Shell and the Political Elite of Nigeria
A Study of Corruption and Authoritarianism

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Introduction

Widespread violence and militant uprisings in Nigeria have been a prominent feature in the international news media, with the most recent example being the attacks conducted by Islamist militant group Boko Haram on civilians in Maiduguri, which is in the northern part of the country.[1] The attackers allegedly hid their guns in a coffin, making passers-by believe they were going to a funeral. This is just one of many examples of recent disruptions of the peace, causing more and more instability in the country and influencing not only the citizens and the political leaders, but also multinational corporations operating in the country, among which is Shell.

The Shell Petroleum Development Company (SPDC), which is the main company operating in the Niger Delta, employs over 6000 workers and spends millions of dollars on employee trainings and developmental programs in the region.[2] For instance, a contribution was made of almost $60 million to the Niger Delta Development Commission. This Commission was established by the Nigerian federal government in 2000 with the aim to promote sustainable development, peaceful cooperation and economic prosperity in the Niger Delta.[2] In addition, the SPDC is lawfully obliged to contribute tax and royalties to the federal government, which accumulated to a sum of $38 billion between 2007 and 2011.[3] However, despite Shell's extensive presence and initiatives, the Niger Delta is plagued by poverty and only few citizens have access to public services and infrastructure.[2] Locals struggle to shift from the largely oil-based livelihood to more traditional livelihoods like fishery and agriculture, and they demand a bigger share of the tax and royalties paid to the federal government.[2] As a result, social unrest has become widespread and well-organised gangs try to influence the SPDC by stealing crude oil and kidnapping employees.[2]

The presence of Shell in Nigeria has been a prominent feature in the international news media, due to Shell's alleged negative influence on the

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[1] http://www.timeslive.co.za/africa/2013/06/10/11-killed-in-boko-haram-fake-funeral-attack
[2] http://www.shell.com/global/environment-society/society/nigeria/conditions.html
[3] http://s00.static-shell.com/content/dam/shell-new/local/country/nga/downloads/pdf/2013bnotes/nigerian-content.pdf

environment, society and political leaders. More specifically, it has been argued that Shell's policies and activities have been a major factor contributing to political instability (Postma, 2013). This project aims to shed light on these allegations, specifically on allegations that suggest the existence of a negative link between Shell and Nigeria's leaders. What exactly is the influence of the presence and activities of Shell on the behaviour of the political elite of Nigeria? The focus of this project will lie on the "bad norms" of corruption and authoritarianism. This will be investigated by means of an in-depth qualitative analysis of scientific articles, and numbers, statistics and data found in both primary and secondary sources. The findings presented in this thesis aim to contribute to the existing body of literature concerning the negative influence exerted by multinational corporations (MNCs) on national politics in developing countries. The case of Nigeria is especially interesting since it has been covered extensively in the media all over the world and because of the country's enormous supply of natural resources.

This thesis aims to provide relevant results on both a scientific level and a societal level. Scientifically, this project is relevant because it aims to at least partly fill the gap in the existing literature concerning bad norms. Existing literature mainly focuses on good norms like human rights, environment protection, and women's rights. In contrast, this project will focus on bad norms by investigating the influence of the presence and actions of Shell on the behaviour of Nigeria's political elite, and will simultaneously discuss the broader issue of the influence of MNCs on the behaviour of political elites in developing countries. Societal relevance arises when considering the fact that the parent company of the Shell group is called Royal Dutch Shell plc (public limited company). When a negative correlation is found between this company's activities and Nigeria's political elite this could have a negative impact on the company's name and perhaps on other Dutch companies operating in developing countries as well.

Theoretical Framework, Concepts and Hypotheses

A noticeable gap exists in the literature when it comes to the emergence and persistence of "bad norms". The main focus of existing literature concerning this process lies on the norms and institutions (aggregation of norms) that most Western citizens would consider to be appropriate. However, discussion on the evaluative or prescriptive quality of a norm is often neglected (Finnemore and Sikkink, 1998: 891). This quality emphasizes the fact that people are advised to act in a certain manner but are not required to do so. Thus, the prescriptive norm is designed to prompt individuals to voluntarily engage in appropriate action (Finnemore and Sikkink, 1998: 892). As a result of the disregard of this prescriptive quality, the focus lies on what Western readers consider "good" norms rather than on that characteristic of a norm which dictates the standard of behaviour. The case of Nigeria promises to be interesting because it seems that the country's political elite is not behaving in a way that by Western standards is considered "good". This thesis aims to investigate if and why Nigeria's political elite is not prompted to voluntarily act in an appropriate manner, and especially if Shell influences this process. Hence, it aims to contribute to the main question of whether or not Shell's activities and presence influence the behaviour of Nigeria's political elite.

This project is rooted in the theory of constructivism, which is an approach that focuses on identities and interests of actors, which are structured by ideas. The study of norms is prominently present within this approach, since it acknowledges the existence of different identities and therefore justifies different standards of appropriate behaviour (Barnett, 2008). One of social constructivism's main investigations has been how norms become internationalised and institutionalised, and how they come to a point where they constrain the behaviour of international state and non-state actors and dictate what is legitimate behaviour (Barnett, 2008: 162). Finnemore and Sikkink's (1998) account is again valuable here, since it clearly defines how and when norms become internalised. Finnemore and Sikkink (1998) argue that norms develop in a patterned cycle, and that different behavioural logics govern the different parts of that cycle.

