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NOTES ON THE INTEGRATION PROCESS AND ON UNDP PARTICIPATION

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NOTES ON THE INTEGRATION PROCESS AND ON UNDP PARTICIPATION

1. Today, almost every Latin American country is involved in some form of economic integration. The importance of these programmes varies according to the extent to which they have managed to promote development directly or to compensate for and bolster up other policies which, relatively speaking, have recently shown every sign of flagging. In many countries, import substitution has been the most obvious example, but it is far from the only case where room for manoeuvre has become increasingly limited and where an effort has been made to resolve the situation by means of wider relations and systems of specialization and co-ordination among different countries, all of which should, of course, lead to the growth of regional trade and, as a result of that experience, to the export of manufactures to third countries, including developed centres.

Though the process is only beginning, it is gradually leading towards the merging and interdependence of certain national development policies with the integration movements within which this development is taking place - a pattern which varies in degree according to the countries and processes involved. In the case of Central America, for example, economic growth and national economic policies have been largely affected by the region's economic integration; in the case of the Andean Group, the interdependence and co-ordination of development policies is essential to the determined effort that is being made to evolve a common market.

For the purpose of these notes, attention must be drawn to a particular problem and a definite possibility. Despite the importance ascribed to integration in the development processes of many Latin American countries and despite its growing links with technical assistance, it may be said that most technical assistance tends, generally, to be linked to policies that pre-date integration. For this reason integration policies do not appear in most national programmes and the few which devote themselves to them are insufficiently responsive to the needs and requirements of regional integration. On the other hand, inasmuch as integration means that development problems can be placed in the context of an enlarged market, entailing large-scale production, specialization of productive activities and new flows of exports inside and outside the integrated area, these factors must be included in the basic criteria used in formulating policies relating to advisory services for development.

2. From this standpoint, the meeting of Resident Representatives offers an opportunity of studying in what way integration makes new or different demands on the United Nations and how the latter could respond to such demands more satisfactorily.

The situation created by integration, complex though it is, has three outstanding features. In the first place, its vast geographical scope gives integration an importance which should not be overlooked. Secondly, in their various guises, integration policies take the form of deliberate programmes and guidelines that are neither solely nor principally left up to the vagaries of free trade. Thirdly, it is a well-known fact that integration movements go hand-in-hand with the changes in domestic structures that each country is striving after at the economic and social level.

Although it would be wrong to generalize, the circumstances described above lead, or must lead in the future, to an increasing use of instruments for the programming and co-ordination of national plans and policies among the various member countries of the subregional integration systems, which is the most dynamic form in which integration has presented itself in the last few years. These instruments mainly include the formulation of a subregional development strategy or other similar instruments which, in conjunction with various other steps and measures, can serve to orient national development strategies with a view toward integration.

The purpose of subregional strategies is to provide a forward-looking picture of the type of economy that would evolve within the enlarged market, the size of such a market, its structure, the kind of industry and other activities to which it would give rise; in a word, to show in advance what integration is capable of contributing to the economic development of the area as a whole, and of each country individually. In the case of the Andean Group, the formulation of the strategy is one of the fields in which the United Nations is offering its experience and knowledge by collaborating with the Governments of the member countries, and, more especially, with the regional integration agencies. UNDP has played a significant supporting role in this task.

It must also be borne in mind that, just as national programmes and plans help to adapt technical assistance as a whole to the particular development requirements of a given country, the integration strategies that have evolved can perhaps in the same way provide guidelines for the technical assistance programmes that are linked with the integration processes. They have already begun to play that role, but it would be most desirable to

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strengthen their efforts. Their function would be to help concentrate a volume of technical assistance resources whose benefits could thus be enhanced and contribute more effectively to the objectives of integration and development.

