CHAPTER VI

THE RATIONALE OF AN APPROACH TO ECONOMIC COOPERATION.

Section 1. The Rationale of Economic Cooperation

Trade and Development: It is not possible to generalise about the significance of either the foreign trade or the intra-regional trade of any developing country. Reasons are either feudal or colonial in nature. There is only one thing that we might observe regarding the structure of and trends in the foreign trade of the countries of South Asia, i.e., their trade and size are in inverse proportion, the smaller the country the greater the importance of its trade to its economy and development. There is another trend that we might observe - a deterioration in the balance of trade because of the slow increase in export earnings and the rapid expansion of imports. An analysis of the structural characteristic and foreign trade structures of the economies of the region reveals an essential relationship between trade and development as related to the region. They are: 1. National income per head is very poor. 2. Bulk of exports consists of primary products. 3. Imports have generally tended to grow faster than exports. 4. Dependence on foreign trade is relatively high. 5. Import trade is the principal means of securing the supply of capital goods. 6. There is limited effectiveness of import substitution for capital goods. It is against this background that the main rationale of economic cooperation in the region becomes apparent. Steps would have to be taken to remove such limitations.
The Rationale of Economic Cooperation: Innumerable reasons have been adduced to why regional economic cooperation should be had by countries of the area for their own economic betterment. These objectives may be briefly summarised here as the various proposals made towards economic cooperation for the region in this thesis would bear testimony for their identification and consummation through implementation of measures on a regional level and harmonisation of policies on a national level. The aims of economic cooperation require suitable methods to fulfil them in the light of the circumstances prevailing in the area. We then may categorise the goals for economic cooperation. They are:

1. Political interests including bargaining power, and national security. 2. Economic development through cooperation. 3. Lessening of dependence on the erstwhile mother countries. 4. Diversification of the economy through industrialisation. 5. Seeking new patterns of productive forces. 6. Evolving plans for cooperation on a regional basis. 7. The fact that other regional groupings exist is an inducement. 8. Seek diversion through discrimination. 9. Coordination of development plans of all the countries of the region without discrepancies. 10. Meet the people’s rising expectations of the more rapid economic growth. 11. Enable the countries of the region to import capital and intermediate goods for development purposes. 12. Avert the declining exports and rising imports. 13. Enlarge the frontiers to increase import substitution. 14. Prevent the narrow import

---

1. All books on Integration deal with this problem.
substitution processes, which have crippled intra-regional trade further. 15. Obtain the advantages of specialisation and the economies of scale. 16. The limits to import substitution could be recognised and greater competitiveness introduced for efficiency. 17. A new pattern of trade could be envisaged. 18. The strategy of planning for economic development could be improved. 19. A large scope for public and private investment would be thrown open. 20. Coordination of plans and stable and reasonable prices would be needed. 21. Since their exports are similar there is need for coordination in the production field. 22. Present national plans are sometimes harmful, like in food self-sufficiency, and affect intra-trade. Hence coordination is needed. 23. Standard of life of the people has to be raised through economies of scale, specialisation and large investments. 24. There is need for reduction of dependence on external sources for diversification and autonomy. 25. Sub-regional cooperation is better than a wide regional cooperation because of size and difficulties. 26. There is no regional autarky, but adjustment with other regions and countries is needed. Capital is still needed from developed countries. 27. The process of development is an overriding factor in developing countries unlike in Europe where it is a question of allocation of resources. These and many more constitute the rationale of economic cooperation in developing countries, and they apply with greater emphasis to South Asia. They have similar problems and similar policies. Sometimes the solutions are similar and at times different. Their economic future rests on the critical factor of economic cooperation. New patterns of trade and industry require different policies and plans, and these have to be harmonised from a regional point of view and
not from the hitherto narrow national autarkical angle. But the central problem in this process of economic growth through integration is the distribution of gains equitably among all the members of the group. There are two problems that are bound to crop up. The first is that integration would result in higher import prices (world price and tariff) and a loss of revenue for governments. Each affected member would claim better prices for exports or compensation. This would cause the internal terms of trade to worsen for the weaker and smaller partner. The second problem is the one of polarisation. Yet the spillover effects on the remainder could offset the terms of trade effects. Hence the partner must be similar, or the weaker one should be given special preference. There are two ways of sharing the benefits and costs equitably between members - 1) direct financial transfer as in the East African CM in the early 1960s, or 2) the industrial development of weaker nations through suitable tax incentives or other measures as in the Central American CM. But the industrial planning in the CACM were more balanced but were slow and complex. The "transfer taxes" of East Africa were also quite defective. In both the cases, however, Development Banks have come forward to help regional industrial planning to realise scale economies. The experience of LAFTA in proceeding on an industry-by-industry basis seems to be a solution to this. (In this respect the Free Trade Area seems to be better than the Customs Union, because dissatisfied partners could alter their tariff in favour of imports from the outside world, but this would be defeating the very purposes of integration.) The developing countries through their preference for industrialisation are able to mitigate their dependence on agriculture and promote economic development and the emergence of
complementaries. They desire to reach the take-off stage at the earliest. Economic cooperation is a dynamic concept for the transformation of the economies which must take note of political and social realities. We therefore proceed to discuss in the next section strategies and feasible approaches to achieve these objectives, we have indicated in this section.

