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sible could be systematically lowered. This constitutes the particular normative value of the concepts of self-reliance and autocentric development.

The relationship between the concepts of self-reliance and autocentric development appears to be in need of clarification. Certain elements of the autocentric development which have been

taken over from the more modest model of self-reliance — such as local use of local resources, adaptation of technologies, and lucidity and controllability of decision-making and production processes — seem to be in conflict with certain “hard” elements of the autocentric development such as mass production and production and use of large and heavy means of production.

## INTEGRATION

# Chances and Risks of Supranational Integration

by Friedhelm Hengsbach, Frankfurt \*

**Although a sceptical view may rightly be taken of the efforts of the developing countries for their integration with the world economy in the framework of a New International Economic Order and the Lomé Convention, these efforts indicate a willingness of the developing countries to play a part in international and supranational integration. The opportunities and hazards of an association of the African states with the European Communities are assessed in the following article from the viewpoint of a geo-economic integration policy.**

**T**he scepticism about current and projected attempts at supranational integration has been reinforced by the debate on a New International Economic Order. It is founded on a psychological, a political and an economic argument:

- ☐ The experience with the Andes Pact, the East African Union and even with the European Communities has not been exactly encouraging;
- ☐ Unrestricted sovereignty of all states in regard to their economic order, development planning and available resources is one of the indefeasible rights insisted upon in the context of a New International Economic Order;
- ☐ The model of international division of labour which is mostly a determinant feature of the integration theory hides the effective dependence upon external and internal factors to which the developing countries are subject in the ambit of an international economic and monetary system under the sway of the industrialized countries.

The statement of the development countries concerning the establishment of a New International Economic Order at the Sixth Special Assembly of the UN in the spring of 1974 amounted to a repudiation of the strategy of rigorous dissociation and an option for international economic integration. The Lomé Convention of 1975 between

the European Communities and 46 African, Caribbean and Pacific states is likewise to be interpreted as an option for supranational integration. The collation and analysis of information on the effects of existing integrated supranational entities forms an indispensable component part of the decision-making process. The judgment on the chances and risks of supranational integration will depend on the system of reference used as a basis of appraisal. The one chosen here for an assessment of the chances and risks of one concrete supranational attempt at integration<sup>1</sup> — the association of African states with the European Communities — is the comprehensive concept of a geo-economic integration policy<sup>2</sup>. To begin with, this reference system will be outlined.

### Conception of a Geo-economic Integration

A concept for a geo-economic integration policy is expected to comprise a theory which offers an explanation for the situation, repeatedly observed

<sup>1</sup> Cf. H.-J. Harborth, Anforderungen an eine Integrations-theorie für Entwicklungsländer (Requirements of an integration theory for developing countries), in: W. v. Urff (ed.), *Integration der Entwicklungsländer in eine instabile Weltwirtschaft — Probleme, Chancen und Gefahren*, Schriften des Vereins für Sozialpolitik, Berlin 1976, p. 74.

<sup>2</sup> Cf. F. Hengsbach, Die Assoziierung afrikanischer Staaten an die Europäischen Gemeinschaften — Eine Politik raumwirtschaftlicher Integration? (The association of African states with the European Communities — A policy of geo-economic integration?), in: *Monographien der List-Gesellschaft e. V.*, N. F. (new sequence), Vol. 1, Baden-Baden 1977.

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in national, supranational and international integration areas, of income differentials between the parts of an integration area widening in absolute terms while at the same time narrowing in relative terms and the average per-capita income rank order of the various parts being marked by a high degree of stability<sup>3</sup>.

A welfare theory approach which adds a spatial dimension to the marginal conditions of the micro-economic production and consumption theory – the static category of the geo-economic equilibrium is characteristic for it<sup>4</sup> – is incapable of fulfilling this expectation. But an approach which is focused on the dynamic category of economic development as devised by Schumpeter<sup>5</sup>, enriched with competition theory elements and split into two complementary (but countercurrent) phases of differentiation and equalization by Clark<sup>6</sup> and Arndt<sup>7</sup> and translated to the geographical dimension by Perroux<sup>8</sup>, Hirschman<sup>9</sup>, Lasuén<sup>10</sup> and Friedman<sup>11</sup> is well capable of fulfilling it.

