

Economic Integration among the Less Developed Countries: Myth and the New International Realities

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Abstract

The increasing interdependence among nations of the world in the 21st Century implies that no nation of the world is self-sustaining or capable of living in complete isolation from the rest of the world. Nation states, thus, integrate their economies regionally or globally with the expectation of achieving greater economic growth. This paper evaluates economic integration among the Less Developed Countries (LDCs) using the Customs Union Theory and Structuralist paradigm as analytical framework. The paper identifies stages or levels of economic integration and discusses obstacles to integration among LDCs. The paper argues that despite efforts by LDCs to integrate, economic integration remains somewhat unrealistic due, largely, to complicated array of problems and opportunities. The eventual realignment of national economies in the increasingly borderless economy will turn some of the LDCs into big emerging markets – a precondition for economic integration.

1. Introduction

Fundamentally, no nation of the world exists in complete isolation from other nations or can claim to be fully self-sufficient in all ramifications. All countries exist in a network of nation states and tend to integrate their economies in order to achieve efficiency and rapid economic growth. Economic integration is considered as one of the approaches needed to practically deal with the persistent development problems of less developed countries. In other words, economic integration seems a most fruitful approach to addressing the economic integration dilemma of the developing as well as the less developed countries (hereinafter, LDCs). Under this arrangement, regional economic management or undertakings provide the most efficient way to serve states' interests and offer advantages to a smaller number of states that must agree to closer geographical proximity for meetings and the shipment of goods, and perhaps, a shared culture that will facilitate agreement (Henderson, 1998:283).

Admittedly, every continental region has at least one major economic integration movement to advance its regional economic interests and to promote trade among nations in the region. Kaarbo and Ray (2011:432) have succinctly observed that, "Today, more than 400 regional trading arrangements have been reported to the World Trade Organization (WTO)". Similarly, Wu (2004) argued that "the fall of the Berlin Wall precipitated a shift in the motivation of those countries considering the possibility of integrating regionally..., in the last several years, more regional integration arrangements have been notified to the WTO than in the entire history of the General Agreement on Tariffs and Trade (GATT)". This implies that attempts at regional economic integration have increased in recent times, partly because the end of the Cold War has granted states more freedom to cooperate economically and partly because stiff conditionalities imposed by the Bretton Woods system as well as American economic hegemony have led states to search for alternative paths to economic stability.

Presently, major regional economic integration include: The North American Free Trade Agreement (NAFTA), the European Union (EU), Association of South East Asian Nations (ASEAN), Asia - Pacific Economic Cooperation (APEC), the Caribbean Community and Common Market or simply the Caribbean Community (CARICOM), the Latin American Integration Association (LAIA) and the Andean Common Market (ANCOM). Others are the Council of Arab Economic Unity (CAEC), the Central American Common Market (CACM), Southern Africa Development Community (SADC), the Economic Community of West Africa States (ECOWAS), and the Common Market for Eastern and Southern Africa (COMESA). These regional economic integrations whose major aim is to foster economic cooperation among member states grant reciprocal trade preferences to member countries, resulting in discrimination against non-members (Shieff and Winters, 1998: 177).

Evidently, despite these, regional economic integration efforts have not yielded meaningful result in some regions. In particular, countries classified as less developed countries appear to be the worse affected in this direction. Specifically, lessons from that can be drawn from three cooperation and integration schemes of ASEAN, ECOWAS and CACM. Against this backdrop, this paper examines economic integration by the LDCs and discusses obstacle/impediments to the economic integration efforts.

2. Conceptual and Theoretical Explications

2.1 Conceptual Discourse

This study is premised on two key concepts, namely, “economic integration” and “less developed countries”. Generally, integration refers to the process by which supranational institutions replace national ones – the gradual shifting upward of sovereignty from state to regional or global structures. According to Hass (1958:16), “integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and activities toward a centre, whose institutions possess or demand jurisdiction over pre-existing national state”. Thus, the ultimate expression of integration would be the merger of several (or many states into a single – or ultimately into a world or regional government.

Deutsch (1989: 212) defined integration as “a relationship among units in which they are mutually interdependent and jointly produce system properties which they would separately lack”. This definition is a pointer to the fact that, with an increasing regional interdependence, the purpose and future of state boundaries in the international system came into question. Indeed, economic liberation, one of the dominant economic philosophies of the Washington Consensus, would see the withering away of the political interference that “artificial” state boundaries can have on efficient economic exchange as a positive trend. Therefore, many contemporary states recognize the potential economic benefits of integration – the replace of national economies with larger (in most cases regional) ones”.

