

# CEPAL Review

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## The concept of integration

Isaac Cohen Orantes\*

The concept of integration dates back a long time, although it has been used as an economic term only since the Second World War, when it was used to explain one of the objectives of the programmes for the reconstruction of Europe. Since its distant origins, its meaning has changed according to circumstances, which justifies an exploration of its various meanings in order to give them a sense appropriate to the present circumstances.

This article does not have a merely semantic purpose, however, as it attempts to shed light on the term by adapting it to reality as far as possible, in order to derive from it more viable integrationist measures. In other words, it is an attempt to define integration so as to identify concrete measures capable of being adopted and carried out. This does not mean, of course, that a simple clarification of the concept of integration is enough to overcome the difficulties involved in the process. This approach does, however, recognize that overcoming these difficulties requires, *inter alia*, the development of a suitable definition.

The study is divided into two parts. The first is a review of the definitions of integration most frequently used at present, in order to define their common features and some of their disadvantages; the second part offers an alternative definition and analyses its components and some of its advantages.

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## I

### Some traditional definitions

In this part of the study, two types of traditionally used definitions of integration are described. The first may be called economic and the second political. The purpose of this description is to draw some conclusions, based on the experience of recent years, on their possible disadvantages with regard to the feasibility of the integrationist measures which these two definitions are capable of generating.

#### A. THE ECONOMIC DEFINITION

The economic definition of integration refers to the process by which two or more countries proceed to eliminate, gradually or immediately, the existing discriminatory barriers between them for the purpose of establishing a single economic space. In this conception, integration tends to create an economic space between the participants which serves as a basis for establishing a new division of labour between them, in order to meet the needs of this space and within which the products and factors, or both together, enjoy freedom of movement. The latter can be achieved by eliminating the existing discriminatory barriers which impede the free circulation of products and factors within this space.

However, this latter state of affairs will only be reached at the end of the evolution of the process.<sup>1</sup> Thus there is a need to specify the various steps which must be taken to achieve this goal gradually but lineally. As these steps are well known, they need only be referred to briefly. They begin with a free trade area, characterized by the free mobility of products; they then require the establishment of a common tariff barrier towards the outside, thus arriving at a customs union. The accomplishment of these two steps makes possible the mobility of the factors of production, thus resulting in a

<sup>1</sup>This distinction between integration as a process and as a state of affairs was made by Bela Balassa in *The Theory of Economic Integration*, London, George Allen and Unwin Ltd., 1961, p. 1. As a process it includes "measures designed to abolish discrimination between economic units belonging to different national states"; and as state of affairs it means "the absence of various forms of discrimination between national economies".

common market, and finally comes co-ordination of policies, establishing economic union. In other words, a broader economic space is created within which a new division of labour will exist, based on the free movement of factors and products.

This economic concept of integration, as mentioned earlier, was the result of the historical circumstances at the time when it was used. As such, it served as a basis for the adoption of a set of economic policy measures whose influence may still be felt today.

Thus, for example, the use of this concept may be seen in such official pronouncements as that made by Paul Hoffmann on 31 October 1949, in his capacity as Administrator of the Economic Co-operation Administration of the United States Government, to the Organization for European Economic Co-operation (OEEC). Hoffmann felt that it was urgent at that time to make more rapid progress towards "an integration of the Western European economy" and explained the meaning of the term as follows: "The substance of such integration would be the formation of a single large market within which quantitative restrictions on the movements of goods, monetary barriers to the flow of payments and, eventually, all tariffs are permanently swept away".<sup>2</sup>

It is no accident that this same concept underlies the provisions on economic integration contained in Article XXIV of the General Agreement on Tariffs and Trade (GATT). As is well known, the international economic order built up after the war basically sought, in matters of trade, to develop relations based on the principle of free trade. This concept took the form of the abovementioned General Agreement, one of whose objectives is "the elimination of discriminatory treatment" among the Contracting Parties. By this term is meant "any advantage, favour, privilege or immunity granted by any Contracting Party to any product originating in or destined for any other country".<sup>3</sup> The mechanism through which this

principle of non-discrimination was to be put into practice was that of the most-favoured-nation clause, or in other words, in negative terms, the basic objective of the General Agreement consists of the elimination of any type of discriminatory practices against third parties. This prohibition, however, expressed in general terms, also extends of course to partial agreements on economic integration, and this is why such agreements are expressly exempted from the above prohibition, as long as they meet certain requirements.