A hypothesis which interprets the geo-economic development as a competitive process between part-areas of an integration area and regards the existence or non-existence of such competition as the explanation of the structure of and changes in the geographical incomes distribution may be formulated as follows: A geo-economic integration proceeds as development in successive stages of parts of an economic area which retain their ranking order within the area. "Development in successive stages" means a sequence of primary and secondary developments, starting in one part of the integration area and spreading to other part-areas in subsequent phases; "which retain their ranking order within the area" indicates the exclusion of an exchange of phases – a part-area which is the prime-mover of development cannot exchange this role for another one; it is definitely fixed.

The argument for the hypothesis of successive-phase development advances in six steps:

☐ Economic development is implementation of innovations.

☐ The process of development consists of two phases: origination of innovations and transfer of innovations. The division into primary and secondary development and their combination leads to different development patterns: If the origination of innovations is followed by transfer of innovations and if, further, there is an interchange of roles between the parts in regard to primary and secondary development, transient – though varying – differences in development only can arise. But if the origination of innovations is followed by transfer of innovations without such a

change of roles, the development process will be along a one-way course. And if, finally, the development process reaches its end in the phase of the origination of innovations already, the result will be a diverging development differential.

☐ The origination and transfer of innovations is conditioned by the density of communications<sup>12</sup>, for innovations are the more likely the more frequent are the exchanges of information and, in consequence of this, the greater is the awareness of the problem and the knowledge of existing or conceived solution patterns.

☐ The density of the communications depends on the degree of urbanization. The latter determines the density of communications by two types of communications fields – an atomized communications field determined by the actual distances and a polarized communications field determined by the rank order of urban centres<sup>13</sup>.

☐ The origination and transfer of innovations depends on the degree of urbanization. The latter exercises an influence on the personal and monetary components of the origination of innovations; it has an influence on the transfer of innovations because the transferred innovations vary in number and speed of transfer according to the distance from urban centres or rank of the urban centres.

<sup>3</sup> Cf. R. A. Easterlin, *Interregional Differences in Per Capita Income, Population and Total Income 1840-1950*, in: National Bureau of Economic Research (ed.), *Trends in the American Economy in the Nineteenth Century*, Princeton 1960, p. 73-140; W. G. Hoffmann / J. H. Müller, *Das deutsche Volkseinkommen 1851-1957* (The German national income 1851-1957), Tübingen 1959; Th. J. Orsagh, *The Probable Geographical Distribution of German Income, 1892-1963*, *Zeitschrift für die gesamte Staatswissenschaft* 124 (1968), p. 280-311; Statistical Office of the European Communities, *Regional Statistics*, Luxembourg 1972; G. H. Hildebrand, *Growth and Structure in the Economy of Modern Italy*, Cambridge/Mass. 1965; International Monetary Fund, *International Financial Statistics*, New York; United Nations, *Statistical Yearbook*, New York.

<sup>4</sup> Cf. W. Isard, *Location and Space Economy*, New York 1956, p. 82-85, p. 222; L. Lefebvre, *Allocation in Space*, Amsterdam 1958, p. 8-14, p. 76, p. 106 f.; E. v. Böventer, *Theorie des räumlichen Gleichgewichts* (Theory of spatial equilibrium), Tübingen 1962, p. 54, p. 78 f., p. 117 f.

<sup>5</sup> J. Schumpeter, *Theorie der wirtschaftlichen Entwicklung* (Theory of economic development), 6th ed., Berlin 1964, p. 95-147.

<sup>6</sup> J. M. Clark, *Competition and the Objectives of Government Policy*, in: E. H. Chamberlin (ed.), *Monopoly and Competition and their Regulation*, London, p. 317-328.

<sup>7</sup> H. Arndt, *Schöpferischer Wettbewerb und Klassenlose Gesellschaft* (Creative competition and classless society), Berlin 1952, p. 35.

