisations' activities has had an impact on the local environment. The abundance of natural resources in these regions has lead to a growing interest from foreign organisations to conduct business in developing countries. Such development can have adverse effects on the environment. Such effects include depletion of minerals and other natural resources, the degradation of land, water and air due to production and consumption activities. (Ministry of Finance, Bangladesh, 2004)

In order to define Environmental conditions we have selected the definition below to show how globalisation through international organisations has been impacting on the local environment of Nigeria and hence affecting Economic Development.

Environmental Conditions can be seen as "Any change to the environment, whether adverse or beneficial, wholly or partially resulting from an organisation's activities, products or services" (Service canada, 2005). NEC (2006) adds, "that cause the loss of natural resources either permanently or temporarily, those that lead to degradation in the quality of the air, water or ground."

3.4 The two factors

Globalisation impacts on countries through different factors, hence, as suggested by Schuurman (2001), our work will focus on the two most interesting factors of globalisation to show their impact on Economic Development i.e. foreign MNCs and IFIs.

Globalisation has resulted in MNCs becoming active in developing countries by making it easier to access their markets and establishing themselves in order to benefit from location specific advantages. Globalisation has brought a growing influence and impact from IFIs which have caused the decline in power of state based institutions (Anonymous, 2006). These organisations were actually developed to control globalisation and to monitor its impact on Economic Development. Such organisations include the likes of the World Bank and the IMF (Schuurman, 2001).

Both factors can have a positive or negative impact on the host country and therefore the impacts of these factors have often been discussed in different publications. These phenomena were first studied in the 1970s when publications crediting the work of MNCs in developing countries were written. Having been the topic of economic and social studies for a long time these factors prove to be interesting when showing the impact of globalisation on Economic Development (Ibid).

3.4.1 Foreign Multinational Company

A Multinational company is defined as "a company with operations and investments in many countries around the world, which are also known as Trans National Corporations (TNC's)" (The Institute of Petroleum, 2008). We have selected Shell as our MNC due to its huge impact on the economy of Nigeria and its long history in the country since the discovery of oil.

3.4.2 International Financial Institution

The factor International Financial Institution refers to any impact from external organisations that provide its members, in the form of a state, financial help through loans. Icons (2008) defines an IFI as "commercial banks and international organisations such as the IMF who provide credit internationally. Indebted nations owe their debt primarily to IFIs rather than individual Governments, making issues of debt forgiveness and moratorium very complex." The IMF is the IFI which we will analyse due to its leading role as a supranational body especially for development in under developed countries.

3.5 Conceptual Framework

As we have seen from the above review, globalisation impacts upon the Economic Development of sovereign States. The impact on Economic Development through globalisation as we stated earlier, can be best seen by looking at the two factors International Financial Institutions and influence of foreign MNCs. Due to the growth of globalisation, the importance of Multinational companies and Supranational bodies have come to play a fundamental role in the Economic Development of the country in question.

After having analysed the historical background of Economic Development as well as having found an appropriate definition it seems that Economic Development encompasses the following three variables; Structural Change, External influence on Government and Environmental Conditions.

The impact of Shell and the IMF on the three variables chosen will be analysed individually to show their impact on Economic Development. In order for Economic Development to be positive it is necessary that the overall impact of the three variables when combined is positive.

The three variables are also dependent on each other, a change in one of those variables could impact upon the others. No variable of Economic Development can be seen alone to show the full effect on Economic Development.

Having defined the terms and showed their connection to each other, we have come up with the following model in order for us to have a framework when conducting the Analysis. The purpose of the model is to illustrate how globalisation through the two factors has impacted on our three variables of Economic Development.

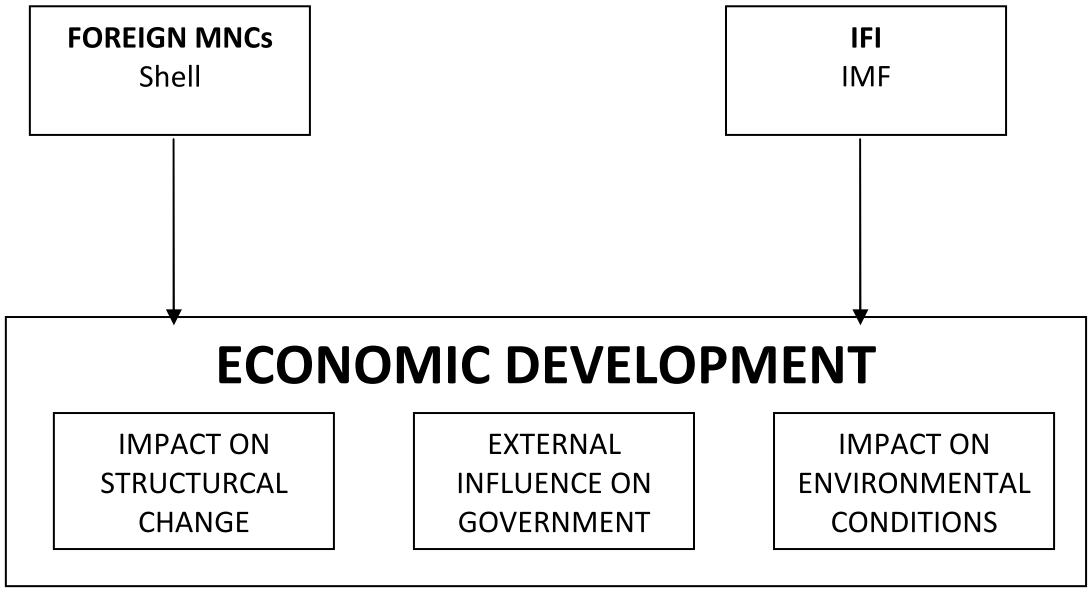

Figure 1: Conceptual Framework (Own Design)

4. Empirical Data

This chapter focuses on providing information on the background of the Federal Republic of Nigeria, the Economic history of the country, a background of Shells involvement in Nigeria as well as the role of the IMF in the West African state.

4.1 Background Information about Nigeria

The Federal Republic of Nigeria, with a population of about 140 million, is located on the Gulf of Guinea on the western side of the African continent. Abuja is the capital city of Africa's most populous country since December 1991 replacing the former capital Lagos (Metz, 1991). The country gained independence on 1st October 1960 from British rule. From 1960 till 1999 Nigeria had seven different military Governments, which were all followed by seven miliary coups, of which three ended in assassination. However since 1999 the country entered an era free of military rule which has been sustained up to the current date resulting in its longest period of civilian governance. Nigeria is considered to be a developing country although its economy is the secound largest after South Africa in Africa. As of 2006, its GDP was estimated at $191.4 billion (CIA, 2008). Its main industry is the Petroleum industry which in fact has become of overwhelming importance to the local economy accounting for a large part of the federal and foreign exchange earnings. (For more information please refer to Appendix A)

4.2 Economic History of Nigeria

Since almost 550 years International Trade has been affecting the Economic Development of Nigeria. It first started with the trade of goods and soon expanded to the Slave Trade. The huge impact the Slave Trade had on Economic growth in Nigeria was positive (although immoral), but even though some gained from this, it also meant that through people being enslaved, farmland went uncultivated. With the Slave Trade declared illegal Nigeria searched for other resources which could be sold to Europe to further increase Economic Development. (Metz, 1991)

After Nigeria became a British colony, its economy was linked to the rules and regulations given by them. Nigeria like other colonies used the trade circle started with the export of raw materials by Nigeria for the manufacturers in England who later sold the final products back to Nigeria at a higher margin of profit. Over the years the British started to update and modernise the infrastructure of the country. This helped domestic manufacturers to gain a dominant position over imported products, making Nigeria a net exporter. Although the majority of Nigerians were still working in the agricultural sector where they earned just enough to survive, Nigeria was able to benefit from the globalisation of industry brought to them by the British. (Ekundare, 1976)

In 1914 the British Government in Nigeria unified its northern protectorate with its southern colony to form the country we today know as Nigeria. The first years of the century and the great depression had led to many ups and downs in the Economic Development of Nigeria, this economic circle ended with the end of World War II and the world wide increase for supplies. Even if Nigeria remained an agricultural country it started to build a modern industry.

With the discovery of oil in the last years of British rule and with a stabilised economy and political situation, Nigeria stepped into independence with the hope to soon become a country of minor wealth for everybody. (Ibid) (For a more detailed History about the Economic Development of Nigeria please refer to Appendix B)

4.3 The Oil Sector

Oil was first discovered in Nigeria in 1958 by the Shell Group. Shortly after oil became the number one product for Nigeria. In the beginning, Nigeria was not benefiting from the oil production but this changed in the late 1970s when the Nigerian National Petroleum Corporation (NNPC) was established to control the seven major multinational petroleum exploration and production companies. The Shell Petroleum Development Company (SPDC) - better known as "Shell"- is the largest and oldest oil company in Nigeria, others include Mobil Producing Nigeria Unlimited, Chevron Nigeria, Elf Petroleum Nigeria and the Nigerian Agip Oil Company, NAOC & Affiliate, Agip Energy and Natural Resources, AENR. This creation gave the Government the potential to receive over 90% of the profit from a barrel of oil. (Khan 1994)

In 2004 Nigeria became the largest oil producer in the Sub-Saharan area and one of the biggest oil exporting countries in the world. The oil is produced in the Niger Delta, a wetland of 70,000 sq. km where around 20% of the Nigerian population live. The oil industry is providing approximately 93% of the foreign exchange earnings and 80% of the federal revenue, making it not only valuable for foreign MNCs but also for Governments from all over the world. "If U.S. troops go to Africa," G. Pascal Zachary wrote, "it won't be for a humanitarian intervention; it will be to protect American oil interests in the troubled Niger Delta". (Khan 1994; Omoweh 2005)

4.4 Shell

This section contains our findings about the impacts Shell has had on the Economic Development of Nigeria. Due to its size and history in the country, Shell is seen as a role model in its sector.