Merits of the South Asian Region: 1. The post-war trend towards political independence and fragmentation led to economic fragmentation. Burma was separated in 1937 and India was partitioned in 1947 and there was a trade dislocation of India with Burma and Pakistan and so the intra-regional trade of this region declined from one-fifth of the total trade in 1938 to one-eighth in 1954, one-tenth in 1958 and one-twelfth in 1960. Exchange difficulties and political tensions were among the chief reason besides India's desire to be self-sufficient. Political healing and reapproachment will alone be able to augment the trade of this region at least to its previous levels. The dogmatic adherence to self-sufficiency as a creed is not a wise ideal. The Export Promotion Committee of India once remarked that an acre of cotton yielded more than an acre of wheat, and an acre of oil seeds more than an acre of cotton so that land had to be put to good and profitable use. That food had to be imported precariously from foreign countries during a war should not be a reason for self-sufficiency in food. This argument loses much of its force if we could regard the region as a compact unit free from political commitments and scene of war. Reasons of strategy and defence give added strength to the consideration of the region as an economic entity by itself. It would thus be possible to integrate strategic, political and economic reasons in one involving the coordinated planning of the whole region.
2. It has been argued against the Bofe region that the range of its commodities were limited, the geographical area was wide, that the complementarity of their economies was limited and that facilities for trade flow were lacking. The area proposed here has certain advantages in these directions. It is geographically a compact area and has a great degree of complementarity because of the variety of vegetation and climate ranging from the tropical to the temperate, not only in agricultural commodities but in minerals as well. What the region requires is a complete geological survey. It has another advantage. It is known that coastal shipping is less costly than ocean shipping and inland rail. The long coast of this region is an advantage in transport and should help trade and industry. Commercial and banking facilities are quite extensive. Further the area is big enough, so that the Bofe region with its geographical extent is in need of being organised into two or more groups. Thus geographically the region deserves special treatment.

3. The Social and Cultural background of the region is a composite whole, and the daily needs and products used have a great similarity so that production could be undertaken in the hope of satisfying the demands of the market. The taste of the consumers are an important consideration in economic activities. Apart from these the internal and external policies of these countries in many matters are alike, and they have accepted mixed economy as their main social pattern. Any variations that may be noticed are negligible.

4. The present pattern of trade has to be judged against the background of a feudal organisation, rising population, low
standards, and inadequate capital formation. Certain exports have been forced for the sake of balance of payments. With reconstruction and development the pattern would alter and therefore the future of trade and industry must be gauged from the needs of a changing society and not a static one. A reordering of the economic activity of the region must be undertaken if the natural and human resources of the region are to be utilised to the maximum.

5. Preferential treatment of trade within the region should pay due regard to the less developed and the small countries through greater preference for them, as otherwise they would not gather the momentum for industrialisation. Concession, even if reciprocal, must take into consideration the needs of the smaller members. This partially would narrow down any disparities in the rate of development which should not be very wide between the members of the region. It is very necessary to ensure to all members a minimum of infrastructural facilities without which competitive power would be difficult to acquire.

6. The magnitude of intra-regional trade should not be the criterion for judging the utility of regional preference and coordinated development, but its significance in promoting industrialisation behind a larger protected market. India too has the problem. Among the problems of export manufacture she has the problem of competitive power in foreign markets. Hence the problem of market for developing industries is a common problem of the region and therefore the absolute necessity for a preferential arrangement. Despite all these the export trade of the countries of this region will remain concentrated, but
excluding jute, their prospects are reasonably good over a long term period even if synthetics and substitutes are used. It would thus be seen that a regional preference trading system is primarily meant to develop the industrialisation of the members of the region and to solve partially the balance of payments problem.