Three different stages can be distinguished. The first stage is that of the norm emergence. This stage is characterized by the endeavour of norm entrepreneurs to convince a critical mass of states, which they call 'norm leaders', to embrace the new norm. The second stage takes place after a tipping point and is characterized by what Finnemore and Sikkink call the 'norm cascade' (1998: 902). In this stage, countries begin to adopt this new norm faster than in the previous stage, and mostly without the influence of domestic factors. The motives that are brought forward for this phenomenon are comparable to "peer pressure", and are esteem, conformity and legitimation. The last stage of the norm life-cycle is that of internalization. This final stage takes place when the norm is considered to be appropriate behaviour and has gotten a taken-for-granted quality (Finnemore and Sikkink, 1998: 904). It is important to note that not all norm entrepreneurs are successful in promoting their cause. Many new norms never reach the required tipping point, and are thus never internalized. The norm life-cycle is especially relevant for this project since it aims to investigate how bad norms among the political elite became internalised in Nigeria and if and how Shell influences this process.

In addition, a number of middle range theories will be utilized for this research, the first of which is that of the 'resource curse'. Over the past decades, many scholars have investigated possible links between level of democratization and resource abundance in a country. One of the pioneers in this field of study is Michael Ross (2001), who elaborately investigated this phenomenon. The principle of the resource curse implies that countries with a relatively large supply of natural resources are, opposed to what one might expect, often lagging behind in terms of economic development (Watts, 2004). Also, a growing body of research with respect to the resource curse suggests that resource wealth might be a primary factor in explaining the causes of civil wars (Watts, 2004). But most importantly, Ross (2001) has brought forward the argument that a relatively large supply of natural resources undermines the process of democratization. It is this last aspect that this research will focus on. Ross distinguishes three causal mechanisms through which authoritarianism might be maintained in resource-rich countries, which he labelled the "rentier effect", the "repression effect" and the "modernization effect" (2001: 327-328).

The rentier effect implies that oil revenues are used by governments in order to relieve demands for greater accountability (Ross, 2001: 332). This can first be achieved through taxation (or, rather, the lack thereof). When governments receive a substantial share of their total revenues from oil, they are less likely to tax their populations very heavily, if at all. Second, large oil revenues enable governments to spend more money on patronage, and consequently dampen requests for more accountability. Third, large oil revenues may provide incentives and monetary means for the government to prevent the formation of societal groups and organizations that may initiate demands for greater accountability. The implications of the rentier effect for the case of Nigeria are that the existence of oil reserves and consequently the great oil revenues earned by the Federal Government might cause the persistence of authoritarianism, but that Shell might not be responsible for this process, since the company is not accountable for the existence of oil.

A crucial concept in accounting for the working mechanisms of the rentier effect is that of the 'rentier state'. Hussein Mahdavy has offered a very useful definition of the concept, suggesting that a rentier state is one that "receives substantial rents from foreign individuals, concerns or governments" (1970:428). This concept was later refined by Hazem Beblawi, who argued that a rentier state is one where "rents are paid by foreign actors, where the rents accrue directly to the state, and where only a few are involved in the generation of this rent wealth, the majority being only involved in the distribution and utilization of it" (1987:51). In the case of Nigeria, it is safe to say that the bulk of rents are generated through the production and export of oil, a process that is largely conducted by Shell (Ross, 2003: 2). Also, the generation of rents through oil is a process that requires a relatively low number of labourers (Ross, 2001: 331). Therefore, based on Beblawi's definition, it can be concluded that Nigeria does fall under the category of rentier states.

The repression effect implies that great oil revenues allow governments to intensify internal security in order to suppress any demands for democratization (Ross, 2001: 335). This can be done first, by simply enhancing military power in order to achieve a higher degree of personal security. In addition, this may be done as a result of an increase in ethnic conflict resulting

from large oil revenues, which calls for higher level of security in regions where conflict is widespread (Ross, 2001: 335). Oil wealth is often geographically concentrated, and if it happens to be situated in a region inhabited by multiple ethnic or religious groups, a high probability of conflict exists (Ross, 2001: 336). Nigeria is a textbook example of this phenomenon. The Niger Delta, in which the bulk of oil resources are situated, is inhabited by over 40 different ethnic groups, speaking over different 250 dialects (Ifedi, et al., 2011:75). Ever since Nigeria's colonial period conflict has been present in the region, but the discovery of oil in 1956 fuelled ethnic conflict as a result of widespread poverty, lack of development, environmental pollution and corrupted practices on part of the federal government and the foreign oil concerns (Ifedi, et al., 2011: 79). The Nigerian government has attempted to resolve the ethnic conflicts by employing strategies ranging from peaceful reconciliation to outright violent outbursts (Ifedi, et al., 2011: 80).

The modernization effect implies that economic development is a necessary condition for democratization (Ross, 2001: 336). Martin Seymour Lipset was among the first to touch upon this modernization theory (1959). In his comparative study, Lipset found results proving a causal relationship between economic development, including industrialisation, urbanization, wealth, and education and democratization in a country (1959: 41). This effect is a social mechanism, as opposed to a political mechanism, which implies that it is not influenced by the state, but rather by social and cultural change. Thus, it logically follows that if economic development does not lead to social and cultural change, democratization will also be absent in the state. Though this effect is not exclusively connected to resource wealth, empirical research has shown that oil-rich countries in the Middle East experienced exactly this phenomenon, making the modernization effect a plausible explanatory factor in the resource curse literature (Ross, 2001). The aforementioned effects imply that the existence of oil reserves in a country lead to a lower degree of democratization than would be reached in oil-poor countries. For this project, this means that Shell might not be accountable for the persistence of authoritarianism in Nigeria, since the company is only the intermediary link between the already existing oil reserves and the authoritarian regime: if Shell

would be absent, another oil company would be present instead, and the phenomenon of the resource curse would still be intact.