4.4.1 Background of Shell and Shell Nigeria

The Shell Company is the result of a merger between the Royal Dutch Petroleum Company and the Shell Transport and Trading Company which took place in 1907. The roots of the two companies go back to 1833 when Marcus Samuel successfully started selling oriental shells imported from the Far East in his London business, laying the ground for an import-export business which was later taken over by his two sons. His sons changed the focus of the company and decided to start transporting oil from Russia by using a new bulky design of ship. With this step the two brothers revolutionised oil transportation because up to this point shipping still posed a problem as the oil was stored in barrels that could leak and took up a lot of space in the ship. This idea was the cornerstone of the success of Shell because their idea proved to be so efficient that soon the bulk ship became the best way to transport oil. At the same time Dutch Petroleum, which was transporting oil from the East Indies to the Netherlands, copied the idea of the bulk ship. Due to the expansion of the Shell

Transport and Trading Company to the Far East, Shell and Royal Dutch became aware of each other and because of new competitors from America, making most of their profits with American oil and disposing of enough capital to squeeze out competitors, soon joined forces to protect their business. (Shell International, 2008)

In 1907 the merger of the two companies into the Royal Dutch Shell Group was completed, forming a company big enough to fight off any menaces and soon growing to become very successful. The unique structure of the Shell Group that divides the firm into many different independent companies was achieved early on giving Shell the opportunity to rapidly expand across the world. By the end of the 1920s Shell was the world's leading oil company. (Ibid)

Soon after the regression of World War II, Shell started a programme of ambitious expansion, in Africa and South America. During the 1960s Shell adopted a policy to hire more local people for top positions in Asia, Africa and South America. In the 1990s Shell struggled with its reputation because of the "Brent Star" scandal and the uprising of the Ogoni people led by Ken Saro-Wiwa in Nigeria. This loss in reputation led to a boycott of Shell and a change in social thinking by the Shell management. Thanks to massive brand management Shell was able to win back the trust of their customers.

Today Shell, technically not one company but a group of more than 200 separate companies, is one of the largest businesses in the world with almost $110 billion turnover, and 104,000 employees in more than 110 countries. Shell has developed high business principles which "require balancing short and long term interests, integrating economic, environmental and social considerations into business decision-making" (Ibid), and sees itself in a key role for helping to meet the world's growing demand for energy in an economically, environmentally and socially responsible way.

Shell's search for oil in Nigeria began in 1937 when the country was still a British colony. But it was not until 1958 that Shell finally found oil and the first shipment of oil left Nigeria. At this time the former Shell-BP Nigeria held a market share of the Nigerian oil production of almost 90%. Since Nigerian independence, Shell started building its infrastructure for the exploration of oil. With this they created short term jobs, especially in the start up phase. In the seventies and eighties Shell expanded its business in Nigeria. After the nationalisation of the oil production, Shell tried to keep the autonomy of their operations, by behaving as an honest company. They made a commitment not to condone bribery and not to get involved in politics.

Their share dropped over the years when other oil companies entered the market. Today, Shell's share of the oil production has levelled off to around 45% of the whole oil production, making Shell the biggest oil company in the country. Shell's operations in Nigeria account for 14% of their world-wide crude oil production, yet account for only about 7% of their profits. Shell produces some of the best oil in the world in Nigeria, making oil production very profitable. Nigeria is one of two markets in Africa where Shell performs all sorts of oil activities from exploration to producing. Nigeria is the largest and most complex oil venture for Shell outside North America. (Ibid)

4.4.2 Shell Nigeria Group

Shell Nigeria is divided into four different companies that act independently but share the same business principles. These principles which include honesty, integrity and respect for the people, can be seen as the core values of the Shell Group. Shell Nigeria extended these principles by declaring that meeting "the expectations of society, and doing so in an honest, transparent way is fundamental to our ability to meet the challenges ahead. We adhere to the group's business principles as the bedrock of our business dealings and are enforcing zero tolerance of bribery, corruption and unfair trade and competition". (Shell Nigeria, 2007)

The biggest company within Shell Nigeria is the Shell Petroleum Development Company (SPDC) which was formed during the industry's nationalisation in the 1970s when the Nigerian Government had started to engage in joint-ventures with foreign oil companies. Shell has the ownership of SPDC and full control over the operational budget of the largest oil producing venture in Nigeria. This joint-venture consists of the Nigerian National Petroleum Corporation (55%), Shell (30%), Elf (10%), and Agip (5%). Daily production levels are at around 1.000.000 barrels. The SPDC is running 86 stations and 6.200 kilometres of pipelines, and is directly employing 5000 workers and over 20,000 through sub-contractors. All employees aside from 250 expatriates are Nigerian which makes it the biggest private employer in Nigeria. (Ibid)

The second largest company is the Shell Nigeria Exploration and Production Company (SNEPCo) which was founded in 1993. SNEPCo is the off-shore company of Shell Nigeria, operating and running all off-shore facilities of Shell in Nigeria. In 1995 SNEPCo made the first major deepwater discovery in Nigeria and 10 years later SNEPCo was able to start with the oil production in the field. Shell Nigeria was hereby profiting from the technology and know-how of the off-shore activities of the Shell Group in other parts of the world. SNEPCo is producing around 225.000 barrels of oil a day, and is employing around 746 people. (Ibid)

The third company is the Shell Nigeria Oil Products Limited (SNOP), which is an operation company for Shell. It was formed in 2000 as a downstream company, designed to help selling and marketing Shell products within Africa. SNOP successfully invented lubricant-cases for private consumers in 2003, an idea that created new jobs in the lubricant market in Nigeria. A total of 35 people are working for SNOP at the moment. (Ibid)

The last company is Shell Nigeria Gas (SNG) which is fully owned by Shell and was incorporated in 1998 to promote gas. The company is helping to contribute to the economic growth of Nigeria by selling gas as a new source of energy to local industry. The first company to use natural gas as an energy source was the De-United Foods Industries Limited. De-United Foods was able to reduce the costs of power and was able to sell its products for less. This decrease in price led to an increase in production, an expansion followed by an increase in employment. SNG is now supplying 37 industrial customers with gas and is employing 34 people. (Ibid)

This makes Shell the single most important MNC in Nigeria, being responsible for nearly 40% of the whole economic output of the country. Shell Nigeria is achieving a yearly profit of about 230 million US-Dollars (Glüsing et al., 2006), but because Shell pushed the Supreme

Court of Nigeria to allow Shell to deduct bank charges and scholar expenses from taxes in 1995, the actual profit could be higher than the number given by Shell.

Shell is paying their employees not only an income which is above the average in Nigeria, it is also offering an incorporated education system to give their employees a chance to follow a career path. Shell has in the last years increased its number of Nigerian employees, and is now employing over 95% local people, from which many are farmers who, due to oil spills or other Shell related accidents, were made unemployed or could not use their land anymore (Uwem, 2004). Because of the considerably high salaries Shell and other oil companies are paying, they are considered the preferred employers in Nigeria especially for well educated people but also for many farmers who are abandoning their land to work for Shell, leaving their farms fallow.

4.4.3 Shell Activities in Nigeria

The Niger Delta where Shell is active, is primarily a wetland where most inhabitants depend on farming and fishing for a living, and therefore on a healthy environment. The increase in onshore oil fields exploited by Shell can have a negative environmental and socio-economic impact on the host communities (Moffat and Linden, 1995). The people of the region have been in conflict with Shell since the 1950´s due to the fact that Shell is only investing approximately 0.000007% of its profit in the development of the region. In the beginning those projects were mostly peaceful, but since 1990 and the foundation of the "Movement for the Survival of the Ogoni People" (MOSOP) the conflict turned violent due to sabotage and attacks on facilities and employees of Shell Nigeria.

Shell Nigeria claimed that the sabotage of oil fields and pipelines was the major reason for oil spills and environmental devastation. This accusation was made by Shell to avoid compensation payments for environmental and other accidents. Shell aimed at having the court of Nigeria to pronounce sabotage as the cause of spills in order to escape legal liability for the damage and to be able to use the money for the quick reparation of the pipeline. These claims were often proved wrong by different experts as according to the World Bank, corrosion and failure of equipment were the most frequent cause. Nigerian environmental policy shows itself very tolerant towards Shell when it comes to the question of environmental pollution (Walter and Ugelow, 1979), giving Shell the possibility to use old equipment and to save money.

