

## SECTION 4

### ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES

#### Regional and inter-regional cooperation

72. The promotion of economic cooperation among developing countries is now a well-accepted part of international development policy. The past two decades have seen several regional and sub-regional groupings spring up in the developing world, the latest being the establishment of the Economic Community of West Africa. Recently, concrete initiatives have also been taken to promote cooperation on a wider scale, involving the development of trade and other economic links among the developing regions of Africa, Asia and Latin America.

#### Regional cooperation and integration

73. All of these efforts have traditionally taken as their starting point the need for larger markets to overcome the constraints of critical minimum size and economies of scale. All but a few developing countries face these limitations once efforts are made to extend the process of industrialisation beyond the production of a narrow range of light consumer goods. Increasingly, countries are finding that the most substantial gains from cooperation come not so much from the widening of markets through programmes of trade liberalisation as from joint efforts at complementary development of key activities and sectors. Thus, the development of large agricultural projects on a sub-regional or regional scale is now becoming a feature of some integration groupings. Likewise, some groupings are giving attention to joint projects designed not merely to satisfy regional demand, but also to supply exports to countries outside the regions in question.

74. Although these new emphases hold the promise of making regional integration a more substantial element in development policy, it is regrettably the case that some regional groupings are making little progress, and in one or two cases are virtually at a standstill. The reasons for such stagnation are complex, and specific details tend to vary from case to case. Yet there are a few problems which tend to be common to most groupings.

75. One of these is the tendency for the main benefits of integration to flow towards the relatively more developed partner countries. Although the measurement of the benefits and costs of integration is a complicated matter, it is sometimes argued that improvements in the intra-regional balance of trade of a particular country or the concentration of new regional investment projects in that country can be taken to represent crude evidence of integration gains. Typically, therefore, the less developed countries in the grouping tend to find themselves having to face the costs of more expensive imports arising from the process of trade diversion without compensating improvements in their export earnings from sales to the rest of the region. Accordingly, nearly all groupings now have special programmes to counteract tendencies towards polarisation among their less developed member states. These developments need to be extended and generally deserve the support of the international community.

76. Associated with this problem of unbalanced development is the weakness in regional infrastructure. Most groupings in developing countries are required to function without adequate facilities in the field of intra-regional transport and communications, and for the financing and clearing of intra-regional trade. This works particularly against the development of intra-regional trade in agricultural products, where limitations such as transport, storage, and market intelligence often remain to be overcome. The less developed countries, which tend to count initially on agricultural products for expanding their exports to the regional market, are therefore placed in a particularly unfavourable position.

77. The international community has consistently shown interest in the development of integration groupings among developing countries. However, the historical and contemporary experience suggests that there is need for new initiatives designed to develop a comprehensive programme of international assistance in this field. Such a programme should give greater emphasis than has been accorded in the past to supporting the integrated development of key sectors and achieving more balanced development between individual countries in groupings. Among other things, this will call for more substantial efforts by the developing countries concerned in the identification and preparation of multi-national projects and in coordinating their approaches to development assistance. A useful step was recently taken in the Lomé Convention where, by common agreement, 10 per cent of the European Development Fund was set aside for regional projects. Similar activities might serve to generate a new confidence among participating countries about the prospects for achieving early and substantial results from regional cooperation. As far as technical assistance is concerned, the international community can support the work of integration secretariats by financing research and pre-investment studies in the field of regional project development and overall planning. Benefits could also be gained by schemes of cooperation among the integration secretariats themselves that would promote an exchange of comparative experiences, and in particular instances perhaps even a pooling of resources for undertaking work of common interest.

### **Inter-regional cooperation**

78. Much of what has been said about cooperation at the sub-regional and regional levels applies with similar force at the inter-regional level. Here, some of the difficulties described above are merely compounded by the relative absence of the common bonds of geographical proximity and historical and cultural development, which form part of the basis for sub-regional and regional schemes. Yet, an imaginative view of the future must encompass possibilities for closer trade and economic ties between the developing regions. In this connection, we support the initiatives taken by the Non-Aligned countries to set up an Action Programme to promote economic cooperation between themselves and other developing countries in the fields of trade, industry and transport. We also endorse the efforts that are being made in the GATT to liberalise trade among developing countries. We suggest that the opportunities afforded by the Multilateral Trade Negotiations be utilised for promoting further advances with this matter.

79. In the sphere of inter-regional cooperation, it goes without saying that financial and technical support from the international community has an important part to play.