

Aimone, Enrique

**Article — Digitized Version**

## EEC as model for Latin American integration

Intereconomics

*Suggested Citation:* Aimone, Enrique (1966) : EEC as model for Latin American integration, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 01, Iss. 8, pp. 11-13, <https://doi.org/10.1007/BF02930612>

This Version is available at:

<https://hdl.handle.net/10419/137630>

### Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

### Terms of use:

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

much. We try to draft a socialisation programme in which education is still free and health services are not completely in the hand of the state. Government aid is provided for sectors with short-term unproductivity because it is the task of the government to make these investments involving short-term unproductivity as they are not taken over by private initiative. The successful development must be based on detailed planning. It does not suffice to plan industrial complexes, the necessary investment for nutrition and all other require-

ments must be taken into consideration, too. We don't know whether this is going to be easy to handle by Ghanaian experts within the next few years. The future will show whether they will be able to find effective measures also for those sectors hitherto largely being left to foreign economic aid.

**INTERECONOMICS:** Mr Sai, the last question: Which foreign aid does the government in Ghana especially need at present to solve the most urgent tasks and to cope with Nkrumah's heritage?

**SAI:** I think, first we need at the present time, as Mr Omaboe said, long-term loans with very low interest for the industrialisation programme and for those raw materials which are necessary for the already existing industries, of which those that are ready to operate will be number one. Secondly, it would be a help to train technologists in all the various sectors. A lot has been done, but a lot still needs to be done. I think, these two aspects of help will have the greatest impact on the Ghanaian economy at the present time.

## ARTICLES

---

### EEC as Model for Latin American Integration

By Prof. Enrique Aimone, Valparaiso

The most significant feature of the Latin American countries' economic structure is that the economy of each is determined by the output of one specific product. Thus the destiny and the central problems of the Chilean economy were very aptly described by President Frei when he said that Chile „hangs on a copper wire“. In these countries one single product—either a mining product or a farm product—has almost continuously, and frequently without any further processing held the key position. This is reflected in the fact that this one product has become the main source of foreign exchange and taxes and determines the extent of employment in the country. What copper is for Chile, are wool and meat for Uruguay, bananas for Ecuador, coffee for Brazil and Colombia, and tin for Bolivia.

The wish of all states to achieve a steady rise of living standards is significant for all continents. Its features are historical but just now its importance has increased. In Felipe Herreras' opinion poverty is no longer an unsurmountable obstacle. The aim towards economic growth has therefore priority.

There is another disturbing feature in Latin America. The improvement of health services and social medicine has brought about a lower infant mortality and a general rise in life expectancy. The result has been a population-growth hitherto unknown in the world.

It is due to Raúl Prebisch to have emphasised that the demand for goods being produced in Latin America owing to the historical division of labour follows a rate of growth which is different from the fastest possible rate of economic growth such as required by the above mentioned aim. If the target is to be reached, Latin America will have to integrate an industrial

sector into its economic structure. This is the only way to prevent its rate of growth from receding to the rate of world demand for primary products.

When in the forties the European economies and the economy of the United States had to be adjusted to war needs there arose immediately the impetus for starting a process of industrialisation in Latin America. Mainly serving as „substituting imports“ and „safeguarding supplies“ this process was at first pushed forward by each country in complete isolation. In trying to secure the supply of the most important consumer goods all these countries did without the advantages which could have been derived from a division of labour on the subcontinent. It can easily be seen that in the light of present technological progress such a process of industrialisation has little chance of success. Rather does it tend towards stagnation.

It was mainly the work of the Economic Commission for Latin America which under the direction of Raúl Prebisch gave an important impulse to the idea of Latin American integration. This idea received a certain tangible shape when the Treaty of Montevideo was signed in February, 1960.

Prebisch recommended to the delegates of the various countries to refrain from laying down „pretentious formulas of economic co-operation“; „such formulas would require regulating all economic relations between two countries and thus would be doomed to failure“. He gave a greater chance to forms of co-operation „which had a limited scope“, such as „the selection of certain products of new or not yet existing and particularly complex industries which require a large outlet“. He also suggested certain forms of

reciprocity on the basis of a limited list of goods. In any case he laid stress on confining the Common Market at first to a number of strictly specified products. But in addition, expanding trade in commodities is also very important for integration in Latin America. Prebisch's proposal is based on the idea of supra-national planning. Only with the help of such planning losses from frictions can be avoided which are caused by an accelerated process of integration being limited to some basic economic sectors and leaving the other economic sectors to follow their old, national path.