The mismanagement by Shell and the Government was the reason for an outbreak of riots in 1993 in the Niger-Delta, led by the Ogoni writer Ken Saro-Wiwa which forced Shell to retreat from the area and to abandon its facilities. After Shell moved out of the region it asked the Nigerian Government to guard their facilities. The soldiers who came to the area used violence and killed people to secure the facilities. These actions gave birth to the rumour that Shell Nigeria wanted the soldiers to act in this manner and had paid for weapons for the army (Nonnenmacher, 1995). In 1995 the riots ended and Ken Saro-Wiwa and 8 other oppositionists were executed. Shell was blamed for this too, and was accused of using its influence on the Government to change laws and regulations for its business, but not to help humans. Shell defended its actions by explaining its policy not to interfere with any court order given by an independent state, and by pointing out the development programs it had engaged in over the years in Nigeria.

After the riots Shell moved back in the area and started assuming a more responsible role towards the communities at the environmental and economic levels. Shell supported the "Niger-Delta Environmental Survey", an independent study group that analyses the environmental and economic changes of the whole Niger Delta. Shell furthermore, started a five-year program that aimed at renewing its facilities and infrastructure to prevent oil spillages. Shell invested in staff training to increase environmental awareness and to improve its waste management. The company spent $100 million a year for the five year plan and was able to finish most projects before the end of the five years. (Frynas, 1998)

A big environmental issue in the years before 1995 was the flaring of gas that persisted night and day in some areas, destroying the environment around those gas funnels and constantly illuminating the area. At the end of the 1990s Shell built facilities which could convert this gas into liquid, enabling the company to ship it to other countries where this gas could be used as energy. The construction cost around $4 billion and employed 13000 workers for the duration of 4 years. After it was completed, Shell employed around 500 people in the facility. (Bird, 2005)

Recent years of Shells operations in Nigeria have been marked by a new outbreak of violence against facilities of Shell and its workers with an increasing number of kidnappings of Shell employees resulting in the payment of ransom and a decrease in oil production (Thielke, 2006). Another change in the strategy of Shell was the extension of off-shore oil production. This was possible thanks to the invention of new technologies and an increase in the price of oil, making it now profitable to produce oil in the ocean. In 2003 Shell International passed an internal order to ensure that the work force of every Shell Group consists of at least 90% local employees.

Shell is also active in the acquisition of land for its oil producing activities. This right was given to Shell by different legislations which allow the acquisition of land for public purposes and for oil exploration. Shell has to offer compensation for the acquisition of land or to pay rent when it's only using a small part of the land for its infrastructure, e.g. pipelines. The rent it is paying is often considered insufficient and the compensation for the land is often less than what farmers would get if they cultivated the land. Furthermore the company is often using different laws to acquire the same kind of farmland. This method is used to assure that Shell benefits from the law whereas the landowner has no option but to accept whatever amount is given to him as compensation. Because Shell uses non-professional clerks to perform its acquisitions, it is sometimes able to pay the money with great delay (Ogedengbe, 2007). The land acquisition strategy of Shell has further decreased the amount of farmland and fishing grounds, and in addition, Shell, by paying the compensation and rent very late, forced people to undertake illegal occupations in order to be able to make a living.

4.4.4 Corporate Social Responsibility

Shell started its Corporate Social Responsibility program (CSR) at an early state of its business activities in the 1960s. At this time the program was called Community Assistance (CA) which can be seen as the basic level of CSR. Shell was funding scholarships for Nigerians, paying for schools, hospitals or for programs to help local farmers. CA aimed at providing the host communities near the Shell exploration facilities with the most essential things, e.g.

wells and food. The CA was not following a plan of long development, but could rather be seen as implementing ad hoc actions. This made the communities become suer instead of trying to help themselves by Economic Development programs. CA can be seen as a rent for the land used by Shell. (Uwem, 2007)

Due to the riots and the bad reputation of Shell worldwide, Shell changed its CSR program in 1998 to the Community Development (CD) Program. The CD program was a more sustainable form of aid for the communities. It emphasised the empowerment of developing communities and reduced dependency on Shell. Shell was not paying for a community's wish list anymore, but was working together with the communities to provide goods and services needed for Economic Development. However, even if the idea of CD can be seen as a step in the right direction, in reality Shell was still just a wish granter for the communities. Shell therefore changed its behaviour in 2004 and created the Sustainable Community Development Program (SCD). SCD includes any activity necessary to provide communities with enough help to control their own economic progress and quality of life, giving them now for the first time sole responsibility for their own well being. SCD is not only helping the communities in their own development to higher economic growth, but is also helping individual Nigerians to start their own business by paying micro credits. These changes were part of the strategy change in Nigeria outlined in the publication "Sustainable Development Management Framework and Road Map". (Uwem, 2007)

The communities which are receiving this help often have a high rate of people working for Shell or are located close to a Shell facility. Therefore people who are using CSR are often anyway related to Shell or in the case of road building, it is Shell itself that profits. Shell after helping to renew the port of Port Harcourt, said that they did so to help the local fishermen and industry to get better access to the ocean, but in realty they used it to increase off-shore business. Since Shell can deduct the money it spends for CSR programs from the taxes it is using to build infrastructure, the company to avoid paying taxes, does not spend resources on internal facilities such as for medical care centres. (Eweje, 2007)

The importance of Shell for Economic Development always puts the company in the responsible role of offering more development, more employment and more control over oil revenues. Shell considers that because only 350.000 of the 1.100.000 daily-produced barrels of oil stay with Shell and the other oil companies in the venture for their maintenance and profit while the rest is going to the Government, it is primarily a Government responsibility to increase Economic Development in Nigeria (Shell International, 2008). As of 2002, Shell involvement in its development programs was increased to the extent that the company now runs 32 health facilities, helps thousands of farmers to buy seeds and invests a huge amount of money to help develop roads in the Delta region. (Shell Nigeria, 2007)

Furthermore, Shell has been taking its role as a member of the community more seriously which can be seen in its stronger commitment to CSR in recent years. In addition, Shell recognises its responsibility towards the environment and has started working together with the Nigerian Government and local or supranational organisations to improve the environment in Nigeria. (Uwem, 2004)

4.4.5 Royalties, Taxes and Government

Nigeria is considered to be "one of the most difficult places in which to do business" (Control Risk Group, 1997), mostly because of the weak, corrupt and unstable Government however Shell is very active in the country. Despite the sabotages, Shell is making a high profit in the country and Nigeria is giving them a dominant role in the oil industry. Shell is also suffering from instability in the country mainly due to security and funding issues. (Frynas, 1998)

The company is trying to prevent the new rise in violence by increasing off-shore oil production because they are more insulated from the tumults on-shore. However Shell is also profiting from the attacks on their onshore facilities. After Shell forced the Supreme Court to allow them to claim sabotage as the cause of accidents, they now manage to get away without paying for the damage. The oil company is using this excuse for nearly every incident so sometimes saving up to 350.000 US-Dollars in a single case, like with the oil spill in 1997 (Ibid). The company is also using sabotage to explain the downfall in their production, from up to 2.000.000 barrels a day in 2000 to around 950.000 a day today. (Shell Nigeria, 2007)

The other issue funding, refers to the effects instability is having on the joint-venture contracts. Shell is holding 30% of the SPDC and is therefore responsible for 30% of the running cost, the same goes for the 55% of the shares held by NNPC, also responsible for 55%. At the end of the 90´s, the NNPC could not or would not, pay their parts due to the unstable Government. The NNPC money should have been used to pay workers and sub-contractors, therefore unemployment, unrest and a cut back in oil production were the results of the missing wages. Even if Shell International could "loan" the money to the NNPC, it had no intention to do so because they were profiting from the strike resulting in the lack of payment. The strikers demanded that the NNPC, as a non reliable payer, should give Shell more control and benefits over the venture. The strike had such a great impact on the Government that they are now moving away from doing joint-ventures with foreign MNCs to production-share contracts which are more profitable for the oil companies. (Frynas, 2005)

The overall decline of oil production due to political instability, is a wanted affect by Shell to not only lower their payment of taxes, royalties and CSR-programs, but it is also a way to artificially increase world oil prices attributed to oil shortages. This behaviour has been already analysed by a study from Hall (1993) who said that in times of high oil prices oil companies are decreasing their profits to avoid paying higher taxes. Another side effect is that the oil resources of Shell are lasting longer.

Shell, due to it not being forced to by law, is not paying royalties directly to the people. The problem is that the money goes to the Government which does not have any interest in changing this law. The taxes and royalties Shell is paying to the Government and local political institutions are often not traceable. This means that not the whole amount is going back into the Economic Development of the country, making Shell's argument weak (Omoweh, 2005). The effects of royalties from Shell are sometimes so strong, that it could lead to war, like in the case of the Biafra war which was partly fought to determine who would control and benefit from the oil money. Because royalties are so important for the Government of Nigeria, the political focus is mostly on Shell (Bird, 2003). Despite these circumstances the company believes its “most effective contribution to Nigeria is through the taxes and royalties we pay to the federal Government” (Shell International, 2008).

4.5 The IMF

This section contains findings on the impact the IMF has on Economic Development in Nigeria. We have first of all given a background of the IMF, subsequently we described its role in the developing world and its contribution to Nigeria.