7. The terms of trade will improve and more foreign capital and aid would flow in from the U.N. and other international agencies and from advanced countries. In addition, the advanced countries would liberalise their trade policies and cooperate more fully in the economic development of the region, individually or jointly.

8. Though self-sufficiency need not be followed as a complete principle, the present lines of development need not be abruptly changed and a certain degree of development in food, clothing and basic industries in each of the member countries may be permitted in order to avoid any dislocation in the present framework and in order to meet the short run problem of the balance of payments. But in the long run it would only be the proper allocation of factors and resources that can more quickly satisfy the food and clothing needs of the people of the region and not the sub-marginal methods of attaining self-sufficiency.

9. The trading countries of this region are far away from them and are subject to all sorts of stresses and strains. The manufacture of certain basic materials and consumer articles in the region itself could save many overhead and commercial charges which would be a saving on the invisible items. The
lack of ocean-shipping development in this region and the traditional use of coastal vessels should strengthen the need for regional trade.

10. Technical know-how and suitable machinery to combine with labour rather than to displace it could be developed more effectively within the region than from outside it. This would accelerate industrialisation in the manner most suited to this area. In addition, a proper allocation could be made between large-scale and small-scale industries including handicrafts. This would further minimise the use of foreign capital from the advanced countries and conserve it for the most appropriate purposes. Regional preferential trade widened and deepened in slow stages would thus promote the best economic interest of the members of the region, both big and small.

Section 2. A Feasible Approach to Economic Cooperation

Forms of Cooperation: Experience elsewhere, both historically and currently, has provided us with examples of many forms of economic cooperation. Economic Union, Customs Union, and Free Trade Area are far-reaching and are therefore not suitable and possible, not only for the entire region but for groups also. This is because of unequal development, apart from social and political factors. Hence other forms involving less integration may be tried by groups of countries. The use of preferential trade with gradual liberalisation of tariffs and quantitative restrictions so as to fit in with the development plans of individual countries would be a very feasible measure of economic
cooperation. It would also be possible to coordinate development plans in specific sectors or groups of like products or even individual products. Yet another device would be to undertake joint industrial ventures amongst countries, or integrate the development of industries involving final product and components. There could also be cooperation for the stabilisation of commodity prices, coordination and improvement of research and training facilities, participation in the establishment of multilateral credit and payments arrangements, in the establishment of a system of automatic credits and multilateral compensation arrangements to overcome the temporary payments problems and to eliminate restrictive measures, and in the facilitation of wider travel by linking it to the payments problem. The arrangements could also be undertaken on a bilateral or multilateral basis as circumstances would permit. But the forms of cooperation must take account of two things: (1) the existence of different degrees of development among the participating countries, and (2) the need for a machinery for coordination of plans, because resources are allocated through plans by countries. These devices are eminently suitable for adoption by the countries of the ECAFE region for promoting the development of industry and intraregional trade, though a system of preferential trade would seem to be an essential feature of the regional set-up for the early stages of an integrated planned development.

A South-Asian Preferential Area: A South-Asian Preferential trading area would fulfil the conditions of our postulate most ideally. The exports of these countries are principally agricultural commodities and raw materials, and in some of them these countries are the principal suppliers to the world. They would continue for a long time to come to import food and raw
materials as also capital and intermediate goods in increasing quantities with the development of their economies and the growth in their population. Thus the exports and imports of these countries have inelastic supply and demand, and excluding certain categories of industrial goods, the other goods would not be subject to serious diversion. In fact, the diversion in food processing industries and other manufacturing industries would be more than counter-balanced by increase in the traditional exports. Political and administrative difficulties are not likely to arise with regard to these countries. Their internal policies and plans are alike. Their skills and tastes are similar. Preference could be given on goods that are complimentary to their economies. Certain categories of goods could very well be produced in Sri Lanka for exports to the others, and Sri Lanka could be a marginal market for many of the other South Asian goods. The area would include Sri Lanka, India, Bangladesh, Pakistan, and Nepal, which have a geographical, political, strategic, historical and cultural unity, besides strong economic links.