<sup>8</sup> F. Perroux, *L'économie du XX<sup>e</sup> Siècle* (The economy of the 20th century), 2nd ed., Paris 1964.

<sup>9</sup> A. O. Hirschman, *The Strategy of Economic Development*, New Haven 1958.

<sup>10</sup> J. R. Lasuén, *Urbanisation and Development – the Temporal Interaction between Geographical and Sectoral Clusters*, *Urban Studies* 10 (1973), p. 163-188.

<sup>11</sup> J. Friedman, *Urbanisation, Planning and National Development*, London 1973.

<sup>12</sup> Cf. T. Hägerstrand, *Innovation Diffusion as a Spatial Process*, Chicago 1967; P. O. Pedersen, *Innovation Diffusion within and between National Urban Systems*, *Geographical Analysis* 2 (1970), p. 203-254.

<sup>13</sup> Cf. B. J. L. Berry, *Hierarchical Diffusion: The Basis of Development Filtering and Spread in a System of Growth Centers*, in: N. M. Hansen (ed.), *Growth Centers in Regional Economic Development*, New York 1972, p. 108-138.

□ Economic development depends on the degree of urbanization. The greater communications density which favours innovation and speeds the transfer of innovations gives urban centres a head start in development. The periphery can catch up with the urban centres despite this advantage (albeit in a subsequent phase) because the innovations in the centres are transferred to the peripheral areas along the communication axes of the urban centres<sup>14</sup> according to their actual or hierarchical distance from the centres. The differences in development between centre and periphery thus tend to narrow but the development advantage of the urban centres will not be reversed by the periphery, for by the time the periphery has caught up with a development advantage of the centre by adoption of the innovations made in the centre, further innovation impulses will have emanated from the centre, and these reach the periphery again only in a later phase. The part-areas are the more likely to retain their original rank, the fewer innovations are being transferred from the urban centre or, respectively, the more slowly this is done and the more marked is the hierarchy of the urban centres.

### EC-AASM as a Centre-Periphery Relationship

This outlined concept of a geo-economic integration policy is a suitable instrument, for analytical as well as sociotechnical purposes, for an appraisal of the chances and risks of the association of African states (of the AASM)<sup>15</sup> with the European Communities:

□ In the analysis the EC is identified as the central area of the entire integration area while the associated states are the peripheral area.

□ Under sociotechnical aspects the Common Market and the common currency are categorized as allocative integration instruments which intensify the origination and transfer of innovations and thereby enforce a spatially efficient production. A strategy of peripheral condensation<sup>16</sup> which hastens the establishment of development centres in the peripheral area, on the other hand, is the priority instrument of a distributive integration policy.

<sup>14</sup> Cf. A. Pottier, Axes de communications et développement économiques (Economic communication and development axes), *Revue Economique* 14 (1963), p. 58-132.

<sup>15</sup> Associated African States and Madagascar.

<sup>16</sup> The strategy of peripheral convergence is identical with what Hirschman recommends as a basic form of regional diffusion of public investments — "concentration of public investments in spontaneously growing areas" (A. O. Hirschman, *The Strategy of Economic Development*, New York 1958, p. 193) and what Marx describes as the "growth strategy of a system of limited agglomerations" (D. Marx, *Wachstumsorientierte Regionalpolitik* (Growth-oriented regional policy), Göttingen 1966, p. 104). Cf. H. W. Richardson, *Regional Growth Theory*, London 1973, p. 135, and D. Störbeck / M. Lücke, Die wirtschaftspolitische Relevanz regionalpolitischer Ziele (The relevance of regional objectives to economic policy), *Raumforschung und Raumordnung* 31 (1973), p. 19-82.

A model showing the EC and the African states in a centre-periphery relationship comprises an analysis of the entire integration area and of the AASM part-area. The entire integration area created by the association consists geo-economically of two part-areas — the EC convergence area and the AASM egression area. A characterization of the part-areas by indicators relating to structural homogeneity shows the geo-economic concentration, their characterization by indicators of functional homogeneity shows the geo-economic polarization.

