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Book Review

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BOOK REVIEW

ECONOMIC INTEGRATION AMONG DEVELOPING NATIONS: LAW AND POLICY. By Beverly May Carl.† New York: Praeger Publishers, 1986. Pp. xx, 285. \$42.95.

THE POLITICAL ECONOMY OF REGIONALISM IN AFRICA. By Samuel K.B. Asante.†† New York: Praeger Publishers, 1986. Pp. xvii, 267.

*Reviewed by John B. Marshall**

Theories of economic development have passed through many stages. Following World War II, the independence movement brought high expectations that freedom from colonial status would produce economic advance. Development appeared to be a matter of steps and methods. European postwar recovery and the Marshall Plan provided a model. Mechanization, transfer of technology, the demonstration effect, infrastructure, foreign aid, and foreign investment offered hope for "takeoff." Substantial attention focused on socialist planning, nationalization, and mobilizing the masses. Law and development held great appeal. Green revolutions, import substitution, sector leadership, and foreign trade offered hope for progress. OPEC-style cartels and various suggestions for a New International Economic Order have become prominent in recent years, but without substantial implementation thus far. All such theories have faded after initial high expectations. For example, massive borrowing has led to the current debt crisis. Yet, most theories have merit and can contribute to development in some manner. But no comprehensive theory combines the diverse ideas in a balanced working order suited for any particular country. No theory, simple or complex, applies equally to all. In three decades of experience, the efforts toward development in the Third World have been discouraging.

Regional economic integration organizations are prominent in development theory. Many such organizations exist today. In the past, a few failed or gave way to new arrangements. Two recent books provide use-

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ful information on the law and practical experience of such organizations in various parts of the globe. Beverly May Carl surveys the worldwide situation, with emphasis on Latin America, in *Economic Integration among Developing Nations*.¹ S.K.B. Asante concentrates on the Economic Community of West African States (ECOWAS) in *The Political Economy of Regionalism in Africa*.²

Ms. Carl's book is a compact source of general knowledge, a foundation book to begin a study of regional organizations or to start research on a specific problem. It is intended for lawyers and business managers. She bases the book on her extensive background. For fifteen years she assembled information, intending to fill a need in the literature on foreign trade and investment. She suggests that other studies may follow.

The content is mainly information about the structure and governing law of the organizations established by international agreements. Taking a law-in-the-books approach as her organizational framework, Carl primarily presents the law contained in the treaties, agreements and regulations. Explanations and analyses accompany the descriptive material, but these are limited by the purpose of the book and the available space. Although she gives some historical background and accounts of practical experience, more of this material would have added to the breadth of understanding. She organizes the material in a logical sequence of well-chosen conceptual topics. Each topic fits into the overall plan of the book. Discussion stays on the subject. Writing style is exceptionally efficient. Often a single sentence or short paragraph covers an important fact or idea. She never overstates or elaborates beyond need. Well-selected examples illustrate almost every point. The discussion and examples are introductory, in keeping with the purposes of the book. Although the coverage is extensive, this introductory presentation does not, and could not, provide comprehensive worldwide treatment of this complex subject.

Carl's focus on written law stimulates questions about practical operations, which in developing countries are often more important than the written law. She recognizes these aspects but does not attempt to deal with them thoroughly. She leaves major treatment of law-in-action for other studies.

Tariffs are a major tool in the economic analysis she describes. Tariffs affect trade by adding to the cost of imported goods. They alter demand for goods and influence other economic factors. Regional integration or-

