A STRATEGY FOR INDUSTRIAL LOCATION WITHIN ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

INTRODUCTION

Industrialization has been widely accepted by both the developed and developing countries as the "centre piece of the development process." The role of industry as a dynamic instrument of growth for the acceleration of economic and social development is equally underlined by the gusto with which the developing countries at the national level strive to diversify and modernize their economies in favor of industries in order to "catch up" with the industrialized countries and achieve a more equitable share of the world industrial activity.

At the international level, concerted efforts are being made to encourage the industrialization of developing countries, with a view to increasing their share in world industrial production. One of the efforts in this direction is manifested in the Declaration and Plan of Action on Industrial Development and Cooperation adopted at the second General Conference of the United Nations Industrial Development Organization held in Lima, Peru in March 1975 and endorsed by the United Nations General Assembly 7th Special Session in September 1975 calling inter alia, for increasing the share of developing countries in world industrial production to 25 per cent by the year 2000.

To achieve the laudable objective of industrial development, it has been increasingly recognized that concerted actions at the national, subregional, regional as well as international levels are indispensable, particularly in the ever increasing world of inter-dependence. In the process, industrial cooperation between the developed and developing countries as well as *among the developing countries* constitute a vital element.

Viewed against this very broad background, the formation of the Economic Community of West African States is a significant advance in the right direction. With cooperation as one major pre-requisite for integration in all existing regional or subregional groups, our main concern in this paper is confined to ways of fostering such cooperation in the field of industry within the West African subregion. In other words, and more specifically, this paper attempts to show industrial cooperation as a device for promoting a more rational or efficient allocation of resources in the ECOWAS, that is, cooperation as a potent instrument of industrial location. While it is recognised that industrial location itself is vital in determining costs and benefits of economic integration, no attempt is made to deal with the broader problems of their 'equitable' distribution in the integration process.[1]

For our purpose, the paper is divided into five parts, the first of which deals briefly with the concept of industrial location and the need for industrial integration and harmonized subregional or regional investment policies. The focus of attention in Part II is to highlight some features of the pattern of industrial location in ECOWAS member countries. The analysis proceeded in the third part with a selective review of industrial location policy instruments used in three economic integration groups in the developing countries namely, the Latin American Free Trade Association (LAFTA), the Central American Common Market (CACM) and the East African Economic Community (EAC). In the light of the experiences of the selected integration groups, Part IV outlines a plausible strategy that could form the basis of action aimed at fulfilling the objective of industrial location in the West African subregion.

Perhaps, it is pertinent to mention that the intention here is not to present a model strategy or a 'the' solution to the complex problem of industrial location. We attempt to identify some important elements for consideration in the formulation of an industrial location system in the subregion in the hope that it would stir up some constructive thoughts along a given path and possibly concretize into positive actions.

In this context, therefore, we are fully conscious of the considerable problems attending to any proposal of this nature particularly at the negotiation and implementation stages. Nonetheless, there is the strong conviction that given the momentum of the political-will that animated the ECOWAS, these difficulties are not insurmountable. The paper ends with a recapitulation of the salient points raised and a discussion of the policy implications of the proposed strategy.

Part I
THE CONCEPT OF INDUSTRIAL LOCATION

Theoretically, industrial location is a function of the interplay of inter-related economic factors which include the availability of raw materials, capital, skilled labour, proximity to the market, as well as infrastructure. In practice, however, other non-economic factors particularly, political considerations have been very potent in the determination of the location of industries[1].

Based on the theoretical premise, industries will be located in areas with the greatest comparative advantage. Implicit

[1] For a detailed consideration of the problems, see UNCTAD: Current problems of economic integration: "The problems of distribution of benefits and costs and selected corrective measures" TD/B/517 (UN. Publication Sales No. E.75.II.B.10).

[1] For a detailed empirical discussion of the influence of these factors in the location of industries in East Africa; see F. I. Nixson, Economic Integration and Industrial Location: An East African case study, London, Longman Group Ltd. 1973.

in this, is that, given the production factor endowment, countries or areas that are optimal producers of a particular category of commodities would be the cheapest producers. However, this trend has invariably led to the polarization of economic activities with the plants concentrating in a few areas of a country or countries of a region. Such polarization is detested both within and between countries and constitutes a serious threat to the stability of any economic grouping. It has therefore been increasingly recognised and accepted that complete reliance on the automatism and unfettered interplay of market economy forces are insufficient and "inequitable" to direct the decisions of producers and investors, as such laissez faire situation has neither produced the desired results nor achieved effective international cooperation, especially in the field of industry.

