MULTINATIONAL CORPORATIONS (MNCs): A CATALYST FOR ECONOMIC INTEGRATION IN ECOWAS

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Abstract

The operation of Multinational Corporation in West Africa pre- dates the independence of colonized territories in Africa. The arrival of the colonial masters in Africa, notably in the middle of the 19th century was soon followed by the arrival of the multinational firms in the African continent. However, at independent, the MNCs opted to remain in the region in continuation of their operations which cut across oil exploration, trading, banking, manufacturing, shipping, mining, and so on. Analysts are of the opinion that the existence of the MNCs in the ECOWAS sub- region failed to be of help to the region, especially in the area of economic promotion, and integration, factors which underline the need for this study. In the course of this study, it was observed that the MNCs in West Africa contributed virtually nothing to the development and progress of the region's economic integration. As it later turned out, the task was left in the court of the West African leaders to achieve the desired autonomous and sustainable development. Rather, the MNCs contended themselves with being the chief instruments of Western imperialism which subsequently manifested itself in the form of neo-colonialism. However, sub regional MNCs native to the region such as GLOBACON, MTN, First Bank, recently emerged catalyst for development to hasten economic integration in the ECOWAS sub-region. Some recommendations were, however, made to encourage the MNCs to tow a new line towards the promotion of the sub-regional integration.

Key words: Multinational Corporations; Catalyst; Economic Integration; ECOWAS.

Introduction

In Africa, the period between 1960 and 1980 witnessed the emergence of major regional associations that were deliberately designed at hastening the economic and social integration among concerned players in the continent. The Economic Community of West African States (ECOWAS), for example, readily comes to mind as one of such regional bodies. The ECOWAS was established in May 1975 by a-16-member-nation to promote integration in all fields of economic activities among its member-states. Since its establishment in 1975, the organization had moved slowly and steadily towards achieving its desired goals with the establishment of notable institutions such as the ECOWAS Commission, the ECOWAS Parliament, the ECOWAS Court of Justice and the ECOWAS Bank for Investment and Development.

As had earlier been noted, the MNCs' operations in the sub- region predates the independence of the ECOWAS member-states .At that time, many people were opposed to the MNCs because of their control over local economies and the huge benefits they earned. But the pro-MNCs emphasized the contributions of the MNCs in the area of technology and capital formation to economic integration schemes. Some were of the view that the activities of the MNCs had inhibited its integrative process. This is because the MNCs siphoned out their profits, under-priced labour and primary goods, caused technological misfortune, cultural degradation, transfer high taste to the locals a policy which left member states worse-off.

Though, quite a number of works have been published to buttress the above position, but then, certain thought-provoking questions in this respect are still left unanswered. It is, therefore, against this background that we shall attempt to answer the question of whether the MNCs are propellers of economic advancement or "agents" of affliction in the West African integration process. Do they create or segment markets in West Africa? And, do they encourage trade creation or trade diversion in the sub-regional integration schemes. It is in attempt to answer these questions that this study is predicated upon. In effect, it is a study inclined towards presenting the role of the MNCs as a potential factor in the integration process of West Africa.

Conceptual Framework

The term Multi-national Corporations is often used interchangeably with such terms as “international”, “global” or “supra-national” corporations. For the purpose of this work, we shall define multi-national corporations as those “centrally controlled business enterprises which operate in two or more countries” (Akinsanya, cited in Olusanya & Akindele, 2006). Implicit in this definition are two basic characteristics: central control and geographical spread. First, the headquarters of the multi-national corporations are located in a country-usually a developed country, called the home-state or investor-state. Second, the subsidiaries are to be found in other countries-usually in the developing countries of Africa, Middle East, Asia, Latin America and the Caribbean’s, called the host states. Some of the largest multi-national companies/corporations MNCs in the world today include Exxon (ESO), Royal Dutch! Shell, General Motors, Texaco, Ford, IBM, Glut, Mobil, Nippon steel, I.T.T. Unilever, British Petroleum, Cocoa-cola, to mention but a few.

The entry of the multi-national corporations into West Africa, for example, dates back to the colonial period. The colonial powers in the African continent then, notably Britain, France, Portugal and Spain dominated the business activities in their respective areas of governance. In the former British West Africa, for instance, apart from the Royal Niger Company, other companies such as John Walden, Liverpool-centered John Holt e. t. c dominated the business activities, particularly distribution and industry. Aside from distribution and trade, there was a marked interest in mining and through such large concerns as the Ashanti Gold Fields Corporations (1897); the Sierra Leone Selection Trust *(1935),* and the Amalgamated Tin Mines of Nigeria Limited (1939).