The development of the Latin American Customs Union must be an encouraging example though different in important respects. It was forged by the O.A.S., with the help of the E.C.A.D.A. Latin America found that her export expansion in the future was not bright enough to maintain her present rate of development and bridge her payments disequilibria, unless her exports were diversified, a change took place in the terms on which international financing was granted, and the import substitution process evolved within the framework of a common market with preferential treatment for the less developed countries among them.
The development of backward countries has been till now outward, but hereafter, with changing patterns of trade and trade policy, development should take place inwards, both to solve unemployment and raise living standards at home and improve balance of payments disequilibria abroad. Imports substitution must hereafter take greater precedence as an instrument of economic policy and it should be evolved within the framework of a larger common market. Smaller countries import greater proportion of their consumer goods because in their case imports substitution costs are high. Similar costs difficulties might also affect the bigger countries in respect of high-capital fields of production. Imports substitution would reduce the area’s demand for goods from outside the region to a level compatible with the foreign exchange at its disposal without sacrificing the advantages of specialisation and of economies of scale. A preferential system would make development more rapid, not only for the region as a whole but for each country as such. Development may not be equally intensive for all its members, but if reasonable disparities in their rates of growth were accepted, and the different degrees of productivity characterising countries at various stages of development were recognised, the trade of the area would increase sufficiently to offset any payments disequilibria of the region.

A preferential trading system has its own problems. The location and site for the production of the import substitution items have to be worked out with due consideration for the less developed among them. Projections have to be made for the intra-regional trade in each sector. The trade in agricultural commodities would again depend on the degree of self-sufficiency the region wishes
to attain, both as a whole and individually, so that the trade in some commodities would increase and others decrease in the region. Apart from the consideration on market size, resources and available reserves of foreign exchange for importing from outside the region, another factor affecting intra-regional trade and its composition would be the maladjustments in the structure of production which may result from a reduction in restrictions. The nature and magnitude of these maladjustments should be considered concurrently in the light of various factors. Preferential treatment and freight policy are valuable allies to the small countries. In general, the absence of a preferential trading system would affect the development of the smaller rather than of the bigger countries, while its establishment would improve the outlook for both, and enable the smaller countries to develop more rapidly than the larger ones, and if new lines of activities are discovered the participation of smaller countries in a preferential area would boost them. As for regional commercial policies, Dr. Trygve Lie, one of the Secretary-Generals of the United Nations, had said that the United Nations must be flexible enough to produce and accommodate the necessary pragmatic combinations of regional and global interests. Thus the establishment of a preferential system between the countries of South-Asia would lead to the growth of their foreign trade.

The Importance of Intra-Regional Trade: The declining importance of intra-regional exports is due to the overwhelming dominance of industrial raw materials in the total exports. There could be more of it used within the region. But intra-regional trade in the other categories are quite significant. The real causes of decline are
the attempts at self-sufficiency in food and industrialisation by import substitution. Intra-regional imports also declined because of the importance of the import of capital goods for development, from the West. While total exports were dominated by industrial raw materials, total imports were dominated by capital equipment and goods for industrialisation and economic development. Hence it is that intra-regional trade is not so significant, and so regional imports grew at higher rate than regional exports. Yet the extent of intra-regional trade is quite considerable during normal times.

The picture of intra-regional trade relationship which emerges from an analysis is not a simple one. Optimum regarding the effects of market integration and trade liberalisation have to be tempered by the fact that in the short run the gains may not be very great. A look at the existing barriers to trade, both tariff and non-tariff, may help us to determine the possible short run effects of trade liberalisation measures in the region that may be undertaken. It may be in respect of 1. Live animals and unprocessed food stuffs; 2. Raw materials, both agricultural and mineral; and 3. Manufactured and semi-manufactured goods. The barriers are not such as to have prevented greater trade because it would have taken place even otherwise.