In 1954 the word "integration" was not even used. The demands were confined to new possibilities for solving the Latin American problems. Soon after recommendations on the model of West European economic unification were discussed. Only the Treaty of Rome brought the term "integration" into discussion. But there was also the alternative raised by the British proposal of a free trade area.

### **The Emergence of LAFTA**

The European process of integration had a twofold impact on Latin America. On the one hand, it revealed to Latin America tangible ways how to achieve its plans, either by functional or institutional integration. On the other hand, it raised serious misgivings in Latin America about the flow of trade being badly upset by including the African states in the preference area of the EEC. The similarity of the production structures in Africa and Latin America thus led to giving preference to African supplies over the traditional imports from Latin America. It became necessary therefore to proceed with the integration in Latin America as quickly as possible.

The signing of the Treaty of Montevideo in February, 1960, and thus the establishment of the Latin American Free Trade Area (LAFTA) are the result of speeding up this policy. The decision was in favour of functional integration, thus eliminating all problems arising from creating a common external customs tariff, from renouncing full sovereignty in favour of a supra-national organisation and from formulating carrying out a joint economic policy. Even the adjustment of customs duties is not automatically done but demands individual negotiations between the parties to the Treaty.

### **European Integration—Latin American Integration**

Latin America did not look for such "new ideas" as postulated by Prebisch. Instead it accepted the OEEC formula at a time when leading European countries rejected it and pushed political integration forward. This is due to the difference of historical developments in Europe and Latin America. Since the middle of last century at the latest, there has been an efficient system of international economic relations in Europe. Based on division of labour and supported by a smooth system of payment there was a brisk inter-European trade. This international co-operation largely disappeared owing to the protectionist measures of the various countries between the two world wars. The efforts towards integration that followed—from OEEC to the establishment of EEC and EFTA—were basically nothing else but an attempt of re-integration within a disintegrated world economy.

The development in Latin America followed a completely different course. Until 1810 Latin America was, with the exception of Brazil, one political unit under Spanish rule. But this political unit was not identical with economic unity. The various administrative regions carried on trade with the Spanish mother-country but not between each other. And when the administrative regions were transformed into independent states and first Britain and later the United States became the main trading partners of Latin America, commercial relations between the Latin American countries themselves hardly expanded.

Integration of Latin America is therefore not a re-integration such as is the case in Europe. The task Latin America is facing is not reviving commercial relations which were temporarily suspended but building up jointly a continental industrial structure to safeguard the growth of the Latin American economy.

To achieve this, Latin America dispensed with such new ways of integration as put forward by Prebisch and tried to make functional integration work.

### **Functional or Institutional Integration for Latin America?**

Reasons of workability were mainly decisive for this. The aim of the co-operation is to liberalise trade, thus leaving it to the market to carry out, in form and direction, the most important tasks in building an industrial structure on the subcontinent. By mutually pulling down trade barriers between each other Latin America thus started on its process of integration just as Europe did before. Yet it remains to examine what the policy of integration in Latin America has achieved and what long-term chances it has.

Inter-Latin American trade has doubled in the last five years. It would certainly be wrong to deny the policy of integration any share in this. But the importance of this growth of trade should, in connection with the set aims, not be overrated. The growth of trade alone is not an aim of economic policy. Besides, part of it is not an absolute rise in foreign trade of all the partners but is the result of changes in the direction of trade. In addition, it should not be forgotten that by lifting trade barriers in stages the initial negotiations are less difficult and that the success of lowering customs duties is very substantial in the beginning. Finally, a customs union is the more effective, the greater the volume of external trade covered by the liberalising measures. But since (as already mentioned) the United States is by far the most important trading partner of the Latin American countries, the major part of the trade volume is not covered by the integration-measures of liberalisation. The prospects for further success of the present form of integration have, therefore, to be assessed with some caution. Functional integration which in the case of Latin America has thus already beforehand proved to be problematic may soon reach the limits of its scope.

The tremendous increase in population and the need of raising living standards make it absolutely necessary to speed up the growth of the gross national product. An acceleration of industrialisation in all countries has therefore become vital. Functional integration, however, does not offer more than an enlarged market

for existing production. It does not automatically ensure the speedy, balanced and coherent execution of this necessary process of industrialisation.