Secondly, regarding the influence of MNCs on democratization in a country, Richard Youngs argued that MNCs have proven to be reluctant when it comes to linking their policies to an agenda focused explicitly on the promotion of democracy (2004: 130). Based on a number of extensive interviews with business representatives, he suggests that democracy, as a political structure that is most likely to generate profits, is not goal for MNCs per se, but rather that the presence of separate democratic components are important for making profits (Youngs, 2004). According to Youngs, it seems that only when a MNC has strong personal networks, it is able to exert any influence on the government when it comes to reforms (2004: 130). In addition, pressure to conform to international standards of good governance is only exerted by MNCs who have established the dominant presence in the local market (Youngs, 2004: 130). For Shell, it can be argued that the company is indeed the dominant presence in the Delta region. It should therefore follow, based on Youngs' analysis, that Shell does indeed try to exert positive influence on the democratic process in Nigeria (2004). Youngs argues that, under the military dictatorships that held the country in their grip for three decades, large oil firms were allegedly provided with support and protection by the regimes (2004:143). Overall, however, oil companies suffered as the governments withheld payments to foreign investors. With the democratic transition that followed, opportunities for more open dialogues with local communities arose, and Shell started investing heavily in newly enfranchised local civil society groups, based on the principles of the stakeholder theory (Youngs, 2004: 143). Thus, it follows that Shell is indeed trying to exert a positive influence on the process of democratization in Nigeria.

Thirdly, the principles of this 'stakeholder theory' will be discussed and analyzed. This theory suggests that the responsibilities of firms go beyond merely making profit in order to meet the shareholders' demands, and that every party that is influenced by the presence and operations of the firm deserves consideration (Lea, 1999: 153). There is some disagreement as to who exactly is entitled to the position of 'stakeholder', but most authors agree that at least customers, suppliers, employees, management, owners and local communities

fall under the heading of stakeholder, with the latter being of primary importance for this article (Lea, 1999: 154). The stakeholder theory can be compared to that of corporate social responsibility, since both are based on an ethical responsibility towards those influenced by industries. However, Lea (1999) has argued that there are some serious disadvantages connected to the stakeholder theory, chief among which is the loss of autonomy on the government's behalf when MNCs take up the responsibility of policy-making, which could imply that although Shell does try to exert a positive influence on the democratization process, the effect may be reversed and democracy may actually decline.

Fourthly, in relation to corruption Daniel Egiegba Agbiboa (2012) suggests that, specifically in Nigeria, the lack of social security regulations and pension schemes, and the relatively low wages are an important factor in accounting for the relatively high level of corruption in the country. Also, the low wages of the majority of the population is brought forward as a possible cause: in 1972 the ratio of highest to lowest paid civil servants was 30:1, and since then the gap has only widened since most of the country's income is still in the hands of only a few individuals and groups (Agbiboa, 2012: 332). But the primary factor, Agbiboa argues, in explaining the high level of corruption in Nigeria is the existence of defective cultural norms (2012: 333). In Nigeria, family and community ties and ethnicity are often more important than domestic and international laws and regulations. As a result, when a family member has a government position, he is expected to use this position for contributions to his family. This phenomenon is known as patronage and it entails "the use of resources and benefits that flow from public office" (Hicken, 2011: 295). The higher the position, the higher the demands for familial benefits. Consequently, behaviour is shaped not by laws and restrictions, but by loyalties to one's ethnic group and family. Government officials and civil servants are therefore "forced" to deviate from laws proscribing corruption if their personal ties encourage them to do so (Agbiboa, 2012: 333). This means that Shell may not be responsible for the persistence of corruption in Nigeria, since apparently it is an inherent aspect of the Nigerian culture.

Lastly, the Norwegian research centre U4 Anti-Corruption Research Group has offered a very useful report concerning the occurrence of corrupt practices throughout the process of granting concessions, oil exploration and, eventually, production (Williams, et al. 2008). This process distinguishes four important phases, which are the licensing phase, the exploration phase, the operational phase and the decommissioning phase. Key milestones in these phases are the awarding of the concessions, the approval of the field development plan (FDP), the approval of a tail-end plan, and the approval of a decommissioning plan (Williams, et al. 2008). The three main actors in this process are the host government of the country in which the oil industry is situated, in this case Nigeria, the private sector companies, in this case Shell, and third party actors that are involved in the process, such as NGO's, the home government of the oil company and development banks (Williams, et al. 2008). Even though all the phases in the process are susceptible to being influenced by corruption, the awarding of the concessions and the approval of the field development plan are most prone to corrupt practices, mostly due to the high risks that are at stake during these phases (Williams et al., 2008). This means that Shell, who is involved in all the aforementioned phases, might be or have been involved in corrupt practices.

Defining Corruption

The term 'corruption' is a broad one and its use is not uncommon in relation to Nigerian politics. In the most recent survey of Transparency International, Nigeria ranked as the 37th most corrupt country in the world, with a score of 27 out of 100 (with 0 being highly corrupt and 100 being very clean).[4] There are many different types of corruption, ranging from administrative to electoral forms, but for simplicity's sake the term will only be used in reference to politics throughout this paper. The most common definition of political corruption is the "the perversion of accepted standards of behaviour in political life", particularly the abuse of public office for private, usually monetary and material, gain (Pinto-Duschinsky, 2011).

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[4] http://www.transparency.org/country#NGA

In order to enhance understanding of the concept of corruption, a more elaborate explanation and specification of the term would be useful, since the term can refer to many different aspects. There seem to be two general difficulties when it comes to defining and recognizing corruption. First, the definition of what exactly constitutes corruption differs across cultures. Different people living in different countries may legitimately define corruption in various ways (Agbiboa, 2012: 328). Second, the line between legitimate and illegitimate behaviour is not always a clear and rigid one. For example, a bribe made by a government official to get certain goods duty free from abroad would be considered corruption, whereas a politician deciding not to devaluate a currency in order to meet the demands of his supporters would not necessarily be deemed corrupt (Agbiboa, 2012: 328).