In more general terms, economic integration (sometimes referred to as trade or market integration) refers to trade unification among different states by the partial or full abolishing of customs tariffs on trade taking place within the borders of each state. This is meant in turn to lead to lower prices for distributors and consumers (as no custom duties are paid within the integrated area) and the goal is to increase trade. It is the process whereby the economic barriers between two or more economies are eliminated. It involves specific policy decisions by governments designed to reduce or remove barriers to mutual exchange of goods, services, capital and people. The above assertion is corroborated by Carbaugh (2009) who argued that, “the process of eliminating restrictions on international trade, payments for factor mobility, is known as economic integration”. From the above explanation, two salient points are made about economic integration. The first is the merger of firms and economies of separate states in larger entities, and the second is the removal of all discriminatory economic.

The definition of economic integration considered all-encompassing and underscores its *raison d’être* is given by Attahir (1994: 216-229) thus: Economic integration relates to the coming together of countries in a given region with the aim of achieving economic development. The goals include the attainment of large scale production and specialization according to geographical location. The focus is on economic development through growth of manufacturing industry and per capita income. The assumption behind the concept is that growth in the manufacturing section is hindered by the smallness of the domestic market. As such economic integration serves as an avenue of widening the size of such market. It facilitates trade, higher regional output and lower real production cost.

Apparently, and from the above view point, genuine economic integration would augment capital accumulation and nations’ capacity to attain the semi-industrial capitalist stage. More so,, economic integration embraces the activities of regional organization, and definitely pertains to a particular region. As Palmer and Perkins (1997:559) clarify, “a region is invariably an area embracing the territories of three or more states. These states are bound together by ties of common interest as well as geography. They are not necessarily contiguous, or even on the same continent.” This arrangement, therefore, means the removal of any obstacle which limits the mobility of goods, services and factors of production between countries. It is marked by the reduction or elimination of trade barriers and the coordination of monetary and fiscal policies. The aim is to reduce costs for both consumers and producers, as well as to increase trade between the countries taking part in the agreement. From the foregone explanation, it is crystal clear that the more integrated the economies become, the fewer trade barriers, and the more economic and political coordination between/among member countries”. This therefore implies that, by integrating the economies of more than one country, the short-term benefits from the use of tariffs and other trade barriers is diminished. In other words, the more integrated the economies become, the less power the governments of the member nations have to make adjustments that would benefit them. Therefore, in periods of economic growth, being integrated can lead to greater and long-term economic benefits. However, in period of poor growth being integrated can actually make things worse.

From the standpoint of Suranovic (2007), economic integration refers to “any type of arrangement in which countries agree to coordinate their trade, fiscal, and/or monetary policies”. This is geared towards removing

trade impediments between two or among more countries and requires certain elements of cooperation and coordination. Thus, integration can be global integration – negotiations within GATT/WTO or regional integration.

On the other hand, there is no consensus among scholars on the exact definition of the concept, “less developed countries” as it has been variously defined. But However, it is interesting to note from the outset that in the writings of most of social scientists, less developed countries is used inter-changeably with Third World Countries (TWCs), Developing Countries (DCs), and the Least Developed Countries.. It has been argued that all these depend on the typology one chooses to adopt. In the view of Fitch (2006), LDCs are “countries whose state of economic development is characterized by low national income, a high rate of population growth and unemployment, and dependence on commodity exports. Cate (2009) graphically explained why some countries are christened “Less developed” thus:

First, there is no foundation of self-sufficiency within the country. Even when as in the case of Nigeria, there are abundant natural resources available, for political reasons those professionals’ best equipped to control and manage these resources and turn them into bankable goods and exports have left.... The second reason is that the opportunity to negotiate fairly has been absent, partially due to the xenophobia of the LDCs, and partially toward an overly-benign and condescending attitude on the part of the Western corporations and their officials.

Similarly, Sodaro, et al., (2001:350) argued that “although the newly industrializing countries are considered developing countries, most countries in the developing world are considerably worse off. Quite a few middle-income countries have major pockets of poverty, especially those in the lower-middle-income range. But the most severely impoverished are the “low-income” countries...countries in the low-income group are those with per capita GNP of \$760 or less”. The definitions explained so far indicates that the less developed countries are those countries that are not as rich as the industrialized countries of Western Europe and North America. These are often countries which have a lot of natural resources but lack the technology to harness them, so the resources are sold to the countries which have the technology and can efficiently use them. As a result, these countries depend more on imported products. The majority of these countries are found in Asia, Africa, and Latin America. The implications of this, particularly for Africa and its development potentials are lack of competitiveness, its vulnerability to the price fluctuation of essential imports and its marginalization in the world economy (Chabal and Daloz, 1999:110).

