Journal Title: *Mankind: Adam to Me*
Website: *https://juria.in/mankind*
ISSN: 3048-7668 (Online)
Vol. 2(03), Jul-Sep 2025, pp. 10-14
https://doi.org/10.55559/mankind.v2i3.12

Published by: Juria Publisher, India

Research Article

Corporate Power and State Weakness: The Role of Multinational Corporations in Undermining African Policy Autonomy

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ARTICLE INFO

Keywords:
Multinational Corporations, Policy Autonomy, Regulatory Capture, Africa, Dependency Theory, State Capacity

Article History:
Received: 15-08-2025
Accepted: 01-10-2025
Published: 20-10-2025

ABSTRACT

This paper explores the role of multinational corporations (MNCs) in sabotaging policy independence in African countries in terms of institutional vulnerability and unequal power dynamics. The main aims are to examine how corporate influence operates at the most important fields, how it affects democratic governance and economic sovereignty, and how it is possible to resist it and reform their policies. The research locates corporate power in the context of the bigger global and historical political and economic processes based on dependency theory, neocolonialism, and the state autonomy models. Empirical data is based on extractive industries, digital economy, taxation and environmental governance in Nigeria, Democratic Republic of Congo, South Africa and Kenya. The results indicate that MNCs use regulatory capture, tax evasion, and legal tools to influence policy settings to benefit corporate goals, undermining state authority and corporate responsibility. The emergence of technology companies also makes sovereignty even more difficult by dominating data control and digital infrastructure. In spite of such obstacles, the mobilization of civil society, and regional cooperation efforts, including the African Continental Free Trade Area (AfCFTA) can show the ways of regaining policy space. The paper finds that the issue of corporate dominance is to be dealt with through complex reforms such as tougher legal regulations, greater fiscal capacity, convergence of policy at the regional level, and the empowerment of civil actors. It recommends renegotiation of investment treaties, countering illegal financial flows and following the example of Global South to bolster the developmental sovereignty of the African states. The study can help comprehend relationships between corporations and the state in Africa and provide effective opportunities in order to enhance the autonomy of policy and sustainable development.

Cite this article:

Garba, M. K., & Abubakar, J. H. (2025). Corporate Power and State Weakness: The Role of Multinational Corporations in Undermining African Policy Autonomy. Mankind: Adam to Me, 2(3), 10-14. https://doi.org/10.55559/mankind.v2i3.12

Introduction

The participation of multinational corporations (MNCs) in Africa goes back to the colonial period when the European nations used corporate bodies to exploit and harvest resources in the continent. Firms like the British South Africa Company and the Royal Niger Company were both commercial and administrative tentacles of imperial powers and this has laid the groundwork to a trend of foreign corporate domination that continues to date. During the post-independence period, MNCs have continued to dominate the strategic industries like mining, oil and gas, agriculture and telecommunications. Their activities are usually complemented by policies of trade liberalization, lax regulatory standards and a global investment regime that is biased towards corporate interests and not national developmental objectives (Taylor, 2014).

The essence of the issue that this project deals with is that corporate power and sovereign policy-making are becoming more and more tense in African states. MNCs, which are usually supported by governments of the home countries and international financial institutions, have significant control in the national economic policies, tax systems, and regulatory systems. This pressure, which is often accomplished by lobbying, arbitration of the law or by the conditions of investment, can profoundly affect the policy independence of African countries as well as their capacity to serve the common good rather than personal gain (Mkandawire, 2015).

The present research aims at providing responses to two main questions: How do multinational corporations affect state policy in African countries? And how do they add or make the African states weaker? The main aims are to critically observe the ways in which MNCs influence policy outcomes, evaluate the consequences of corporate power on state sovereignty, and discuss the ways of finding a way back to policy space in a global corporate environment.

This study is important to the general discussion on the political economy of Africa and how neocolonial institutions are perpetuated. Since most African nations are unable to enforce

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effective governance and development agenda, it is important to comprehend the dynamics of MNC-state relations in formulation of reforms to promote institutional resilience and safeguard the autonomy of public policy making (Zalik, 2013).

This paper is arranged in the following way: The second section will give the theoretical framework used to conduct the analysis and the third section will provide the review of the relevant literature on the subject of MNCs and policy autonomy. The research design and source of data are described in the methodology section. The empirical work uses case studies in the explanation of how the MNCs can function within special African settings. Lastly, there is the conclusion which summarized key findings and provided policy recommendations that could empower state capacity against transnational corporate power.