1. B. CARL, *ECONOMIC INTEGRATION AMONG DEVELOPING NATIONS: LAW AND POLICY* (1986) [hereinafter CARL].

2. S. ASANTE, *THE POLITICAL ECONOMY OF REGIONALISM IN AFRICA* (1986) [hereinafter ASANTE].

ganizations use tariffs to control economic activity. She identifies several types of regional organizations, classified by the ways they use tariffs. A *free trade association*³ eliminates tariffs among the countries within the region. In theory, the low-cost suppliers within the region will then expand to serve the larger market composed of customers in all member countries. This expansion is termed "trade creation."⁴ A *customs union*⁵ sets a common external tariff that all countries charge on goods that enter the region. This external tariff will impair or exclude imports from low-cost suppliers outside the region. The suppliers within the region, protected by the tariff wall, will be able to sell more of their goods to local customers. This shift is known as "trade diversion."⁶ A *common market*⁷ is both a free trade association and a customs union. This broadly powered type of organization also deals with a wide range of additional matters, such as monetary policies, financial institutions, the movement of labor and capital, and the allocation of industries and resources within the region. The model is the European Economic Community, to which all other organizations look for ideas. A *trade preference association*⁸ gives special tariff advantages to poorer nations within the region. *Mutual assistance arrangements*⁹ exist among planned economies of socialist countries to integrate arrangements for production and distribution. They do not use tariff policy to affect decisions by managers of enterprises.

The theory of regional economic integration is founded on free enterprise economics, but provides for extensive control and substantial participation by government. This is evident in Carl's chapters on Structuring Trade Patterns,¹⁰ Investment Policy,¹¹ and Financial and Legal Aspects,¹² which contain countless references to free market concepts and the behavior of private firms. She shows how the integration schemes seek to manipulate the business environment for social and economic purposes. Her coverage points up both the complexity of this task and the difficulty of guiding human behavior by controlling only some of the economic factors.

3. CARL, *supra* note 1, at 7.

4. *Id.* at 5.

5. *Id.* at 7.

6. *Id.* at 5-6.

7. *Id.* at 7.

8. *Id.* at 7-8.

9. *Id.* at 8, 90. The terminology is not uniform.

10. *Id.* at 12-34.

11. *Id.* at 35-57.

12. *Id.* at 58-70.

Her treatment of monetary systems, credit institutions and payments clearing facilities¹³ is too short to provide a working understanding. But it is sufficient to introduce the main points and demonstrate the fragility of international financial relations in Latin America. Most existing institutions were established for commercial purposes, not regional integration or development. Although Carl does not attempt to suggest the revisions necessary for regional integration, her discussion does indicate that the present apparatus is insecure and that changes may be risky.

The chapter on Integrating Planned Economies¹⁴ provides a good contrast to theories based on market economics and individual enterprise. The material is not extensive, but it indicates that socialist planned economies deal with many of the same interests and use some of the same techniques as the non-socialist economies. Other techniques, such as the role of tariffs and market stimulus, are outside the socialist methodology. In her Conclusions and Recommendations,¹⁵ Carl implies that some type of integration may be achieved among socialist and other economies. She cites several instances of current cooperation. These, however, appear to be examples of individual contracts and transactions, rather than integration. But they may be the first steps.

A set of hypothetical transactions and solutions¹⁶ offers some "hands on" problem-solving exercises for those who want training in application of the material. These are short demonstrations, illustrative, not comprehensive. An extensive appendix provides key provisions from treaties and other reference material.

Carl's treatment has the character of a textbook and reference book. It informs. To a substantial extent it evaluates. Only occasionally does it advocate. It is not written to be interesting but is written for those who are interested. It provides a start in the vast field it introduces. It prepares the reader for further study in which to take a narrower focus on a specific region or a particular technique of economic integration.

Asante bases his book on the widely held premise that developing countries are highly dependent on the developed economies. This dependency causes economic disadvantage and inhibits development. He states at the outset that his analysis, or model, "seeks to explain the most pressing problems of the less-developed world in terms of relations between the developing and developed areas"¹⁷ and asserts, with respect to devel-

13. *Id.* at 58-64.

14. *Id.* at 90-101.

15. *Id.* at 102-13.

16. *Id.* at 71-79.

17. ASANTE, *supra* note 2, at 13.

oping countries, that "effective control of the economy of a country lies outside that country."¹⁸ Under this view, regional cooperative arrangements aim to counter the dependency and achieve independence. Two ideas appear as recurring themes. First, a combination of countries will have more economic power, referred to as "leverage," in dealing with outside factors. Second, industrialization and trade within a region will increase production and lead to further economic independence.

Asante views regional integration as a long-term process. Near-term sacrifices, he believes, may be necessary to achieve independence and development. The long-range goals justify trade diversion and temporarily higher local prices, which occur when tariffs exclude low-cost imports.