2.2 Theoretical Perspective

Although integration theory has many strands and variants, the Custom Union Theory and Latin America’s Structuralist paradigm provides theoretical background for analyzing economic integration among the LDCs. The Customs Union Theory espoused by Jacob Viner in the early 1950s remains one of the frameworks that created the foundation for regionalism. The central thesis of the theory is that a customs union will be beneficial if on balance it is ‘trade-creating’ and it will be harmful if on balance it is ‘trade-diverting’. Trade creation occurs when trade between the customs union’s partners is increased. In this case, expensive and protected domestic production is displaced by cheaper production coming from the partners’ or integrating countries. This shift would imply a move from less efficient to more efficient producers. By contrast, trade-diversion would occur when imports from the efficient or cheaper ‘world market’ producers are replaced with imports from a higher cost or less efficient producers from the customs union. Differently put, when tariffs on intra-union trade are removed, trade between the countries who are members of the union will tend to increase. Thus, whether or not the union is beneficial will depend on whether the intra-union trade is on balance, the result of trade-creation or of trade-diversion.

Viner (1950), therefore, saw trade-creation as welfare increasing for the union and the whole world and trade-diversion as welfare reducing from the point of view of world trade. Thus, if trade between partners increases without changing its trade with the rest of the world, then the world moves closer to free trade. At this point, national protection is extended to the regional level which is a movement away from free trade. Viner (ibid) argued further that those who claim that regionalism is a positive force associate it with trade-creation while those who think the opposite often relate it to trade-diversion. Trade-diversion and trade-creation are, therefore, the static effects of trade liberalization. The balance between trade-creation and trade-diversion determines whether economic integration is profitable or not.

On this note, Hazlewood (1975:10-11) argued that if union causes a member to replace its own high-cost production of particular commodities with imports from other members of the union which have lower costs, this is trade-creating. Therefore, this trade-creation is likely when there is union between countries which produce much the same range products but differ in their comparative advantage for the various products.

Before union, such countries are actually competitive but potentially complementary. After union, competition will lead to a pattern of specialization in which each country produces and supplies to the other members of the union the products in which it has a comparative advantage. Under this condition, the high-cost industries in each country will tend to be displaced by their low-cost competitors in other members of the union. Through the creation of intra-union trade, each member will be supplied from the lowest-cost source within the union. If, on the other hand, the effect of union is to cause members to switch their purchase from low-cost external sources to high-cost sources within the union, there is trade diversion. Therefore, the union will not have been beneficial because it will have caused a shift of resources into less efficient uses. Hazlewood (ibid) argued further that “trade-creation is likely to be predominant in unions between countries where a small proportion of total expenditure is on external trade, and where a high proportion of that external trade takes place between the countries which are to form the union.

El-Agraa (1989:13) has pointed out that to explain trade-creation and trade-diversion, economists assume the existence of variables such as perfect competition in both the commodity and factor markets, automatic full employment of all resources, costless adjustment procedures, perfect factor mobility nationally, perfect immobility across national boundaries and prices determined by costs. It also assumed that the supply from the producers in the rest of the world is fully elastic at price level. Therefore, customs union can promote trade-creation, by eliminating obstacles to free trade among member countries. At this juncture, integration would aim to expand trade exchange.

On the other hand, the Latin America’s Structuralist Theory was developed in the 1950s and 1960s by Raul Prebisch. The central vision of structuralism is its conceptualization of the international system as being constituted by asymmetric centre-periphery relations (Kay and Gwynne, 2000: 49-69). As a consequence, the world trading system exploits LDCs and even perpetuates their poverty. They further contend that underdevelopment in some parts of the world (in this case the LDCs- the periphery) was necessary condition for the development in other parts of the world (the MDCs-the centre). This, according to the structuralists, is partly because LDCs traditionally produce primary goods which received unfavourable treatment in the global economy. At the same time, the import barriers of the more developed countries, coupled with their very low technological capability, discouraged them (the LDCs) from producing and exporting manufactured products. As a result, structuralists began to promote closer regional cooperation as a way to create economies of scale and to liberate LDCs from the dependence on the more developed countries. Thus, structuralism argued in favour of an inward-directed development policy largely through import-substituting industrialization (ISI) to encourage domestic production among the LDCs. As Blomqvist (1992: 143) has observed, the theoretical core of import substitution policy is the protection of infant industries through tariffs, the imposition of tariffs and non-tariffs barriers to keep out foreign-produced goods and policies aimed at reducing the prices of goods produced in domestic market. Another element of import substitution is to get foreign companies to invest rather than trades. Foreign investment according to structuralists is supposed to bring technology and management know-how to LDCs.