More specifically, a number of aspects in relation to political corruption ought to be highlighted. First, not all types of inappropriate behaviour of those in positions of public trust constitute corruption: only when personal gain is pursued can the action be deemed corrupt (Pinto-Duschinsky, 2011). Second, the attitudes of the political elite may differ from those of the people. This situation is especially prone to happen under colonial or occupying rule. The rules and laws imposed by these foreign rulers may differ in many ways from the habits and traditions of the constituents (Pinto-Duschinsky, 2011). These could for instance include various systems of patronage and kinship ties, which would oblige politicians and other officials to reserve public positions for their relatives.

Thus, it seems that the aforementioned definition of corruption, namely "the abuse of public office for private gain", is too broad and not necessarily appropriate for the type of corruption discussed in this paper, which is focused on corruption in relation to the oil industry. This type of corruption needs a more specific definition since it mainly focuses on the political elite of the country involved in the oil industry, and less on civil servants and other government officials (Williams, et al. 2008). Therefore, the definition of corruption that shall be adhered to in this paper is one proposed by the U4 Anti-Corruption Resource Centre: "the manipulation of framework conditions to

attain exclusive benefits to individuals or groups at the cost of social benefits"
(Williams et al., 2008: 14).

Defining Democracy

Bluntly put, the concept of 'democracy' refers to the rule of the people. Empirical theories of democracy generally focus around two strands of thought. The first strand, based on Robert A. Dahl's classic study of so-called 'polyarchies', tries to determine a set of benchmarks relating to democratic values and institutions, against which democracy can be measured and compared. According to Dahl, modern democracies include seven characteristics, built around the two dimensions of contestation and participation, which are: 1) freedom to join and form organizations; 2) freedom of expression; 3) right to vote; 4) right of political leaders to compete for support; 5) alternative sources of information; 6) free and fair elections; 7) institutions for making government policies responsive; and 8) eligibility for public office (Dahl, 1971: 221). The second strand focuses on the process of democratization, and is chiefly based on the modernization theory, which suggests the existence of a close link between economic development and the political system of a country. As was mentioned above, Martin Seymour Lipset showed that the higher the degree of democratization, the high the level of economic development will be (1959). In the following years, many similar studies have been conducted, all resulting in the same general conclusion that democracy, in contrast to other political systems, fosters economic growth (Buchstein, et al. 2011).

For the Economist Intelligence Unit, the concept of democracy as brought forward by Dahl is too minimalist. According to this organization, it does not entail sufficient characteristics inherent to a full democracy, and therefore needs more features to determine the level of democratization and its quality. Therefore, in addition to the features of political freedom and civil liberties presented in Dahl's definition, the EIU used features of political participation and performance of government to complete the definition of democracy. The following analysis on Nigeria's level of democratization is based on numbers and data presented by the EIU, and therefore the four aforementioned indicators, which are political participation, performance of government, political freedom

and civil liberties, are the ones that make up the definition of democracy that will be adhered to in this paper.

Hypotheses

Based on the aforementioned theories, in addition with the concepts explained above, the expected outcome of this research is threefold. First, in accordance with the resource curse theory Shell's presence and activities are expected not to be responsible for the persistence of authoritarianism in Nigeria. This follows from the fact that, according to the resource curse, the existing oil reserves are the one factor contributing to the relatively slow democratization process. The oil company, in this case Shell, is merely an intermediary player in this situation. Second, following from the stakeholder theory and Youngs' argument Shell should exert a positive influence on democracy by contributing to the democratization process in the Niger Delta. Third, in accordance with the observations and arguments proposed by the U4 Anti-Corruption Research Group it should follow that Shell exerts a negative influence on corruption among the Nigerian political elite because of the high risks that exist throughout the process of oil extraction.

Design, Methods and Operationalisation

In order to examine the influence of the activities of Shell on the behaviour of Nigeria's political elite, an in-depth qualitative analysis of a single case study will be conducted, based on a number of sources. The main body of this thesis will be based on an analysis of these sources, consisting of mainly online sources, among which are numbers and data presented by Transparency International and the Economist Intelligence Unit, online international newspapers as well as Nigerian national newspapers, Shell's official website, and literature concerning corruption and authoritarianism.

This wide array of sources and the choice of research method aim to contribute to explaining a possible link between Shell and Nigeria's political elite in two ways. First, a qualitative method rather than a quantitative method was chosen, since the actors and processes under scrutiny are more easily

investigated and explained by words than by numbers. Also, the fact that this project is based on one case only calls for an in-depth investigation. In the rare cases in which numbers are used, it is for illustrative purposes only, rather than to point out a causal relationship (Thies, 2002: 353). Second, in addition to the data of international organizations and the literature concerning MNCs in developing countries, data from the official website of Shell were used in order to prevent for 'selection bias'. This occurs when a researcher chooses to base his argument on a certain author because he knows that this one author generally agrees with his hypothesis, and as a result only selects sources in concurrence with his arguments (Thies, 2002: 359). The choice of the combination of Shell's website, secondary literature following different types of arguments, and objective newspaper articles therefore should depict a more accurate description of the subjects under investigation.