Development economics in Asante's view is not a simple application of principles applicable to developed economies. Conditions in industrial nations are different from those in developing countries. Moreover, development is a long-term, complex process. Its long-run goals override conventional analyses of the immediate effects of economic practices. Asante characterizes this difference as a contrast between development economics, which he terms "dynamic," and "static" conditions in developed countries. This choice of words seems regrettable. The words do not readily convey the meaning he apparently intends, which is the difference in circumstances and the desired percentage rates of growth. Developing countries start with less and seek rapid change. Development economics must be appropriate for these conditions. Although other words might have made his meaning clearer, Asante appropriately cautions that economic techniques are not the same for these diverse conditions.

The book provides a short survey of regional organizations in Latin America, Asia and Africa that leads into the main topic, the ECOWAS.¹⁹ The middle chapters²⁰ outline the history, organizational structure, agreements, and many of the measures that have been instituted to achieve industrialization and trade liberalization within the region. ECOWAS is a "common market," the most comprehensive type of regional organization. In its role as a customs union, ECOWAS protects local industry with a tariff wall against competition from imports. As a free trade zone, it provides a larger market for producers within the re-

18. *Id.*

19. *Id.* at 19-32 (ch. 2, *Integration Movements in Developing Countries: Expectations and Reality*).

20. *Id.* at 33-61 (ch. 3, *The Evolution of a West African Community*); 62-80 (ch. 4, *ECOWAS: Institutional Framework and Decision-Making Process*); 81-108 (ch. 5, *Industrialization and Trade Liberalization in ECOWAS*).

gion. Its advocates expect that industrial growth will achieve economies of scale and thereby reduce costs, to the benefit of producers and consumers of the region. While its immediate goal is to reduce dependence on outside economic powers, local producers eventually may become competitive in world markets as well.

Asante's presentation is almost entirely in general terms, a relatively abstract style. Concrete factual illustrations would have helped the reader assimilate the material more readily. But numerous illustrations probably would have lengthened the book unduly. Abstract treatment appears to be necessary for this kind of material.

He takes issue with two schools of thought that differ from the ideas that underlie ECOWAS. First, he regards neo-functionalism as a narrow viewpoint that fails to discern important dimensions of the development process.²¹ His criticism would have been more enlightening if he offered more information about his understanding of neo-functionalism and the specific points of his disagreement. His other severe criticism pertains to the World Bank report, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*²² (known as the Berg Report). The Report suggests that African developing countries should concentrate on their most productive sectors and obtain other goods through trade.²³ This obviously touches on a sensitive nerve. Asante's point of view stems from his premise that developing countries are in a dependency status. For him, the Report advocates perpetuation of dependency and domination by industrialized nations and multinational corporations that exercise unequal bargaining power. He sees this as increasing dependence and under-development,²⁴ almost synonymous with neo-colonialism. In effect, Asante's view denies that the economist's doctrine of comparative advantage applies to developing countries. Unfortunately,

21. Asante faults neo-functionalists for being "broadly apolitical in their analysis." He states: "The contention of this group of theorists is based on the principle that what occurs in regional integration is a 'process by which a series of essentially functional economic and non-political decisions are made incrementally.'" *Id.* at 140. He states that neo-functionalists place hope in the technocrat. *Id.* at 142.

22. THE WORLD BANK, *ACCELERATED DEVELOPMENT IN SUB-SAHARAN AFRICA: AN AGENDA FOR ACTION* (1981).

23. The Report states: "The agriculture-based and export-oriented development strategy suggested for the 1980s is an essential beginning to a process of long-term transformation, a prelude to industrialization. It is not a permanent course for any country, but one that in Africa generates resources more quickly and benefits more people. Without these resources, the foundations of future development cannot be established." *Id.* at 6.

24. Asante, *supra* note 2, at 15, 190-94.

Asante does not discuss the matter in these terms. His rejection is almost summary. But his criticisms have merit. At present, the world appears to have sufficient industrial capacity to satisfy existing economic markets, though of course not enough to satisfy all needs or wants. Emphasis on the lowest cost production sector for most developing countries would probably direct them to remain as producers of raw materials. This is inconsistent with the theory of regional economic integration. The controversy calls for rethinking the doctrine of comparative advantage with regard to developing countries. In any event, Asante demonstrates in almost emotional tones the contrary positions of those who favor integrating the developing countries into world trade and those who regard regional independence as the appropriate strategy.

