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Three dots (...) indicate that data are not available or are not separately reported.

A dash (–) indicates that the amount is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (–) indicates a deficit or decrease, unless otherwise specified.

A point (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1970/1971.

Use of a hyphen (-) between years, e.g., 1971-1973, indicates reference to the complete number of calendar years involved, including the beginning and end years.

References to “tons” mean metric tons, and to “dollars”, United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual rates of growth or variation signify compound annual rates.

Individual figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

## *Comments by Cristóbal Lara Beautell*

It was fortunate that the agents of integration in Central America never troubled their heads about the style that had been adopted, or the characteristics of the integration model that was being created; whether the process was being conducted on 'incremental', global or partial lines; or, lastly, whether one or other of these characteristics corresponded to one or other specific type of co-operation. Though it may seem an irony, no fixed rules governed integration in its formative phase in Central America, the approach changing in accordance with what were deemed to be the needs of the region. For it was not so much the type of integration pursued that was of concern as its repercussions on the regional economy, and, specifically, the physiognomy that would supersede the old patterns displaced by new developments.

Today we are suffering from an itch for classification so acute that at times activities are felt to be of interest less for their results than for the broader type of action within which they are comprised: in other words, for their classification. And this almost inevitably determines a leaning towards isolated and sometimes small-scale activities, which are proposed and advocated precisely because of their isolation, because they are viable, because supposedly they can be carried out at no cost to anyone or benefit all alike, or in the light of any other criterion relevant to the status and characteristics of the recommended groups of decisions. Not very many years ago, in Latin America, there were some who went so far as expressly to defend what was then called micro-integration, that is, the promotion of common activities on a small scale.

As such activities, however sporadic or modest, need something behind them greater than themselves to give them impetus, and that 'something' not only has lost strength in recent years, but is sometimes considered unnecessary and even counterproductive, the path they offer may lead to a veritable *cul-de-sac*: to utopias in reverse, which are as unattainable as utopias themselves, but, unlike these, even if they were attained would bring about no fundamental change.

Herein lies initial food for thought. Whatever the extent to which the advance towards any action of far-reaching scope has been interrupted or seriously hindered, it is still true that neither Central America nor, where the case arises, any other Latin American region will achieve its integration through isolated activities, related to narrow horizons. Whether we like it or not, a minimum push must be given without which continued progress will lack impetus or will not be possible at all. In other words, specific activities, however specific they may be, will thrive in the propitious environment of broader impulses and programmes from which they will stem.

This is a point worth dwelling on, because it is fashionable to believe that much of what happens outside integration programmes (agreements between private enterprises, joint investment projects and the ways in which the transnational corporations specialize for the market) occurs independently not only of the programmes but of integration itself. And given this belief, it is only one step farther to the replacement of integration programmes – complex, entailing commitments and presumably of indefinite duration – by specific projects

of limited and clearly-defined scope and effects.

Experience in Central America, and in other Latin American regional groupings, does not bear out such a view; non-formal or parallel integration comes into being, in the natural course of things, in an environment already rendered favourable for its emergence by the fact that integration programmes themselves and policy commitments have held out prospects of profitability and the certainty of permanence.

Consequently, such central integration impulses are an indispensable requisite if all the rest is to follow. Or, to put it better, instruments and policies will sometimes need changing because they are worn out by too much use, because they have entered upon a phase of manifestly diminishing returns, or, because, on the contrary, after years of lying idle they have grown rusty, as may also happen, and indeed has happened with some of the integration policies subscribed to in their time. But what will not be possible is to dispense with the central impulse and yet continue advancing in respect of a balanced and favourable relationship among our economies: that is, towards lasting solidarity.

Of course, another requisite is plurality of approach, and programmes and projects such as those rightly proposed in Central America's case by the authors of the article under review; but even more is it needful to find the bases for a new 'big push' whereby the stages already travelled can be left behind and new motive forces can be generated. That is the major problem; and it is at this point that Central America has stood since the earlier integration impulses began to lose force.

These impulses consisted mainly in: (a) the sudden expansion of the five countries' markets for any individual producer; and (b) regional import substitution, a road already taken by other Latin American countries. These two movements, furthermore, were inward-directed.