This distinction between preferences and integration agreements was clearly expressed by a member of the United States delegation to the General Agreement negotiations, which were also based on a proposal by the United States Government:

"A customs union creates a wider trading area, removes obstacles to competition, makes possible a more economic allocation of resources, and thus operates to increase production and raise planes of living. A preferential system, on the other hand..., obstructs economy in production, and restrains the growth of income and demand... a customs union is conducive to the expansion of trade on a basis of multilateralism and non-discrimination; a preferential system is not".<sup>4</sup>

On the basis of these considerations, article XXIV of the General Agreement recognizes the potential for trade integration carried out through the establishment of customs unions or free trade areas, which may be arrived at immediately or after a transition period, and it also enumerates the requirements which must be fulfilled by agreements concluded between member countries of the Agreement.<sup>5</sup> These requirements are:

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ment and the second defines what is meant by most-favoured-nation treatment. See General Agreement on Tariffs and Trade, *Basic Instruments and Selected Documents*, Vol. 1 (GATT/1955-1), Geneva, April 1955, pp. 7-11.

<sup>4</sup>Clair Wilcox, *A Charter for World Trade* (New York, Macmillan, 1949), pp. 70-71.

<sup>5</sup>A good analysis of the origins and meaning of article XXIV may be found in Gerard Curzon, *Multilateral Commercial Diplomacy* (London: Michael Joseph, 1965), pp. 260-289; and Kenneth W. Dam, *The GATT Law and International Economic Organization* (Chicago: The University of Chicago Press, 1970), pp. 274-295.

<sup>2</sup>The use of the term has recently been studied by Fritz Machlup in *A History of Thought on Economic Integration* (London: The Macmillan Press Ltd., 1977), pp. 3-12, from which this quotation was taken.

<sup>3</sup>The first article refers to the objectives of the Agree-

(a) In the case of customs unions, tariffs and other trade regulations imposed on trade with third parties shall not, on the whole, be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union;

(b) With respect to free-trade areas, the duties and other restrictive regulations shall be eliminated with respect to substantially all the trade in products originating in the constituent territories;

(c) Finally, and perhaps of the greatest interest for the purpose of this study, any agreement to achieve any of the two abovementioned targets shall include a plan and schedule for its establishment within a reasonable length of time.

It follows from these provisions that any economic integration agreement aimed at the later consideration of the first two steps of the process, in order to be acceptable in the context of the existing legislation, should establish either of these two alternatives as a goal and should also be accompanied by a schedule for achieving them.

Leaving aside the way in which these norms have been applied and the influence they have exercised, especially in Latin America,<sup>6</sup> it can be seen how the above concept had an effective impact on the content of the applicable international trade provisions. Later, when the possibility of establishing a Latin American common market was raised, the United States Government stated that it would support such proposals only if the requirements stipulated in article XXIV of the General Agreement were fulfilled.<sup>7</sup>

<sup>6</sup>Germánico Salgado, in "Los conceptos básicos de la integración latinoamericana y su reevaluación a la luz de la experiencia" (typescript, undated), analyses how article XXIV has been applied in Latin America. See also Kenneth W.S. Dam, "Regional Economic Arrangements and the GATT", in *University of Chicago Law Review*, XXX (1963), pp. 615, 644-646.

<sup>7</sup>Under-Secretary of State Douglas Dillon enumerated these conditions at the meeting of the Committee of Twenty-One of the OAS, held in Washington in February 1959. See United States Congress, Senate, *United States and Latin American Policies Affecting their Economic Relations*, study prepared by the National Planning Association at the request of the Sub-Committee on Inter-

To complete this section, it should be stressed that the concept of economic integration accepted at the time had a decisive influence on the prevailing international norms and the external sector policy of some governments. Thus, the total elimination of discriminatory barriers among the participants, making possible the establishment of a single economic space among them, was the accepted meaning of the term.