While rejecting the World Bank's Berg Report, Asante does not provide much basis for confidence that rapid development will result from regional economic organization. The actual progress of ECOWAS, as he describes it, has not been substantial. In several chapters²⁵ he describes the decision-making process, policies for industrialization and trade liberalization, resistance to change, politics, and other problems and shortcomings that affect ECOWAS. In the final chapters²⁶ he reaffirms his belief in the potential of ECOWAS and advocates continued effort.

Both Carl and Asante view regional organizations and their underlying theories as innovations not yet fully tried. Both mention problems and obstacles to regional integration. Asante appears to have greater faith in the theory. He is from a developing country and closely understands the point of view of those who have a personal stake in the development process. Carl is somewhat less sanguine, even though her experience has been in Latin America, which has enjoyed somewhat greater progress than Asante's Africa. Both are realistic and practical, however. They recognize the difficulties. Their frank and practical observations, although not necessarily unique, help to explain the disappointing experience of developing countries thus far.

Neither author devotes major attention to the vast array of practical problems that beset the developing world and impair all efforts for progress. This was not their purpose. Neither book attempts to catalog the

25. *Id.* at 62-80 (ch. 4, *ECOWAS: Institutional Framework and Decision-Making Process*); 81-108 (ch. 5, *Industrialization and Trade Liberalization in ECOWAS*); 109-38 (ch. 6, *ECOWAS and the Question of Dependency or Neo-Colonial Mesh*); 1397-71 (ch. 7, *National Bulls in the Community China Shop*); 172-99 (ch. 8, *ECOWAS: A Look Ahead*).

26. *Id.* at 172-99 (ch. 8, *ECOWAS: A Look Ahead*); 200-08 (ch. 9, *Conclusion: Towards New Future*).

problems or discuss proposed solutions, other than economic regionalism. Taking a broader view than these books and their treatment of economic regionalism, one finds that the problems of material circumstances and human condition appear to be more extensive and more powerful than regionalism can solve. The variety and seriousness of the problems faced by the developing countries explain the lack of success of regionalism and discourage the outlook for any theory, proposal, or combination thereof to achieve rapid economic development.

Direct focus on the array of problems is discouraging, indeed. A short review here will help to indicate the limited ability of economic regionalism to have a major effect. The problems are well known, of course. Asante and Carl refer to many of them. Development theory does not suffer from lack of information about problems, but from lack of effective solutions.

Developing countries have meager resources for current use. Asante reluctantly recognizes that much of the needed capital must come from outside a region in order to make progress now, even though this weakens the dedication to economic independence.

Transportation infrastructure is lacking and both slow and expensive to build. Communications systems are somewhat easier to construct, but still expensive.

Population growth in developing countries exceeds economic expansion. Living standards are declining.

Industrialization requires education and skills beyond the levels of most people in developing countries. This has been recognized quite realistically, and efforts to expand education have had high priority in plans for development. But education is expensive and requires many years. Past efforts have been admirable, but limited by lack of resources. Furthermore, in the context of an uneducated population, even a little education creates high expectations and people are then often unwilling to perform the occupations that are needed. Cultural attitudes toward manual labor also inhibit much of the productive work that needs to be done.

Governments look within their boundaries for political support, a natural consequence of the nation state system by which the entire world is presently organized. A government threatened by immediate problems takes a short-range point of view. Many governments are insecure and seek measures to strengthen their power. Protection of domestic businesses and subsidies for food and other commodities for the broad population have short-range domestic political utility. This overshadows long-range regional interests such as the construction of new industries in neighboring countries.

Moreover, unstable governments cause high business risk. Foreign investors shy away from long-term dedication of capital that would benefit the developing country. The investors who are willing to take the risk seek short-term quick profits. These are not the most desirable providers of capital. Present international debt problems have further impeded the availability of long-term credit.