Thus, to counteract the polarizing tendencies of the free market forces, deliberate and more dynamic policy measures at both government and entrepreneurial levels must be adopted. And to the extent that these are considered necessary at the national level, their application within a regional or subregional framework becomes more compelling, if only to ensure and strengthen cooperation among the countries.

In this connection, economic and industrial planning at the national level has become a basic government policy towards rapid industrial development in both the developed and developing countries. With national planning being employed to manipulate and reorient the investment process within a country, regional investment planning and/or harmonization of investment policies is a prerequisite for a successful economic integration. However, while not advocating for a system of sub-regional development plans, as we have at the national levels, because of the inherent problems involved,[1] it is realised that national and sub-regional investment planning cannot be mutually exclusive but can be complementary.

Apart from the usefulness of regional investment planning as an equitable distributive mechanism, it serves as a means for avoiding the duplication of investments in the integrating area. Furthermore, harmonization of investment policies particularly, with respect to the attitudes and disposition towards foreign investment incentives would not only facilitate the inflow of foreign investment but also eliminate unnecessary intra-regional competition to attract foreign investment. The net result would be a conscious optimal allocation of the scarce investment resources.

Members of the ECOWAS pursue different investment policies. In order to illustrate the diverse investment policies pursued by the member states of the ECOWAS and underline the need for a common policy one example in this area is examined. In Table 1, all the selected countries offer direct tax holidays as an incentive to foreign investments. The dura-

[1] Some of the problems associated with regional investment planning include difficulty of obtaining consensus on the choice of location of plants and the direction of investments to agreed locations. Differences in individual country timing and disposition (centrally planned economy versus free market economy) to national planning also constitute formidable obstacles to regional investment planning.

INVESTMENT INCENTIVES: DIRECT TAX CONCESSIONS AND MAXIMUM DURATION OF DIRECT TAX BENEFITS IN SELECTED ECOWAS MEMBERS

	Direct tax concessions at establishment[1]		Duration of direct tax benefits (number of years)		
Country	Direct tax holidays at establishment	Long-term tax agreement	Maximum tax holiday at establishment	Maximum tax holiday for Special projects at establishment	Maximum duration of long-term tax agreements
Benin	X	X	8	13[3]	15-20
Ghana	X[4]	–	–	5[5]	–
Ivory Coast	X	X	5	–	25-30
Nigeria	X	–	3	–	–
Senegal	X[6]	X	–	5,8[7]	20

KEY

X = Yes
– = No

[1] Tax holidays available over a broad range of industrial sectors to investments satisfying certain minimum criteria.
[2] Also known as "establishment agreements."
[3] Regional development projects.
[4] Direct tax concessions limited to a small number of sectors or special circumstances.
[5] Capital incentive investments.
[6] Concessions limited to a few sectors.
[7] Regional development and tourism projects, five years. Agriculture and agri-business projects, eight years.

SOURCE: Adapted from ECOSOC: National legislation and Regulations relating to Transnational Corporations E/C.10/8/Add/January 1976 p. 4, Table 6.

tion of the direct tax holidays ranges from 3 years in Nigeria to 8 years in Benin. In addition, a number of the countries enter into long-term tax agreements with foreign investors for periods ranging from 10 to 30 years. The situation becomes very significant in view of the revelation that such investment incentives like tax holiday, import duties relief or exemption and capital depreciation allowances are neither necessary to attract the investments nor needed to sustain them. In fact, on the basis of his studies of the issue, one author declared unequivocally that "my verdict on this tax–(tax holiday)–is that it is an unnecessary dissipation of much needed tax revenue in the countries of West Africa."[1]

Part II
SOME FEATURES OF INDUSTRIAL LOCATION WITHIN ECOWAS

A simple study of the geographical distribution of industries in the West African subregion, reveal certain similar characteristics of the industrial centres. Firstly, the industries are far from being evenly distributed within each country. The industrial locations which form 'growth poles' are made up of administrative headquarters with large urban populations that provide ready markets for the products of the industries. They command relatively more developed infrastructural facilities such as electricity, water, transport and communications network as well as skilled labour. Some are endowed with important raw materials and/or have easy access to imported or local raw materials. Such industrial centres include Lagos in Nigeria, and Accra in Ghana. The disparity in the location of industries becomes more pronounced when inter-country comparison is made as the situation is compounded by differences in national resource endowment and levels of industrial development in the individual member countries of the region. For example, industries are concentrated in countries like Nigeria, Senegal, and Upper Volta with little or nothing in Mali, Niger, Benin and Mauritania.