Theoretical Framework

This paper relies on three theories Dependency Theory, Global Political Economy (GPE) approaches, and State Autonomy Theory to explore the connection between multinational corporations (MNCs) and the loss of policy sovereignty in African states.

Dependency Theory offers a formative perspective to explain why African countries have continued to be economically subordinate in the global capitalist system. The theory that has been the most widely applied in Africa, but developed in Latin American scholarship, states that peripheral economies are structurally constrained by depending on the exportation of raw materials and importation of manufactured products that results in periods of underdevelopment (Rodney, 1972). MNCs are perceived to be the actors that support this dependency by sucking value out of the periphery and transfer it to the core hence slashing developmental potential of the African states. This model is closely related to the understanding of neocolonialism in which formal independence covers the ongoing economic exploitation via transnational corporate interest.

In addition to this is the Global Political Economy (GPE) approach that puts great focus to the asymmetrical power structures that exist in the global regimes in trade, finance, and investment. GPE wise, MNCs do not just exist within nationalities but are entrenched within a globalized system of governance in which capital movement is favored over democratic responsibility. This model can be used to critically analyze how these institutions, the World Bank, the International Monetary Fund (IMF), and international arbitration systems facilitate corporate actors to take control of or influence domestic policy agendas (Cox, 1987).

State Autonomy Theory, on the contrary, is concerned with the internal ability of the state to make decisions and implement them without depending on external or internal pressure. The autonomy does not exist, but depends on the institutional power, the integration of elite and the bargaining process in society. In the weak or dependent states, institutional gaps are usually used by the corporate actors to affect the policy outcomes, essentially taking over the regulatory functions in order to compromise the interest of the population (Evans, 1995). This theory assists in understanding the difference in the African states reaction or opposition to the MNC influence with particular focus on the role played by domestic institutions in mediating external pressures.

The combination of these theoretical perspectives has been explained by the multifacetedness of the relationships between MNCs and states in Africa. Whereas Dependency Theory and GPE answer at the macro-level structural and systemic reactions, State Autonomy Theory offers a less broadly generalized view of domestic institutional reactions. They combined to provide a full-scale framework through which corporate power and the state weakness can be interwoven to limit policy independence in various African settings.

Literature Review

The literature in multinational corporations (MNCs) in Africa is broad and multi-dimensional, and it includes historical, economic, political, and legal aspects. This section is a review of some of the major threads of this scholarship, which examine the historical role of MNCs in African development, their impact on state policy-making, comparative analyses of policy autonomy in the Global South and current gaps that are the subject of this study.

Traditionally, MNCs have been both capital inflows and exploiters of Africa. The British South Africa Company and the Royal Niger Company, which operated in the early days of the corporate world, had strong ties with colonial governments, as they sometimes assumed the functions of quasi-government to extract resources and bring profit to the empire (Acemoglu, Johnson, and Robinson, 2001). During the post-independence era, MNCs have remained a powerhouse in key industries, such as mining, agriculture and oil, often on favourable terms negotiated under bilateral investment treaties and structural adjustment conditionality. This persistence highlights an ever-present legacy of foreign business supremacy in the political economy of Africa.

There has been a significant amount of literature on the impact of MNCs on government policy, especially in such spheres as taxation, environmental policy, labor policy. Research has recorded the way companies evade taxation and contaminate the environment as well as thwart labor rights through lobbying, investment threats, and arbitration systems (Piketty, 2021). Weak institutional capacity, lack of regulation and political elites who get rewarded through corporate compact tend to support this influence in many cases. These dynamics have especially been high in those countries that are endowed with resources and extractive industries have created an enclave of economic activity with little participation in the wider economy.

Comparative policy autonomy studies in developing nations provide useful information on the structural and institutional limitation to the African states. Studies in Latin America and southeast Asia have shown how global capital flows, trade agreements and international financial institutions are influencing national development strategies but their presence tends to focus the policy space that governments have (Gallagher, 2005). What is emphasized in these studies is the critical role of state capacity, bureaucratic unity, and civil society participation in the process of mediating outside pressures. Nevertheless, there are still African-specific analyses that are not developed as much, particularly to capture specific colonial legacies and present geopolitical vulnerabilities of the continent.

Historical and Structural Background

The modern-day association of the African states with the multinational corporations (MNCs) is incomplete without having to backtrack on the historical and structural foundations of foreign corporate supremacy in the continent. This part describes the colonial roots of corporate power, the effects of neoliberal reforms on the capacity of the state, and the legal-institutional frameworks, which allow MNCs to act without much accountability.