### Concentration and Polarization

The geo-economic *concentration* appears from the following indicators: The part-area made up by the EC contains 10% of the total area. In 1960 it accounted for 75% of the population, 97% of the gross national product and 98% of the bank credits of the entire integration area. The population density was 149 inhabitants per square kilometre against 10 inhabitants per square kilometre in the AASM part-area. The urbanization averaged 64% against 10% in the AASM part-area, and the average per-capita product amounted to EUA 1,100 compared with EUA 89<sup>17</sup>.

The geo-economic *polarization* shows up as an asymmetry of the trade partners, product categories and product ranges in the trade ramifications of the two part-areas:

□ The asymmetry of the trade partners manifests itself in (almost) exclusive foreign trade orientation of one part-area towards the other part-area while the latter is engaged in foreign trade with a large number of partners. In 1962 for instance the EC accounted for 64% of all AASM imports and 69% of all AASM exports whereas the AASM supplied only 5% of all imports into the EC and absorbed 3% of all exports from the EC<sup>18</sup>.

□ The asymmetry of the product categories shows itself in one part-area exporting mostly foodstuffs and raw materials while the other one is for the most part exporting manufactures. In 1962 processed goods accounted for 46% of all AASM imports from the EC and EC machinery and vehicles for 26%. On the other hand, foodstuffs accounted for 40% of all AASM exports to the EC and raw materials for 38%.

□ The asymmetry of the product ranges reveals itself in the supply of a widely diversified assort-

<sup>17</sup> Cf. Statistical Office of the EC, General Statistics, Luxembourg 1972; Associates: Statistical Yearbook, Luxembourg 1970; Regional Statistics, Luxembourg 1972; Federal Statistical Office, Allgemeine Statistik des Auslandes (General foreign statistics), Stuttgart, Statistisches Jahrbuch für die BRD (Statistical Yearbook for the FR Germany), Wiesbaden; United Nations, Statistical Yearbook, New York.

<sup>18</sup> Calculated from: Statistical Office of the EC, Foreign Trade: Monthly Statistics, Luxembourg 1973, No. 1, p. 12-14; Associates: Foreign Trade, Luxembourg 1968, 1969, 1973.

ment of goods by one part-area while the other one can offer only one or a few commodities. In 1963 five commodities accounted for 54 % of the value of AASM exports, and ten commodities accounted for 69 %. The five most important export goods, by value, of the EC in 1964 accounted for no more than 11 % of all EC exports and the ten most important ones for 17 %.

The centre-periphery relationship of the integration area as a whole has its counterpart in the AASM part-area. A characterization of this part-area by indicators of structural homogeneity shows the extent of geo-economic concentration: 65 % of the total gross national product generated in the AASM in 1960 originated in five countries – the Ivory Coast, Cameroun, Madagascar, Senegal and Zaire. These countries have 52 % of the total population of the AASM and 58 % of all towns with more than 10,000 inhabitants; they account for 78 % of the bank credits to private customers and 78 % of all exports by the AASM<sup>19</sup>.

A characterization of the AASM part-area by indicators of functional homogeneity confirms its geo-economic polarization: The asymmetry of the trade partners shows in the fact that in 1963 the Ivory Coast, Cameroun and Togo attracted a large part of the foreign trade of other AASM countries. The asymmetry of the product groups is reflected by the fact that in 1962 the exports of these three countries to other AASM countries consisted as to 70–80 % of manufactures, machines and vehicles whereas over 80 % of the exports of neighbouring countries were made up of foodstuffs and raw materials. The asymmetry of the product ranges manifests itself in the fact that in 1962 the five major export commodities, by value, averaged about 50 % of total exports and in the neighbouring countries no less than 80 %<sup>20</sup>.

### Allocative Geo-economic Integration Effects

The geo-economic effectiveness analysis is undertaken separately for allocative and distributive integration instruments. The analysis of the effectiveness of the allocative instruments reveals the extent of and changes in geo-economic concentration and polarization in the entire integration area as well as inside the part-area formed by the AASM states.