4.5.1 Background of the IMF

The IMF was established in July 1944 when 44 countries signed the Bretton Woods agreement at the United Nations Monetary and Financial Conference. The purpose of this conference was for an agreement on a framework for international economic cooperation. Hence the IMF was created to maintain exchange rates for international free trade. (For a detailed description of IMF purposes, please refer to Appendix C.)

Due mostly to the debt crisis in the early 1980’s, over time the IMF transformed itself from a currency regulating institution to an international organisation involved in policymaking strategies to incorporate poverty reduction policies as well as creating economic stability, the so called ‘Poverty Reduction and Growth Strategy’ (BBC, 2008). The role of the institution also involved providing loans to countries in need of correcting deficiencies in their economy therefore its focus became centred on the developing world. These loans come with conditions imposed on the ruling Government that must be strictly complied with in order for the country to receive their assistance.

The IMF currently has a membership of 184 countries who in return for a membership fee, ‘benefit’ from the services the IMF provides which are to monitor national, global and regional economic and financial developments and advising member countries on their economic policies, to lend members hard currencies to support policy programs designed to correct balance of payment problems, and to offer technical assistance in its areas of expertise, as well as training for Government and central bank officials (IMF, 2006).

The IMF has through its history faced much criticism concerning its goals and objectives. Its allegiances have been severely questioned by developing countries and intellectuals as well as the general public especially with regard to who owns the institution. According to Frattianni and Pattison (2004, p.8), “control rights at the IMF are vested with the critical shareholders, a small group of industrial nations, one that certainly includes the United States, Germany and Japan but can stretch to the G7 finance ministers….This group controls vast economic and financial resources and enjoys the highest regulatory and governance standards. Furthermore, critical shareholders own equivalent number of shares in all important international financial institutions (e.g. World Bank) and thus can effectively coordinate their strategies by relying on a portfolio of international institutional and financial assets in addition to their national interests”.

4.5.2 The IMF and its role in the Developing world

The IMF contributes to economic growth in low income countries through loans made on a concession basis. The point of these loans is to ease the pain of the adjustments needed to be made by these countries to push their spending into line with their income as well as promoting reforms that encourage sustainable growth and poverty alleviation. The institution is also involved in debt relief programs for poor countries that are unable to reduce their debt even after having taken advantage of aid and loans (IMF, 2006). Several initiatives have been centred at stimulating international trade through the reduction of tariff and quota barriers although it has been recognised that the lowering of barriers can have disastrous consequences for the local economy as export sectors can be very weak and imported goods from the Western world preferred over home made ones. (Ibid)

4.5.3 The IMF in Nigeria

The IMF has participated in the running of the Nigerian economy since the 1980's with the implementation of Structural Adjustment Programs (SAP). According to the World Bank and IMF, the overall objective of the SAP in Nigeria was to restructure the economy and restore her external balance (World Bank, 1985 cited in Colman & Okorie, 1998). Before looking at what changes were needed to implement these SAP's, we must first of all review why the programs were introduced and considered necessary in the eyes of the ruling Governments.

Liberation from colonialism in 1960 brought about a feeling of hope and high expectation among the people of Nigeria sensing that the rise out of poverty was imminent with the chance now to exploit its abundant primary resources (Riddell, 1992). However, these dreams became more and more distant with the passing of years as the country came to face economic and financial difficulties. The backlash of ill directed Government spending, neglect of the agricultural industry and inward looking policies as well as the collapse of world oil prices in 1982 brought to light the fragility of the Nigerian economy which would be felt more profoundly in the following decade. (NCEMA, 2003)

Due to the above factors the country faced recession and economic deterioration which was reflected by foreign exchange shortage, balance of payments and debt crisis, negative economic growth, high rate unemployment to name a few. Economic growth in terms of Gross Domestic Product (GDPg) fell in the early 1980's which was accompanied by a rise in inflation rates. All over the country one could witness the effects of such ill management by the Government through factory closures, uncompleted projects and large scale retrenchment. It became clear to economic policymakers that short term adjustments and increased regulation would be useless in the face of such a huge crisis. Economic policies had to be radically changed. (Ibid)

In December 1980 in Nigeria's capital, the Organisation of African Unity (OAU) introduced the 'Lagos Plan of Action'. The outcome of this summit was to implement socio-economic development in the whole African continent based on autonomy and independence from the West. However, according to the World Bank and the IMF, this was a step in the wrong direction for Nigeria and the whole of the African continent as they felt that the blame for the situation lay on the African countries themselves and was not a consequence of 'Western' intervention. According to the IMF, the only way out of this dire situation was to follow the strict guidelines of the IMF and the World Bank (Okome, 2005). Of course, certain conditions were to be followed if adjustments were to be implemented by these International Financial Institutions. (IFI)

In 1983 the Nigerian Government, led by the Shagari administration, approached the IMF. However, the administration did not implement all necessary conditions imposed by the institution such as by keeping barriers on imported goods. Only minor adjustments were made due to the overwhelming opposition from the Nigerian people. Implementation of the conditions did not always follow the schedule previously agreed upon with the IMF as this opposition from the people forced the Government to negotiate and compensate for the implementation of such changes. Because of this diversion from the agreed agenda, the IMF as well as the World Bank and external creditors imposed punitive measures on the Nigerian Government which only served to aggravate the already explosive political situation. It was only two administrations later in 1986, during the mandate of the Babangida regime, that the IMF conditions were fully embraced. (Ibid)

4.5.4 IMF conditions on Nigeria

It was necessary to fulfil certain conditions that would enable the Babangida regime to gain support from the IMF and the World Bank. According to Okome (2005), the IMF preached that its program would stabilise the economy through adopting fiscal and budgetary austerity, exchange rate devaluation, stimulating investment, cuts in real wages, cuts in public expenditure, prioritising external debt service, high real interest rates and import liberalisation. If a developing country such as Nigeria is to benefit from the 'assistance' of the IMF through balance of payments support, it is obliged to meet these strict requirements.
Riddell (1992) explains that Structural Adjustment Programs or rather there conditions, are followed through four basic elements:

Currency devaluation – A notion of structural adjustment is that local purchasing power is over valued in regards to its international value hence devaluation of the currency takes place.

Removal of Government involvement – The IMF imposes the country to remove the state from any interference with the running of the economy in order to 'free up capitalism'.

Elimination of subsidies – In the past African regimes have interfered with prices through subsidising especially in respect to food and petroleum in order to lower the rising cost of living for its inhabitants. However, the IMF insists upon removing price controls so that the economy can be dictated by the market and prices cannot be adjusted by the Government.

Liberalisation of trade – In order to integrate itself into the international economy, a country is obliged by the IMF to liberalise its economy opening its doors to foreign companies and global competition.

In the case of Nigeria, the IMF believed that these conditions would cause the following results. The devaluation of the Naira (the Nigerian currency) was undertaken in order to reduce the value of the currency against imported goods and to make exported goods cheaper. The removal of subsidies especially as regards petroleum, would release

Government revenue and allow it to use the funds elsewhere whilst being able to profit from an increase in exports. This was also seen as one way of removing Government interference from the running of the economy. Through privatisation, Government involvement would also diminish which was believed to cause price and market distortions, inefficient allocation of resources and stagnation. Trade liberalisation signified the removal of tariff barriers on imported goods hence eliminating regulations impeding foreign investment. Laws passed in the booming years of the 70's to indigenise the Nigerian economy were overturned (Paradoski, 2007). Free trade was expected to foster efficiency and growth (Okome, 2005).

The Babangida Regime, as stated above, implemented these adjustments through its commitment to privatisation and commercialisation during its rule from 1985 to 1993. The liberalisation of the financial sector began in 1986 when the ruling regime eased restrictions on interest rates, bank ownership, foreign exchange and capital movements as well as privatising banks and insurance companies (Lewis & Stein, 1997). Amendments were made to the Nigerian Enterprises Promotion Decree (NEPD) which previously stated that foreigners could only own a 40% share of Nigerian manufacturing companies. Babangida permitted the total ownership of these firms by foreigners. Now foreigners could also invest in sectors that were previously reserved for Nigerians including small scale manufacturing as well as the service and commercial sectors.

The Government announced in 1986, a policy of gradual and deliberate divestment of Government holdings in all non strategic industries. Subsidies to state owned (or partially state owned) firms were reduced by 50% whilst many (partially) state owned agricultural firms were privatised. Commodity boards overseeing the production and distribution of agricultural produce as well as other commodities were abolished along with the dismantlement of the Nigerian National Supply Company (NNSC) responsible for the procurement and distribution of consumer goods. The following year the regime released its direct interests in holdings such as hotels and brewing companies with the shares being sold through a private issuing house. (Okome, 2005)

Gradually but steadily, IMF conditions were being implemented by the Nigerian Government. The consequences of the road being followed for the country's Economic Development are to be seen below.

Following the Nigerian Government's implementation of IMF conditions, the Nigerian economy became subject to major changes which in turn would lead to changes in its Economic Development. From the literature, we can clearly see what effects these changes had on the country.