The fundamental structure of corporate domination of African resources and lands was laid down by the colonial period. The imperial powers in Europe used chartered companies like the British south Africa Company, royal Niger company and the German East Africa company to extract wealth and govern huge portion of land. These forces tended to mingle business with politics and enjoyed legal and military powers and redirected earnings to cities (Rodney, 1972). In most instances, colonial economies established were extractive enclaves, where infrastructure and legal institutions were oriented towards extraction of resources, and not national development. This left the new independent African countries with weakly organized institutions and outward looking economies that were still reliant on foreign capital and expertise.

The 1980s and 1990s saw a new wave of external interference by imposing structural adjustment programs (SAPs) by World Bank and the International Monetary Fund (IMF). These programs required radical reduction of government expenditure, privatization of state enterprises as well as liberalization of trade as well as investment regimes. SAPs were likewise aimed at spurring growth but many ended up draining the institutions of the state, weakening the capacity of states to provide public oversight and throwing national economies at the mercy of transnational corporations (Mkandawire, 2001). With the weakened state capacity, MNCs obtained some leverage in the manner in which they influence investment, labor, and environmental policies by circumventing democratic institutions and accountability mechanisms.

In the current day, MNCs are taking advantage of various loopholes in the law and institutions in order to have their way embedded in place. Among these factors is the expansion of bilateral investment treaties (BITs) and international arbitration provisions enabling companies to invoke states in investor-state dispute settlement (ISDS) tribunals thus circumventing domestic courts. These agreements tend to focus on the rights of the investors at the expense of the social, environmental, or developmental goals. Also, manipulation of transfer pricing, offshore tax havens and absence of harmonized regional regulation permit the transfer of profits to evade taxation on a grand scale by the MNCs (UNECA, 2015). The lax enforcement regimes, weak regulatory frameworks, and the lack of sufficient resources to enforce the law also make it difficult to hold corporations accountable in African states.

Combined these historical and structural factors have formed an unequal relationship where African states are faced with the difficulty of attempting to provide complete sovereignty over their economic and developmental horizons. The centralization of corporate authority in those circumstances contributes to the importance of reconsidering the legal and institutional protection to recover policy independence and restore the state capacity.

Implications and Strategies of resistance towards policies

The widespread role of multinational corporations (MNCs) in the economies of Africa has far-reaching consequences of the democratic system of governance, accountability of the people, and the sovereignty in making of policies. With MNCs using their economic influence to influence the legal and regulatory frameworks, they tend to avoid democratic institutions, water down parliamentary control and make the fiscal decision-making less transparent. Such a dynamic discredits the social contract between the citizens and the state, breeds disillusionment among the masses, capture of the elite and lack of legitimacy to the state (Ferguson, 2006). Asymmetry of information and resources between corporate actors and state institutions is what adds to the policy environment whereby the interest of the public is oftentimes subordinated to the interests of the private.

To counter these forces, civil society organizations (CSOs), local communities and grassroots movements have been very instrumental in opposing the overreach of corporations. Since anti-extractive movements in the Niger Delta and the DRC or digital rights activism in Kenya and South Africa, local movements have organised around environmental justice, labor rights, and digital sovereignty. Such movements tend to reveal regulatory weaknesses, confront legal gaps, and develop alternative ways of development based on the rights-based and community-led model (Bond, 2014). Nevertheless, their influence is skewed with most often being curtailed by political suppression, inadequate funding and their subjugation to donor interests.

The necessity of regional collaboration and harmonization of policies at the continental level is more and more evolving as critical in terms of recovering the state bargaining power and safeguarding the policy space. The prospects to develop continent-wide standards on taxation, labor, and digital governance can be implemented with the help of such instruments as the African Continental Free Trade Area (AfCFTA) and minimize the regulatory fragmentation that MNCs can take advantage of. Equally, the African Union (AU) has also created protocols and frameworks of illicit financial flows, corporate accountability, and environmental governance, but enforcement has continued to be a thorn in the flesh (AU Commission, 2020). The reinforcement of such mechanisms will not come easy without institutional reforms as well as the political elites who have to be willing to focus on the common good rather than on bilateral compromises.

Even lessons of other Global South especially Latin America and South east Asia can be useful in traversing corporate influence and in improving the capacity of state. Other countries, such as Bolivia and Ecuador have taken control of the natural resources by constitutional reforms and by renegotiating contracts with the MNCs, which many times are associated with the agendas of complete democratization and indigenous rights. Meanwhile, in Southeast Asia, states, including Indonesia, have imposed local content quotas and limited the export of raw materials in order to develop processing infrastructure (Gallagher & Kozul-Wright, 2022). These illustrations indicate that policy independence is an attribute of institutional power as well as tactical political alliances and ideological coherence regarding priorities in development.