The case of Nigeria was not randomly chosen for this research. On the contrary, it presents an interesting case for several reasons. First, it has become an infamous case due to extensive news media coverage over the years, mainly concerning corruption, violent upheaval and environmental issues in the Niger Delta. This makes it an interesting case not only for scholars but also for the wider public, seeing as it provides an insight into a well-known case. Second, the country possesses a vast supply of natural resources and its economic consequences are widespread: petroleum products account for 80 per cent of government revenues, 95 per cent of export receipts and 90 per cent of foreign exchange earnings (Watts, 2004: 50). These exceptionally high numbers show that the case of Nigeria provides an excellent opportunity to investigate a possible correlation between the presence and actions of oil producing companies, in this case Shell, and the behaviour of the country's political elite. Third, as the most populous country in Africa, Nigeria exerts considerable political influence in countries all over the continent (Ifedi, 2011). Therefore, the results found in this project could provide answers for other African countries struggling with the same problem.

Based on the aforementioned points, the case of Nigeria can be classified as a representative case: it sets a standard example of a wider category of corrupt regimes in resource-rich countries (Swanborn, 2010). This can be linked

to the aforementioned resource curse, which implies that resource-rich countries tend to be less democratic and less developed than their resource-poor counterparts (Ross, 2001). Nigeria could thus prove to be representative of this phenomenon.

Operationalisation

The independent variable in this study, conceptualised as 'presence and activities of Shell', will be investigated based on both numerical data and written sources. 'Activities of Shell' are composed of both oil extracting and exporting activities and activities relating to community development, such as investment in education and employee trainings. 'Presence of Shell' needs no further explanation in terms of measurement: Shell either is present or it is not. The numerical data are used to illustrate certain claims, whereas the written sources are supposed to present, in combination with the numerical data, a causal relationship between Shell and corruption and authoritarianism among the political elite of Nigeria. As was mentioned above, the main source for data concerning Shell is the company's official website, in addition to a small number of secondary literary sources.

The dependent variable 'behaviour of the Nigerian political elite' is, as was seen above, subdivided by the bad norms 'corruption' and 'authoritarianism'. The level of corruption will be measured using data from Transparency International. In addition, a range of secondary literature will be utilized, as well as a number of international newspapers. The indicators for corruption are identified in accordance with the definition of corruption mentioned above, and will therefore be composed of illegal activities conducted for personal benefits at the cost of social benefits. These can include for example rent-seeking behaviour, illegal monetary transactions and concessions made based on illegal practices. These indicators were chosen specifically in accordance with the research question, since Nigeria's political elite is most likely to engage in these practices in cooperation with Shell.

The level of democracy, in turn, will be measured using numbers presented in the Democracy Index by the Economist Intelligence Unit and numbers provided by Freedom House. The numbers will be presented on a scale

from one to ten. The five indicators that make up the level of democracy for the EIU are (1) electoral process and pluralism; (2) functioning of government; (3) political participation; (4) political culture; (5) civil liberties.[5] 'Electoral process and pluralism' refers to whether elections are free and fair and whether access to public office is open to all citizens. 'Functioning of government' refers to whether democratically-based decisions can be and are implemented. 'Political participation' refers to the degree to and ways in which the population can actively partake in public life. 'Political culture' refers to whether the "losers" of the elections respect the will of the majority and allow for a peaceful transfer of power. Finally, 'civil liberties' refers to whether individual human rights and the rights of minorities are guaranteed. Additionally, secondary literature concerning the resource curse theory and the stakeholder theory will be used in order to point out a possible link between Shell's activities and the behaviour of Nigeria's political elite.

Analysis

Nigeria is situated in Western Africa, bordering the Gulf of Guinea, Cameroon and Benin. The country currently has over 174 million inhabitants, making it the most populous state on the continent.[6] British imperial rule was concluded in 1960, after which a long period of military rule commenced.[6] In 1999 a peaceful transition to civilian government was realized, but Nigeria's leaders still have the heavy task of reforming the country.

Activities of Shell in Nigeria
Royal Dutch Shell Group was established in 1907, as a result of a merger between Royal Dutch Petroleum and the British Shell Transport and Trading Company.[7] The first Shell company in Nigeria, named Shell D'Arcy, was established as early as 1936, and 20 years later the first well was successfully drilled in Oloibiri.[7] Today, Shell companies not only operate in a number of joint

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[5] http://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=Democracy-Index-2012.pdf&mode=wp&campaignid=DemocracyIndex12
[6] https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html
[7] http://www.shell.com.ng/aboutshell/who-we-are/history/country/first-steps.html

ventures in oil exploration and production, but also in gas production, sales and distribution, both onshore and offshore.[8]

Shell's activities in Nigeria mainly evolve around four large joint ventures. The first and largest of these is operated by the Shell Petroleum Development Company (SPDC), and is made up of the government-owned Nigerian National Petroleum Corporation (55%), Shell (30%), Total E & P Nigeria Limited (10%) and Nigeria Agip Oil Company Limited (5%).[9] The NNPC operates according to a so-called concession system, with the NNPC being the concessionaire.[10] In this system, a state or private owner, in this case the NNPC, owns the land containing natural resources, and grants licence and concessions to operators, in this case Shell, regulated by certain restrictions and rules.[11] The SPDC operates in shallow water and onshore in the Niger Delta, and encompasses over 6000 kilometres of pipeline covering over 20.000 square kilometres of land.[9] Additionally, it includes seven gas plants and two major oil export terminals at Bonny and Forcados.[9] This extensive network of industries is capable of producing approximately 900.000 barrels of oil equivalent (boe) per day.[9]

In addition to the SPDC, Shell operates the Shell Nigeria Exploration and Production Company Limited (SNEPCo), which is wholly owned by Shell. This company was founded in 1993 and aims to develop oil and gas resources offshore.[9] The third joint venture that Shell is involved in is the Nigeria Liquefied Natural Gas Company Limited (NLGC), in which Shell holds a 25.6% interest together with NNPC (49%), Total LNG Nigeria Limited (15%) and ENI International Nigeria (10.4%).[9] This corporation accounts for approximately 7 per cent of the world's liquid natural gas production, mostly producing for the European and North American markets. The fourth and last corporation, which is wholly owned by Shell, is Shell Nigeria Gas Limited (SNG).[9] SNG focuses on promoting gas as a cleaner, more reliable and more cost-effective option than liquid fuels, mainly providing gas for the Nigerian domestic market.[9]