From the 1960s onwards, with the wind of change and the emergence of independent African States, the activities of multi-national corporations assumed a winder dimension. As a result of the economic difficulties that the new African nations faced immediately after independence, there was a short supply of the skilled personnel, capital and technological know-how in these new independent nations. Expectedly, the much needed economic development could not be achieved. Thus, a vacuum was created which needed to be filled. The filling of this yawning gap could not be done by these young African nations themselves. Their apparent inability underlined the need to stretch outward, especially to their colonial masters via the multi-national corporations.

For the study of the role of multinational corporations in developing countries, the external control from a company headquartered in a developed country is a fundamental characteristic. Companies that have such external control have been included in this work and the terminologies. “Multi-national” and Trans-national” and foreign monopolies are used interchangeably.

According to Vernon (2011), the MNCs are parent companies that control large cluster of corporations for various nationalities. The corporations that make up each cluster appear to have access to a common pool of human and financial resources and seem responsive to elements of a common strategy. A cluster of this sort with less than $100 million in sales rarely merits much attention. Also, the enterprise involved generally has a certain amount of geographical spread.

Dunning (1993), defined MNCs as “enterprises which own and control value added activities in two or more countries. This usual mode of ownership and control is by Foreign Direct Investment (FDI), but MNCs may also engage in foreign production by means of corporative alliance with foreign firms. However, Craig (1976) is not comfortable with the use of the term "trans-national" as "multi-national" corporations since, according to him, there are no international laws for incorporation. There is, therefore, no such thing as international or transnational enterprises to denote the various business organizations which span across many countries.

According to Freeman (2011), the MNCs are corporations that produce and market goods and services in more than one country, work at the whole world as its area of operation and act accordingly. Such MNCs search everywhere for a new terminology, talented people, new processes, raw materials, ideas and capital. They think of the entire world as their market and strive to serve customers everywhere. Basically, therefore, the MNCs are huge companies and firms, whose assets run into billions of dollars and operate internationally, irrespective of political, ideological, cultural or geographical boundaries.

Theoretical Framework

The importance of multi-national corporations in West Africa today cannot be over emphasized. Apart from being described by analysts as "the engine of growth", some African leaders see them as "partners in progress" towards their development, while others have described them as "vampires". The multinational corporations are supposed to contribute resources that are not readily available, namely capital, technology, managerial and marketing skills, create jobs for the unemployed, alleviate balance of payment deficits of their host states and help in their overall development. However, the MNCs have been found wanting in this regard. It has been argued that the multi-national corporations stand for the extension or re-entry of colonialism (neo-colonialism) and economic exploitation (imperialism) in Africa. It is against this background that a study of this nature is being carried out with a view to ascertaining how they aid or mar integration process in the West African sub-region.

Since a multi-national corporation can be defined as a company which has its parent headquarters located in a developed country with subsidiary operations in a number of other countries (Nwankwo, 2015), it is therefore the same as a transnational corporation although the later terminology may include a company in one country that is controlled by another, not necessarily a parent company in another Regional integration could be realized through the MNCs operation as well as through the promotion of trade, mobility of labour and other factors of production which were central to the ECOWAS formation and exemplified what the community was all about right from inception (Yakubu, 1984). The free movement protocol therefore, seeks to remove all impediments or barriers to trade movement. And, for any regional arrangement to eventually transform to economic union, it must have gone through stages of integration which include Free Trade Area, Customs Union, Common Market, among others. Therefore, free movement of people, goods and services are crucial to the attainment of economic integration in ECOWAS.

An Overview of the ECOWAS

The ECOWAS was established by the treaty of Lagos in May, 1975.The sixteen founding fathers were; Benin, Burkina Faso, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea, Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Lone, Togo and Cape Verde. Mauritania which decided to withdraw to join the Arab Maghreb Union in 2000 has recently re-applied to rejoin the organization.