## B. THE POLITICAL DEFINITION

The political definition of integration attempts to take care of the political implications involved in the development of a process aimed at creating a larger economic space among the participants. It therefore places less emphasis on the elimination of barriers or the co-ordination of policies, because it is more interested in the institutional consequences of the adoption of such measures. In other words, this concept deals with the need to establish, along with the integrated space, an institutional centre capable of regulating the functioning of the economic relations within the space.

For these reasons, and from this perspective, integration is seen as a process by which the participants transfer to a more powerful body the loyalties and powers needed to regulate their relations within the larger space or unit.<sup>8</sup>

Unlike the economic concept, this definition of the institutional requirements which must accompany the creation of the integrated space does not attempt to specify the stages through which this evolution must pass, although it accepts the possibility of its gradual occurrence. Instead, it holds that this transfer of functions and powers to the institutions of the process occurs almost automatically, through "spillover" of the originally limited objectives,

American Affairs of the Foreign Relations Committee, Washington Government Printing Office, 1960, pp. 64-65.

<sup>8</sup>This is the definition used by Ernst B. Haas and Philippe C. Schmitter in their paper "Economics and Differential Patterns of Political Integration: Projections about Unity in Latin America", in *International Political Communities: An Anthology* (New York: Doubleday, 1966), p. 265.

and this is the trigger for the growing politicization of the integration process.<sup>9</sup>

As in the economic definition, circumstances have played a decisive role in shaping this way of conceiving the process. The experience of Western Europe in the field of economic integration lies at the basis of this approach, especially as regards the hope that the process begun in this part of the world in economic aspects, would eventually lead to the transfer of powers and loyalties to common institutions, whereby greater unity among the participants would gradually be achieved.

However, this political concept, unlike the economic one, did not have as much influence as the latter over the foreign policy of certain governments or over the constituent norms of some international organizations. Its influence was rather felt in a considerable number of academic studies on the various economic integration schemes existing in the world, including those of Latin America.<sup>10</sup>

The latter have sought, in the Latin American context, to identify circumstances similar to those of Europe with the aim of promoting in the regional context a similar process to that which it was expected would take place in Western Europe.<sup>11</sup>

The circumstances have evolved differently in the two cases, however. The process of transferring loyalties and powers has not occurred in reality with the desired automaticity, and it has not been possible for the lessons learned by the participants with respect to co-

operation in relatively less controversial areas, such as economic ones, to be applied or transferred to other relatively more controversial areas, such as those related to security and foreign policy.<sup>12</sup>

In other words, the fact that the greater unity of the participants has not occurred with the expected speed and automaticity has made it necessary to revise this concept, largely based on the optimism encouraged by the initial success of the economic integration of Western Europe. The relative stagnation of the latter, in contrast with the hopes for growing politicization deposited in it in line with this concept, has also called into question the appropriateness of viewing the integration process from the perspective of the final goal expected to be reached eventually.<sup>13</sup>

Circumstances, then, have imposed the need to seek a more modest conception which would be more relevant to integration, especially in view of the impossibility of "transcending the nation-State", which was one of the main objectives of previous political conceptions.

### C. COMMON FEATURES OF BOTH DEFINITIONS

The above definitions, although described very briefly, are the two dominant concepts of integration in the recent past; as there are more similarities than differences between them, the former will be presented here for the purpose of extracting their most serious disadvantages from the point of view of the policy measures which may be derived from their use.

<sup>9</sup>Philippe C. Schmitter, in "Three Neo-Functional Hypotheses about International Integration", *International Organization*, Vol. 23, No. 4, 1969, p. 162, has defined spillover as the process whereby "members of an integration scheme—agreed on some collective goals for a variety of motives but unequally satisfied with their attainment of these goals—attempt to resolve their dissatisfaction either by resorting to collaboration in another, related sector (expanding the *scope* of the mutual commitment) or by intensifying their commitment to the original sector (increasing the *level* of mutual commitment) or both".