In the *entire integration area* the geo-economic concentration has become more marked in 1960 to 1970. The gross national product increased in the EC part-area by 154 % and in the AASM part-area by 84 %. The average per-capita product

grew in the EC part-area by 130 % and in the AASM part-area by 41 %, with the result that the gap between the average per-capita products of the two part-areas widened in absolute and relative terms. The geo-economic polarization did not increase nor did it decrease: The asymmetry of the trade partners lessened, that of the product categories became more marked, and that of the product ranges abated.

In the *AASM part-area* there was an increase in geo-economic concentration and polarization. The geo-economic concentration increased inasmuch as the five countries with an above-average degree of urbanization and above-average economic performance in 1960 recorded by 1970 a greater increase in urbanization than the other countries while their per-capita product rose by 47 % as compared with 37 % in the other peripheral countries. The differences between individual peripheral countries in regard to their average per-capita product increased in 1960–70 in absolute as well as relative terms<sup>21</sup>; the rank order of the 18 AASM countries according to average per-capita product shows a very high measure of stability.

### Exports by Selected Countries to Other AASM Countries by Product Groups in 1971

(in % of total exports)

Countries	Food and Raw Materials (CST 0 and 2)	Manufactures, Machinery, Vehicles (CST 6+8 and 7)
Ivory Coast	26	47
Madagascar	96	2
Mali	75	17
Niger	88	8
Upper Volta	88	10
Senegal	15	51
Gabon	93 <sup>a</sup>	7
Mauritania	72	27
Cameroun	14	73
Central Africa	50	17
Chad	89	5

<sup>a</sup> including product group 3 (mineral oils).

Source: Calculated from: Statistical Office of the EC, Associates: Foreign Trade, Yearbook 1970-1971, Luxembourg 1973, Vol. I and II.

The geo-economic polarization also became more marked in 1960–1970. The interlocking matrix<sup>22</sup> of the AASM trade shows that the asymmetry of the trade partners became in two respects more marked: Togo has ceased to be a separate centre of AASM trade, and the orientation of AASM trade towards the two main centres – the Ivory Coast with Senegal as a secondary centre in West Africa and Cameroun in Central Africa –

<sup>19</sup> Calculated from: Statistical Office of the EC, Associates: Statistical Yearbook, Luxembourg 1970.

<sup>20</sup> Calculated from: Statistical Office of the EC, Associates: Foreign Trade, Luxembourg 1968, 1969.

<sup>21</sup> Calculated from: Statistical Office of the EC, Statistical Yearbook of the AASM, Luxembourg 1973, p. 62.

<sup>22</sup> An explanation of the matrix of foreign trade interlockings and total trade as an instrument of polarization analysis is given in: J. R. Bondeville, Problems of Regional Economic Planning, Edinburgh 1966, p. 27-30.

became more pronounced. For nine countries the Ivory Coast is the major trade partner while for three others Cameroun plays the same part. The Ivory Coast (with Senegal) in West Africa and Cameroun in Central Africa may be regarded as peripheral convergence areas.

Asymmetry of product categories remains the determinant feature of the trade between the centres and their satellites" (see Table). The asymmetry of the product ranges of the central and peripheral countries of the AASM area remained unchanged.

### Distributive Effects

The analysis of the effectiveness of the distributive integration instruments consists in an examination of the compatibility of financial aid by the European Development Fund (EDF) with a strategy of peripheral convergence. According to figures for December 1974 and June 1975 the financial aid by the EDF amounted to EUA 1.8 bn<sup>23</sup>. A sub-division of the financial aid given shows that 2% on average were regional price support subsidies for limited periods<sup>24</sup>. An average of 34% went on object-linked regional grants<sup>25</sup> for directly productive investments, an average of 46% on regional relief<sup>26</sup> connected with the economic infrastructure and an average 17% on regional relief connected with the social infrastructure. Four trends in the period in question are worth noting:

- ☐ The predominance of object-linked allocations in the agricultural sphere has increased (from 17 to 29%);
- ☐ the dominant position of the economic infrastructure has remained almost unchanged;
- ☐ the share of the object-linked allocations in the industrial sphere has risen from a low level of 2% to a still low 8%;
- ☐ the share of the social infrastructure (health and education) has been more than halved (from 8 to 4%).