The West African sub- region, being a highly complex one, is also characterized by affluence and affliction. The region's states vary in territorial sizes, colonial history, economic strength, internal cohesion, external linkages, population, level of development, stages of state building, nature of resource endowment, among others. The States are confronted with different levels of insecurity, governance problems and development challenges which have made progress and prosperity looked rather difficult (Halima, 2013). Having gained political independence from the colonial masters rather earlier than other African countries, the ECOWAS states were expected to spearhead the economic and political development of the continent. However, the reverse now appeared to be the case as the states have failed to achieve a high degree of political and economic stability due to corruption, bad governance or political instability and deplorable institutions against background of intra and inter- state conflicts and porous borders.

Regional Integration

The promotion of economic corporations among countries is now quite fashionable among nations. Almost all issues in the field of international economic relations are currently subordinated to the quest for regional economic associations and groupings among more or less geographically contiguous areas. Over the past two decades, more than a dozen customs and monetary unions, common markets, free trade zones and other regional cooperative arrangements have been proposed or established in Latin America, Africa and Asia. Some of these cooperative schemes however, have not lifted off the ground. Others were torn at a very early stage by deep political conflicts. Despite the disappointments and the very slow progress that some of these schemes have made, the countries concerned have continued to display a genuine desire to negotiate with each other for economic integration and cooperation. In recent years, therefore, attempts at regional economic integration are in the fore front of the issues with which the trade and development policies of the developing countries are concerned. According to Segel (2007), the major arguments in favor of economic integration in a developing region such as West Africa include trade diversification, import-saving, increased saving and monitory stability. These developing countries are therefore encouraged to form integration schemes to increase trade within their regions because of the welfare gains arising from increased intraregional trade.

The Prospects for Regional Integration in the Sub-region

The ECOWAS has taken a series of steps towards regional integration and future unification of the region. In this regard, institutions have been established with the enabling laws enacted to facilitate the functioning of such institutions. The institutions include the ECOWAS Commission, the Community Parliament, the Community Court of Justice, and the ECOWAS Bank for Investment and Development (EBID), among others.

Regional integration as a catalyst to fast-tack collective growth and prosperity has been a central focus in ECOWAS. There is a growing conviction among the member-states that the future of each national economy lies with regional integration. Consistent with this view, some states have therefore set up the ministry of regional integration and other national institutions to fast- *tract interaction with the body. The readiness of the body towards integration is further demonstrated by the creation and adoption of same standard passports in sub-region.* The need for a common currency is equally being given serious attention. This has led to the establishment of the “ECO” which is tradable in the foreign exchange markets across ECOWAS states and beyond.

The ECOWAS protocol on free movement has further demonstrated the willingness of the body to work towards economic and social integration. This development has allowed goods and citizens to move without hindrance from one country to another, in addition to facilitating economic growth and development of member states. The sub-region possesses a rich resource base in terms of agricultural resources, oil and gas and other mineral resources most of which are largely untapped. The exploitation of these resources would facilitate regional integration and growth through infrastructural development. Good examples are the West Africa Gas Pipeline Project, Glaucoma investment in communication and ICT infrastructure which have gone a long way in efforts toward promoting investment banking and ICT activities within the region.

Forms of Economic Integration

Economic integration may take slightly different forms according to the extent of surrender of national sovereignty by countries (Clement, Pfizer and Roth well, *2008).* The following rank of order of economic integration schemes are identified for the purpose of this work.

1. Development needs (Joint Implementation of Programmed/Policies): This is based on Multi-lateral economic agreements for the joint development of the participating states. It is the lowest level of economic integration geared towards the development of specific projects among member states.
2. Free Trade Area: This aims at the abolition of tariff and quantitative trade restriction in the area but leaves each notion still in control of its tariffs against countries outside the free trade area.
3. Custom Union (Common External Tariffs: In addition to all the aims of the free trade area, the customs union, in addition to eliminating tariff and other barriers on imports from member countries, provides for a common structure of tariff rates on imports from non-member countries. Thus, a customs union incorporates a common structure of tariff rates on imports from countries outside the union.
4. Common Market: A common market goes beyond external tariff and a free trade area. The aims of the common market include those of the customers union as well as further agreement to remove most factors (movement restrictions) among member states. It also harmonizes national economic politics, particularly in the areas of industrial and transportation development.
5. Total Economic Union: This aims at the unification of monetary, fiscal social and national economic policies under the supervision of a supra-national organization. No African economic integration scheme has reached this level. A good example is

European Union (EU).

In whatever form economic integration takes, there must be certain common features such as the surrender of some degree of national sovereignty to supra-national institutions and an element of tariff discrimination against non-members in the conduct of international trade (Edozien and Osagie, 2012). For the purpose of this study, we can assert that the West African integration model is both a market integration approach. In this, the market mechanisms define the sectors and scope of cooperation where political commitment is a prerequisite for a successful implementation.