<sup>10</sup>A good review of these experiences may be found in Roger D. Hansen, "Regional Integration: Reflections on a Decade of Theoretical Efforts", in *World Politics*, Vol. 21, No. 2, January 1969, pp. 257-270.

<sup>11</sup>Ernst B. Haas engaged in this search for what he calls "functional equivalents" in "The Uniting of Europe and the Uniting of Latin America" in *Journal of Common Market Studies*, Vol. 5, No. 4, June 1967, pp. 315-343.

<sup>12</sup>This was the tenor of the early criticisms of such optimism made by Stanley Hoffmann, "Obstinate or Obsolete? The Fate of the Nation-State and the Case of Western Europe", in *International Regionalism: Readings*, J.S. Nye (ed.), Boston: Little Brown, 1968, pp. 177-230; and, by the same author, in "The European Process at Atlantic Cross-purposes", in *Journal of Common Market Studies*, Vol. 3, No. 2, February 1965, pp. 85-101.

<sup>13</sup>See the self-critical reflections of Ernst B. Haas, "The Study of Regional Integration: Reflections on the Joys & Anguish of Pretheorizing", in *International Organization*, Vol. 24, No. 4, autumn 1970, pp. 607-646; also, by the same author, *The Obsolescence of Regional Integration Theory*, Research Series No. 25, Institute of International Studies, University of California, Berkeley, 1975.

Possibly the most salient common feature shared by the two definitions is the stress laid on the result of the integration process, that is, on its final goal, which is the establishment of a larger space—in the case of the economic definition—or the creation of a greater unit, in the case of the political one.

This coincidence stems from the belief, shared by both, that integration is a special process consisting of the grouping of parts into a whole; this requires that the process should be defined in relation to the totality and that the measures directed towards its establishment should be weighed up from the point of view of their gradual and partial contribution to the achievement of the goal.

Both definitions also share the feature of linearity, through the way in which the goal is expected to be achieved, this being characterized by an ordered succession of steps, in the case of the economic definition, or by automaticity in the case of the political one.

In these two shared features of the two definitions lie their most serious disadvantages, as judged in terms of their negative influence on the type of integrationist measures based on them which are likely to be identified and proposed.

The inclusion of the final goal in the definition is one of its most serious disadvantages, because it has the drawback that, generally speaking, the integrationist measures are evaluated on the basis of the contribution they may make to achieving this goal, thus often disregarding their own intrinsic value. Moreover, as the integration processes are of a long-range nature and the achievement of the final goal often requires more time than originally foreseen, intermediate or partial integration measures are considered inadequate because of their small contribution, as judged in relative terms, to reaching the final goal. This frequently causes the impression that partial measures, when contrasted with the size of the goal, are merely manifestations of a certain inertia in the face of the impossibility of creating the wider economic space or greater unit as fast as had been hoped.

Secondly, the inclusion of the final goal in the definition creates another important limitation with regard to the identification of integra-

tionist measures, for similar reasons to those stated above. Since these measures are only considered as such if they contribute to reaching the final goal, steps may frequently be "skipped" and measures proposed which are unfeasible in the current circumstances but whose justification lies in the fact that they will be required when the goal is reached, or in order to reach it more quickly. Thus manifestly necessary proposals for the establishment of the larger space or unit, such as the co-ordination of policies, creation of a common currency, or granting of supranational powers to the institutions of the process, may come up against present realities characterized by the separate but interdependent existence of the participating States, which jealously reserve or seek to reserve certain areas for their exclusive, sovereign control.

Finally, definitions which include the final goal may also be criticized for their excessive formalism, as they make no reference at all to the consequences for the participants of the execution of measures aimed at reaching the goal—for example, the elimination of barriers or the creation of a supranational body. These definitions make hardly any reference to what will happen or what the adoption of such measures will mean for the participants. Can it be asserted that the supranational body will be provided with the necessary powers to distribute equitably the costs and benefits of the integrationist measures among the participants? Can it be guaranteed that the flows of products and factors will equally benefit all the participants? Historical experience, on the contrary, indicates that total unification does not affect all the parties equally, as can be seen in cases such as Southern Italy or Northeastern Brazil.