3. The Institute and ECLA, jointly with other agencies, have collaborated in formulating basic guidelines for Central America and, more recently, for the Andean Group, whose Board has been receiving advisory assistance in connexion with a joint programme to which both bodies attach the highest priority. By its very character, the designing of strategies may naturally reach the point of calling for more specific action involving more intensive and co-ordinated assistance from the various sources of advisory service. Indeed, although the strategies entail a certain amount of pre-investment, they must ultimately be translated into more concrete programmes and projects and even into a timetable of actions which, owing to the very diversity of the situations and factors that will be affected by them in one way or another, will subsequently be revised and modified in the light of the realities of the common market and the course of events.

Thus, the co-operation between the Institute, ECLA and the Board of the Cartagena Agreement provides grounds for assuming a degree of specialized development in the region which in the course of the next 15 years, would bring it to an economic size which would support manufacturing industry with a gross value of production which by 1985 would be five times higher than present levels, with a sharp upturn in the growth of basic industries. The studies carried out thus far on the metal transforming and chemical industries, and other dynamic sectors go so far as to point out possible lines of production - many of which are now virtually non-existent in the region - their prospects and characteristics, and the main economic repercussions that may be expected from their development. The prospects for consumer goods industries and the part which small scale industry could play in absorbing manpower have also been examined. These and other ideas set forth in the study have been put before the Planning Council of the Cartagena Agreement and the national agencies concerned with integration and planning. Subsequent advances up to the point of determining distinct activities would call for increasingly specialized advisory services in order to assure that the decisions are within the concept of integrated development. It should be noted that the work done thus far has already led to industrial ventures and projects which will have to be progressively strengthened and

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completed in the future.^{1/}

On the other hand, there are any number of aspects that an integration process may bring to the fore and which would require the channelling of technical assistance towards strengthening the integration process: export promotion (already mentioned), technological research, common social problems (especially the raising of purchasing power, the strengthening of the domestic market and the growth of employment), combined industrial development, location of new projects, guidelines for the regional economic infrastructure, the possible repercussion of trade on enterprises that, for a variety of reasons, may be in a less favourable position than others, the standardization of tax and exchange policies, and many others. It should be noted that these aspects, which are fundamental to the integration process, are also the points on which general agreement and even a clear definition of a regional interest are hard to come by. Hence there is the need to organize and co-ordinate technical assistance for integration purposes in every one of these aspects, with the aid of various bodies which can study them each from their own particular viewpoint but without losing sight of the regional concept on which all their efforts should be focussed.

4. One of the most important examples of where this channelling of continuing action seems to be required is the problem of marginality and unemployment which is a central concern of national policy, depending on the condition found in the various countries. Many of the effects of integration also have a severe impact on this phenomenon. On this plane, therefore, the questions to be asked are: how can regional industrialization be conceived without considering the problem of the marginal employment population, and how can the greater industrial efficiency required by integration be reconciled with the need to correct the present trend towards unemployment? These are the questions that the countries are asking themselves; they were not made sufficiently explicit as objectives of integration in the early stages of the process, but they emerge as serious problems for which a solution must be found by identifying regional activities and programmes and linking them to national policies which will enable the necessary action to be taken.

^{1/} The Commission of the Cartagena Agreement recently approved the first industrial development programme for the specialization of production in the metal transforming industry. The programme covers 91 groups of products which will be produced in the different member countries.

5. The transition from a process of national import substitution to a process of substitution based on a joint market for the integrated area which, at the same time, fosters exports of manufactures to third countries, also calls for appreciable and increasing technical assistance at two levels: first, in determining possible areas of regional import substitution and, secondly, in helping to prepare and, where applicable, launch the programmes concerned. This system of planned import substitution and development of basic industry has special significance in the Andean Group, since the Agreement establishes sectoral development programmes as a means of promoting the dynamic industries. It may also be anticipated that, in line with the plans for achieving progress in the Andean Group, a major part of the attention and action of governments and their economic integration machinery will increasingly be centred on these programmes.

