because, among other reasons, the exports which would enlarge the markets are lacking. Had it been possible to develop industrial exports, the process of industrialization would have been more economical, for it would have made possible the international division of labour in manufacturing."

Responsibility for exaggerated import substitution does not fall only on the governments of the less developed countries and their advisers. Two World Wars and the great depression in between were reason enough for many countries to try to produce at home what, in those circumstances, they were no longer able to buy abroad. But the least to be said in criticism of the less developed countries is that so far they have shown little tendency to reverse course and expose their small monopolies to outside competition.

REGIONAL OR INTERNATIONAL INTEGRATION

Under the conditions described, negotiations for regional integration by various groups of less developed countries are likely to mean hard bargaining for mutual support, and reciprocal sacrifice, of high-cost industries. With each participant concerned lest it lose more than it gains, the difficulties of arriving at agreement and successful implementation are apparent.

Considered in this light, it may be significant that the one regional grouping which has been showing signs of progress toward integration—the Central American Common Market—is one whose member states had previously remained relatively open to the outside world and consequently did not differ widely from each other in their cost and price structures. Nor, it must be added, did the members differ much in the relatively low state of their industrial development. There may be, in fact, some risk that the progress now being registered in their manufacturing output and in their trade with each other could prove to be another example of what Prebisch called the "easy phase" of import substitution. The outcome is likely to depend on how successful they are in diversifying and expanding their exports to other countries at the same time they increase their trade within the area.

Political conditions permitting, other countries with relatively simple and open economies may be able to form local economic unions on the Central American model. That experience also suggests the paradoxical thought that countries whose import substitution has gone much further, such as most of the other Latin American countries, may be able to move toward regional integration only by first reintegrating with the world economy and bringing their cost and price structures more in line with those outside. A different, and perhaps more realistic, strategy is evidently reflected in the renewed effort toward economic union undertaken at Punta del Este; namely, as Joseph Grunwald has expressed it, that integration is a "means of lifting the Latin American countries to a level of economic maturity where, without the aid of inefficient protection, they will eventually be able to compete as equal partners with the developed nations."

The expectation underlying this strategy, as expounded by Grunwald, is that integration would expand market perspectives, allow a more rational allocation of resources, permit economies of scale, spur competition, and stimulate private investment. Also, a "protected regionwide market" would provide the catalyst needed to break down