The truth is that the answers to these questions cannot be given ahead of time with enough certainty to induce member governments to accept these measures without being in a position to assess their consequences. In other words, since the doubts raised among participants about the adoption of such measures cannot be dispelled in advance, the participants can only be offered a path towards a goal which will generate benefits and costs without exactly specifying their distribution.

But this path is fraught with uncertainty, especially since following it requires the participants to give up present benefits, which are certain but perhaps smaller, in exchange for future benefits, which are uncertain but perhaps larger.

For these reasons, the above definitions of integration do not seem to be the most suitable for the design of feasible integrationist measures. The fact that both include the final goal and require a certain linearity to achieve it leads to undesirable consequences, since this prevents the development of proposals more

suitable to the present reality or to some other reality at which the participant States will arrive before reaching the goal.

appropriate alternative definition so that measures can be derived from it which are more compatible with reality.<sup>14</sup> This is even more true in view of the fact that the above definitions were the result of the current situation at the time of their development, because recent changes which have occurred in the prevailing international system likewise require the way of conceiving integration to be adapted to the new circumstances.

## II

### AN ALTERNATIVE CONCEPTION

With the aim of trying to find another conception which might be used for identifying feasible integrationist measures, this section offers an alternative definition, analyses its elements and concludes by pointing out some of the advantages which might be derived from it.

#### A. THE DEFINITION AND ITS ELEMENTS

In order to avoid some of the difficulties mentioned, integration is defined as the process by which two or more governments, with the support of common institutions, adopt joint measures to strengthen their interdependence and thus obtain mutual benefits.<sup>15</sup>

It is important to stop and analyse carefully the elements of this definition. In the first section below it is stressed that integration is still seen as a process; in the second the actors or protagonists in this process are discussed, and

in the third the objectives it pursues are indicated.

#### 1. *Integration as a process*

The need to see integration as a process stems from the fact that it deals with a series of activities which take place in a continued manner. Thus, viewing it as a process gives it the appropriate time dimension, and shortlived activities which might occur between two or more States are excluded from the definition. In other words, the set of activities has a certain continuity through time.

It should be noted, however, that the notion of process does not necessarily imply the final goal, so that the present definition differs in this way from the central characteristics of the two definitions described above. This in no way means that the process does not have objectives. On the contrary, and this will be commented on further below, the process has an objective which consists of the promotion of mutually beneficial interdependence among the participants. What the process thus conceived does not have is a final goal, or state of affairs, which it must inevitably reach, as understood in spatial terms. That is, it is not a process directed towards establishing a larger space or unit, but a state of becoming, endowed

<sup>14</sup>This is the basis of the critical observations of Helmut Janka in his article "la 'racionalidad' de la integración y la 'irracionalidad' de la realidad", in *Comercio Exterior*, Vol. 27, No. 7, Mexico City, July 1977, pp. 762-770.

<sup>15</sup>This definition is based on the work of Robert O. Keohane and Joseph S. Nye, "International Interdependence and Integration", in Fred I. Greenstein and Nelson W. Polsby (eds.), *Handbook of Political Science*, Vol. 8: *International Politics* (Reading: Addison Wesley Publishing Co., 1975), pp. 363-414.



with intrinsic value; it is not an evolution towards a predetermined goal which must be arrived at inevitably or lineally merely by taking certain steps which are also predetermined.

This concept of integration as a process without a final goal, but with an objective, makes it possible to include any partial measures which might be adopted with a certain continuity by the participants for the purpose of obtaining mutual benefits, as would be the case of granting trade preferences for a limited number of products. In this latter case, it is interesting to observe that the circumstances also seem to have been more powerful than the definitions. Preferential schemes exist today; for example the Lomé Convention between the European Community and some developing countries of Africa, the Caribbean and the Pacific; or generalized systems of preferences in the developed countries. Thus, it may be considered that the time is past when this type of measure was considered an attack against the almost sacrosanct principles of free trade promulgated after the Second World War.

