Research Report

Leiden Model United Nations 2017
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Issue: The question of the accountability of multinationals in Sub-Saharan Africa
Forum: Economic and Social Council
Position: Deputy Chair

Introduction

In the past few years, Sub-Saharan African economies have grown rapidly. The fastest-growing country of 2017 is Ethiopia, with a GDP growth of no less than 8.3%. Tanzania and Cambodia are in the top ten of fastest growing economies as well, with an estimated economic growth of respectively 7.2% and 6.9%. Moreover, sub-Saharan Africa's annual growth rate of 7% from 2005 to 2015 is expected to rise to an impressive 12% a year to 2035. The middle class is vastly expanding and private consumption is predicted to grow with 5% per annum, too. This has made Sub-Saharan Africa significantly more attractive for Multinational Enterprises. Hence, more and more Multinationals have established themselves in Africa. They can profit from the large young – and thus able to work – population, the low costs and the large amount of natural resources. However, sometimes this can lead to exploitation of the continent by these Multinationals, as the rich world is reaping the rewards of this growth, while billions of dollars a year flow out of Africa.

Definition of Key Terms

Multinational
A multinational corporation or worldwide enterprise is a corporate organization that owns or controls production of goods or services in two or more countries other than their home country. These are large companies with a lot of influence, often dominating the international market.

Sub-Saharan Africa
Sub-Saharan Africa refers to the region of the continent Africa that is situated below the Saharan desert. It includes the 44 countries situated below the Sahara.

Oil exploitation
Oil exploitation is the term used to describe the production of oil. It is describes as the application of technology to increase the recovery of undrained oil in existing reservoirs.

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Sustainable Development Goals
The sustainable development goals are a series of 17 goals, adopted by the worlds' most important leaders in 2015. The goals build forward on the Millennium Development Goals and aim to further reduce all forms of poverty.

The Alien Tort Claims Act (ATCA)
The Alien Tort Claims Act, also called the Alien Tort Statue, is a section of the United States Code that states: "The district courts shall have original jurisdiction of any civil action by an alien for a tort only, committed in violation of the law of nations or a treaty of the United States." Since 1980, courts have interpreted this statute to allow foreign citizens to seek remedies in U.S. courts for human-rights violations for conduct committed outside the United States.

General Overview

In 2015, African countries received 162 billion dollars, of which mostly was paid out in loans. However, that same year, 203 billion dollars were taken from these countries, largely caused by Multinationals avoiding taxes. Although Africa is rapidly growing, the people do not feel much of the consequences.

Economic damage
One of the most influent reasons for this is the still incredibly high inequality in most Sub-Saharan-African countries. 40% of the population lives below the poverty rate, while in some countries the richest 10% of the people have hold of more than half the total income. And what's even worse, is that most of the wealth of Africans elite is leaving the continent to be invested abroad. Multinationals use several tricks to escape paying taxes and long-term investments in the continent. For example, corporate tax abuses, including royalty fraud in the extractive industry and other forms of illicit activity, led to Nigeria accounting for the largest share of total illicit financial flows from Africa (30.5 percent), worth up to 12 percent of Nigeria's GDP.
This is money the African governments miss out on, and thus cannot invest in the Sustainable Development Goals. Therefore, since they enable multinationals to reduce their tax payment, the tax system in these countries should drastically be reformed. These countries are in desperate need of more transparent systems. But any effort to drive forward a fairer, more sustainable agenda is being damaged by international development finance rules that are skewed in favour of rich governments and individual and commercial vested interests, in areas such as taxation, aid, private finance and climate change.

Oil exploitation
Africa contains a lot of natural resources, of which the most important one might be oil. The oil exploitation of multinationals has for years been characterised by environmental degradation resulting from for example oil spillage, gas flaring and deforestation.

Furthermore, the oil exploration leads to armed conflict, and sometimes even human rights abuses.
This oil is exploited by multinational enterprises such as Shell in, for example, Nigeria. Today, Nigeria country produces 2.1 million barrels of oil per day and it is the eleventh-largest oil-producing country in the world. The petroleum industry in Nigeria is the largest industry and has been the main generator of GDP since the 1970s. However, the country has lost the tremendous amount of 380 billion dollars to corruption and waste between 1960 and 1999, the year Nigeria's current government came to power. All this money could have been spent on basic health services or primary education, but now the country keeps suffering and living in extreme poverty, with the world's second highest death rate. An investigation form Human Rights Watch showed that in the Niger River Delta region, one of the richest places in oil in the world, there is lack of everything: schools are falling apart and health care facilities miss even the most basic tools.