The immediate effects of the implementation of the SAP were quite positive. Nigeria had an external debt of $19000 million and agreements with the IMF "facilitated negotiations with commercial and bilateral creditors over some $19,000 million in external debt. The ratio of debt service to exports was reduced by two-thirds after an initial round of rescheduling in 1987" (Lewis, 1996, p.7). It seems that balance of payments turned positive in spite of the steep decline in international oil prices in 1986. "Despite an overall recession, rising agricultural prices and foreign exchange availability had beneficial effects on productive sectors of the economy. Traditional export crops such as cocoa, palm produce, and cotton registered significant increases in output, while manufacturing witnessed a dramatic revival from several years of decline". (Ibid, p.7)

However, the devaluation of the local currency, the Naira, caused a reduction in living standards for the majority of Nigerians especially in rural areas as the prices of previously affordable necessities sharply increased with inflation at record levels and therefore became too expensive to purchase whilst wages remained insufficient causing a decrease in consumer purchasing power (Riddell, 1992). The devaluation also caused the increase of other essentials especially due to the increase in transport costs after the reduction of the petroleum subsidy. The expected increase in foreign investment was not generated as a consequence of this devaluation, on the contrary it led to some foreign banks reducing their commitments in the country even though the financial sector was the primary beneficiary of the SAP's, in fact financial services dramatically increased as the number of banks rose to 120 by 1992 according to Lewis and Stein (1997). However this trend was rather short lived as by 1995 the Nigerian financial system was in a state of collapse.

Trade liberalisation signified the decline of the local manufacturing sector as they were rendered vulnerable to unfair competition from cheaper imports. Many workers were now faced with unemployment and mass retrenchment. As a consequence the informal sector, or rather illegal activities, boomed (Okome, 2005). However there seems to be a contradiction about the decline of the manufacturing sector. According to Canagarajah and Thomas (2001), the manufacturing and agricultural sectors began to grow due to the devaluation of the Naira. We can assume that there was a recovery underway in the manufacturing sector, however it was rather short lived as "MAN (Manufacturing Association of Nigeria) reported a capacity utilisation rate of less than 29%, down from an already low 36.7% at the end of 1987. The association also reported a decline in membership from about 1,500 to 1,200 during 1986-1993". (Lewis and Stein, 1997, p.17)

The removal of state interference from the running of the economy through the divestment of the public sector in favour of privatisation did not have the desired effects. The public sector was the greatest source of employment for Nigerians (Riddell, 1992). Public services were also reduced as a consequence of accepting IMF and World Bank loan programs but also due to a steep decline in oil prices in 1986 (Lewis, 1996). These dire conditions and the inability of the SAP programs to reverse the downward trend but rather accentuate the decline eventually led to anti SAP protests launched by students, traders and organised labour (Riddell, 1992).

The Babangida regime was forced to retreat from the stabilisation programme and in January 1988 his Government announced a reflationary budget with compensatory measures such as increases in wages and public spending, caps on interest rates and a commitment to sustain the petroleum subsidy (Ibid). It seems that the regime was trying to find a middle ground where both the IMF and especially the Nigerian people could be pleased. The IMF however had other ideas. "….the institution responded by withholding endorsement of Nigeria's economic performance, and the IMF refused to approve a new standby facility when the existing agreement lapsed" (Ibid, p.8).

Nonetheless, IMF 'assistance' was renewed allowing the country to obtain supplementary finance from other donors such as the Paris club as well as further rescheduling of their external debt which had now risen to $30,000 million (Ibid). A major point we must mention about the rescheduling of debts is that although at first sight it may seem a positive outcome for the country as Governments obtain more time to repay, in actual fact the debt actually grows at a faster rate due to interest adding to the burden of debt repayments. This was not the only draw back for Nigeria in this renewed trust with the IMF. More importantly negotiations with creditors produced the so called debt swap programme which invited foreign creditors to write off a percentage of debts in return for domestic equity (Lewis, 1996). This actually managed to put the Nigerian economy on a plate for foreign investors. This change in the organisation of industry meant that Nigeria was left to deal with the problem of repatriation of profits from MNCs (Riddell, 1992).

The introduction of SAP's were followed by brief spells of economic growth in Nigeria for example in the period 1988 to 1990 where GDP rose by 7% while agriculture and manufacturing attained positive per capita increases for the first time in several years (Lewis, 1996). One of the objectives of the Structural Adjustment Programs was to reduce the country's dependence on the oil sector and according to Canagarajah and Thomas (2001) this was achieved, "With a shift in relative prices in favour of the rural sector, production of traditional food crops and cash crops increased. These favourable Economic Developments led to an expansion in the demand for labour in the non oil tradable sector, especially the agricultural as the adjustments policies made domestic food and export crop production more attractive".

5. Analysis

This chapter will analyse the empirical data referring to our literature review to see the impact these occurrences have had on Economic Development in Nigeria. The last part consists of a comparative analysis of the IMF and Shell.

5.1 Introduction

In our analysis below we will relate the empirical data on Shell and the IMF to the 3 variables of Economic Development described in the Literature Review, Structural Change, External influence on Government and Environmental conditions. According to Matsuyama (1997), Structural Change refer to any change in economic conditions, such as change in employment and organisation industry. In order to analyse the impact of External influence on Government on Economic Development it is important to view this variable through Political and Policy instability as suggested by Miller (1992). As can be seen from the definition of Economic Development, Hackett (2008) explained that the role played by the Government is an essential ingredient for implementing Economic Development. Referring to Environmental conditions as stated earlier in our work (Service Canada, 2005 and NEC, 2006), implies any change to the environment resulting from an organisations activities such as those that cause the loss of natural resources. In order to improve Economic Development Penn State (2008) argues that all those changes must be positive.

Even though a single action taken by the IMF or Shell can have an impact on more than one variable, we will however focus on the effects the organisation has on the variable that is most greatly impacted on.

5.2 Shell

Uwem (2006) stated that Shell contributes its part to the Economic Development of the country through the payment of significant amounts of royalties and taxes that generate direct and indirect employment and which has increased their environmental and social responsibilities. However, it has been our task to see if this contribution has led to an overall improvement in Economic Development.

5.2.1 Structural Change

Shell as the biggest and oldest MNC in Nigeria, is effecting Structural Change in many direct and indirect ways. The most direct impact is over employment and the wages of the people. Like Uwem (2004) said, Shell is doing a lot for increasing the economic growth of their employees, but those effects are not as strong as Shell is often showing. The jobs Shell is offering do not seem to be enough to fight the increasing rate of unemployment. Even if Shell is paying more, the best paid jobs are going either to foreigners or people from other parts of Nigeria (Omoweh, 2005), and jobs in the oil industry cannot be done by unskilled workers as the people need to be trained which is costing Shell money. Therefore Shell is mostly hiring already trained and educated people, limiting the spread of economic well being, leaving not enough human-capital for other industries. The attraction of Shell for farmers and land acquisition has turned Nigeria from a country which was, at least in basic food production, self-sufficient to a country which has now to import those basic products.

The change in the organisation of industry in Nigeria through Shells hiring policy can be seen from two sides. By offering well paid jobs, even if only few are benefiting from it, shell has been increasing economic growth by offering the people a better paid alternative to traditional work. For the domestic economy this change is having a devastating effect because small firms find it hard to recruit good employees. Also the decline of the agricultural sector is a negative effect of Structural Change.

Another issue of Shells Structural Change through employment was the jobs Shell is offering. Most of those jobs are situated in the construction sector, and are therefore often just for a short period of time, like the 13,000 workers who were building the new Gas facility. The effects of the influx of income from short term construction include an increase in inflation, which is lowering the real value of the new wages. One other problem is that the infrastructure built for new facilities is heavily used, which causes fast degradation of the infrastructure. The effects are that construction sites are leaving the communities less well off because people living next to the sites are now expecting an increase in their living standards but the projects come and go without any long term sustainable benefits to those who had been locally involved with the project (Bird, 2003). So the short term Structural Change from Shell are not having a long lasting positive effect.

With the CSR program, Shell is having a direct and indirect impact on Structural Change. The CA program was counter-productive for economic growth because it was not made for sustainable Economic Development and was not supporting the personal development of people. The payments to framers to buy seed and scholarships were not enough to improve those changes also because Shell could deduct the payments from their taxes (Uwem, 2006). Shell, through SCD is helping to improve the economic growth of the country and of the individual in sectors which have nothing to do with the oil business. Even if the reason for Shells increase in investment in their CSR program was due to it being profitable for them, the impact on structural change is still positive. Same goes for the founding of the SNG through which their activities are increasing economic growth and helping to increase the output of the local industry.

Considering Matsuyama's (1997) definition of Structural Change, we can see that Shell's impact on the economy has been rather positive and therefore has improved Economic Development. These positive effects can be seen in the increase of economic growth by Shells hiring policy, increasing employment in better jobs. Also CSR programs are helping individuals and communities increase their economic growth. Those positive effects have been pulled under by often being only short term causing inner-country brain drain and the decline of the agricultural sector.

5.2.2. External influence on Government

Shell as the biggest tax and royalty payer of the country, has often due to its economic power, influenced the Government of Nigeria. This exercise of influence was sometimes used directly in order to change laws and regulations to help Shells business in Nigeria. These changes are often negative for the people and had therefore led to riots because people felt that the Government was using Shells money for their own cause. An unstable Government was as a result of these riots.

Another destabilising action which had a negative effect on the Government was the cut back in oil production and the contract change with the Government, giving Shell the possibility to pay less taxes and royalties to the Government. This money was needed to support projects in other parts of Nigeria to improve Economic Development. An indirect effect of the decrease in taxes and royalties paid to the Government is stressing the issue of controlling money. In Nigeria this control means power and for this reason we have seen much civil unrest and even wars.