Finally, and perhaps most importantly, a process without a goal but with an objective makes it possible to free integration from the participants' apprehensions with respect to the creation of a larger unit within which, practically speaking, they are doomed to disappear, since the existence of a supranational body necessarily assumes that some of the sovereign powers of the participant States will be transferred to this body. In this way, member governments can attempt to satisfy some common objectives without endangering their own existence.

## 2. *The actors or protagonists*

The second element of the proposed definition refers to the participants in the process. Firstly, it is suggested that joint measures should be adopted by two or more governments, but with one essential qualification: this should be done with the support of common institutions, thus allowing the relations established in the integration process to be differentiated from those which normally occur within the international system.

The participation of common institutions

means not only that the joint activities must have a certain continuity through time but also that they will be subject to institutionalized procedures.<sup>16</sup> This means that these relations must be subject to a set of norms which identify procedures acceptable to all the participants willing to adopt decisions among themselves. Acceptability to all participants, in turn, implies the adoption of decisions by consensus rather than by coercive means of supranational majority rule, all of which is consistent with the requirement that it should be the governments who adopt the decisions, but that there should be no intention of superseding them by creating or establishing a greater unit out of them.<sup>17</sup>

Thus, the voluntary participation and consensus implied by this requirement guarantee that the decisions thus adopted will be carried out, unlike what happens in some processes where a system exists which adopts decisions by majority rule, so that the State against whose will a given decision was adopted does not feel obliged to abide by it. What is important is that decisions should be adopted because they are in the interests of the participant governments and not because they are required, frequently with too much formality, by certain norms embodied in a basic agreement whose provisions leave the participant who disagrees no alternative but to violate them.

Moreover, the purpose of the norms needed to institutionalize an integration process is to establish the rules of the game in accordance with which the relations among the participants will develop. In order to achieve this,

<sup>16</sup>On the role of institutions in integration processes, see Lawrence B. Krause and Joseph S. Nye, "Reflections on the Economics and Politics of International Economic Organizations", in *International Organization*, Vol. 29, No. 1, winter 1975, pp. 323-342; Philippe C. Schmitter, "The Organizational Development of International Organizations", in *International Organization*, Vol. 25, No. 4, autumn 1971, pp. 917-937; and Sudan Sidjanski, *El papel de las instituciones en la integración regional entre países en desarrollo* (Sales No.: S. 73.II.D.10), New York, United Nations, 1974.

<sup>17</sup>It has been claimed that respect for national sovereignty is one of the principles of socialist integration, whereas capitalist integration restricts the sovereignty of the participants and is aimed at the creation of supranational bodies. V.I. Kuznetsov, *Economic Integration: Two Approaches*, Moscow: "Progress" Publishing House, 1976, p. 34.

these rules must specify and grant legitimacy to the various generally acceptable methods of influencing the result of the decisions to be taken.

However, the role of the institutions involved in the integration processes is not simply a legitimizing one: they must also carry out certain tasks essential for the development of the process itself, among which are the taking of initiatives to promote the adoption and execution of those decisions which are considered to be of mutual benefit to all the participants. This excludes from the proposed definition the requirement that the institutions involved in an integration process must be given supranational powers, although it does not definitively prohibit this. What is essential, on the contrary, is that the institutions should have adequate capacity and autonomy for identifying and proposing joint solutions to shared needs and problems and also promoting their adoption and implementation, which does not mean that they must be granted supranational powers nor, consequently, that the member States must transfer powers which they consider to be of their exclusive or sovereign dominion. Instead, what is required is that the institutions should show imagination in discovering common measures which will allow the participants to solve common problems, and the capacity to promote their approval and execution. Finally, the radius of action of the institutions will definitely depend on the coverage of the process, that is, the determination of member governments to subject some or many sectors to common treatment.