3. The Stages of Economic Integration

There is no consensus among scholars on the stages or levels of economic integration. Some identified four, others five, six and so on. This difference is due, largely, to the fact that the process of integration does not necessarily have to be gradual from one type to another. Also, the establishment of any type or the other depends on the agreement among the participating countries. For the purpose of this study, six stages are identified, viz; (i) Preferential Trade Agreement, (ii) Free Trade Area or Associations, and (iii) Customs Union. Others are (iv) Common Markets, (v) Economic and Monetary Union and (vi) Full or Complete Economic Integration. Let us discuss the stages in turns:

Preferential Trade Agreements

Preferential Trade Agreement (hereinafter, PTAs) is an arrangement between two countries (bilateral) or several countries (multilateral) in which the goods produced within the union are subject to lower trade barrier than the goods produced outside the union. Differently put, PTAs, otherwise known as Preferential Trade Area exist when countries within a geographical region agree to reduce or eliminate tariff barriers on selected goods imported from other members of the area. Parties to a system of preferential agreements levy lower rate or duty on imports from one another than they do on imports from non-member countries. Although often described as the first small step towards the creation of a trading bloc and perhaps the weakest form of integration (Suranovic (2007), Panagariya (2000: 288) argues that PTA has an advantage of being wider in that it can be used to describe FTAs and CUs arrangements involving partial trade preferences.

Free Trade Area

Free Trade Area (FTAs) exists when two or more countries in a region agree to reduce or eliminate barriers to trade on all goods coming from other members. Specifically, Article XXIV(8) defines a free trade area as a group of two or more customs territories in which the duties and restrictive regulations of commerce... are eliminated on substantially all the trade between the constituent territories in products originating in such territories. To exclude regional exploitation of zero tariffs within the FTA, there is a rule of “certificate of origin” or “rule of origin” for the goods originating from the territory of a member state of an FTA. These rules are designed to prevent goods from being imported into the FTA member country with the lowest tariff and then transshipped to the country with higher tariffs. Put differently, in a free trade association, no duty is levied on imports from other member states, but different rates of duty may be charged by each member on its imports from the rest of the world. The European Free Trade Association (EFTA) and the North Atlantic Free Trade Agreement (NAFTA) are examples of FTA.

Customs Union

A Customs Union builds on a free trade area occurs when a group of countries agree to eliminate tariffs between or among themselves and set a common external tariff on imports from the rest of the world. This common external tariff can, of course, differ across goods but not across union partners. As Zhu (2010) put it, a customs union composes of a free-trade area, and is an agreement among the participating nations to remove all tariffs and non-tariff trade barriers. The aim for establishing a customs union would be to increase economic efficiency and build closer political/cultural ties between the member countries. The European Community (EC), the 19th Century German Zollverein, and the Benelux which consists of Belgium, the Netherlands, and Luxembourg formed in 1948 represent such an arrangement.

Common Market

A Common Market (CM) usually referred to as “factor integration” represents a major significant step towards full integration. It occurs when all barriers to trade in goods, services, capital and labour are removed and member countries trade freely in all economic resources – not just tangible goods. In addition to removing tariffs, non-tariff barriers are also reduced and eliminated. Thus, a common market is an extension of the customs union concept, the addition feature being that it provides for the free movement of labour and capital among all the members until it was converted into an economic union in 1959. Evidently the European Union was established as a common market by the Treaty of Rome in 1957, although it took a long time for the transition to take place. Today, EU citizens have a common passport, can work in any EU member country and can invest throughout the union without restriction. Thus, the European Union is an example to achieve such status for a Common Market.

Economic Union

The economic union is the most advanced type of economic integration, where the national, social, taxation, monetary and fiscal policies of member states are harmonized, completely unified and administered by supranational institution. An economic union comprises all features of a common market plus unification of fiscal and monetary policies. Therefore, it could be said that the extreme case of an economic union is a monetary union. A good example of an Economic Union is the countries of the European Union who use a single currency.