Shell does not seem to have a direct effect on Political instability in Nigeria in terms of interfering with the change in the Governmental situation. According to our findings, oil business is unaffected by the change in new Governments as the interest in the oil revenues will stay the same, so we can say that the relationship towards the oil companies is the only element of continuity.

Looking at the definition of Miller (1992) we can say that Shell is negative affecting both the political and the policy instability. Even if Shell said that their payments are helping the Economic Development of the country and are profiting from it effects, the overall negative impact on political and policy instability is having a negative effect on the Economic Development of Nigeria according to Hackett (2008).

5.2.3 Environmental Conditions

The negative effects Shell's oil activities are having on the environment of Nigeria has raised different complaints mostly about the degradation of the environment, affecting fishing, farming and wildlife, and therefore the main source of income of the people (Omoweh, 2005). The riots and the retreat of Shell from the area left oil spills behind which has made farming in some regions impossible, destroying the economic base of thousands of people. In their five year plan, Shell tried to improve the situation but the help came too little too late. Further Shell is trying to avoid paying for oil spills by claiming the reason to be sabotage resulting in a great number of people, not directly involved in the attacks, suffering a loss in their economic base without compensation.

Shell by wasting oil due to old equipment, is not only destroying the environment but it is also wasting non-renewable resources. Oil production has decreased the value of the natural capital of Nigeria. Even if Shell is claiming that it is using some of the money and putting it back into the economy, the amount is not equal to the value lost. After years of operating in Nigeria, Shell has not only lowered the value of non-renewable resources, but has also lowered the value of other natural resources by not trying to conserve them. Looking at the definition for environmental conditions (Service Canada, 2005 and NEC, 2006) we can say that Shell has, by the destruction of natural resources, a negative impact. Therefore Negative environmental conditions in Nigeria due to Shells activities are hindering the Economic Development according to Penn State (2008).

5.3 IMF

According to the IMF and the World Bank as of 1990 (Okome, 2000, p.1) "Significant progress has been made ... though there is still a long way to go." It has been our task to analyse the data collected on the IMF and below the reader will find our interpretations of these findings.

5.3.1 Structural Change

The IMF in 1990, according to Okome (1999), believed significant progress had been made through the devaluation of the Naira, abolishment of licensing and freedom of pricing. Initial effects of structural adjustment seemed to render positive results in Structurcal Change with the expansion of labour in non oil related industries as mentioned by Canagarajah and Thomas (2001).

Divestment in the public sector, as one of the conditions imposed by the IMF, caused the country to face a situation of mass unemployment. According to Riddell (1992), the public sector was the greatest source of employment and the privatisation policies did not have the desired effects hoped for in terms of creating more jobs for the people through the increase in private investment. The 'debt swap' programme meant that fewer resources were left in the country to be spent on infrastructure and projects, hindering economic growth.

Other effects on Economic Development were brought by the devaluation of the Naira which caused a reduction in living standards and lowered the buying power of the consumer due to the rapid increase in inflation which made it too expensive to purchase products for the majority of Nigerians whilst salaries remained inefficient (Ibid). A significant increase in economic growth was not possible if the huge majority of Nigerians were unemplayoment and unable to purchase necessities.

Analysing our findings of the liberalisation of trade (Free trade), we see that Nigeria was not ready for competition from the West, and therefore the results of trade liberalisation have not been positive according to Reinhart and Tokatlidis (2003, p.2) "liberalisation policies have seemed insufficient in mobilising savings, deepening intermediation or raising investment." Although "most economists accept that, in the long run, open economies fare better in aggregate than do closed ones, and that relatively open policies contribute significantly to development" (Winters et al., 2003, p.72), Nigeria is yet to see the positive effects of these Structurcal Change on Economic Development even after more than 20 years since trade was liberalised.

We cannot ignore the fact that IMF conditions brought a reduction in standards of living for the majority of Nigerians. Unemployment, mass retrenchment and the decrease of consumer purchasing power are just some of the consequences of IMF conditionality on Structurcal Change according to Matsuyama (1997) and have contributed to the impoverishment of Nigerians. So it seems that the effects brought by IMF to the Structurcal Change are negative, and have therefore hindered Economic Development.

5.3.2 External influence on Government

The results of debt rescheduling caused the Government having to focus more of its resources on debt repayments therefore having a smaller budget for public expenditure as is mentioned by Lewis (1996). External influence on Government is reduced considerably as it is constrained by the conditions imposed by the IMF making it susceptible to the institutions strict demands.

Through privatisation the Government was sidelined from the running of the economy and hence decisions which affect the overall Economic Development of the country were in the hands of private corporations. We must remember that the role of a Government efficient or not, remains to serve the people of their country. The IMF with its conditions severely damaged the Nigerian Government's position to do this further weakening its influence within its own country.

As we have seen a failure to comply with IMF conditions would result in a penalty as happened under the Babangida regime. Again this shows that the Nigerian Government's influence in its own country was reduced to an insignificant level reducing its influence on Economic Development. This situation also suggested that IMF priority remains focused on debt repayment rather than alleviating poverty.

We are only to refer to the incident where the Babangida regime hesitated in implementing more conditions due to the uproar of the people which eventually brought tough penalties from the IMF, to see that Government policies were hugely influenced by external parties bringing an imbalance in policies and as a consequence less reliability from their own people and therefore made the country more prone to political instability.

Hacker (2008) stated the importance of the role of the Government in Economic Development. If we are to refer to the definition by Miller (1992) who refers to the instability in Government policies, then from the analysis above we can conclude that the position of Nigeria's Government was strongly influenced in a negative way by IMF conditions causing for instability in Nigerian politics. The conditions imposed on the Government of Nigeria have without a doubt contributed to the slowing down of Economic Development adding to this already dire situation.

5.3.3 Environmental Conditions

Direct effects the IMF has on the environment are few, however it is worth mentioning the 'debt for nature' initiative which is defined by Moye (2001, p.16) as "…involves the cancellation of external debt of a developing country in exchange for local currency funding for nature conservation and environmental protection in that country." The IMF through its good relations with external creditors has helped to make these exchanges possible. Unfortunately, after having searched for articles about Nigeria and the debt for nature swaps, we have not been able to find any examples although we do not question their existence.

Although our evidence on this subject is quite limited it can be assumed that this has positive effects on the Economic Development of the country as money is invested in maintaining the natural environment of the country for the benefit of the people. Nonetheless even though IMF conditions have an indirect effect on the environment, strategies such as privatisation have led to a degrading of the ecology of the country through growth of industry especially the petroleum sector.

5.4 Comparative Analysis

Due to fundamental differences in responsibility of the two organisations, one being a profit seeking company loyal to its shareholders, the other being an International Financial Institution preoccupied with international economic policies and Economic Development, it is difficult to undertake a comparative analysis as objectives and actions differ as can be seen below.

In relation to the roles the organisations play, we see that Shell Nigeria is trying to adjust to its environment as it sees itself as a responsible corporate citizen after the riots. Those changes in behaviour are tailored to Nigeria and not to Shell worldwide. On the other hand, the IMF being an international financial institution is not specific to Nigeria therefore its conditions are not specific to the country but are general conditions implemented throughout the developing world. Not being physically present in the country implies that they are not directly affected by problems such as riots hence their reluctance to adjust to country specific factors.

Judging by our above analysis, we can conclude that Shell has more direct effects on Structural Change and environmental conditions whilst the IMF has a direct influence on the Nigerian Government through its international policies and regulations. Shell has strong local influence in particular in the Niger Delta and focused on one industry i.e. the petroleum industry, whilst the IMF is impacting through their policies on the economy as a whole, as well as on the entire country. Even though Shell Nigeria is the biggest MNC in the country, their Economic Development effects are limited. However being a profit seeking company their main objective is not the advancement of Economic Development. On the other hand, IMF influence on Economic Development is much more widespread being an international policymaker therefore its impact in Nigeria has much more profound consequences.

6 . Conclusions and Suggestions

This last chapter will sum up our analysis and give suggestions to Shell and the IMF on contributing in a positive manner towards Economic Development. The last part of our work will deal with implications for further research.

6.1 Conclusions

After looking at the analysis of our work, we can see that the effects of Shell in Nigeria are not as positive as Shell is often trying to broadcast. Shell has some positive effects on the Economic Development of the country by for example increasing the workforce although overall the intention of Shell to increase the Economic Development of Nigeria is rather low sometimes because Shell is profiting from the unstable political structure or because Shell's basic responsibility has been to maximise returns on invested wealth for shareholders. Furthermore, Shell as an oil production company is always having a negative effect on non-renewable resources, and is also having hindering effects on Economic Development through its impact on natural resources.

As Shell has changed its attitude to a more sustainable approach towards Economic Development, we must look at the effects of Shell in the times before the 1990´s and after. In the former instance, Shells negative effects were clearly stronger than the positive ones, whilst in the latter, Shell is trying to change the negative effects it is having on the country into positive ones. However up to now, Shell even if producing a lot of wealth in Nigeria, has left the common people in poorer conditions than they were prior to the beginning of their operations. So as a conclusion, Shells effects differ from variable to variable. In relation to structural change, Shell is having a positive effect, while on the two other variables the effects could be improved with the aim of having an overall positive effect on Economic Development.