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[8] http://www.shell.com.ng/aboutshell/at-a-glance.html
[9] http://s02.static-shell.com/content/dam/shell-new/local/country/nga/downloads/pdf/2013bnotes/nigeria_interests.pdf
[10]http://www.nnpcgroup.com/NNPCBusiness/UpstreamVentures/JointVenture Activities.aspx
[11] http://www.mindat.org/glossary/concession_system

The aforementioned corporations contribute to the Nigerian economy not only by providing fuel to domestic companies, but chiefly through the taxes and royalties paid to the Federal Government. For SPDC, this amounted to a sum of $42 billion between 2008 and 2012.[12] In addition, SNEPCo contributed over $25 billion to the Nigerian Federal Government in taxes and royalties during the same period.[12] Furthermore, Shell is enrolled in several initiatives and programmes aiming to enhance small business opportunities and to improve education, both secondary and scientific.[13] These initiatives are aimed at providing sustainable and qualitative education that reaches all people. One of these is the skooolNigeria program, which is an interactive website created for primary and secondary students and which aims to assist in studying mathematics and science subjects by providing study notes, examination guides and an award-winning mathematics toolkit.[14] Small business owners are stimulated to take advantage of the opportunities in their region by the micro-credit and business development programme, which was set up in 1998.[15] Since then, the programme has helped over 30.000 people establish or improve their business.[15]

According to Shell's official website, the company's operations and strategies are based on the Voluntary Principles of Security and Human Rights, which were established in 2000 by the United States and United Kingkom governments, companies in the extractive and energy sectors and NGO's, and which involve governments, corporations and non-governmental organizations.[16] This set of principles aims to guide oil, gas and mining companies in operating in a manner that respects human rights and basic freedoms.[16] More specifically, it provides a framework within which companies can conduct their risk assessment in terms of human rights when it comes to the

[12] http://s05.static-shell.com/content/dam/shell-new/local/country/nga/downloads/pdf/2013bnotes/economic-contribution.pdf

[13] http://www.shell.com.ng/environment-society/shell-in-the-society/education-programmes.html

[14] http://www.shell.com.ng/environment-society/shell-in-the-society/education-programmes/education-support/skooolnigeria.html

[15] http://www.shell.com.ng/environment-society/shell-in-the-society/business-development/micro-credit.html

[16] http://www.state.gov/j/drl/rls/fs/2012/202314.htm

protection of their equipment, premises and properties.[17] For Shell, this means that security issues are associated mainly with private security providers, since the Federal Government is often unable to provide public security.[17]

Based on the aforementioned activities and principles, it can be concluded that Shell tries to adhere to the concept of corporate social responsibility (CSR), which entails that corporations not only focus on producing and selling goods and services and making profit, but also assist in solving social and environmental problems (Ite, 2004). According to Uwem Ite (2004), Shell has adopted two different strategies for improving the socio-economic situation of the people in the Niger Delta over the past decades. Before 1995, Shell adhered to an approach focused on risk and reputation management, which Ite named the Community Assistance approach (2004: 5). This approach mainly entailed giving one-time 'gifts', for instance building roads and hospitals, rather than advancing sustainable developmental programs. As a result, communities started relying heavily on Shell's activities, making them dependent on Shell's presence in the region. According to Ite (2004), this top-down implementation of developmental aid is largely ineffective due to the fact that the recipients of the aid tend to see it not as charity but as rent for the corporation's use of their land. After 1995 Shell shifted its approach to a Community Development approach, and has been focussing on sustainable development for the community since, attempting to make the inhabitants of the Niger Delta less dependent on its presence and activities and aiming for cultural change (Ite, 2004: 6). However, the failure of the Nigerian Federal Government to provide security and development for the communities in the Niger Delta still causes great reliance of both these communities and the Federal Government on Shell's activities in the region (Ite, 2004: 7).

However, not only does the development of the communities depend on Shell's presence and activities, the entire Nigerian population relies on the export receipts and production revenues extracted from Shell's business. Since the first oil price shock in 1974, income of oil export has amounted to over 90 per cent of all export revenues annually (Ross, 2003: 2). In 2000, this number reached an all-time high when oil income amounted to a staggering 99.6 per cent

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[17] http://www.state.gov/j/drl/rls/fs/2012/202314.htm

of all export income, making Nigeria the most oil-dependent country in the world (Ross, 2003: 2). Additionally, the domestic sector relies heavily on oil business. Between 1974 and 1999, rents produced by oil totalled $231 billion, producing between 21 and 48 per cent of the GDP (Ross, 2003: 2). However, the Nigerian population sees little (or even nothing) of these huge numbers of dollars: according to the Shell's official website, the revenues from the oil sector add up to less than one dollar per day per person.[18]

Corruption in Nigeria

In the most recent survey of Transparency International, Nigeria ranked as the 37th most corrupt country in the world, with a score of 27 out of 100 (with 0 being highly corrupt and 100 being very clean).[19] Several causes of corruption have been suggested in the literature of the past decades, ranging from the lack of democracy to the lack of a free press (Pinto-Duschinsky, 2011). Due to the "bad" quality inherent to corruption, it is a concept that is difficult to measure, let alone fully clarify. However, to account for the aforementioned high level of corruption in Nigeria is one thing, but to investigate a possible link between corruption and Shell's activities is definitely another. Corrupt practices commonly happen behind closed doors, and documents such as oil contracts are rarely open to public inspection, despite one of Shell's core values of openness.[20] These values dictate that sustainable development should be aspired at all times, taking into consideration the social, environmental and economic implications of business decision-making and striving for integrity, honesty and respect for people.[21] In the past years, however, a number of corruption scandals from all