The second feature relates to the structures of the industries in the subregion. The industries are concentrated on the manufacture of non-durable consumer goods involving no highly sophisticated technology, little capital, with low value added. The production system is thus characteristic of the incipient stages of industrialization and the import substitution strategy adopted by most developing countries. The absence of industries producing basic semi-manufactures (iron and steel, and heavy chemicals), fertilizers, capital goods (industrial machinery and equipment), and durable consumer goods with greater linkage effects and requiring inter alia, large markets and capital is conspicuous. Furthermore, the industries in the subregion produce basically similar products and are more competitive than complementary to one another. In the circumstance of competitive investment incentives, to attract industries to individual countries as already noted, the magnitude of tax revenue forgone by member states of the subregion would have been substantial. Fourthly, most of the industries produce exclusively for their national markets. The implications being that the plants installed are relatively very small (even for the small size of the domestic market); they produce under quasi-monopolistic, inefficient and high cost conditions within the protected national markets.

Another characteristic of these industries is that, a good number of them–as is typical in most developing countries–operate below capacity[1]. The result of such excess capacity has been wastage of scarce resources, duplication of plants and fragmentation of production which ultimately increase costs of production and the prices of the end product.

Finally, another salient feature of industrial enterprises in the subregion is the paucity of multinational enterprises[2]. The few existing ones notably the cement project at Onigblo (Benin Republic) jointly sponsored by Nigeria and Benin Republic and the Ciments de L'Afrique de L'Ouest (CIMAO) cement project between Ghana, Ivory Coast and Togo with the latter as host country have largely been due to ad-hoc initiatives of partner states rather than measures aimed at industrial integration of participants. They are also limited to joint exploitation and processing of resources possibly to take advantage of economies of scale and the enlarged markets.

The relative success attending to the establishment of these projects stem in part, from the small number of participants as well as the limited and specific objectives of the ventures, which require no elaborate commitments on multiple industrial projects or national industrial policies. Thus, due to their fewness and the infant nature of the multinational enterprises, they do not have significant impact on the promotion of economic integration in the West African sub-region.

Part III
REGIONAL SYSTEMS OF INDUSTRIAL INTEGRATION

In this part, we review the mechanisms for industrial location in the regional integration groupings of LAFTA, CACM and the EAC with a view to learning from the pitfalls of existing industrial location schemes, thereby serving as a guide for further exploration of alternative approaches to industrial location systems in ECOWAS.

Latin American Free Trade Area

Background and objectives: The LAFTA, established by the Treaty of Montevideo on February 18, 1960 comprises of Argentina, Bolivia, Brazil, Chile, Columbia, Ecuador,

[1] G. A. OGUN POLA: Harmonization of industrial policy in the of incentives; company taxation and Africanization. Paper presented at the Conference on ECOWAS, Lagos, in August 1976, p. 10.

[1] On the basis of reports and studies, it has been noted that the rate of capacity utilization of typical industries in developing countries ranges from 35-84 per cent. See UNIDO: Utilization of Excess Capacity for Export. The report of the Expert Group Meeting on Excess Capacity, Rio de Janeiro, March 1969, p. 13.

[2] Multinational enterprises as used in this paper refers to enterprises owned jointly by members of ECOWAS and not Trans-national Corporations. For a list of multinational enterprises in the pipeline within the sub-region, see P.N.C. OKIGBO: Joint Ventures among African Countries. TD/B/AC.19/R3 September 1975 Annex 1 pp. 1-4.