Complete Economic Integration

This is the final stage of economic integration. It involves a single economic market, a common trade policy, a single currency, a , common monetary and fiscal policy, a common tax and benefit rates –, omplete harmonization of all policies, rates, and economic trade rules. Complete integration is most common within countries, rather than within supranational institutions. A good example of this is a country like the United States which can be viewed as a series of highly integrated quasi-autonomous nation states. In this example, it is true that complete economic integration results in a federalist system of governance as it requires political union to function as, in effect, a single economy. The stages of economic integration and their salient features are illustrated in Table 1.

Table 1: Stages of Economic Integration and their features

S/N	Integration Stages	Integration Elements	Examples
1	Preferential Trade Agreements (PTAs)	<ul style="list-style-type: none"> • Reduced tariffs and quotas. • Grant preferential access to certain products from the participating countries 	<ul style="list-style-type: none"> • Great Britain and its Commonwealth countries. • European Agreement: a treaty between the EU and a non-EU countries
2	Free Trade Area (FTAs)	<ul style="list-style-type: none"> ▪ No tariffs against member countries ▪ No quotas ▪ Individual tariffs against outsiders. 	<ul style="list-style-type: none"> ▪ The North American Free Trade Area (NAFTA). ▪ The European Free Trade Area (EFTA) ▪ Latin American Integration Association (LAIA)
3	Customs Union (CU)	<ul style="list-style-type: none"> ▪ No tariffs against members ▪ No quotas ▪ Common external tariff 	<ul style="list-style-type: none"> ▪ European Economic Community (EEC) ▪ Andean Group (AG) ▪ Central American Common Market (CACM) ▪ Caribbean Community and Common Market (CARICOM)
4	Common Market (CM)	<ul style="list-style-type: none"> ▪ No tariffs against members ▪ No quotas ▪ Common external tariff ▪ Free factor movement including labour 	<ul style="list-style-type: none"> ▪ European Union (EU)
5	Economic and Monetary Union	<ul style="list-style-type: none"> ▪ No tariffs against members ▪ No quotas ▪ Common external tariff ▪ Free factor movement including labour ▪ Harmonization of economic policies and single currency 	<ul style="list-style-type: none"> ▪ European Union
6	Full or Complete Economic Integration	<ul style="list-style-type: none"> ▪ Unification of monetary, fiscal, social and counter-cyclical policies. ▪ Requires a binding supranational organization. ▪ Harmonization of economic policies and single currency. ▪ No tariffs and quotas ▪ Tariffs against outsiders ▪ Free factor movement including labour. 	<ul style="list-style-type: none"> ▪ European Union ▪ USA-which has federalist system of governance

Sources: Adapted from Holden, M. (2003) **Stages of Economic Integration: From Autarky to Economic Union.**

Observations from the stages of economic integration explained so far is that, on the one hand, there is only a very shallow integration in PTAs, FTAs and Customs Union, whereas a deep integration exists in Common Markets and Economic/Monetary Unions. But, an economic union combines customs union with a common market and fiscal union and introduces a shared fiscal and budgetary policy. In order to be successful the more advanced integration steps are typically accompanied by unification of economic policies (tax, social welfare benefits, etc.), reduction in the rest of the trade barriers, introduction of supranational bodies, and gradual moves towards the final stage, 'complete integration'. Table 2 shows the various economic integrations and trade discriminations removed.

Table 2: Economic Integration and the Removal of Discrimination

S/N		No tariffs or Quotas	Common external tariff	Free flow of factor	Harmonization of economic policies	Unification of politics & political institutions
1	Free Trade Area	X				
2	Customs Union	X	X			
3	Common Market	X	X	X		
4	Economic Union	X	X	X	X	
5	Total Economic Integration	X	X	X	X	X

Sources: Balassa (1961); Nye (1968); Eminiue (2007).

From Table 2, it is clear that the parameters on the horizontal line are the ones through which degrees of integration are achieved and the outcomes are listed on the vertical lines. Eminiue (2007), however, noted that while the removal of only tariff quotas leads to the creation of a free trade area, the operationalization of all the parameters along the horizontal line leads to the creation of total economic integration. Being the weakest form of integration and first small step towards the creation of trading blocs, the PTAs is not in table 2.