### 3. *The objective of the process*

As already mentioned, the fact that the process has no goal does not in any way mean that it has no objective. The lack of a goal removes from the definition proposed here the drawback caused by the tendency to evaluate its activities in terms of this goal, but it does not mean that the process becomes an end in itself.

The objective of the process consists of strengthening the interdependence of the participants, but with the idea that this strengthening will create mutual benefits. Both terms, that

of interdependence and that of mutual benefit, need to be clarified.

What is meant by interdependence? It is the degree to which the events which occur in one State affect another State or States, deliberately or spontaneously. Thus, interdependence may have different degrees of intensity, from minimum to maximum. In this respect, all States in the international system are interdependent to a greater or lesser extent. What should therefore characterize an integration process is the deliberate pursuit of the intensification of interdependence among the participants, as long as this results in mutual benefit for all.

The idea of strengthening interdependence, in turn, has two sides, and it may have a different scope or level. By scope is meant the number of sectors included in the joint activities of the participants; and by level is meant to what extent the activities involved in interdependence are entrusted to common institutions. In other words, scope refers to the coverage or number of activities, while level refers to the degree of institutionalization. Both may be present, separately or simultaneously, in different activities or in the same activity.

However—and this should be stressed—increasing the scope and level of interdependence in an integration process is not an end in itself, because this may have harmful or beneficial consequences for the participants.<sup>18</sup>

Thus, for example, the type of interdependence established between the industrial centres and the countries of the less developed periphery ultimately had negative consequences for the latter, and this is not exactly the type of experience which should be repeated in the relations being promoted among the countries of the periphery. Integration, understood in the terms suggested here, includes only those measures which can generate benefits for the participants. Thus, it is necessary that the intensification of interdependence should generate mutual benefits, while the possible negative effects it may have, or actions which cannot generate benefits, should not form part of the present concept of the integration process.

<sup>18</sup>See Gregory Schmid, "Interdependence has its Limits", in *Foreign Policy*, No. 21, winter 1975-1976, pp. 188-197.

The notion of mutual benefits, in the case of integration among developing countries, means to what extent the integrationist measures contribute to the development of the participants; but since it is assumed that such measures will not be carried out for the purpose of achieving total integration but rather may consist of measures which are partial but intrinsically beneficial, it cannot be expected that the process will solve all the problems caused by underdevelopment. Thus conceived, integration becomes a supplement to national development efforts, rather than a panacea capable of solving all the problems arising from the relatively lesser development of the participants. This latter point is important, since it allows for the expectation that integration will contribute what it can, rather than attributing to it the greater possibilities which would be expected of it if it were assumed that it would lead to total unification.

In addition, the idea of mutually beneficial interdependence enables the process to be carried out to the level and extent that circumstances permit. The participants may thus consider their contribution from the point of view of the benefits they will derive from it, instead of evaluating the process according to the distance they still have to go to reach a final goal in a relatively distant future.

In any case, the objective of integration among developing countries should be the contribution it can make to the efforts that each one is deploying to overcome this condition, rather than the creation of a larger economic space or unit over a long period of time, whose consequences are difficult to evaluate in advance. It should be noted that this does not mean that this larger space or unit may not eventually be created, but merely that this should not be the objective of integration.

Finally, the notion of mutual benefit should be further clarified. There are three types of benefits to which participants in an integration process may aspire. Firstly, there are the economies of scale; secondly, the indirect benefits and, finally, the increase in their bargaining power with third parties.<sup>19</sup> Integra-

tion activities should be identified and assessed in the light of these benefits, so that they may be adopted and carried out according to the participants' interest in obtaining them. This also helps to prevent the problem of the distribution of such benefits from becoming one of the most serious obstacles to the process, and is in sharp contrast with the situation where pursuit of the final goal means adopting measures whose consequences are difficult to calculate in advance, but which sooner or later create dissatisfaction with the way in which the effects are distributed. It is thus preferable to set out with this in mind and to try to design measures in the light of the distribution of the benefits they are able to generate, instead of trying to correct the inequalities *ex post facto*, because this sometimes requires the adoption of much more energetic measures than the participants are prepared to take, precisely because of the distributive inequalities revealed by the process. This is another reason for trying to avoid in advance the consequences which the inequality of distribution may have for the perception of the process, since such inequality will lead to an unfavourable climate for adopting later measures.