Mexico, Paraguay, Peru, Uruguay and Venezuela. In the field of industrial integration, the Treaty provides for the conclusion of "complementarity agreements" aimed at promoting vertical and/or horizontal industrial integration in the region through coordination of industrial plans. Specifically, Article 15 of the Treaty states that; "in order to ensure fair competitive conditions among the Contracting Parties and to facilitate the increasing integration and complementarity of their economies, particularly, with regard to industrial production, the Contracting Parties shall make every effort–in keeping with the liberalization objectives of the present Treaty–to reconcile their import and export regime, as well as the treatment they accord to capital, goods and services from outside the Area."[1] The objectives of the "complementarity agreements" are stated to include:

(i) the creation of adequate conditions for the promotion of investment in a form which avoids destructive competition;
(ii) facilitation of the programme of sectoral integration
(iii) contribution to the reduction of disparities in the level of development among the participating countries; and
(iv) stimulation of industrial complementarity under competitive conditions which would ensure that the requirements of quality and price are respected.

Operation: Proposals for complementarity agreements are formulated through "sectoral meetings" arranged by the LAFTA secretariat between interested private industrialists and enterprises, and government officials of member countries. Under the system, a proposed complementarity agreement containing the most complete information available must be submitted to the Permanent Executive Committee of the LAFTA which in turn advises all other contracting parties. Negotiation of the agreement which is open to all members can not be initiated until 45 days after the Committee's receipt of the proposed agreement. Member states also have the option to defer negotiations for an additional 60 days. Although the waiting period is to enable members to study the proposal, it has the effect of delaying action on the proposals, particularly if more than one member avail themselves of the option.

After the conclusion of negotiations, the signed agreement in the form of a protocol is submitted to the Permanent Executive Committee for scrutiny and decision within 30 days as to its compatibility with the principles and objectives of the Montevideo Treaty. If approved, the protocol becomes subject to ratification by the concerned governments before it can be operative.

As a means for allocating industries in the subregion, the effectiveness of the system has been noted to be impaired by the lack of homogeneous policies towards foreign capital and investments. The agreements have also tended to be competitive in character rather than complementary, as manifested in the allocation of industries in the chemical and petro-chemical sectors to nearly all member countries. Furthermore, the administrative and operational complexity of the system particularly the 'waiting period' added to its ineffectiveness.

[1] Quoted from H. BREWSTER: Industrial Integration Systems; in UNCTAD series, Current Problems of Economic Integration; Agricultural and Industrial Cooperation Among Developing Countries (UN Publication sales No.E.72 II D.6) p. 69.

The Central American Common Market[1]

The Agreement on the Regime for Central American Integration Industries signed in Tegucigalpa on June 10, 1958 constitute the main instrument for industrial integration in the Central American Common Market (CACM).

Objectives: The main objectives of the agreement were to encourage and promote the establishment of new industries and expansion of existing ones within the framework of Central American economic integration. Industries requiring access to the Common Market in order to operate under reasonable economic and competitive conditions even at minimum capacity are designated integration industries.

Operation: The application for an integrated industry which could originate from private individuals or corporations is submitted through their governments to the Secretariat of Central American Integration Industries Commission (later replaced by the Executive Council). The Commission, with the aid of the Central American Institute for Research and Technology or competent bodies consider the application on the basis of technical and economic evaluation of the projects concerned. The agreements are then embodied in protocols forming the legal instrument for their conclusion specifying inter-alia, the location of the industry, the minimum capacity of plant and the conditions under which additional plants are to be subsequently allowed. However, the establishment of an integration industry requires the concurrence of all the five member countries but its entry into force and operation is subject to the deposit of only three instruments of ratification. Industries are allocated by 'rounds' of negotiations and the allocation of a second plant within the same branch of industry to any individual country until each member country has been allocated a first plant in that branch is not permissible. In addition to fiscal incentives and preferential government patronage, the Regime provides for free entry into all five member countries for the products of the integration industries while firms producing similar products that are subsequently established outside the protocol are accorded such free trade treatment only after 10 years and through gradual tariff reductions of 10 per cent a year.

The operation of the Regime for Central American Industrial Integration is supplemented by the activities of the Central American Bank of Economic Integration. The Bank is specifically charged to promote the economic integration and balanced economic development of the member countries. Its activities are geared towards meeting the needs of long term investment projects in industries of a regional character, infrastructural projects as well as those calculated to create economic complementarity in the region.

Like the LAFTA scheme, the Regime has been less than effective. Factors contributing to the ineffectiveness include, the rudimentary stage of industrialization in the region, lack

[1] CACM comprises Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

of capital and indigenous entrepreneurship and of course, the rancour over the ownership and equitable distribution of the industries.