The first of them came about at a specific moment, in 1960, but by its very nature this *sudden* expansion could only occur once and for all. The secondary effects of the historic change which consolidated the five national markets in a single whole are still operative today, but the change itself cannot be repeated. As regards the second factor, the possibilities inherent in regional import substitution and the birth and expansion of manufacturing industry are far from having spent themselves, and a valuable joint development potential still exists: but, for one reason or another, its exploitation has been deferred again and again.

In these conditions, Central America cannot bemuse itself in contemplation of its own inward-directed co-operation, and there would be obvious advantages in carrying this co-operation on to the level of exports of manufactures to the rest of Latin America and to other areas: firstly, in view of the well-known fact that many industries are still affected by limitations of size, even taking due account of the Central American Common Market as a whole; and secondly, in order to bring about a significant change of attitude, since for too many years economic co-operation in Central America has been centred on patching up disagreements. A supremely important change would be heralded by any effort on the part of the Central American countries to extend the frontiers of their reciprocal co-operation

and join together in exporting to third countries, since such a policy would tend to unite them, and the movement would thus gain fresh impetus.

This would give rise to investment projects and programmes like those suggested by Cohen and Rosenthal, linked to the Central American Market and to that of other Latin American countries. The article by these two writers represents a valuable quest for solutions. It is an invitation to take another stride forward, and, for a while, to construct integration through projects of decisive significance for the economy: important enough, in fact, to lead in the course of time to the application of more general development and market expansion measures. This constitutes the 'multiple approach' which the authors also recommend. But the essential element in the approach consists in projects which by virtue of their importance and the diversity of the fields they cover form a sort of new programme of integration activities. The key point to settle is whether the region is in a position to mobilize the energies required for bringing such activities into being, without introducing major modifications in the political conditions surrounding integration.

It would appear from all that has been said that in order to enter upon this phase of achievement certain basic changes are needed. On the one hand, it would be necessary to pass from a phase of negotiation among the five countries to a phase of negotiation *vis-à-vis* others, and of co-operation with other countries too. Despite the setbacks suffered by integration in recent years, Central America is in no danger of losing its identity, but it could reaffirm that identity now in contact with others instead of merely within its own relative

isolation. This need to forge links and enlarge the scale of economic operations is not peculiar to the small Central American area, and holds good in varying degrees for the rest of Latin America.

But what would be the conditions in which relations could be established with other countries and regions in Latin America? It can be said straight away that they would have to be different from those prevailing in the past. Central America could not compete as a minor unit among major units unless it were able to count upon its own complete internal cohesion. The last five years have witnessed a rapid expansion of trade with the other Latin American countries, but on the basis of a relationship which is still ill-balanced, since imports do not find their necessary counterpart in the shape of exports.

Moreover, there are manifest symptoms that the Central American programme has lacked certain indispensable elements that would enable it to help in finding ways out of urgent national problems, to cope with particular combinations of circumstances, or to adapt itself to the rapid economic changes that have taken place in the last few years; not to speak of that veritable Achilles' heel of integration, inequality of benefits, which means that some profit by the movement and others gain little or nothing at all. Problems of this type are outside the scope of the so-called project approach, and until their solution is ensured they will make it difficult for suitable projects to be formulated.

Another requisite for progress seems to be closer linkage between integration efforts and some of the most crucial problems of national development, to further which is the function of such

efforts in a region like Central America, as was clearly envisaged from the very outset. And as long as they remain apparently remote from such problems as unemployment or income levels, they will meet with a cool reception, and will not kindle the same warm interest as national development policies. When the linkage in question is achieved, integration will no longer be a 'week-end exercise', as a well-known Central American once said, but will tend to enlist steady and continuing attention and support. To recover from the integration crisis, in a lasting sense of the words, is to enter upon active participation in the development problems of the countries and of the region. Here too the project approach needs the support of the more permanent integration instruments and policies.

The time may possibly come when projects and programmes of broad significance can be launched, and when this will be the best way of making progress in integration; but not in the midst of a climate of opinion which undervalues or disregards the integration movement, for if there is no faith in the strength of the integrated market, there will hardly be faith in the economic destiny of the activities established within it, nor will the future hold out motivating prospects. Julio Melnik, one of the best thinkers on the project problem—and on many others—, when bombarded with questions as to what could be done to encourage the emergence of projects, used to say with irrefutable logic that the *sine qua non* was a climate of development; without development no project could exist. And we might say that neither can projects be looked for without a climate of integration.