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[18] http://s05.static-shell.com/content/dam/shell-new/local/country/nga/downloads/pdf/2013bnotes/economic-contribution.pdf

[19] http://www.transparency.org/country#NGA

[20] http://s06.static-shell.com/content/dam/shell/static/public/downloads/corporate-pkg/sgbp-english.pdf

[21] http://s06.static-shell.com/content/dam/shell/static/public/downloads/corporate-pkg/sgbp-english.pdf

over the world have come to light, suggesting a possible link between the oil industry and corruption.[22]

First, the contractual link between Shell and the NNPC rightfully raises question about their integrity and goodwill regarding transparency in their operations. As was mentioned above, the Nigerian government gives concessions to Shell to operate on Nigerian soil and extract oil and gas from it. At the same time, however, the government-owned NNPC is Shell's business partner in the Niger Delta. This close relationship would make it significantly easier to engage in unfair and corrupt practices, especially because, as was illustrated above, the phase of the awarding of concessions is highly at risk of being corrupted (Williams, et al. 2008). Additionally, even though the NNPC has a 55 per cent equity in the SPDC, Shell has the obligation of setting the annual work program and budget (Okonta, 2004). Since the NNPC is itself plagued by corruption and lacks the know-how to validate production claims made by Shell, the company has an incentive to inflate costs (Okonta, 2004). Also, when the Nigerian Senate tried to block $1.6 billion that was supposed to go to Shell for production expenses, and insisted on being presented documents clearly supporting Shell's claims, the NNPC and the Nigerian Federal Government disregarded this initiative (Okonta, 2004).

Second, allegations were made of Shell supporting and cooperating with the corrupt military regimes that were in power between 1966 until 1999, with the exception of a short-lived civilian rule between 1979 and 1983.[23] In 1985, shortly after the military coup d'état in which General Ibrahim Babangida seized power, Shell signed a Memorandum of Understanding in concert with the new political elite, stipulating a guaranteed profit of between $2 and $2.50 per barrel, given that oil prices did not drop below $12.50 or exceed $23.50 per barrel. But most importantly, the Memorandum entitled Shell to a bonus of 10 to 50 cents per barrel for every operating year in which it discovers new oil fields with reserves that exceed the volume of the oil it extracts (Okonta, 2004). This profitable deal resulted in lies on Shell's behalf concerning their oil reserves,

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[22] http://www.guardian.co.uk/world/2003/nov/12/france?INTCMP=SRCH
[23] http://www.ng.total.com/01_about_nigeria/0103_history.htm

lasting up until 2003.[24] The company exaggerated their oil reserves by 2.3 billion barrels, resulting in millions of dollars in undeserved bonuses gained at the expense of the Nigerian people.[24]

Third, a new scandal came to light in October 2010 when the Swiss freight forwarder Panalpina World Transport Holding admitted to having paid bribes to Nigerian officials on behalf of Shell in a U.S. court (Scannell et al, 2010). Panalpina, the company responsible for the supply of drilling equipment and the moving of ships and rigs for Shell in Nigeria, reported that over $49 million in bribes were paid between 2002 and 2007 for their clients in order to avoid long customs processes, pass off fake documents and smuggle illegal imports across country borders (Voreacos et al, 2010). More specifically, requests made by Shell's employees in Nigeria for the falsification of certain invoices came to light. These false documents were produced in order to prevent the revelation of the nature of the bribes (Voreacos et al, 2010). In addition, Shell separately admitted in court to having paid $2 million to subcontractors for the company's deepwater Bonga Project, while knowing that most of this money would be used for bribing officials in order to get an advantage to other companies (Voreacos et al, 2010). Shell ended up paying $48.1 million to settle probes by the U.S. Justice Department and the Securities and Exchange Commission (Voreacos et al, 2010).

What the above shows is that even though Shell has pleaded openness, integrity and honesty, the company still seems to be prone to corrupt practices and phases of the operational process. Therefore, it seems evident that the aforementioned hypothesis proposed by the U4 Anti-Corruption Research Centre regarding corruption in the oil sector holds when it comes to the negative influence of Shell on the behaviour of Nigeria's political elite.

Democracy in Nigeria
In Nigeria, the first democratic elections were held in 1999, after a 33-year period of almost uninterrupted military authoritarian rule. Since then, Nigeria can best be described as a federal republic with a presidential system.[25] Its

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[24] http://www.washingtonpost.com/wp-dyn/articles/A24460-2004Apr19_2.html

[25] http://www.mongabay.com/reference/new_profiles/320.html

constitution, the fourth since the country's independence and modelled after the U.S. constitution, promotes the separation of an elected legislative, a strong executive and an independent judiciary.[26] Nigeria's current president is Mr. Goodluck Jonathan of the People's Democratic Party (PDP), who ascended to presidency after the death of his predecessor Mr. Yar'Adua in 2010, and who went on to win the following presidential elections in 2011.[27] The next presidential elections are expected to be held in 2015. Suffrage is universal for citizens of 18 years of age and over.[28]