Latin America cannot continue to regard functional integration alone as the most essential instrument of industrial progress. If this aim is to be reached, co-operation within institutional integration must follow. It will enable the Latin American countries to conceive and carry out a joint development policy and accelerated industrialisation on the subcontinent.

Joint economic policy, involving supra-national planning, must assume the functions for which the market-mechanism has proved to be unsuitable. And these functions are:

- ☐ to carry out the process of industrialisation for removing poverty despite the tremendous population-growth;
- ☐ to remove—in the economy as a whole—imbalances resulting from the different rates of growth in the various economic sectors;
- ☐ to prevent excesses of agglomerations which not only cause additional social cost but impede the best-possible development in the various regions and countries, respectively.

Then, too, some considerable difficulties will, of course, arise. Institutional integration is in no way lacking in risks and problems. But once the priority of the aims has been recognised, policy and science will be able to solve the emerging problems.

## A French-speaking Commonwealth?

By Dr. Christian Uhlig, Hamburg

Once again the dictum "ex Africa semper aliquid novi" has come true. The Conference of Tananarive, where the Heads of State of the members of the "Organisation commune africaine et malgache" (OCAM)<sup>1</sup> met at the end of June, produced a surprise. For this conference made it clear that some of the African states seriously intend to cooperate more closely in solving their political and economic problems. For a long time international circles have been calling for greater readiness among African countries to step up regional cooperation in economic and social matters, which is considered essential if they want to attain their ambitious development goals. The OCAM group seems to have understood what is needed. President Tsiranana of the Malagasy Republic made it quite clear that African unity cannot be reached by a big push, decreed by authority, but only step by step, starting from the grass-root level. He said: "Greater Africa will proceed from the symbiosis of several little Africas, or else it will not come into existence. Let us be realistic and start African unity from the beginning and not from the end." This statement certainly is more in line with the political realities in Africa than are the various types of revolutionary utopias of Great Africa. After all, which state will and can be prepared to abandon the political independence gained only a short while ago at such great effort in favour of supra-national sovereignty? After various unsuccessful attempts the OCAM members are now evidently trying to embark upon a realistic path of cooperation which could lead from a relatively loosely organised group of states with more or less identical interests to the gradual formation of a closely knit community of independent countries.

### Intensification of Self-Aid

In these conditions several important concrete results in both the economic and the political sphere were achieved at Tananarive. Trade problems, in particular

questions of marketing agricultural raw materials, predominated among the economic issues. Joint efforts are planned to sell tropical raw materials, which form the backbone of the countries' exports, in the world market at prices which will cover production costs. One significant step towards closer cooperation is the foundation of a common sugar market to protect indigenous output. This first partial common market is intended to be followed by others, e.g. for cotton. In addition, the possibilities of setting up a multi-national insurance organisation, an inter-African commission for civil aviation and a common shipping association were discussed. The remarks of President Senghor of Senegal indicated that these countries are under some pressure to solve their economic problems. He pointed out that trade relations between the African countries and the industrial states were getting worse, that subsidies from developed countries were declining and the terms of loans becoming ever more costly. There was, therefore, no other solution but to get together and try to find a joint way out of this precarious position of the developing countries. Cooperation on a regional level suggests itself as the handiest form of joint action. Noteworthy, too, is the unanimous view of the Tananarive conference that in the last resort development can be advanced only by greater efforts of OCAM's members and by intensifying self-aid.

If special economic issues only had been under discussion the conference would certainly not have received such worldwide attention in the press. In fact the meeting also yielded concrete political results. The conference approved a charter for OCAM which does not limit its terms of reference to economic and cultural matters but envisages, above all, harmonisation of the member countries' foreign policies in general and their Africa policy in particular; it also decided to admit Togo as a member. But apart from this the Heads of State produced a political bombshell: on the last day the conference council approved a project for a "Communauté francophone"—previously outlined by President Senghor,—and commissioned

<sup>1</sup> Cameroon, Central African Republic, Congo-Brazzaville, Congo-Kinshasa, Ivory Coast, Dahomey, Gabon, Upper Volta, Malagasy Republic, Niger, Rwanda, Senegal, Chad, Togo.