Human rights abuses
To increase profits, multinational corporations go really far. In conflict areas, such as in the Niger Delta and Angola, multinationals keep the conflict going, by providing both fighting parties with weapons and money in order to be able to keep exploiting the oil and diamond fields and to increase their profits as high as possible. This has lead to immense human rights abuses plus it has undermined the people all sorts of rights on both political, economic and social level. For example, corruption perpetuates discrimination and prevents the full realisation of fundamental rights such as the rights of education and health services (as mentioned in the paragraph above). Moreover, in order to 'protect' their oil fields, multinationals such as Shell use violence against the people living in the area of concern. Furthermore, the construction of a pipeline can cause thousands of people to be displaced.

Environmental consequences
The exploration of natural resources such as oil and diamonds has immense environmental consequences. Nigerian Government has estimated that nearly 7,000 spills occurred in a period of 30 years, between 1970 and 2000. This is an estimated amount of the outrageous high number of between 9 and 13 million barrels. Moreover, the amount of gas flares has contributed to climate change, the impacts of which are already being felt in the region with food insecurity, increasing risk of disease and the rising costs of extreme weather damage.

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Major Parties Involved

Nigeria
As the country which possesses the most oil in entire Sub-Saharan Africa, Nigeria will truly feel the effect of whatever will be decided in the resolution. Moreover, Nigeria is one of the poorest countries in the world, with over 60% living below the poverty rate. Furthermore, Nigeria is one of the most corrupt countries in the world.

Angola
As the second largest oil producer, one of the richest countries in natural resources, both in oil and diamonds as well as in gas, Angola will feel the same effects as Nigeria. In this country as well, the corruption level is incredibly high and the living circumstances are terrible.

Royal Dutch Shell
Royal Dutch Shell is one of the largest oil exploiters in the world. Ever since the scandal of 1995, where anti-Shell protesters in the Ogoni region of Nigeria were executed by Nigeria's military junta – supported by Shell, has been known of abusing human rights in Africa. "Basic company errors have exacerbated violent conflicts in which entire communities have been destroyed. Billions have been lost in revenues to the government and oil companies, sending shock waves through the global economy," the report, that examined the situation, said. Moreover, the company has fuelled conflict and violence on multiple platforms. Furthermore, the report accused Shell of paying over 150.000 dollars to a group linked to militia violence.

Transparency International
As the organization that stands for transparency and anti-corruption within governments as well as corporations, Transparency International couldn't be more involved. They can play a significant role in providing guidelines in order to reduce corruption, as this brings us a step closer in realising multiple Sustainable Development Goals.

Previous Attempts to Resolve the Issue

The issue of multinationals exploiting Sub-Saharan Africa has been an ongoing issue for a very long time. Hence, several attempts have been made to solve this problem.
During the 1970s, the organisation for economic Cooperation and development (OeCD) adopted the Guidelines for Multinational enterprises (21 June 1976). Which contains a general obligation on multinational enterprises to "respect the human rights of

those affected by their activities consistent with the host government's international obligations and commitments". Almost simultaneously, the International Labor organisation adopted the Tripartite Declaration of Principles concerning Multinational enterprises and Social Policy (adopted by the Governing Body of the International Labour organisation at its 204th Session (November 1977), and revised at the 279th Session (November 2000)). This declaration offers guidelines to multinational enterprises, employers' and workers' organizations and governments, in such areas as training, employment, industrial relations and conditions of work and life.

Moreover, in the United States. The Alien Tort Claims Act (ATCA), a part of the First Judiciary Act 1789, provides that the U.S. federal courts shall be competent to adjudicate civil actions filed by any alien for torts committed "in violation of the law of nations or a treaty of the United States" (28 U.S.C. §1350).

Possible Solutions

In order to solve this problem, countries in question should first completely reform their tax systems. By reducing their 'tax gap' (the difference between expected total income and what is actually collected) with 50%, African countries could raise an additional amount of money of 112 billion US dollars annually by 2020, equivalent to four percent of the continent's GDP. Rwanda provides one success story of a country strongly increasing its tax revenue, while adopting a more progressive approach to taxation.

Another main problem is lack of transparency. The delegates should find a way to intensively increase transparency between governments and multinational enterprises in order to reduce corruption. By doing this, less money can be smuggled away by the government and corporations.

Thirdly, the delegates should focus on strictly examining the human rights abuses of these multinationals, by controlling especially conflict areas and creating strict guidelines.

Further reading

https://www.fidh.org/IMG/pdf/corporate_accountability_guide_version_web.pdf

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Biography

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