**Scene for Expansion:** Here, removal of barriers are not sufficient for greater and expanding trade. A deliberate policy of economic cooperation alone could promote economic development and trade expansion. The reliance is on long run effects through economic development from economic cooperation.
An analysis of the actual and prospective trends may help to indicate in what direction such cooperation is possible. An examination of the possible long run effects of the various sectors would reveal that integration would be of the greatest use in the development of the industrial sector. And intra-union trade expansion will be much more the result of growth factors than the result of a shift in prices and supplies. This would create trade expansion both in the region and in the world through complementarities. (Deliberate policy measures are indispensable if trade among countries of the region is to expand.) Various types of measures could be considered. Each measure will depend on the specific circumstances. They need not mutually exclusive. They could be one or more of the following: 1. Commercial policy measures. 2. Coordination of investment or production programmes. 3. Regional economic integration of national markets. Unctad recommended ten measures for ECDC: 1) Scheme of Trade Preferences among Underdeveloped countries. 2) Cooperation among State Trading Organisations. 3) Establishment of Multinational Market Enterprises. 4) Strengthen of Regional Economic cooperation. 5) Establishment of Export Credit and Guarantee Schemes. 6) Cooperation in transfer and development technology. 7) Transit problems of landlocked and island developing countries. 8) Regional insurance schemes among developing countries. 9) Promotion and facilitation of capital flows among developing countries. 10) Establishment of Multinational Production Enterprises. The Colombo Non-aligned conference of 1976 stated additional proposals/issues to the ones stated by Unctad. Of the ten issues, mentioned above, numbers 3, 9 and 10 are the most important for promoting regional economic development. These ten constitute the objectives and action proposals for the 1980s for ECDC.
A Feasible Approach: The most feasible approach will be influenced by the gains to be reached. Would the trade liberalisation approach of customs unions as in Europe ensure the attainment of the objectives of cooperation, because the effectiveness of the approach chosen in ensuring the gains is very important? What are the factors that will determine the feasible approach? An examination of the differences between Western Europe and Asia regarding trade liberalising measures within customs unions will indicate an approach. In Asia there is direct state control over allocation of resources. In Europe there is only fiscal and monetary influences over supply and demand. Hence, market forces do not function in Asia. First, planning results in greater degree of state participation in the economy. Secondly the importance of agriculture and employment in Asia limits the degree of integration. Their stages of development and per capita income are at different levels, and each government is mainly concerned about itself. Lastly, in Europe the question is one of efficient allocation of resources, but in Asia it is one of promoting the rate of growth of the economies. These factors together will determine the feasible approach to regional economic cooperation. Trade liberalisation alone is not sufficient. It must be backed by harmonisation of plans of each country. The price mechanism is severely limited. Even if removal of trade barriers expanded trade, the impact of growth may not be as expected. In Asia price and market mechanism cannot reallocate resources in a desirable way. Even if it did, allocation of resources may not be the best. Market mechanism is not effective to increase efficiency and welfare in developing countries. Trade impact is not great as elasticity and mobility do not operate as in the West. So,
comparative advantage and specialisation and reallocation of resources are not effective and efficient. The crux of the problem is that the supply side is inhibited, and so savings is more important for larger investment. Asia requires efforts to increase saving potential and attain larger investment in desired directions. (Therefore intra-regional trade by itself cannot create gains from integration.) Trade is only a necessity and not a sufficient ground for the exploitation of the gains from integration. Instead of being the cause it will be the result of cooperation. There should be deliberate complementarities created in production patterns through joint industrial planning and other means of cooperation in production to change the composition and magnitude of investment that would promote the increase of such trade. Otherwise, more trade liberalisation will have no effect on the economic growth of the countries, which is the main objective of regional economic cooperation. It will be only nominal. Harmonisation of national development plans or joint production is necessary. This may be confined to particular sectors and/or extended to the whole range. Complementarities must be developed through agreed specialisation. Planning thus becomes an advantage. Harmonisation at the industrial and project level must be achieved. Infrastructural facilities must be provided to ensure economies of scale. There should be coordination at all levels to ensure minimum conditions for integration. This would enable industries to face world competition.

1. Harmonisation of plans and joint production: The sectors could be chosen and made as wide as possible. This could promote development and cooperation. There should be agreements on
specialisation in production, and complementarities could be generated in production, and planning could help it. Trade could develop along new patterns of complementarity in production. Unnecessary duplication could thus be avoided, especially with regard to basic infrastructural facilities for regional economic cooperation.

2. Of greater importance is harmonisation at the industrial and project level - choice of industries, including location on long-run considerations.

3. Coordination of plans in the public sector in order to coordinate an integrated market: This is necessary for infrastructure. A regional investment board is necessary. There should be a minimum of consultation and harmonisation with respect to key development projects. This would lead to development of capital equipment and goods. Regional approach is better than national approach. It makes the achievement of the goals of economic cooperation realisable much earlier than would be possible otherwise. Major industrial ventures will be more economical and will later compete in the world markets.