Again, the Central American economies viewed their early integration

efforts in a far-reaching perspective which clearly revealed the prospect of a stronger, more advanced region, where the quality of life would be better. Such farsightedness is still needed. This it was that made it possible to deal with major and minor problems which otherwise would have impoverished the environment and retarded the pace. One of the factors which influenced the 1969 crisis and the discouragement preceding it—a factor which entered into every sphere of integration— was the gradual blurring of the great objective of unity combined with development. When it was lost sight of altogether, something very serious had happened: either reality could no longer provide sustenance for a constructive vision of the future, because the actual situation had deteriorated; or the programme had been flooded by the so-called practical spirit, with the result that negotiation, haggling and the commercial instinct thrust aside all forward-looking aspirations, replacing them by the 'hard facts'. These facts proved too bitter to be stomached when they were impossible to reconcile or compare with the constructive view of integrated development that had hitherto constituted the horizon of the programme.

Consequently, in the set of instruments and policies which seem likely to be applied in the future, a hiatus can be perceived which it is to be feared projects and programmes alone will be unable to fill: a hiatus created by a lack of purpose which holds back integration, in the sense of economies which give one another functional support in their development and which all strengthen their own roots by their union. For this reason, it may be difficult at present to advance towards integration through isolated activities, and progress in that



direction can now be better envisaged as the product of a new impulse which will bring in its wake programmes and projects—even projects on a minimum scale— together with major policies.

The time is not ripe, therefore, for isolated project-based activities, because no fertile ground has been prepared for them, and because they would have no strength to transmit but would exhaust what they possessed in their own vital effort to survive. Indubitably, there is a considerable margin for action in the form of that 'quiet progress' to which Professor Hirschman refers, and which is a path that many Central American activities and forms of co-operation have followed. Moreover, the approach proposed by Cohen and Rosenthal incorporates a valuable point of departure that might facilitate its implementation, inasmuch as the coverage of the areas of action is strikingly wide, comprising not only integration industries and other productive activities, but also important lines of regional policy. This has a dimension that might promote new and highly necessary forms of co-operation among the countries. But at the same time the twofold need already indicated still exists: the need for fuller economic support, which, either by way of extra-regional exports or by any other means, will link up Central American activities and will be capable of giving integration a new overall impetus; and the need to reconstitute the indispensable climate of achievements and objectives.

The more thought is given to this matter, and the closer the scrutiny directed upon what has happened since 1969 and what is happening now, at the time of writing—in Central America and in the world economy—, the more patent becomes the necessity of action bearing on the very pith and marrow of econo-

mic integration itself, not upon separate fragments of it.

To put it very briefly, the integration process must be more effectively related to the central motive forces of the national economies, to their purchasing power, to the region's natural resources (which are turned to very little account within the area) and to an export potential with fresh possibilities not only as regards the kind of goods exported, but also in respect of their destination, which could include new buyer markets both within Latin America and outside it. And when this is done, when integration is identified with these forces, it will tend to acquire new dimensions and operate on different levels, with vigour enough to find a way out of the present *impasse*, while strengthening all that already exists, not setting it aside.

This prospect of mobilization of action and policies throws into relief both the need and the basis for complementarity between the Central American Common Market and the Caribbean area, as well as the Andean Group and its member countries. What is suggested is not a general association, for all three systems are still in process of evolution, and have not yet taken their final shape. It would be unreasonable, in such circumstances, to attempt broad and complex linkage. But such a policy emphatically could be tried out in relation to important groups of products where the enlargement of the market could offer the incentive lacking today for the development of the corresponding productive activities; and not only markets could be pooled, but also financial and capital resources, organizational know-how, technology, and any other factors in respect of which the various regions are mutually complementary. This must not be left to chance,

however, but must constitute a line of policy followed by the five member countries. For chance, up to now, has been niggardly in promoting movements of such far-reaching importance.