The East African Community

By the Treaty for East African Cooperation of June 1967, Kenya, Uganda and Tanzania formed the East African Community. The system of industrial allocation in the region is effected through the Industrial Licensing Acts in the defunct Kampala Agreement and the relevant provisions of the current Treaty for East African Cooperation.

The Industrial Licensing Acts–a colonial legacy from the British East Africa era–were to encourage the orderly establishment of new industries to the best advantage of East Africa as a whole. They were also used as an adjustment mechanism for equitable distrihution of the gains of the integration process. Under the licensing system, now administered by the East African Industrial Council, a given member country is granted exclusive right for a specified period to manufacture specified articles. Existing, prospective or potential industries are also eligible for licensing.

An industrial Experts Committee provided for by the Agreement is charged with the duty of drawing up lists of 'East African Industries' based on two alternative criteria:

(i) Those industries that are economically feasible only with access to the entire market of East Africa; and
(ii) Those industries that are economically feasible if they have access to a market larger than that of any country in East Africa.

Within the broad frame-work of these criteria, the Committee would take into consideration the economic feasibility of different locations, the need for an equitable territorial distribution of industry and the measures required for achieving rapidly an equitable pattern of industrial location. Although the current Treaty for East African Cooperation provides for the continuation of the industrial licensing system, it forbids any addition to the schedules of articles thus, in effect, terminating its operation.

The establishment and operation of the East African Development Bank constitute another aspect of the industrial integration system in East Africa. The Bank is inter alia designed:

(i) to provide financial and technical assistance to promote industrial development of the partner states;
(ii) to give priority in accordance with the operating principles contained in the charter to industrial development in the relatively less industrially developed partner states, thereby endeavouring to reduce the substantial industrial imbalance among them; and
(iii) to further the aims of East African Community by financing wherever possible, projects designed to make the economies of the partner states increasingly complementary in the industrial field.

In addition, the Bank is mandated to invest 22.5 per cent of its resources in Kenya, 38.75 per cent each in Tanzania and Uganda. The operation of the Development Bank being only a recent development, coupled with its limited scope and resources it has no marked influence on the economic integration of the region.

As in other systems discussed, it has been generally agreed that the industrial licensing system has been ineffective. Deficiencies in the Licensing Acts, lack of a common policy for the treatment of foreign private capital, differences in member countries' political attitude towards private investment as well as the dominant influence of political considerations in the allocation of industries in the region account for the failure of the scheme. In fact, its abolition was recommended by the Raisman Commission.

Part IV
PROPOSAL FOR A STRATEGY FOR INDUSTRIES IN THE ECOWAS

Before outlining the proposal for a strategy for the allocation of industries, perhaps, a few comments on the relevant chapter of the ECOWAS Treaty would be in order. Chapter V–Articles 29 to 32–of the Treaty is devoted to Industrial Development and Harmonization and consequently deals with the issue of industrial integration in the sub-region. In the Treaty, it is envisaged that the member states would achieve their industrial development and harmonization in the following three stages:

Stage I: Exchange of information on major industrial projects.
Stage II: Harmonization of Industrial incentives and industrial Development plans.
Stage III: Personnel Exchange, Training and Joint Ventures.

On this chapter, two fundamental points are discernible. First, the three stages set out have no time bound. In other words, the Treaty makes no provision for a time-frame within which each stage should be undertaken and/or completed. Furthermore, there is no indication as to whether the three stages are to run concurrently or consecutively. However, it could be assumed, that the three stages would follow the evolutionary stages, earmarked for the complete removal of all trade barriers within the Community and the adoption of the common external tariffs, in which case, the first stage would be achieved in two years, from the entry into force of the Agreement (1975-77). The second stage, 8 years later (1978-1985). The third and final stage will thus be achieved in the 5-year period 1986-90.

Judging from the rather general nature of the measures envisaged, there abound little serious obstacles in pursuing some of them simultaneously. Furthermore, the sequence of some of the policy measures seem rather haphazard, for example, according to the Articles of the Agreement, "the provision of places for training in educational and technical institutions for Community citizens" would only be undertaken during the last five years (1986-1990) of the 15-year evolutionary period of the Community.

Second, and more importantly, the Treaty contains no specific provision for either industrial integration of the economies of member states or a system of industrial location. There is, however, a reference to the 'acceleration of industrial integration' of the economies of member states and this is regarded as a remedial measure–Article 32 (1)–rather than as a deliberate and consciously planned policy. Implicit in this, therefore, is that, industrial integration schemes would be pursued on Ad-Hoc basis and possibly to placate

member countries during periodic crisis. Even then, the strategy to be adopted was not spelt out in the Treaty and there is no protocol on industrial location. It has been argued that if too many details are included in the Treaty, it might be more difficult to have agreement. Nevertheless the general nature of the Treaty tended to gloss over important issues and results in different interpretations.

The proposal for a strategy for industrial location within the ECOWAS is largely based on the experiences of some existing economic integration schemes among developing countries. It is hoped that by strengthening the weak points of the existing models, learning from their pitfalls and adapting the structure to the peculiar circumstances of the West African subregion, the chances of success would be greatly enhanced. Needless to say however, that the success of the strategy would depend largely on the political will demonstrated by member countries in implementing the proposal.

As already noted, one of the basic factors for a successful strategy for industrial allocation in the subregion is harmonization or co-ordination of national industrial policies. In this connection, it is neither sufficient to simply consolidate the national industrial development plans of member nations nor would mere "cooperation with one another by exchanging their (ECOWAS member states) industrial plans" as provided for in Article 30 paragraph 2 of the Treaty be adequate to achieve a significant industrial integration of the subregion.

What is required is a permanent multinational Industrial Planning Committee consisting of intergovernmental officials of member states to consult regularly from the formulative to the implementation stages of the national industrial plans. Private sector participation should also be ensured at all the stages. The Committee which could be under the auspices of the Industry, Agriculture and Natural Resources Commission provided for in the Treaty, would inter alia, be responsible for designating integration industries, and suggesting possible geographical locations on the basis of a combination of the following criteria:

(i) Economies of scale.
(ii) Requirement of a market access larger than available in one member state.
(iii) The size of capital investment outlay.
(iv) Resource endowment.
(v) Comparative advantage–in terms of cost of production in different locations.
(vi) Fair distribution of industries among the participating countries.

The Committee would also monitor the implementation of the industrial integration agreements as well as review and adjust the situation as circumstances require. Participation of all member states of ECOWAS would not be required in each integration industry but there would be universal consultation before its establishment. The rational being the relative ease with which a small number of countries could reach agreement compared with a larger group of countries[1]. The products of such multinational integration industries would have exclusive and unrestricted access to the regional market while *temporary* tax concessions and fiscal incentives would be also provided to assist the integration industries.

Once an integration industry is alloted to a member state, the state would be required to make arrangements to get the project off the ground within a specified period. However, other partner states would be required to assist in the establishment of such industry through equity participation. This would ensure not only the pooling of financial resources and markets but also risk sharing or spread and long-term interest in the project. In addition, the non-host country would be able to share in both profit and management of the enterprise.

Considering the recent trend towards national vis-a-vis foreign ownership and control of enterprises in developing countries, the difficulties arising from such national policies could be mitigated with the provision for the host country to hold the majority share, (say a minimum of 51 per cent) in the enterprise while other members and institutions hold the rest. The shares of the non-host countries would be progressively phased out once the enterprise could stand on its feet.

Another way in which member states could accelerate the establishment of integration industries would be for all the member states or participants in the particular project to provide multilateral guarantee for raising the necessary financial resources in both the local and international capital markets. The assistance of the regional development bank and financial institutions should also be readily available for the integration industries. For example, national financial institutions could be enjoined to grant a certain percentage of their loans to multinational integration projects.

In this context, mention need be made of the role of the Fund for Cooperation, Compensation and Development as provided for in the Treaty. According to Article 52 of the Treaty, the Fund shall inter alia, be used to finance projects in member states; provide compensation to member states which have suffered losses as a result of the location of community enterprises; and guarantee foreign investments made in member states in respect of enterprises established in pursuance of the provisions of the Treaty on the harmonization of industrial policies.

It would be noted that the provisions of the Treaty were not explicit enough as to whether, apart from the compensatory role of the Fund, it would be used to finance national or community projects or both. However, given the size of the Fund, it would be inadequate to finance both national and community projects. The Fund could therefore, be assumed to be intended to finance exclusively integration industries. Furthermore, if the ability of the Fund to guarantee foreign investments is directly related to the size of the Fund, its developmental role would be correspondingly limited. Nonetheless, it is envisaged that the Fund would make positive contributions under the proposed industrial integration system.