Combined, these implications demonstrate the necessity to reposition the balance of power in the relation between state institutions and transnational capital in Africa as urgently as possible. This includes the regulatory reforms and regional cooperation besides, the empowerment of the civil society actors, as well as the policy learning of the broader Global South.

Major Research Findings Discussion

This study validates and extends the concurrent worries on the one-sided relationship between African governments and the multinational corporations (MNCs), especially when considering how the corporate players use their institutional loopholes to undermine the sovereignty of the policies. Based on case studies of individual countries and a thematic analysis of sectors, multiple patterns of critical trends culminate to highlight structural and operational processes of corporate dominance on the continent.

First, the evidence highlights how MNCs are entrenched in strategic sectors particularly oil, gas as well as mining where they exercise disproportionate control over taxation systems, environmental laws and work conditions. In Nigeria and the Democratic Republic of Congo, such companies as Shell and Glencore have entered into contractual agreements that promote the corporate profit maximization at the disfavor of state revenues, welfare of the community, and environmental sustainability. This is indicative of a larger trend of regulatory capture whereby state institutions, either by collusion, capacity constraints or dependency becomes subservient to corporation interests.

Second, it finds out that the most notable common characteristics of the functioning of MNCs in the African states are policy fragmentation and weak institutional coherence. In those countries that have rather well-developed legal systems, like South Africa and Ghana, the MNCs have managed to evade national laws by either maneuvering with regional discrepancies or seeking exemptions. On the other hand, in nations where weak systems of governance exist, corporate actors tend to take complete governance voids, playing the role of quasi-state actors that make policy by informal means. This dynamic underscores state capacity and bureaucratic integrity as the key mediating factors of external economic pressures.

Third, the study concludes that new industries like technology and digital infrastructure are emerging as the places of greater challenge to corporate power. Digital platforms dominated by international technology MNCs (e.g., Meta, Google, Uber) are a problem to national sovereignty, especially in data governance, taxation, and labor control in such countries as Kenya and South Africa. These transformations are an indication of the end to the extraction industries and the emergence of intangible forms of domination where the algorithm, digital platforms, and information flows come to the centre of corporate influence.

Fourth, the illicit financial flows and tax avoidance schemes are investigated, showing that the African fiscal capacity is systematically affected by diverting taxes and cloaking themselves in the cover of transfer pricing, shell companies, and investor-state dispute settlement (ISDS) schemes. These financial measures do not only diminish the fiscal room to spend on health, education and infrastructure by the government, but also create inequality in that capital finds its way out of regulatory regulation. The net result is an atrophying of state power and a further increase of reliance on outside forces.

Lastly, regardless of these issues, the study finds key areas of resistance and policy invention. Civil society groups, local communities and even regional institutions are taking the initiative to demand corporate responsibility and national policy space. Although the influence on policy-making in different contexts can be quite different, these actors have managed to influence policy discussions regarding environmental justice, labor rights, and digital sovereignty. The African Continental Free Trade Area (AfCFTA) and other regional integration (have anti-corruption efforts) of the African Union can provide an opportunity to pursue collective regulation and harmonization, but only pending political goodwill and capacity to enforce.

Overall, the evidence shows that there is a multi-layered terrain of corporate authority that intersects with institutional frailty, legal imbalances, and globalized economies to limit the policy freedom of Africans. Nevertheless, they also refer to new prospects of reestablishing the state sovereignty with the help of joint opposition, jurisprudential reforms, and regionalism.

Gaps in the Literature Review

Although a substantial amount of literature has been done on the issue regarding the influence of multinational corporations (MNCs) in the Africa region on economic and political results, there still exist a number of unanswered questions that inhibit an exhaustive comprehension of how corporate power compromises the will of policymakers in multifarious settings.

Most of the literature available tends to give more attention to extractive industries especially oil, gas and mining to the detriment of emerging industries like technology, agriculture and infrastructure. This asymmetry clouds the nature of MNC control that is coming into sharper focus in more recent areas, including digital finance, telecom and agribusiness, where regulatory structures remain immature and corporate actors can establish norms upfront. The granularization and sectorization of the strategies of corporate influence need to be unpacked into a more specific analysis of the strategies across the economic domains.

Most of the analyses are done at the national or regional level, which overlooks the impacts of MNCs on the subnational governance structure, livelihoods and enforcement of the regulatory requirements. This is mostly applicable in federal or decentralized institutions such as Nigeria, South Africa and Kenya, in which local governments tend to be the initial point of contact with corporate actors. There is a lack of local studies to inform us of the dynamics of power relations in practice, and the suppression or facilitation of local resistance moves.