6. In addition to the group of common problems and possibilities described above, there are other factors directly related to integration policy proper which should in some way be reflected in the type of co-operation offered by the United Nations. An example of this is the balanced development policy which is found in all the integration systems and is decisively aimed at the development of the more backward countries. This is one of the most difficult and complex problems to which no adequate solution has been found in practice. This very circumstance has led the Andean Group to use sectoral planning as a means of ensuring balance between the countries. International action may help to further those objectives but if it is not properly oriented, it may, on occasion, unwittingly obstruct them. An important subject to be considered, therefore, is the conduct of technical assistance along such lines as to contribute towards this important aim of the Latin American Governments. It is not merely a matter of giving more technical assistance to the less developed countries. This is undoubtedly necessary, but it is clearly even more important that the action of the various international agencies, including financial institutions, should be aimed at reducing the differences between the countries.

Action cannot be taken independently in this field without seriously jeopardizing the attainment of balanced development. It would be necessary to combine a number of activities in the less developed countries, including training programmes, surveys of natural resources, a study of the development of regions or the establishment of centres of development in countries with the lowest incomes, and the preparation of infrastructure programmes, industrial programmes and projects and agricultural development programmes. The combination of these programmes in accordance with appropriate time-tables and sequences seems indispensable in order to help to promote the

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growth of those countries which, because of their backward state, tend to lag behind and fail to receive their full share of the benefits and opportunities afforded by the integrated market of which they are members.

The following example is also connected with an important integration objective. The various integration systems form part of a more ambitious effort towards the economic integration in time of all the Latin American countries. Nevertheless, it may be assumed that the first stage of sub-regional integration may fail to lead spontaneously to increasing communication between the various integration groups, but rather, if specific measures are not taken, there may be a certain trend towards isolation of the groups in their respective subregional markets. It would thus be advisable to keep in mind the countries' common objective so that international co-operation can provide the integration agencies with the necessary criteria for discerning opportunities for specialization and trade among the various subregions or between them and other countries, as the case may be.

Thus, in the course of time, those activities which go beyond the economic market of the various systems and could be the object of concerted action by two or more of the existing groups could be gradually identified. This may also give impetus to UNDP technical assistance activities centering on the specialization and promotion of Latin American trade through the preparation of programmes and projects identified and selected by the sub-regional groups concerned. These projects of regional scope would supplement the de facto trade that is already taking place among countries and groups in Latin America and which is growing in importance, especially in the countries of greater economic size. This de facto progress should go hand-in-hand with an analysis of the characteristics and methods required to accelerate the convergence of the different integration systems to a common basis.

7. In addition to the above-mentioned activities which are mainly of a regional character and scope, the following fields of UNDP technical assistance at the national level have an impact on and should be interrelated with integration: pre-investment studies for projects allocated to a country under a sectoral development programme; the adaptation of a policy or institutional mechanism with a view to a country's incorporation in the integration process; research into the use of raw materials or the development of as yet unexploited natural resources; the introduction of new technologies not previously justified for the domestic market; the creation or expansion of transport infrastructure. These are all examples of areas requiring technical assistance at the national programme level in which the integration process should be taken into account.

3. The co-ordination of development plans and programmes and a system of frequent consultation between countries are measures which would provide unity and consistency to the multiplicity of actions which may be foreseen.

The experience of ECLA and the Institute in integration, which has been translated into action connected with the existing systems in Latin America, highlights the need for gradually adapting advisory assistance and supporting research to help meet the particular requirements of each stage of the integration process. There is therefore a dual need for continuing action and flexibility. In other words, in a broader field, the United Nations must keep a close watch on the current integration processes so as to anticipate their requirements, gradually adapt the ways of providing technical assistance and, above all, establish uniform criteria for such co-operation.

In this process foresight is essential since integration measures and movements operate within extremely dynamic situations. The use of regional development strategies to orient plans and programmes represents a considerable advance and can be considered an anticipatory measure which, as was said earlier, could be at the basis of technical assistance programmes connected with that same process. But even a greater degree of foresight appears to be required in order to unite specific programmes and projects within the context of broad ideas on the relationship of different integration systems among themselves and with the rest of the world. In this way, integration policies may be used as an instrument to deal with new problems or situations. Only intensive and continuous discussion with the countries will enable progress to be made in this field, bringing into play the experience that is being accumulated through the analysis of national development and the study of and assistance to the integration process.

