

Chapter 69

The Implication of Multinational Corporations in Poverty Eradication in Cameroon

Kingsly Awang Ollong
University of Bamenda, Cameroon

ABSTRACT

This paper explores business strategies and policies put in place by multinational corporations to alleviate poverty in Africa with specific examples from Cameroon. The world's population is rapidly increasing and the rich people are getting richer, whereas the poor people are becoming even more marginalized. During the era of economic liberalization the belief was that the opening up of economies to multinational corporations could lead to economic growth and, subsequently, economic development. The activities of multinational corporations have witnessed a tremendous boom since the advent of the twenty first century, that is characterized with advances in information communication technology, and the flow of capital have been the main proxy for MNC activity. MNCs are mainly motivated by opportunities that increase their profits, and the most important factors for MNCs are market size and access to resources. Nevertheless, as markets are getting saturated and MNCs are looking for new opportunities, innovative business strategies have been developed to provide dividends to their shareholders while making sure the stakeholders and communities in which they operate also benefit. This paper explores some business models that MNCs have used to make their products available, affordable and accepted in poor markets that are mostly found in Africa on the one hand and corporate social responsibility initiatives implemented by MNCs to alleviate poverty in the continent on the other. The paper concludes that though the principal goal of MNCs is profit maximization, corporations are making an effort to see that the poor benefit from the activities of these giant companies. To get to this conclusion the paper relied on both primary sources and the exploitation of the already existing literature in books and journals. Given that the sector of activities of MNCs is vast, the paper laid emphasis on fast moving consumer goods companies (FMCGs) in Cameroon.

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INTRODUCTION

Poverty and underdevelopment are a nagging problem in Africa. There are contestations about the causes of the problem. For instance, Mbaku (1998) and Pillay (2000) attribute the problem to corruption, Zondi (2009) to colonialism and imperialism, Chiroro et al (2009) to economic mismanagement, and churches to sin. According to Stewart (2004), 80% of the countries that are worst performers on the human development index (HDI) have been at war in the past decade or are in political crises. Cameroon that has been referred to as a “peaceful country by politicians and observers is worse off than some of the countries that have been in conflicts. Dealing with poverty and underdevelopment in the continent entails attending to the socio-economic factors that cause and perpetuate it. This study holds that poverty and underdevelopment in Africa should be seen as a consequence of the exclusive socio-economic decisions and actions of governments on the one hand and multinational corporations (MNCs) on the other. Structural failures of the socio-economic system are causes of poverty and underdevelopment’ (Decker, 2004). This paper explores business strategies and policies put in place by multinational corporations to alleviate poverty in Africa with specific examples from Cameroon.

In this assessment a MNC is defined as a foreign corporate body whose presence is in more than one country. Examples of foreign MNCs operating in Cameroon are; Coca Cola, PespiCo, British American Tobacco, Guinness (recently known as Diageo), and Unilever. In the extractive sector, there is Total, ExxonMobil Texaco, etc. The presence of Chinese corporations like Sinopec, China National Offshore Oil Corporation (CNOOC) and China Minmetals Corp are equally present in the extractive industries in Africa. Huawei Technologies, ZTE Corporation, Lenovo and TCL are rapidly invading the ICT sector in the continent. China’s state-owned, China National Petroleum Corporation (CNPC), has invested in

oil assets in Sudan and Chad while CNOOC has acquired energy interests in Morocco, Nigeria and Gabon. According to Alden and Davies (2006), China already procures 28% of its oil and natural gas from Africa.

Notably, MNCs differ from small to medium (SMEs) business entities. According to Aras, Crowther and Vettor (2009), the difference between the two is largely of degree rather than kind. The dissimilarity between the two forms of businesses is also based on scale, governance, focus, work dynamics, capabilities, business constraints, approach to government/community relations, and points of engagement in corporate social responsibility (CSR). Historically, the idea of social responsibility, a precursor of CSR, is not a new phenomenon in Africa.

Social responsibility is as old as the people of the continent. Social responsibility was built in the *Ubuntu* tradition that was later transformed into African Socialism by Julius Nyerere of Tanzania, followed by other Pan Africanists like Nkrumah, Senghor and Paul Biya in his *Communal Liberalism* (1985). The tradition claimed that people are people because of other people. Loaning out of cattle and equipment and work parties were ways of social responsibility. These ways of dealing with community poverty and underdevelopment among the African people has faded out because of “westernisation” of the African value system. Emphasis on capitalist tendencies have changed people’s thinking to individualism rather than communalism. The formation of business entities gave birth to CSR. The idea of CSR first appeared in the United States around the start of the 20th century. According to Carroll (1989), there are three critical turning points in the evolution of CSR. The first one is the Entrepreneurial era. During this era the American businessmen were building industrial empires. They abused their power and were found guilty of antisocial and anticompetitive practices. The USA government had to enforce laws whereby business had a role to play in society beyond profit maximization. The Depression era of 1929-1930s

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