4. Analysis of Impediments to Integration among the LDCs

Obstacles to economic integration efforts among the LDCs cover a number of issue, few of which are discussed hereunder:

First, lack of integrating organization has been identified as one of the major impediments to economic integration among LDCs. Kaarbo and Ray (2011:447) observed that the results of integration efforts among LDCs have been mixed at best, with no organization in the developing world even approaching the level of institutional development of the EU. Even when there is a typical integrating organization, they lack the necessary administrative and bureaucratic infrastructures to take advantage of the situation. Also, integrating organization could not thrive as a result of internal problem within and among integrating countries. Economic integration hinges on the creation of free trade areas or customs unions, which will give industries in integrating countries a chance to survive in competition with corporation in developed countries. But when LDCs formed an integrating organization, they create the same kind of market pressures and advantages for relatively developed states inside these organizations that exist in the outside world.

Second, economic integration among LDCs is often hampered by internal socio-economic structures which hinder exchange of complementaries and factorS of mobility among the integrating states economies. Attahir (1994) using East Africa as a case study argued that there is prevalence of dual economies facilitated by the preponderance of monopolistic advantages to foreign investments. Such manifested in the control of the economy by expatriate firms. The prevalence of export economies and subsistence economies facilitates an absence of inter-sectoral linkage. Thus, the economies of these countries are attuned to the needs of the world market. The predominant structures are floated to service the import-export sector rather than achieve internal economic integration. Also, many LDCs are grounded in cultural patterns appropriate to small-scale subsistence societies, of maintaining institutions which are beyond the effective control of a single boss and which can readily adapt to changes in leadership.

Third, the economic dependence of the LDCs on their former colonial powers tended to work against viable economic integration in LDCs. In other words, the North-South dependent relationship is an obstacle to integration among LDCs. The North symbolizes the wealthy and industrialized economically developed countries (EDCs), and the South represents the less developed countries. The disparity in economic circumstance between the two is that while the North continues to accumulate wealth the South depends on the North for aid and other grants. The implications of this according to Nomvete (1993) is the preference for Western imports – a situation where both consumers and the importers prefer anything “North” or “Western” and many of the imports from the North are tied directly to aid programmes which tend to favour imports from the aid-giving country. From the point of view of Oxfam (1993), the dependence of the bulk of LDCs economies on foreign trade hampered economic integration. Other factors include the dominance of commodity composition of exports and the irregularities in the geographical distribution of foreign trade.

Fourth, the rules of international trade and global financial organizations favour the LDCs. As long as LDCs remained buyers of manufactured goods from the MDCs, the later will ever favour liberalization of trade

in manufactured goods. As a result, LDCs began to demand for more access to rich-country markets, both for manufactured goods and other exports (Balaam and Dillman, 2011). This in turn affects the LDCs' efforts towards economic integration.

Fifth, civil wars and regional military rivalries prevalent in the developing world have been identified as obstacles to integration among these countries. Nearly every less developed country which, spread across the three continents – Africa, Asia and America is at one risk or the other. Muuka, Harrison and McCoy (1998) observed that “several different political ideological perspectives also exist, especially with regard to Sudan, Ethiopia, Angola, Burundi where military coup are prevalent. Mozambique, Rwanda, Zaire and Somalia are members of COMESA and civil war-raged countries.

Sixth, geographic proximity is a relevant precondition for successful regional economic integration. Integration between countries located far away from each other is, of course non-effective and would give rise to transportation as well as communication costs. Edblad (1996) argued that when close neighbours form an FTA they will divert little trade because they trade a lot with each other to begin with. Free trade agreements between distant countries, perhaps from different continents, will probably divert more trade than they create because they encourage unnatural trade relations.

5. Conclusion and Policy Prescriptions

From what has been discussed in this paper, it is pertinent to state from the outset that although the idea of integration is a noble one, economic integration is a complex process – requiring, among other things, virile regional organizations, beneficial customs union, etc. to foster integration. Consequently, the less developed countries though may have regional bloc, do not satisfy other requirements, thus making their quest for economic integration a distant dream. Also, external trade among these countries is relatively large and intra-union trade relatively small. The benefits arising from redistribution in the pattern of production within the union, given the under-developed nature of the economies and the importance of primary production for export, would not be large, and for some members could be negative. It is also discovered that most nation-states are too small or too poor to operate successfully in either regional or global economy. Or even big nations with abundant resources are unable to harness their natural resources, because of unstable political climate, low technological capability, and because Western nations subtly impose their morality, ethics, tradition and means of investment on them. There is, therefore, the need for the LDCs to come together and form an organization that will compete favourably with the EU, and industrialized nations with huge investment in these countries should pledge a percentage of the benefits into a fund for improving conditions in the LDCs. Economic integration among the LDCs is an imperative if countries involved are to achieve practical and to participate on equal terms in the global economy. The eventual realignment of national economies will turn some of the LDCs into big emerging markets.

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