Multi-National Corporations (MNCs) and Economic Integration in the Sub-region

The role of the MNCs in the economic unification and cooperation among nations irrespective of their developmental level cannot be overemphasized. However, this has been an issue of great debate among scholars, government officials and practitioners of international affairs. Some critics like Wallenstein; Sorenson, Akinsanya and Naanen, among others, view MNCs as an irresponsible instrument of private power or vehicle of economic imperialism for its own home country.

Advocates of MNCs on the other hand tend to see these corporations as engines of development and thus a necessary tool for economic integration. Reasoning along this line are Schohirs like Seers (1997), Graffrns, Johnson, Coleman, Nixson, Gilpin and Kindle-Berger (2008). These scholars maintain that MNCs bring in resources like capital; technology and Managerial skills) that are needed for third world development, It has also been argued that MNCs create jobs and alleviate balance of payments deficits of their host states through import-substitution industrialization.

In terms of regional economic integration such as the ECOWAS, some scholars argue that the MNCs are necessary tools for meaningful economic integration in West Africa as indeed in any third world countries. For instance, Albert (1999) sees MNCs as necessary for a Customs area type of economic integration. Also Fair-weather (2009) has added that MNCs are the instruments through which an economic integration scheme can easily get the skills and capital necessary for development.

In a nutshell, what advocates of MNCs posit in this regard is that the MNCs, among other things, help in economic integration through the production of necessary goods, creation of market and boosting of trade, supply of capital and technology and source of Direct Foreign Investment (DFI) and foreign aid. Another school of thought claims that the MNCs operations generally have had adverse impacts on the economies of their host states. Those scholars argue that far from developing the West African sub-region, the MNCs have drained capital away from these countries through repatriated profits, interest payments on loans, fees royalties, insurance and shipping (Amin, 2016).

Corroborating this position, Mytelka (2009) argues that the conception of integration by third world countries as a strategy for industrial development, through the MNCs and the anticipation of immediate and dramatic gains in the industrial sector, seemed to have been a serious misplacement of hope. African integration process that does not duly recognize the impacts (both negative and positive) of the activities of the MNCs is bound to be frustrated by the MNCs extraneous activities. However, Nnoli (2008) acknowledges as positive some of the contributions of MNCs to African economic cooperation, but maintains that one of the external factors that inhibit Pan-African economic integration is the MNC itself. Thus, to make self-generated development possible, integration schemes such as the ECOWAS should attempt to establish and device regional policies for the control of MNCs activities. In particular, it should regulate the generalization and utilization of technology and adopt other necessary steps that could create propitious conditions for more autonomous and sustainable development.

Conclusion

Regional integration is not only an instrument for fostering collective growth, prosperity and peaceful co- existence; it also provides a platform for smaller nations to play bigger roles in the global economy. Regional integration in ECOWAS is therefore necessary if West African countries must play a crucial role in the global economy and occupy a crucial position among the comity of nations. This work is basically to investigate the role of MNCs in the economic integration of West Africa: From the findings of this study, we can conclude that the MNCs in West Africa have not helped much in the direction of the development and progress of regional economic integration in order for the West African states to achieve the desired autonomous and sustainable development. Rather, the MNCs are the chief instruments of Western imperialism which now manifest itself in the form of neo-colonialism in the sub region (Elemanya and Iwarimie, 2016).

Recommendations

The West African economic integration scheme must carefully structure cooperation with the MNCs with the help of the following recommendations.

First, economic integration scheme in West Africa should be directly concerned with the control of MNCs operations and the adoption of integrated common investment policies in the sub-region.

Second, related to the above step to curb the excesses of the MNCs is the need for the West African economic integration policy to ensure the generation and assimilation of technology resources within the region.

Third, emphasis should be placed on technology planning at both national and regional levels for coordinated policies with which to propel their autonomous development. Fourthly, the national as well as the integration levels, a special effort must be made to plan for external resource procurement with the objective of avoiding their negative consequences for the West African integration scheme. Of particular interest in this respect is planning for the imperialist monopolies and foreign government aid of both the imperialist and non-imperialist powers.

Finally, emerging MNCs native to the region should be encouraged to tow a new line of operation with a clear view of fostering regional integration in the region.

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