An overall picture of IMF Structural Adjustment Programs show a rather bleak picture concerning its impact on Economic Development if we are to look at the three variables. A decrease in standards of living for Nigerians shows that Structurcal Change have had a negative impact on Economic Development. Concerning IMF influence on the government, we see that conditions imposed only managed to weaken the governments position and hence had a negative impact on Economic Development. In what regards Environmental conditions, direct effects were not so visible although can be regarded as positive whilst indirect effects were negative. Considering that the IMF has supposedly as its priority to alleviate poverty and advance Economic Development, the institution can be regarded as having an overall negative impact on Economic Development.

The lack of effectiveness for the advance in Economic Development of the institution leads us to question the very existence of the International Monetary Fund. In actual fact after reviewing the literature, we see a country where the conditions for the people have worsened.

Despite the different objectives of the two organisations, judging by how the IMF and Shell have influenced Economic Development, globalisation has had a rather negative impact in Nigeria. This can be seen by the increase in poverty which is now estimated at over 70%.

However, it cannot be proved that globalisation is the main (only) reason for this deterioration in development although we can conclude that it is definitely a main contributor. Taking into consideration the two opposing schools mentioned in the introduction, we agree that these organisations are rather counter productive for Economic Development.

The number of Nigerians below the poverty line has increased astronomically since the 1980's even though the country in itself is so rich. All too often it is the minority that profit from such programs that can be attributed to reasons that would go as far as questioning the effectiveness of the capitalist system in alleviating poverty not only in Nigeria but in the entire third world.

6.2 Recommendations

We think that Shell should try to return more of the wealth it has been taking from the country to the people. This could be done by paying higher wages or more importantly, paying the royalties directly to the people. With this they would also minimise the influence they have on the Government which in turn would have a positive effect on stability.

Shell through the SNG, is having a positive effect but we think Shell needs to increase their investment in the economic infrastructure of Nigeria and should include this in their business operations. Furthermore, they need to improve their environmental responsibility policies. As long as it is cheaper for Shell to pay ransom for kidnapped workers rather than helping the area through striving towards lasting Economic Development, Shell will always face security problems. In the end Shell should see itself as a good citizen and part of the country.

According to Ibrahim (2005, p.19) "Economic Development is attained through the utilisation of available resources to enhance the social and economic well-being of the society, it is only the people in any society that can generate and sustain Economic Development". The IMF is an international financial organisation based in Washington and controlled by the developed World although it imposes its conditions on the developing world. How effective can this organisation be if directly affected parties are not involved in decision making?

It is possible to suggest that if this situation persists, where directly affected people are kept out from the decision making process, then from our point of view the results of IMF involvement will remain the same: a failure. This however is not a problem just for Nigeria but for the entire developing world.

It is our belief that although the IMF and other Supranational bodies are above State governments this should not mean that they are above the law, and therefore should be accountable for their actions.

6.2 Implications

Our research is a pilot study therefore validating our model for further research is an essential task.

We strongly believe that our model can be seen as a good base for initial studies in this area in terms of giving facts on the general picture of globalisation in Nigeria. Therefore we think that our study even though based on Nigeria, could be extended to analyse Economic Development in other developing countries. After having carried out some research we have discovered that in the country of Sao Tome & Principe, a small island in the Gulf of Guinea, there have been some oil discoveries. Hence based on our conclusions, we would advise for an alternative route towards Economic Development to be taken in order to avoid the problems faced by countries such as Nigeria, and to help the country to achieve a sustainable form of Economic Development. Even if our conclusions are only for Shell and the IMF we think that it should also be used by other organisation's to explain and change there behaviour in developing countries.

However, below we will express some points which we believe should be further researched which was not possible for us to carry out due to time restrictions.

As can be seen throughout the thesis, the variables which we based our model on have been given the same importance to show the effects on Economic Development. Taking into consideration the limitations stated before, for further research we would recommend to prove if our equal focus on each of the variables is justified. We believe that the number of variables and factors we have used should be added to in order to provide a more encompassing answer on the research problem. We have seen that IMF conditions allowed foreign companies such as Shell to acquire local companies therefore another suggestion for further research is to analyse interaction between Shell and the IMF which may help to explain some steps taken by the organisations. As a final point, we would like to suggest that further research should involve primary data collection by doing some on site studies. On site studies would provide an own perspective on the study allowing for the backing up of secondary data.

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Appendix

Appendix A

Background Information about Nigeria

The Federal Republic of Nigeria, with a population of about 140 million, is located on the Gulf of Guinea on the western side of the African continent. Abuja is the capital city of Africa's most populous country since December 1991 replacing the former capital Lagos (Metz, 1991). Like many other African countries, Nigeria was the creation of European imperialism becoming a poltical state encompassing more than 389 ethnic groups. Its name came from the country's dominant physical feature, the river Niger given to it by a British journalist, Flora Shaw. The official language is English although many native languages are spoken including the more widely used Hausa, Yoruba, Igbo (Ibo), and Fulani (Nigera Direct, 2008).

Nigeria has a total area of over 923,000 square kilometres consisting of the rainforests and Savannah in the middle and South West of the country, the Sahel on the borders of the Sahara desert in the North of the country and the Obudu Hills in the South East along with its beaches in the South (Nigeria Direct, 2008). The highest point is Chappal Waddi at 2,419m above sea level and major rivers include the Niger and the Benue which empty into the Niger Delta, the World's largest river deltas (Metz, 1991).

The country gained independence on 1st October 1960 from British rule. From 1960 till 1990 Nigeria had seven different military Governments, which were all followed by seven miliary coups, where three ended in assassination. In between, Nigeria saw three unstable civilian Governments which lasted from one up to three years. This is the reason why the country has an an ongoing problem with corrupt officials exploiting the country's abundunt oil reserves (Ibid). However since 1999 the country entered an era free of military rule which has been sustained up to the current date resulting in its longest period of civilian governance, giving the country a stable govemental policy.

Nigeria is considered as a developing country although its economy is the secound biggest after South Africa in Africa. As of 2006, its GDP was estimated at US$191.4 billion (CIA, 2008). Its main industry is the Petroleum industry which in fact has become of overwhelming importance to the local economy accounting for a large part of the federal and foreign exchange earnings. Nigeria is the largest oil producer in Africa and the sixth largest of the OPEC, with still a large number of untouched oil fields on and off-shore (Organisation of Petroleum Exporting Countries). Due to the countries over dependence on oil, the once booming agricultural industry, which was the main source of export earnings till 1960 and accounted for just under 60% of GDP, declined to a state where Nigeria now is actually forced to import basic foods (Corporate Guides International Ltd, 2008).

Nigeria has the largest population in Africa which encompasses around 389 different ethnic groups resulting in diverse cultures and languages. Religious beliefs are made up mostly of Muslims (50%), Christians (40%) and indigenous beliefs (approx. 10%) with the country being generally split into the Muslim north and the Christian south and west. Life expectancy was estimated to be at 47 for males and 48 for females. The literacy rate is set at 65% as of 2007. (Nigeria Direct, 2008)

The country has faced many social problems some due to communal violence between Christians and Muslims, and among different ethnic groups. According to statistics, over 800,000 people have been displaced by this violence (Fund for Peace, 2006). In the Niger Delta area, where the large quantities of Nigerian oil is produced, it is not uncommon to witness outbreaks of violent civil unrest and the kidnapping of oil workers due to the discontent of the local communities towards the oil companies. Problems for local communities have consisted of inconveniences such as daily oil spillages and a lack of community involvement in decisions that directly affect them. The importance of the region for the overall wealth of the country has managed to heighten tensions not only between the local people and the oil organisations, but also between the State and Federal Governments (Peredoayacity, 2008).

Nigeria also suffers from the problem of so called 'brain drain' where professionals flee the country in search for more favourable conditions in the Western world i.e. Europe and North America. Professionals that do remain in the country are mostly forced to engage in less skilled employment due to the country's weak economy. (Ndulu, 2004)

Appendix B

Economic History of Nigeria
In early times Nigeria was divided in different kingdoms with different political structures, economic power and size. Nigeria was mostly trading agricultural or inferior products with tribes in neighbour states or the northern kingdoms as well as with merchants from Arabic countries. The first kingdoms which had grown to a recognisable size due to Governmental stability were the southern kingdoms of Yoruba and Benin and the northern kingdom of Hausa (Akinwumi, 2005). Still, these three kingdoms had completely different backgrounds and ways of expanding.