Upto now we have considered the gains and the problems arising from economic cooperation and integration. National markets are narrow and industries operate below capacity. Trade liberalisation alone is not sufficient. It must extend to production also. Harmonisation of plans and joint industrial planning and investment appear to be the most feasible approach to economic cooperation in the region. Even if a customs union were to be formed some kind of regional investment policy based on agreed specialisation may be needed to make any such arrangements, both economically and politi-
cally, viable. Western markets are still needed. Studies indicate the possibilities for regional industries. Also are needed investment plans to attract foreign capital. The best use of resources is essential.

Regional economic groupings rest on a rationale for protection as an aim of policy. For most developing countries industrial development is accepted as a major policy objective. Customs unions are based on preference for industry and on treating protection as a legitimate object of policy. Even the reformation of the country by Johnson and Cooper and Massel are based on tacit acceptance of this assumption. Protection and accelerated industrial development are legitimate policy objectives. If industrialisation with protection makes it possible for an increase in real product and rate of growth of a country in the long run, integration may make it possible for an increase in the potential product or rate of growth still further. On the other hand, if protection implies real costs, integration can reduce these, and thus increase real product or rate of growth of a country. Integration uses specialisation and economies of scale. Instead of each country trying to industrialise on its own, integration should result in gains. Integration makes the regional rather than the national market, and would increase the potential rate of growth and output for any given level of protection, thereby contributing to economic growth. In short, trade diversion would be undertaken in a more efficient way. The magnitude of the potential gain will depend on the extent of preference for industry in the region, differences in cost ratios of producing industrial goods in different countries and the extent of economies of scale achieved. The dynamic gains
over the long run may prove to be more important than the short period gains through the allocation of a given amount of resources. Besides, more market integration and trade liberalisation would yield short run gains which may not be very great. To be effective integration must be done early before industrialisation has gone far enough to prevent adjustments. Cooperation must start with specific projects to get into the habit of cooperation and feel confident of success. Harmonisation of plans and policies must go apace. Limited objectives would be more realistic and practicable. Industries would have to be identified, and the support of banks and other financial institutions would very much depend on the location of industries. Location has two sides to the problem; on one the countries concerned would demand a fair distribution of the industries, and on the other those investing would demand profitability of the location. A reasonable solution would have to be found as otherwise the basis of integration would be called into question. This requires the 'second best' solution. Partners are not prepared to wait long to realise gains other than on the basis of a fair and equitable distribution of costs and benefits on an agreed formula of specialisation. It would sometimes be wise to consider projects together, than to take them up one by one. This would avoid mutual suspicion and help the aims of integration.

It would be still better to start with new industries and new investments. A good example is that of the RCD. Projects could, of course, be sponsored independently or by two or more members combining together. Agreed specialisation would be enough to achieve scale economies. An advantage of limited approach is that it avoids divergent commercial policies which would complicate matters
if complete merger were sought. The number of products must be limited and markets must be integrated to assure each participant access to the markets of others to enable them to achieve scale economies. Whatever may it be, long term possibilities and profitabilities will remain the deciding considerations in the selection and location of industries. For this, joint promotion of selected regional projects and preferential trade should be the beginnings. Trade liberalisation should be consistent with development programmes, and there should be coordination of plans in specific sectors. A deliberate attempt is, therefore, called for by the members to plan out their industrial development on an agreed specialisation programme.

Moreover, joint efforts for commodity stabilisation, improvements of transport and communications, especially coastal shipping, credit and payments agreements, training and research cooperation, transformation of technology, long-term agreements on agricultural products, food self-sufficiency, etc., are all matters that require close attention to make integration effective and efficient. There may be a big gap between aspiration and achievement, but the benefits that accrue are undisputed. Assurances will be required by all from all the members, and negotiations may be complicated and difficult, especially at a time when all countries are engrossed in their own domestic problems which do not give them breathing time to think of regional problems. The fear that they may impair their sovereignty may also hold them back, apart from ideological and policy differences. Nevertheless, the arrangement that we have indicated is both realistic and practicable. It admits the difficulties of an immediate merger and shows how partial integration
of selected sectors and industries and projects could very well lead to eventual integration, while economic and non-economic factors are harmonised to place regional interests above the national pitfalls, so that a more feasible approach is made now to enable economic cooperation a meaningful reality.