#### B. ADVANTAGES OF THE DEFINITION

Some of the advantages of the alternative concept of integration offered here were already mentioned when their constituent elements were being described. However, these advantages deserve to be explained individually from the viewpoint of the integrationist measures capable of being generated by this concept, since in the final analysis this is the justification for revision of the existing definition.

The fact that the definition lacks a final goal helps to make it more acceptable to the participants in integrationist measures for three fundamental reasons. The first of these is that it is possible to give greater weight to the

<sup>19</sup>The notion of mutual benefit has been used by J.S. Nye in his article "Collective Economic Security" in *In-*

*ternational Affairs*, vol. 50, No. 4, October 1974, pp. 592-594. The list of benefits is taken from Richard N. Cooper, "Worldwide vs. Regional Integration: Is there an Optimal Size of the Integrated Area?" (paper presented at the Fourth World Congress of the International Association of Economists, Budapest, 19-24 August 1974).

measures proposed in view of the benefits they are in a position to generate. This element will be much more important when the processes of integration take place among countries with different levels of development, such as those of Latin America, which is a region characterized by a high degree of heterogeneity among the countries. It also makes it possible for participants who consider themselves to be relatively less developed to make their approval of such measures conditional upon the prior satisfaction of their legitimate claims in regard to the distribution of the benefits which may be generated. This does not mean that each and every one of the measures proposed must generate the same or greater benefits for the relatively less developed participants; what it means is that sufficient common action should be identified to include the interests of all the participants and ensure that the possible losses caused by some may be compensated by the approval of others. In these terms, integration is conceived as a constantly negotiated process, instead of one where the distributive formulas are established once and for all in advance in the manner which appears to be most appropriate for the then prevailing circumstances. The latter approach, in effect, only leads to the creation of integration schemes with rigidities which will later be difficult to overcome, in view of changing circumstances, since it will be almost impossible to reconstruct the basic consensus which make their adoption possible.

Another reason why a process without a final goal makes it possible to identify and promote the adoption and execution of more feasible integrationist measures is that joint efforts are in a better position to adapt to the development needs of each one of the participants. This is what is sought in the concept of integration as a supplement to national development efforts. Thus conceived, integration will not be focussed almost exclusively on the elimination of trade barriers but will be directed more towards attaining the benefits mentioned —economies of scale, indirect benefits and reduction of the external vulnerability of

the participants— in the directly productive sectors and in the infrastructure. In this way, the process will become more flexible, given the greater coverage possible through this concept, and it will thus be able to adapt itself to the changing objectives of the economic policy of the participants.

Finally, the absence of supranationality which will characterize the integrationist measures (since they do not pursue the construction of a greater unit) is another important advantage of this definition; this is true especially in the case of integration processes among developing countries. It is well known, for example, that the economic development process goes hand in hand with the simultaneous creation of a process of national affirmation, tending towards the establishment of the nation-State. And although this relationship between the two processes is not mechanical or automatic, integrationist measures defined exclusively from the point of view of their economic benefits frequently become contradictory to the national claims of the participants. For this reason, they are frequently not adopted because of the political sacrifices their implementation would require. It is thus preferable to recognize this fact from the beginning rather than run the risk that the economic benefits which may be generated by a given integrationist measure might be counterproductive because of the political sacrifices they require. In these terms, too, integration may be conceived as a supplement to national efforts rather than a substitute for them. An integrationist measure whose benefits can only be obtained by the participants at the expense of their own identity and powers will not be feasible and most probably will not be adopted.

In contrast, an integration process such as the one described here will be free of the understandable apprehension felt by participants when they are faced with the dilemma of conditioning their national development to the creation of a greater unit within which they would practically disappear.