It is an open question whether Central America would or would not be capable of undertaking this sort of natural prolongation of its own inward-directed integration, but at least the attempt could profitably be made. The Central American Common Market would find in it a compelling motivation that it lacks today. For in so far as it extends its exports to third countries, it will at the same time be obliged to raise the pitch of its economies to more efficient levels of industrial production. And this too would be another major objective which integration could bring within reach, just as in the past it wrought a notable change for the better in the production conditions prevailing when the process began.

It is sweeping changes such as those described that could afford the bases for the new 'big push' referred to earlier, whereby the stages already completed could be left behind and new motive forces could be generated. To that end, whatever specific form the 'push' may take, both projects and policies are needed. For projects will not be either formulated or executed by themselves, without the broader-based support of integration policies.

Moreover, in the Central American countries a high degree of reciprocal interest still attaches to the economic destiny of each individual one, since integration has advanced far enough to make them interdependent. But it is an unbalanced interdependence, at least as regards the country whose development is lagging farthest behind. In the failure to bear in mind or grasp this circum-

stance the explanation of the integration crisis lies, just as, in the future, understanding and observance of the principle involved will account for the reactivation of the process.

On the road towards normalization of the Central American Common Market there would be no question of enabling the countries that have gained less than others, or nothing at all, to recoup the benefits they previously had to forgo; the idea would be to construct their own source of profit and expansion within the normal operation of the system. Nor, by its very nature, will the balance sought result from occasional action, or sporadic compensatory measures. A set of economic interrelationships needs to be established that will link up the countries in such a way as to create a situation of shared prosperity, in which an adequate proportion of the impulse received by the country or countries whose growth is most dynamic will be commuted into demand for goods from countries that have not yet attained the same degree of dynamism.

For this purpose, the establishment of a network of interrelated industries manufacturing final production goods and intermediate goods in the various countries is a worth-while objective which could mobilize a great deal of energy in the Central American area, and create the right conditions either for sharing the prosperity generated by integration itself or for mitigating and offsetting whatever repercussions of recession and instability in the world economy may affect the region in the future. Needless to say, the economic transformation and the consequent progress of the more backward countries is conceivable, and possible to achieve, only over the long term; but unbalanced development is an immediate problem

which, unless it is tackled efficiently from the outset—as could be done now in a new phase—will gain increasing sway over the integration process.

The next few years may also witness an effort to assign integration a role more closely associated—as would seem appropriate to the degree of maturity that the process has already attained—with one of the principal development problems by which the countries are beset. The forces roused by integration could be channelled into the deliberate creation of new jobs, for which special financing could be used, both domestic and from other sources; and advantage could be taken of the regional market and the rapprochement with other regions and countries to support an employment-creating programme on a large enough scale to make itself definitely felt as a product of the integration

process on which it is based. Admittedly, the pace of the process has slackened. But it would be a mistake to conclude that consequently no action can be taken in the field of employment. For the loss of speed is also due to the detachment of integration from this and other problems and possibilities—a defect which must now be corrected.

Such lines of action may or may not prove feasible, and it would be unwise to oversimplify all that they imply in terms of effort and performance capacity. Be this as it may, however, there is a permanent and basic meaning of integration which calls for broad movements of the kind indicated if progress is to continue. And it is salutary, too, to recognize this fact, so that full advantage may be taken of the strength still displayed by the integration process, which, in the midst of an abnormal situation, is continuing to produce undeniably potent effects.

### *Comments by Albert O. Hirschman*

Issac Cohen Orantes and Gert Rosenthal have written a rich, thoughtful and constructive paper about the difficult process of economic integration in Central America. It seems to me that they might have used as an epigraph for their story the following paragraph by the Polish philosopher Leszek Kolakowski:

“The simplest improvements in social conditions require so huge an effort on the part of society that full awareness of this disproportion would be most discouraging and would thereby make any social progress impossible. The effort must be prodigally great if the result is to be at all visible. . . . It is not at all

peculiar then that this terrible disproportion must be quite weakly reflected in human consciousness if society is to generate the energy required to effect changes in social and human relations. For this purpose, one exaggerates the prospective results into a myth so as to make them take on dimensions which correspond a bit more to the immediately felt effort. . . . [The myth acts like] a Fata Morgana which makes beautiful lands arise before the eyes of the members of a caravan and thus increases their efforts to the point where, in spite of all their sufferings, they reach the next tiny waterhole. Had such tempting