<sup>23</sup> Cf. Communautés Européennes — Commission, Fonds Européen de développement, 1er FED, Situation annuelle des projets en exécution, Date de mise à jour: 31 décembre 1974; Fonds Européen de développement, Situation semestrielle des projets du 2ème FED en exécution, Date de mise à jour: 30 juin 1975, Fonds Européen de Développement, Situation semestrielle des projets du 3ème FED en exécution, Date de mise à jour: 30 juin 1975.

<sup>24</sup> Regional subsidies are area-related public transfer payments to enterprises of the periphery which are granted without stipulations as to their use. Cf. K. H. Hansmeyer, Finanzielle Staatshilfen für die Landwirtschaft (Public financial assistance for agriculture), Tübingen 1963, p. 32 f.

<sup>25</sup> Regional object-linked allocations are area-related public transfer payments to enterprises in the periphery which are subject to stipulations in regard to their use; mandatory stipulations concerning their conduct are addressed to the recipients.

<sup>26</sup> Regional relief comprises area-related monetary and real discharges by the state which for intrinsic or conventional reasons are not, or not to the same extent, provided on market terms but have a positive influence on the productivity of the private sector in the peripheral areas.

The financial aid by the EDF cannot be regarded as an instrument of peripheral convergence because it is not deployed in a geo-economically concentrated form in the peripheral convergence areas. Its size is governed by the population principle or the principle of raw material capacity rather than geographical considerations<sup>27</sup>. Besides, object-linked allocations are made not so much in typical intra-AASM trade areas, i.e. in spheres characteristic of the peripheral trade, as in areas which are typical of the trade between the EC and the AASM, and this even when the commodities the production of which is to be promoted cannot be sold in larger quantities in the EC market for which they are mainly intended<sup>28</sup>. Finally, the declining share of the aid disbursements on education impairs the indispensable personnel conditions for the origination and transfer of innovations.

### Selective Promotion Needed

When it was asked earlier what were the chances and risks of supranational integration, it was not to be expected that a generally valid answer would be found. A brief answer may however be ventured now from the theoretical viewpoint of a geo-economic integration policy containing allocative and distributive components and which takes in the concrete experience of the association of African states with the EC:

In an integration area the component parts of which can be presented as in a centre-periphery relationship the prerequisites to spatially efficient production created by free goods exchanges and unhampered factor movements will at first enhance the chances for the central area to become the place of gestation for an intensive innovation process. Parallel to this there is a risk that the innovations will not be transferred to the peripheral area at all or only slowly and that insofar as such transfers occur they will be concentrated on preferred countries in the peripheral zone. A distributive integration policy offers a chance of intensifying and hastening the automatic if protracted process of innovations transfer through autonomous and selective promotion of development centres.

<sup>27</sup> The "raw material country effect", i.e. the dependence of the size of per-capita aid upon the raw material producing capacity of an AASM country, seems to be of more plausibility than the assumed "small country effect", which is the relative preference given to smaller countries. Cf. U. Möbius, Europäischer Entwicklungsfonds: Wird die Verteilung den ärmsten Ländern gerecht? (European development fund: Does the distribution do justice to the poorest countries?), DIW-Wochenbericht, 42nd Year (1975), p. 82, and R. Filip-Köhn, Der Europäische Entwicklungsfonds (The European development fund), DIW-Wochenbericht, 38th Year (1971), p. 6.

<sup>28</sup> This observation is borne out by findings in an investigation by the EC Commission which distinguishes in a detailed analysis of the AASM exports to the EC between goods the sale of which is rising fast or slowly and goods the sale of which is declining. Cf. EC Commission, The exchanges of goods between the EEC and the Associated African States and Madagascar in 1958-1967, Brussels 1969, p. 47 ff.