The Yoruba kingdom was a decentralised kingdom where newly founded cities were only loosely linked to the Oni (king). Over the years some of these newly founded trading cities became powerful and rich and therefore started to challenge the king in order to gain more independence. In the end these cities took full control over their markets, trading places and Governmental structures. This is the reason why the Kingdom of Yoruba slowly vanished, leaving weaker independent trading cities behind (Ibid). The other southern kingdom was the Kingdom of Benin which developed a centralised regime to oversee the administration of its expanded territories. Benin was very successful in its expansion because of the strong loyalty of its cities which also had a great impact on the Economic Development of other tribes and areas in the Nigerian hinterland. Benin also was the first kingdom that began trading with Europe. "The imported artifacts documented at the sites- bronze/brass, clay pipes, buttons, cowries, European ceramics, glass beads, musket balls, swords, and iron- confirm the intimate trading relations that developed between Benin and various European nations in A.D. 1500–1850. The majority of the port sites in the Bight of Benin that served as early centers of economic exchanges between Europeans and Africans have not been excavated" (Ibid, p.155). At the same time the north of Nigeria was influenced by the Islamisation of the country. In this environment the Hausa kingdom was expanding its power to the northern part of Nigeria. Because of the close relationships with the Islamic world the northern part was mostly untouched by the Economic Development of the south in the years to come and its economic activities consisted of the trade with merchandises from other Islamic regions. This connection enabled the Hausa to become very powerful and rich, especially in the pre-slave trading times (Metz, 1991).

The period between 1500 and 1860 was economically dominated by the Slave trade and the change in economic behaviour after Slave trading became illegal. The Nigerian Slave trade started at the end of the 16th century and was the first encounter with internationalisation for the Niger Delta. Already trading different goods with each other, Benin and Portugal started to trade slaves for "industrial" products from Europe and India. At the beginning of the Slave trade, Portugal was only buying slaves to trade them for gold in other African states, making Slave trading a domestic African business. Slave trade was therefore well established long before slaves became an internationally traded product due to the growing demand of slaves in America. At the beginning Benin was the leading force behind the slave trade but because of different views of the moral perspective of Slave trade its rulers decided to make it illegal to sell slaves in Benin ports, leaving Benin to be the first Nigerian country that placed an embargo on the export of a product. This embargo did not stop Portugal and later on the Netherlands to trade slaves in other Nigerian ports in the south and the west of Nigeria which led to a dramatic change in Economic Development and political stability in the region. As a result of the involvement of different kingdoms from the south the first economic confederation of two tribes was formed in the 18th century with the goal to enhance the number of slaves and to expand the areas of slave capturing. (Ibid)

In 1807 transatlantic slave trade was declared illegal by the British Government. Nigeria was strongly affected by this move since slave trade was the main source of income and slaves were the most important product of trade. Even though the transatlantic slave trade did not completely end until the 1860s and domestic slave trade was still very active, Nigeria had to find a valuable legal trading product to exploit new sources of income. This product was palm oil and its discovery the beginning of the oil industry in Nigeria. (Ibid)

Soon after Nigeria began trading palm oil it became an important good for the export to the European markets and former slave traders changed their businesses to the exploration of oil. Just like the slave trade this Economic Development took place mostly in the south because this was the area where the palm trees were growing. To grow palm fruits more efficiently the social structure of Nigeria changed. Kingdoms where no longer the main social entities but groups of people joined together in so called “houses” which can be described as unions of independent traders working for the same goal and dividing the market among them, comparable to the “Gilden” system of medieval Germany. (Ibid)

From 1860 on Nigeria became a colony. The first years of colonisation were defined by the civil wars and the abolition of the Slave Trade. Many people had suffered from the Slave Trade and its impact on society. The domestic trade within Nigeria was nearly inexistent due to the bad infrastructure which made it almost impossible to trade between the north and the south of Nigeria. Like the domestic trade, exporting or international trading was also rare which had mostly to do with the fact that Europeans were in charge not only of the trade itself but also of selling imported products on the Nigerian market, leaving Nigerians as middle men with low profit possibilities. Another reason was the trade restrictions laid upon Nigeria by the British which only allowed the import and export of certain goods. The normal trade circle started with the export of raw materials by Nigeria for the manufacturers in England who later sold the final products in Nigeria with a higher margin. One of the goods Nigeria was able to export without respecting the rules of the circle was palm oil which made it the most profitable commodity in Nigeria. On the import side, cottage was the only product not bound by the circle. (Ekundare, 1976)

Over the years the British started to update and modernise the infrastructure of the country. Those steps were followed by a new increase in Economic Development thanks to domestic trade. This new development helped the domestic manufacturers because now they were able to buy raw materials of higher quality which gave them the opportunity to produce equal or better products than the imported ones. This increase in quality and the change of behaviour towards national products, especially concerning clothes and simple craft goods, led to a decrease in imports. At the end of the 1890s the British Government lowered the restrictions for exports, giving Nigeria the possibility to search for new trading partners. Germany, due to its long history of settlements in Nigeria, soon became the second most important trading partner, giving Nigeria the possibility to export higher volumes to a better price. This increase in export made Nigeria a net exporter, meaning that its exports added up to a higher value than its imports which was not very common for colonies at the time.

The Economic Development Nigeria went through in the first period of colonisation is astonishing. Even though the majority of Nigerians were still working in the agricultural sector where they earned just enough to survive, Nigeria was able to benefit from the globalisation of the industrialisation brought to them by the British. This effect is best shown by the rapid growth of city population and the increase in manufactured products (Ekundare, 1976). This has mostly to do with the fact that the British enabled Nigeria to trade its products more easily which led to an increase in revenue. “The high proportion of revenue from customs duties reflected the rapid growth in foreign trade, as nearly all the duties were derived from imports”. (Ibid, p.58)

The time from the beginning of the century until the independence was marked by great political and economic changes. In 1914 the British Government in Nigeria unified its northern protectorate with its southern colony to form the country we today know as Nigeria. This step helped centralising the administration of the country and harmonising the Economic Development of the rich South and the poor North. Other political impacts on the Economic Development were the outcome of World War I that awarded to Britain the former German colony of Cameroon, which was from then on administered as part of Nigeria, and the worldwide depression that stopped the Economic Development of Nigeria. The outbreak of WWII and the world economy boom were the last big change in the Economic Development of Nigeria before its independence. (Ibid)

From the beginning of the 20th century until independence, with the exception of the short decrease during the depression, the economy of Nigeria in both the public and private enterprise sector grew rapidly due to the stable Government. The biggest parts of the Economic Development were the development of the infrastructure, the expansion in the agricultural sector, and foreign trade. But even when the growth in some sectors was spectacular, the increase in development was still not sufficient for a country of the size of Nigeria. (Ibid)

This time also marked the beginning of a small modern industry in Nigeria, mainly in the mining sector, which could develop thanks to the improvement in economically relevant sectors like transportation and fiscal politics. Until that day Nigeria had been producing and trading mostly raw materials and agricultural products but due to the imports of foreign industrial goods people started demanding homemade products of higher quality. This part of the industry was still very small and the agricultural sector was still playing a dominant role in the Nigerian economy. The average income was increasing thanks to the gold and tin mining industry where the wages were above average. Another aspect was that the foreign trade was rapidly growing due to the increase in transportation and communication which meant that farmers were able to sell their products in Europe where they could achieve higher prices for their products and therefore encouraged farmers to grow products needed in Europe. Still, Nigeria remained self-sufficient in basic food crops. The export of products was increasing after WWI as Nigeria was able to obtain higher prices for its products because of the growing industrial activity in Europe. At the same time the import sector grew as well thanks to the Economic Development in Nigeria since more people found themselves in the position to buy expensive European goods. This development changed the importance of goods, from inferior products like cotton to rather industrial goods like kerosene. (Ibid)

This new boost in the Economic Development only lasted until 1929, the year of the great depression, which was a strong setback for a country whose economy was build on trade. Nigeria tried to sell its products by advertising it on different world fairs around the globe but was not successful in opening new markets. Because of the decrease in the economic power, Britain was offering funding to improve the economy of its colony. However, the funding was not enough to help the economy of Nigeria whose economic downfall lasted until the outbreak of WWII. During the war Britain expected its colonies to set following economic targets, like a blockade against German products, an increase in the export of food and raw materials to the allies, the increase of the production of local products for the domestic markets, and the adoption of financial measures. The war also had an effect on the Nigerian trade because ships were either used for war proposes or got under attack (Ibid).

The last part will look at the modern economy from 1945 till the independence. Like in all times before, the Economic Development was depending on the largest single economic sector, the agricultural sector, which itself relied on weather conditions and world market prices. But the shortage of raw material after WW II resulted in a phenomenal growth of the export sector which in turn raised the income of the farmers, leading to an increase in the overall wealth of the country. Because of the rapid Economic Development in all sectors the British Government gave Nigeria a new modern economic policy, the Colonial Development and Welfare Act of 1945. This act provided Nigeria with the possibility to increase its export revenues, especially in the agricultural sector. This was the time of the industrial development, where new jobs were created and the Economic Development was increasing (Ibid).

The trade was still very much restricted to the United Kingdom, and it was not until the mid 1950s that Nigeria was allowed to engage in free trade. After Nigeria started trading with other partners the revenue of foreign trade increased. The revenue was now used to increase the social development as well and for the first time in history everybody in Nigeria was benefiting from the Economic Development. With the discovery of oil in the last years of British rule, and the stability of the economy and politics, Nigeria stepped into independence with the hope to soon become a country of minor wealth for everybody (Ibid).

Appendix C

Purposes of the IMF
According to the IMF (2008) the purposes of the organisation are:

"To promote international monetary cooperation through a permanent institution which, provides the machinery for consultation and collaboration on international monetary problems."

"To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy."

"To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation."

"To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade."

"To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity."