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Perspectives on the West African Industrialization Policy: Successes and Failures in Nigeria

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Abstract

The primary essence of development is the provision of the greatest welfare for the largest population. The classical economists posit that development without growth is inconceivable. Thus, growth precedes development. Development therefore, is a process just as growth is. Industrialization on its part is also a part of the growth and development process. The implication is that, industrialization involves the process of planning and the success/failure of an industrialization process is determined by the extent to which it has facilitated growth and development. This informs the need for industrialization policies. The West African Community, under the auspices of the Economic Community of West African states, has articulated its policy on industrialization. This study examined the extent to which the West African industrialization policy has accentuated the growth and development of the West African sub-region. It is a descriptive study in which content analysis is adopted as its framework of analysis while the Lewis theory of structural transformation constitutes the theoretical framework. Data is obtained from secondary sources such as books, journals, periodicals, magazines, the internet, etc. The paper is structured in parts which include – the introduction, problem, the literature review, gap of the study, theoretical framework, methodology, findings and recommendations. There is also the concluding part which revealed that the West African industrialization Policy has not been quite effective; hence, its inability to create the desired and expected optimal impact on the sub-region.

Keywords: *West African industrialization policy, Success, Failure, Growth and development.*

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Background to the Study

The lack of an industrial base in a region or country is widely believed to constitute a major handicap to improving such a region's/country's economy and pushes many governments to encourage industrialization. This informs the initiatives of many African countries who seek to reverse marginalization in the global arena by focusing on efforts aimed at diversification of products and exports in the manufacturing sector (NEPAD, 2010), to enhance private sector led productive capacity development. Chandra, Lin and Wang (2012), believe that "most African countries failed to develop manufacturing industries because governments employed state-owned enterprises and import substitution policies to expand manufacturing". Some countries that have pursued import substitution strategies did so at the expense of technical innovation and competitiveness, given the fast development in global production. In extreme situations, conditions for progression towards higher production frontiers have been hindered as a result of this, thus stalling competitiveness. UNIDO (1990) statistics show that the share of African manufacturing in GDP rose from a low 6.3 percent in 1970 to high 15.3 percent in 1990. This fell from 15.3 percent in 1990 to 12.8 percent in 200 and to 10.5 percent in 2008. To date, Africa continues to make significant input to the growth and economic development of developed and advanced industrialized countries in the Americas, Europe and Asia through raw material exports at the expense of African countries and their citizenry. The irony of this significant contribution is that the continent in itself has remained in the traditional and pre-take-off stage of the Rostow's classical growth model.

Africa countries to be the only continent yet to experience both agricultural and industrial revolutions. "Between 1965 and 2005, the sub-Sahara African (SSA) manufacturing value-added stagnated, and stood at around 15 percent of Gross Domestic Production (GDP) which is half of the value of manufactures in East Asia and the Pacific countries since the seventies" (UNCTAD, 2008). Despite the fact that agriculture as a primary sector remains the predominant sector of most African states, contributing the lion's share to GDP, employing a greater proportion of the labour force, and generating a significant amount of foreign exchange earnings from exports, it still remains a largely traditional sector. Mining, drilling and quarrying also constitute a significant primary sector in many African countries.

Statement of the Research Problem

The failure of structural adjustment and its successor neo-liberal policies to transform the economic structure of West African economies in any significant way has become obvious. Despite modest economic growth rates, countries in the sub-region are enmeshed and soaked in deep poverty. The manufacturing sector virtually collapsed along with the jobs it used to provide. The few industries that were set up in the first two decades after independence have been wiped out and no new ones have emerged to take their place.

The failure to industrialize via the market approach as envisaged by the neo-liberal reforms has led to a re-examination of development strategies in the sub-region. Countries within the sub-region are beginning to set up industrial policies to facilitate their industrial ambitions. The extent to which these policies have so far succeeded in achieving the desired impacts on economic growth and development of the respective countries is a matter of concern to researchers. This study seeks to evaluate the successes and failures of such policies in Nigeria.

Objectives of the Study

Broadly, the objective of this investigation is to evaluate the successes and failures of the policies of industrialization in the West African sub-region. The specific objectives are in respect of Nigeria which includes:

a) To ascertain the successes of the industrialization policy in Nigeria.

b) To identify the failures of the policies of industrialization in Nigeria

Research Questions

The study will provide answers to the following questions:

a) What are the successes of the industrialization policies in Nigeria?

b) What are the failures of Nigeria's policy on industrialization?

Literature Review

Conceptual Clarification

Industrial Policy: Alterburg (2011), Armsden (1992) and Bingham (1998), view industrial policy of a country as "its effort to encourage the development and growth of part or all of the manufacturing sector as well as other sectors of the economy".

Economic Growth: This is the "increase in the inflation – adjusted market value of the goods and services produced by an economy overtime, it is conventionally measured as the percentage rate of increase in real gross domestic product, or real GDP" (Bjork, 1999). Growth is usually calculated in real terms:- i.e. inflation – adjusted terms – to eliminate the distorting effect of inflation on the price of goods produced.

Economic Development: There is a lack of clear and shared understanding of what economic development is all about. Thus, while economic growth is simply an increase in aggregate output, economic development is concerned with quality improvements, the introduction of new goods and services, risk mitigation and the dynamics of innovation and entrepreneurship. Economic development is bout positioning the economy on a higher growth trajectory. Of the two, economic development is less uniquely a function of market forces; it is the product of long-term investments in the generation of new ideas, knowledge transfer, and infrastructure, and depends on functioning social and economic institutions and on the cooperation between public and private enterprise. Economic development addresses the fundamental conditions necessary for the micro-economic functioning of the economy. It is within the purview of government. Economic development depends on education so that workers can more fully participate in the economy, social and cultural patterns of behaviours that encourage initiative and engagement, and cooperation rather than adversarial relationship between government and business. Economic development requires balance: increased education requires complementary efforts to support a sophisticated economy that will provide jobs. "Focusing on education without supporting the development of industry creates a brain drain as skilled labour migrates to opportunity" (Beine, Decquier & Rapoport, 2001).

Economic development is not the same thing as economic growth. Sen (1999), defines economic development to be "the strengthening of autonomy and substantive freedoms, which allow individuals to fully participate in economic life". Hence, economic development occurs when individual agents have the opportunity to develop the capacities that allow them to actively engage and contribute to the economy. In his very influential work, 'The competitive advantage of Nations", Porter (1998:19-20), considers that "Economic development seeks to achieve long-term sustainable development in a nation's standard of living, adjusted for purchasing power parity". Fitzgerald and Leigh (2002:33), propose that "in economic development preserves and raises the community's standard of living through a process of human and physical infrastructure development based on principles of equity and sustainability".

Theoretical Framework

Lewis theory of structural transformation (1954). Economic theorists have to a large extent agreed on the linkages between economic growth and industrialization at least up to certain levels.

Lewis tries to explain the process of economic growth and development in the context of the classical framework with its assumption of unlimited labour supply as an initiator of economic development. Lewis (1954), considered "the classical framework to be more applicable to the analysis of the least developed countries" (Hiroto, 2002). The model assumed a two-sector economy made up of the traditional agrarian sector and the more modern industrial sector. The assumption is that there is surplus labour in the traditional agricultural sector which would easily be withdrawn to the industrial sector. This transfer of labour to the modern sector is premised upon the expanding output in the sector which is in turn determined by the rate of investment and capital accumulation in the industrial sector. Capital accumulation arises as a result of the profit over wages under the assumption that capitalists would reinvest all their profits after wages. In addition, wages in the industrial sector is assumed to be constant and is determined as a given premium over fixed average wages in the traditional agricultural sector. The (Lewis), assumed an urban wage rate of about 30% above the average rural rate and the existence of perfect elasticity in the supply of rural labour. This process is assumed to be continuous until all surplus rural labour is absorbed in the industrial sector. Thereafter, "additional workers can only be withdrawn from the agricultural sector at a higher cost of reduced food production since output expansion through increased exports which reinitiate the cycle" (Libiano, n.d).

Empirical Literature

Some empirical studies have been conducted on the successes and failures f industrialization policies in sub- Saharan African and beyond: for instance, Ikejembe, Mpuam, Schuur and Hillegersberg (2017), recently conducted a study on the 'empirical reality and sustainable management failures of renewable energy projects in sub- Saharan Africa. The study future of electrification of Africa lies within off- grid generation via renewable energy (RE). It holds that, although many RE projects have started across sub-Sahara Africa, public projects are seldom successful. It observes that the reasons for failures of these projects are found to be similar across the countries and itemizes them as follows – political agenda, process of awarding projects, stakeholder cooperation, planning and implementation, maintenance and public acceptance and inclusion.

Ibbi and Gaiya (2013), carried out an investigation titled, "A cross-sectional analysis of industrialization and growth in Africa. It noted that industrialization, particularly manufacturing, has been identified as engine of growth. Based on the Lewis – Kaldor theoretical framework, the paper conducted a cross- sectional analysis of 54 African countries to draw the linkages between industrialization and growth. The regression analysis confirmed the relationship between industrialization development and growth.

Aiginger (2014), studied industrial policy for sustainable growth path. The paper observes that, "to pursue an industrial policy that targets society's ultimate goals without public micromanagement will be the challenging but could be achieved (i) by setting incentives, particularly those impacting on technical progress (e.g. to make it less labour- saving and more energy- saving), (ii) by the use of important role governments have in the education and research sectors, (iii) by greater public awareness and (iv) if consumer preferences will call for socio- ecological transition. Mbate (2016), studied structural change and industrial policy: A case study of Ethiopia`s leather sector. The paper observes that recent empirical evidence underscores the vital role of industrial development in fostering structural change and promoting a country's long- run development objectives. It examined the rationale for industrial policy and why it has been ineffective in most African countries as well as what policy lessons should be distilled from past experiences, the paper concludes by highlighting key industrial policy instruments that other countries can take into consideration in order to accelerate industrial development and structural change in Africa.

Abdouf (2017) carried out an investigation on "Drivers of Structural Transformation: A case of the manufacturing sector in Africa. Using the GMM technique, it analyzed the driving factors of manufacturing development in Africa. The results indicate that, improving the level of competitiveness, expanding the size of domestic market, combating corruption, as well as improving governments effectiveness are key for Africa`s manufacturing sector development.

The West African Common and Industrial Policy (WACIP)

In West Africa, most countries tailor their industrial policies to fall in line with the West African common industrial policy (WACIP). The vision of WACIP is to "maintain" a solid industrial structure, which is globally competitive environment- friendly and capable of significantly improving the living standards of the people by year 2030. In a bid to actualize this vision, it has the following specific objectives –

1. Diversifying and widening the regions industrial base by progressively raising the local raw material processing rate from 15- 20% to an average of 30% by 2030,through support to the creation of new industrial production capacities and development and upgrading of existing ones.

2. Progressively increasing the industry`s contribution to the regional GDP, currently at an average of 6-7%, to an average of over 20% in 2030.
3. Progressively increasing intra-community trade in West Africa from less than 12% to 40% by 2030, with 50% share of the regions trade in manufactured goods, particularly in the area of energy (equipment, electricity, petroleum products, etc.).
4. Progressively increasing the volume of goods manufactured in west Africa to the global market, from the current 0.1% to 1% by 2030, through the enhancement and development of skills, industrial competitiveness and quality infrastructure (standardization, accreditation and certification), particularly in the area of information, communication and transport.

Studies have been conducted on the successes and failures of public policies in the West African region. However, no such study has given adequate consideration to successes and failures of the industrialization policy as it affects Nigeria. This is the gap the study focuses on to bridge.

Methodology
The study is a descriptive analysis in which data obtained from secondary materials are synthesized within our theoretical framework to elicit results. The analysis proceeds in the sequence of research questions one (1) and two (2). Research question one (1): what are the successes of the industrialization policy in Nigeria.

Research question one (1): what are the successes of the industrialization policy in Nigeria?
Nigeria as a country has enunciated an industrialization policy aimed at her economic diversification. This has not been realized as evident in the current economic recession. Needless itemizing the successes of the country`s industrialization policy as results of empirical studies confirm a complete failure in this direction. A study by Chete, Adeoti, Odeyinka and Ogundele (1997), examined the industrial development and growth in Nigeria: Lessons and challenges. The study noted that Nigeria`s economic transformation agenda, otherwise known as Nigeria vision 20:2020, sets the direction for the current industrialization policy in Nigeria. The strategy aims at achieving greater global competitiveness in the production of processed and manufactured goods by linking industrial activity, domestic and foreign trade, and service activity. The study reveals that Nigeria`s industrial sector accounts for a tiny proportion (6%) of economic activity while the manufacturing sector contributed 4% to the GDP in 2011.

Research question two (2): what are the failures of the industrialization policy in Nigeria?
The failure of the industrial policies in Nigeria as established by empirical evidence, reveals that electrical outages, transport bottlenecks, crime and corruption are key factors which constitute impediments to firm growth. The study by Adeoti, et al (1997), also confirms that manufacturing sector in Nigeria is bedeviled by acute shortages of infrastructure such as good roads, portable water, and in particular, power supply. Most firms rely on self- electricity by using generators which add to cost of production and erode their competitiveness relative to foreign firms.

Findings

Our analyses reveal a number of findings:

1. The West African common industrial policy provided the framework for the Nigerian industrial policy.
2. The industrial policy in Nigeria is adjudged by observers and scholars as having failed to meet the desired objectives as competitiveness when compared with external markets.
3. The result is that up till 2011, the contribution of the manufacturing sector to GDP (Nigeria) still remained at 4%.
4. This failure led to a situation in which Nigeria has continued to depend on products of foreign industries at higher costs, translating to the drain of the nation`s foreign reserves and eventual low standard of living and poverty of the citizens.
5. Vision 20:2020 (Nigeria) is the boldest attempt at the nation`s economic transformation.

Conclusion

Reich (1982), a great defender of industrial policy in the United States, defined industrial policy as the set of governmental actions designed to support industries that have major export potential and job-creation capacity, as well as the potential to directly support the production of infrastructure. There is the reality that markets left to their own devices can at bets produce perverse transformation – as moving from low productivity agriculture to equally low productivity service activities. This provides the justification for industrial policies particularly for developing countries. Sub-Sahara African countries are known to be keying into the above notion, hence their industrial policies whose primary objective is to ensure the wellbeing of her citizens by boosting local manufactures to encourage competitiveness, increase their share of global trade, ensure quality and improved verities of commodities, conserve foreign exchange, encourage employment generation, provide infrastructure and achieve a general improvement in living standards. Unfortunately, this and some other studies have shown that all these objectives have hardly been achieved in spite of many years of implementation of various industrial policies. The failure of these policies to achieve the desired effects necessitates a return to the drawing board.

Recommendations

1. The failure of the national industrial policies (Nigeria) after several years of implementation has necessitated a re-formation of such policies.
2. Such process of reformation should involve all stakeholders.
3. The industrial policies must take cognizance of the principle of comparative cost (advantage) advocated by the classical economists (Ricardo).
4. The implementation of the policies must conform with international best practices.
5. Funding should be improved in the execution of projects as this has always constituted a major problem.

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