Member states would have complete freedom to establish industries not included in the integration list. Even in this field, there is considerable scope for cooperation and coordination among member states, particularly, in the area of complementary production sharing. Under the system, one

[1] In his case studies of joint ventures in Africa, P.N.C. OKIGBO attributed the speed in planning and prospects of rapid implementation of the projects to the limited number of partner countries c.f. Joint Ventures Among African Countries TD/B/AC119/R3.

country would specialize in the production of the components of a final article produced in another member country. In other words, the products of country A would form part of the input of the final product produced in country B. Thus, both countries would benefit from the advantages of greater specialization and division of labour.

We are aware of the considerable difficulties that would be encountered in adopting the proposed strategy not only in defining the integration industries but also at the implementation stage, particularly, the negotiations for the allocation of the listed industries. However, it should be borne in mind that, to the extent that there is not an "open sesame" formula to the solution of such problems, the need for consciously planned series of trade offs for the collective interest of the member states is imperative.

Part V
SUMMARY AND CONCLUSIONS

Thus far, we have highlighted the role and import of industrialization in the social and economic development of both the developed and developing countries and at the same time attempted to analyse—albeit briefly—the concept of industrial location in the process of economic integration. The need for concerted actions particularly in terms of harmonization of the hitherto diverse and often times conflicting industrial policies in the West African subregion was underlined. In the discussion of some features of industrial location in the subregion, we noted evidence of uneven distribution of industries not only between countries but within individual member countries, and paucity of multinational enterprises geared towards industrial integration of the subregion. Furthermore, the industries concentrate on the production of non-durable consumer goods for the small national markets while at the same time they often operate below capacity. The survey of the experiences of industrial location mechanisms in three regional economic integration schemes indicates certain similarities. First, provisions for the mechanisms are embodied in the main Treaties establishing the integration schemes in contrast to the case in ECOWAS Treaty. Second, the need to take the advantage of expanded markets and economies of scale looms large in the definition of the integration industries. Third, despite the encouragement of private sector participation, negotiations have been intergovernmental affairs and decisions were tilted to political expediency rather than economics. Finally, each of the mechanisms has been less than effective in achieving the stated objectives.

The proposal for a strategy for industrial location within the framework of similar investment policies and an integrated ECOWAS has sought to foreclose the pitfalls of the methods in use in other regions. Essentially, the proposal consists of a permanent multinational Industrial Planning Committee perhaps, under the aegis of the Industry, Agriculture and Natural Resources Commission charged with the responsibility of identifying, defining and allocating multinational integration industries on the basis of given economic and political criteria. As already noted, the composition of the Commission would include both government officials and the private sector. Negotiations would be carried out in regular periodic meetings of the Committee. Although the concurrence of all member states would be required to designate an integration industry, ratification of the agreement by all member countries would not be necessary for the establishment and operation of such an industry. Temporary fiscal concessions and incentives would be extended to the integration industries as well as free entry of their products in all member countries. The financing of the allocated industries would be carried out through equity participation by member states, provision of multilateral guarantees by member states as well as through support from the financial institutions.

Naturally, the proposal has a number of policy implications chief among which include, the establishment of a permanent multinational institution—Industrial Planning Committee—and the curtailment of national freedom of action on the establishment of the designated integration industries. The former relates to the role and authority of the IPC in implementing the industrial allocation scheme vis-a-vis the national planning authorities. To the extent that it operates within the framework of a technical and specialised commission as defined in Article 9 of the Treaty, there might be little room for conflict. However, for it to be effective and efficient, the necessary resources and men must be provided. The second issue deals with national economic sovereignty of member states. As experience has shown, any system of industrial integration that impinges too heavily, and for a long time on the members economic sovereignty would encounter formidable odds and agreement may be difficult to obtain. However, it should be borne in mind that, both issues do not imply abrogation of national rights but rather delegation of national authority for collective actions and decisions in the spirit of cooperation.

In conclusion, we noted that considerable efforts have been made by various regional groupings towards operating a successful integration industry regime. The apparent lack of success attending to the schemes despite the efforts, underlines the complex nature of the difficulties involved in the exercise. Thus, some practical difficulties not presently contemplated are bound to arise particularly, at the implementation stage of our proposal. However, within the framework of economic rationality, the proposed industrial allocation system implemented with some degree of flexibility and backed with the necessary political will has bright prospects for success.

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