Despite the fact that Nigeria is now officially a multiparty democracy, the Economist Intelligence Unit (EIU) places the country in the category of 'authoritarian regimes'.[29] In the organization's 2012 report on the 'Democracy Index', Nigeria is ranked 120th out of 167 countries. Between 2006 and 2011, Nigeria's overall score increased slightly from 3.52 to 3.83 out of 10. In 2012, however, the score dropped again to 3.77.[29] These numbers are supported by the freedom scores presented by Freedom House in 2012, which assigned to Nigeria a 4 on political rights and a 5 on civil liberties, with 1 being the most free and 7 being the least free.[30] The indicators for the EIU democracy index and Nigeria's scores on each are illustrated in table 1. According to the EIU, free and fair elections and civil liberties are necessary conditions for a full democracy, but by no means sufficient: these highly valued characteristics will not be able to set a framework for an established democracy when transparency and efficiency within the government lack, when there is not enough political participation, or when a supportive democratic political culture is lacking.[29] In Nigeria elections are held, but their fairness is questionable. Additionally, as was seen above, democratic institutions do exist, but their substance is little, and abuses of civil liberties are often disregarded.[29]

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[26] http://www.mongabay.com/reference/new_profiles/320.html

[27] http://country.eiu.com/article.aspx?articleid=510445435&Country=Nigeria&topic=Summary&subtopic=Fact+sheet

[28] https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html

[29] http://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=Democracy-Index-2012.pdf&mode=wp&campaignid=DemocracyIndex12

[30] http://www.freedomhouse.org/report/freedom-world/2013/nigeria

Table 1. **Economist Intelligence Unit, Democracy Index 2012**[31]

INDICATORS	NIGERIA'S SCORE
Electoral Process and Pluralism	5.67
Functioning of Government	3.21
Political Participation	3.33
Political Culture	3.13
Civil Liberties	3.53

To account for the level of democracy in a given country the stakeholder theory was suggested above. This theory clearly has its advantages, but especially in third-world countries, it can have serious implications arising form unrealistic expectations in the minds of the public. This happens when the management has a moral and legal obligation to promote the interests of the local communities, since this imperative can have numerous interpretations (Lea, 1999: 158). As a result, the affected communities may have a entirely different expectations of the actions taken by the firm's management than the management has itself, resulting in great disappointment on behalf of the people, who then may attribute moral failure to the company (Lea, 1999: 159). In addition, the organizational structure of a corporation is built to generate a maximum profit, not to serve the interests of a spectrum of interest groups. Following from this is the question whether corporations are the ones that should be serving the interests of the communities, as opposed to NGOs, or, even better, the government (Lea, 1999: 160). The latter is generally believed to be the chief actor in the promotion of the public good, mainly by providing collective goods such as school, roads and hospitals.

However, as was seen above, in certain situations, among which is the worrisome situation in the Niger Delta, these tasks have been transferred to private firms, chief among these being Shell (Lea, 1999:160). This lack of developmental policies on behalf of the Federal Government has a number of unwelcome consequences. First, the transfer of the responsibility to provide

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[31] http://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=Democracy-Index-2012.pdf&mode=wp&campaignid=DemocracyIndex12

development from the Federal Government to Shell means that the government has abdicated its role as prime controller of development policies, and has thus lost a portion of its autonomy (Lea, 1999:160). Second, organizations set up by private firms normally cease to exist when the resource reserves, in this case oil, run out, which means that the local communities are left to their own devices. The government, on the other hand, will be there even after the oil extracting companies have left the country (Lea, 1999:160). This means that, even though Shell does invest in programs aiming to enhance democracy in Nigeria, the company's aid may have opposite consequences due to a loss of autonomy on the part of the Federal Government.

Conclusion

The effects of large multinational companies in developing countries are widespread. This thesis, by focusing on the bad norms of corruption and authoritarianism, aimed to contribute to the existing literature by investigating if and how the presence and activities of Shell affect the behaviour of the Nigerian political elite. First, the resource curse theory was discussed, and with it the effects inherent to the phenomenon. It was concluded that countries with large resource reserves, and consequently with large oil revenues, generally experience more challenges in terms of democratization than their resource-poor counterparts. Nigeria was presented as an example of a rentier state, and it was consequently argued that the country's low score on the Democracy Index was primarily due to the workings of the resource curse. Even though Shell is the largest oil extracting and exporting company in the Niger Delta region, it would be iniquitous to ascribe the relatively slow process of democratization to the company. On the contrary, it has been shown that authoritarianism is affected by large oil reserves and that Nigeria's political elite is arguably affected by the resource curse phenomenon rather than Shell's presence and activities in the region.

In contrast, the stakeholder theory proved to be influential when investigating the link between Shell's activities and the behaviour of the Nigerian political elite. Shell's extensive developmental programs aimed at improving the living standards of the local communities and at enhancing civil society in order

to develop more democratic dialogue forums in the region. However, precisely through these programs, the Federal Government has abdicated its role as prime provider of collective goods, and consequently given up a considerable part of its autonomy. A loss of autonomy can arguably be seen as a crucial shortcoming of quality democracy, and may thus be suggested as an explanation for the low level of democratization in the country.

Last, but definitely not least, the high level of corruption in the country has been partly accounted for based on several theories of corruption. The lack of stability and transparency were offered as general conditions for a high level of corruption, as well as the prevalence of corruption as an appropriate standard of behaviour in Nigeria. These explanatory factors were then enforced by a number of corruption scandals involving Shell officials. With these examples, this thesis was able to show a probable relationship between Shell's activities and the behaviour of Nigeria's political elite. However, it is not certain whether this can be constituted as a causal relationship. Future researchers might contribute to the existing literature by investigating whether the aforementioned processes constitute a causal relationship between the activities of Shell and the behaviour of the Nigerian political elite. Specifically, the question why Shell's seemingly wide array of developmental programs, guiding ethical and moral principles, and financial support to numerous organizations and institutions aiding the development of the Niger Delta and its people, has so far not proven to be effective in battling corruption and authoritarianism among Nigeria's political elite.

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