Although there is general recognition of legal loopholes and regulatory capture, only a limited number of studies have focused on in-depth discussions on how particular legal tools like bilateral investment treaties (BITs), investor-state dispute mechanism (ISDS), and tax treaties are designed to create the unequal relationship between MNCs and African states. These legal architectures need to be explored further in order to comprehend the way that corporate interests are replicated and institutionalized.

The available literature tends to depict MNCs as homogenous players in neglect of the strategic differences in the manner in which various corporations interact with host countries. Very little has been studied on the ways in which corporate behavior adjusts to institutional settings, rides the elite networks, or trades on disintegration within the government. This makes the available frames weaker in their explanatory capacity and requires additional empirically based and actor-oriented analysis of corporate strategies in the African setting.

Despite the common comparisons between Africa and other states including Latin America or Southeast Asia, there are little studies that engage in systematic comparative studies to learn how various Global South settings do not or do enable corporate penetration. Those comparisons may provide some valuable information about best practices, innovative policies, and the political environment that allows more policy room in the conduct of transnational capital.

The emergence of tech MNCs has changed the situation in corporate-state relations, especially command over data, algorithms and cyberspace infrastructure. However, the academic interest in these more recent forms of power especially in terms of data sovereignty, surveillance capitalism and data-miner commercialization of users is not well pursued in African studies. It is a big gap considering that the continent is quickly going digital and the impact of such firms as Meta, Google, and Huawei.

Summary, Conclusion and Recommendations.

Summary

This paper has reviewed the thorny relationship between multinational companies (MNCs) and the African states with regard to how the corporate power compromises the state capacity and policy discretion. The study through a theoretical viewpoint based on dependency theory, global political economy and state autonomy approached has brought to the limelight the historical implications of colonialism and neoliberal reforms that have undermined African institutions. Empirical evidence on country contexts Nigerian, Democratic Republic of Counselling, South Africa and Kenya and thematic sectors extractives, digital economies, taxation, environmental regulation as well as labour rights showed that MNCs have numerous power tactics at their disposal. These are the regulatory capture, tax avoidance, legal leverage through investment treaties and control of the emerging digital infrastructure. Even against all these odds, active opposition of the civil society, emergent regional cooperation arrangements such as AfCFTA, and lessons of the other Global South regions that provide avenues to recovering policy space were also detected in the study.

Conclusion

The study highlights that multinational corporations continue to be a dominant force in reshaping development patterns in the African states to the detriment of democracy, social justice, and sustainable development patterns. The historical dependence, fragmented regulatory landscapes, and transnational financial forms, all of which advantage transnational capital, contribute to the asymmetry of power between MNCs and African states. The result of this structural imbalance is a loss of the ability of the African governments to plan and execute policies which are in line with the national interests and the welfare of the citizens. But the study also concludes that the loss of policy independence does not have to be unavoidable; this can be challenged by building a stronger institutional system, empowering civil society and making policies work together regionally. The issues of corporate influence could only be addressed through a multi-dimensional approach through re-encentering state sovereignty and democratizing the system of economic governance.

Recommendations

- States in Africa need to revise and renegotiate bilateral investment treaties and trade agreements so as to protect policy space and curb application of investor-state dispute settlement mechanisms that sabotage national sovereignty.
- Governments should be able to establish the ability to detect and mitigate the tax-evading schemes such as transfer pricing and profit shifting.
- International collaboration by using regional tax authorities and implementing the international best practices can be used to reduce the loss of revenue and create more fiscal space to be used by the government in its investment.
- By using free trade frameworks such as the African Continental Free Trade Area (AfCFTA) to standardize regulatory measures on the environment, labour, tax regulations, and digital governance, arbitrary regulatory measures would be minimized, and collective bargaining would be enhanced against MNCs.
- Governments, international donors, and development partners must give a long-term contribution to civil society groups that support corporate responsibility, environmental equity, labor rights and digital sovereignty.
- The governance issues of digital and agricultural MNCs are to be paid attention to, and specific policies related to data sovereignty, digital taxation, land rights, and inclusive development of agribusiness should be developed.
- The policymakers in Africa need to be more systematically involved in the dealings of Latin America and the Southeast Asia to emulate the resource nationalism, legal reforms and fight against corporate power.
- By the mentioned recommendations African states should be able to ensure their policy independence, equitable development, and a more balanced relationship with multinational corporations that would be in the long-term interests of the continent.

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