Local "elites" form self-interested alliances and manipulate power within a country, in conflict with the welfare of the broader population or regional integration. They perpetuate relations with outside interests, especially multinational corporations, in order to avail themselves of special benefits, often to the detriment of the society as a whole. Corruption, defined differently among the many developing countries but widespread by any definition, removes funds and diverts efforts from development goals.

The problems and shortcomings of the regional organizations themselves inhibit their progress. Neighboring countries often produce the same agricultural and mineral commodities, making them natural competitors rather than cooperators. Allocation of new industries among these nations is fraught with controversy.

Developing countries rely heavily on import and export tariffs as the main practical source of revenue. Regional integration threatens these revenues by eliminating tariffs on local goods and excluding imports. Plans for regional organizations to make payments to governments as compensation for loss of these revenues require a new source of funds that is not readily available.

Control of one aspect of economic activity is not likely to be effective without control of others. For example, reduction of tariff barriers must be accompanied by reduction of non-tariff barriers.

Regional organizations seek to favor local industries with a protected market, by means of internal free trade and tariffs that keep out external competition. The protected market will stimulate production only to the extent of the local economic demand, created by the people who are able to purchase. The potential consumers in developing countries do not constitute sizeable markets and are not likely to create a strong stimulus for expanded production. Although trade protection may succeed to the extent of money demand within the region, and thus be worth doing, the effects will be small. The wants and needs of impoverished people are not economic demand. The most serious problems of developing countries, the needs of impoverished majorities, are remote from the trade protection schemes.

In a common market, mobility of labor threatens workers in an area more prosperous than its neighbors. Workers often see their own imme-

diate practical interests to the exclusion of more theoretical long range goals.

Rules-of-origin, which identify local commodities for favored treatment, are hard to draft and harder to administer. Control of smuggling is almost impossible.

Asante points out that the governing system in ECOWAS can act only by unanimous agreement. This prevents some actions; others are approved only after compromises that will not work effectively.

Regional organizations create administrative structures and bureaucracies. Institutions of this kind tend to exercise power in their own interests.

Some countries within a region have different economic systems and ideologies that interfere with integration. Differences in language, legal systems, monetary arrangements and cultural practices also interfere with regional cooperation. Some countries belong to more than one regional organization and are subject to conflicting obligations.

Neither Carl nor Asante becomes discouraged to the point of giving up. Indeed, no theorist or advocate in the developing world is ready to admit defeat and forsake the effort to make progress. Unfortunately, it appears that a number of the participants in the countries themselves do believe the situation is hopeless. Some of them are in a position to look out for themselves and do so without attention, or even care, for those who cannot. On the bottom of the society, despairing masses who know nothing of regional integration have no alternative but to live the life set out for them.

Regardless of difficulties, Carl and Asante clearly expect the developing countries to continue their efforts toward regional integration. They do not elaborate the reasons. Surely the main reason is a belief in the economic theory. Other reasons may add support. The regional organizations already exist and will tend to perpetuate themselves. Instances of success, though not plentiful, encourage further effort. For those in the developing world who find no attractive alternatives the choice may seem to be either a belief in this idea or a loss of hope. An individual developing country has relatively little status in the world economy; one of the appeals of regionalism is a sense of worth and identity. Perhaps the goals of integration are so attractive that the desire spawns belief. Whatever the reasons, future efforts at integration are almost certain.

Are the developing countries behind the times in seeking economic progress through regional organization? The developed countries are currently feeling the effects of a global economy in which some "developing" countries, such as Malaysia and the Philippines, are growing by means of partial industrialization and world trade. Korea and Singapore

may have ceased to be developing countries as the result of expanded international business. Many people in developed countries complain that developing countries are taking over the manufacturing functions, leaving the developed countries to conduct a service economy and supply some of the raw materials. Changes in the world economy are in process. The future is unclear. This uncertain environment is especially threatening to developing countries. Perhaps regional combinations, with the increased leverage they seek, will be able to participate in the emerging global economy as major players. Perhaps they will try to retreat within their protective areas. No one can confidently predict their role in the economic relations that are evolving. But they are likely to look ever more strongly to regional relationships, in the absence of a viable alternative role for individual developing nations in the global economy. Asante and Carl have contributed greatly to understanding this important and timely subject.

